

**STATEMENT BY MINISTER ON
RECENT DEVELOPMENTS IN STOCK
MARKET —*contd.***

SHRI JAGESH DESAI (Maharashtra) : Mr. Vice-Chairman, Sir, I think that the Finance Ministry as such is not much involved in this barring one thing and that is in February, the index was 2200 and within two months it went up by more than double. During that period what action has the Government taken ? May I know from the Minister whether the Government have analysed it ? Why has it happened like that ? What corrective measures have they taken ? May I know from the Minister whether the Government has undertaken any kind of study and instructed banks accordingly ? How can it go up by more than double within two months. At that time the Finance Ministry should have intervened. About the transaction, I think, the Finance Ministry as such is not much involved in it. It is the Reserve Bank of India.

SHRI P. SHIV SHANKER: When you say "not much involved" means some involvement is there. ... *(Interruptions)*. ...

SHRI JAGESH DESAI : When it was going up to this extent, they should have taken remedial actions.

As we all know, we had an opportunity to go into the details of bank frauds. Some of the Members of this House were also Members of one Committee. We found reconciliation was not done or frauds were concealed in the reconciliation. We had an occasion to see the State Bank of India records also. Why was reconciliation not done ? It should be done by the Reserve Bank of India and by the State Bank of India. The reconciliation should be done daily. When the Securities were purchased on behalf of the State Bank of India by a broker was he given security by the State Bank of India or not. May I know from the Minister whether these transactions were only for one day or they were going on for the last several days ? When he was purchasing a new Security on behalf of the State Bank of India, did

\— - the original one to the State Bank of India or not ?

Thirdly, the Securities and Exchange Board of India has been given statutory powers for monitoring and regulating the stock market. I would like to know whether there is any kind of machinery to assess the intrinsic value of major shares, taking into account their profitability and the market value assessed, as it is done every year in the case of private sector. May I know from the Minister whether (his kind of exercise is being done or not ? !f not, then, how are you going to check whether the value if the shares quoted in the stock market has any relationship with the real value ? On those lines, what kind of guidelines are you going to issue to the Securities and Exchange Board of India ? I can understand the difference between the intrinsic value and the value of the assets after taking into account profit by 5 to 10 per cent. But when it is to a certain extent, what actions are taken by the Government ?

I do not want to give the name of the broker. It came in the newspapers that one broker was utilising the funds of the State Bank of India for the purchase of shares. When this matter came to the notice of the broker, he must have sold the shares of somebody else. I want to know from which source he has given this Rs. 622 crores to the State Bank of India ? From where has he got this money ? After he came to know about this, he must have sold out all shares in one day. That is why the stock market crashed. If the transaction with the broker was going on for the last two years, has any interest been charged by the State Bank of India for the funds which he has utilised ?

I would like to know one thing. In future how are you going to regulate this stock market? Here I would like to say a word about the market economy. They say that in this system, market forces can determine the prices. If that is so, if that system is adopted, the poorer sections of

[SH. JAGDESH DESAI]

people will lose confidence in share markets. As such, the Government should find out a mechanism to see that there is no excessive pricing in share market. To achieve, this, what action does the Government propose to take?

SHRI KAMAL MORARKA (Rajasthan):

Sir, the statement of the Finance Minister reveals very, very serious facts. I am happy that he has put all the facts on the Table and taken the House into confidence for which I thank him. Probably, as it should be, the Finance Minister has stopped short of drawing inferences. And the inferences are, very benign, system failure, individuals concerned will be inquired into, etc., etc.

Sir, I wish to know from the Finance Minister some very disturbing things which I see in the statement and which, I am sure, his mind would also be agitated about. There are two different aspects of the statement. One is about share market prices and the other about use of bank funds for the share market. These are two distinctly different matters and the statement also contains different paragraphs.

The first and the more serious matter is the use of bank funds for the share market. From the statement it appears that on 22nd April, effective from 22nd April 1992, banks have been told to charge a minimum margin of 75 per cent. I would like to know what the margin was before this date because it is like locking the stables after the horses have bolted. After 22nd April, after all this has been found out, you have increased the margin. What was the margin before? That is my first question, •

The second question is, was there a limit, bank limit, of the maximum borrowing for an individual or one group of companies against shares? If there was no limit and if the margin was very low, any so called 'but operator' could use bank funds, within your policy. That it was irregular with regard to this Rs. 622 crores is a different matter. Even in your normal policy, there is scope for using

bank funds to play in the stock market.—This is a serious lacuna in the system.

As the Finance Minister himself has said, one of the reasons for share price increase is too much funds chasing top few shares. If that is so, then at least bank amounts should not be allowed to go in the share market. I want to know what the constraint facing the Government is in totally banning loans against shares, except to a limit of Rs. 50,000 or Rs. One lakh which is more an individual money. In 1969, when banks were nationalised—I remember very distinctly—the practice followed before nationalisation of lending money against shares was stopped and a very, very small limit was fixed. Mrs. Gandhi herself had taken over the finance portfolio and she had fixed a very small limit to help the salaried class and the middle class when they are in trouble. Otherwise, bank finance against shares was banned. In your new Economic Policy—I do not know the ramifications; I do not want to enlarge the scope of these clarifications—if there is a provision for the use of bank credit for the share market, then, I am afraid, the Government will lose control of the economy totally.

I am amazed that the statement says that the amount of Rs. 622.72 crores, it has been reported by the State Bank of India, has since been recovered from the broker. I submit very humbly that in the economy or in the economic system that we are operating in, it is impossible for an individual to return this amount money in one stroke. As is my suspicion—and I am sure my suspicion is true—he must have got this accommodation from other banks in the same system which we do not know about. The revenue intelligence authorities are also under the Finance Ministry. If this Rs. 622 crores has been returned, it must immediately have come to the notice of the revenue people. From where has he got Rs. 622 crores in one day?

SHRI P. SHIV SHANKER : This seems to be a part of the money.

SHRI N. K. P. SALVE : This is not the full money.

SHRI KAMAL MORARKA : That is all right. What I am trying to submit to the Finance Minister, which I understand fully, is that there are two or three problems I am facing. One is that one individual could avail himself of over Rs. 600 crores of bank money for purposes for which it was not meant. Second, when the thing is found out, he returns the money. According to me, the return of the money is as serious as taking the loan. How can he return Rs. 600 crores in one day ? Therefore, the statement conceals more than it reveals. We read in the newspapers, "The State Bank says that we have balanced our ledgers." Balancing of ledgers can be done in various ways, as the accountants know. I am sure, they have balanced their ledgers. But what should agitate the Finance Minister is how can one individual has access to this colossal sum of money; and if it is possible, your share market "boom", if you call it a "boom", will never stop because the share markets have gone into the hands of speculators and free booters. That is my first problem.

The second problem is this. The Deputy Governor of the Reserve Bank of India is going to conduct an inquiry. I submit to the Finance Minister that there is nothing to enquire into. The Deputy Governor knows everything. All the facts are known. There is no collusion of some officials. This is a normal banking practice now. The State Bank lends Rs. 600 crores against the banker's receipts. I want to know which those banks are which have issued those banker's receipts and against what security. That is the crux of the question. So whichever are the different banks involved in issuing those banker's receipts, they are equally guilty, if not more guilty than the State Bank. I do not know what inquiry the Deputy Governor will hold, but most of these facts are known to the Reserve Bank of India, to the Department of Banking and the Revenue people should immediately become wise to this. I submit to the Finance Minister the facts he has very kindly put on the Table; we know these facts that these scams should be put an end to

immediately, without delay. It is no use waiting for the Deputy Governor's report. Obviously, if banks' funds are being used in the stock market, we ourselves are getting a false feedback in the stock market. That is not really industrial confidence. I do not want to talk about the Economic Policy, but as you yourself had said in this very statement that among other things, this Sensex index indicates the confidence of the economy in general; if it does, then a drop in the Sensex would indicate loss of their confidence. So I don't understand it. They are on a very, very slippery ground. You take Japan which has as free an economy as possible. Recently- in the Bank of Japan and other major banks major heads have rolled because of similar transactions. They have used banks' funds to corner certain securities to step up the price of shares. They have found the Ruling Party politicians involved and, therefore, they had go to resign. I am not suggesting here who is involved, but one thing is sure. Knowing the banking system, knowing that all the Reserve Bank directors on the boards of the banks object to even small increases in credit to small scale sector, medium sector, even large industries for productive purposes, how can such large transactions go unnoticed ? The Reserve Bank of India's Directors on these boards, the Banking Department's representatives on these boards, have they not to answer ? I can't agree and I don't believe that these things have happened without the notice of the individuals. This is not a question of inquiry, but a question of action. And if the only action that you have taken is to recover a sum of Rs. 622 crores and you are still waiting, how many more thousands of crores will come to our notice ! I think, that is not acceptable. The Finance Minister should immediately issue a circular "no advances against shares, except to a limit of Rs. 1,50,000 for the poor people, for the small, middle-class people." Unless you put a stop to that practice, I am afraid, banks' funds will find their way into the stock market in some way or the other. You will have to do it against securities. I do not know what the system is. I still have not understood it fully, but as I have

[SH. KAMAL MORARKA]

understood, securities are supposed to be traded between banks. If the banks can't deliver a security, they give a banker the test receipt which is from one bank to the other, here is the private party holding a banker's receipt. A private party can't get hold of a document, as far as I know. If it is so, please plug their loopholes. Let the security transactions be bank-to-bank. Private parties should not be allowed to get banker's receipts and avail of bank money against those receipts. Sir, these are the actions required. I don't think an inquiry is required. We have got more acts than to damn anybody (*Interruption*) I can only submit finally that the Finance Minister's statement confirms our worst fears. Something is rotten in the State of Denmark. I want him to immediately take action and I appreciate my friend, Jagesh Desai, who starts by saying that the Finance Ministry is not involved. Nobody has said that the Finance Ministry is involved in this. Our problem is, the Finance Ministry is not taking action against the culprits. The Finance Ministry is not getting involved in this. This is my complaint. Nobody ever says that the Finance Ministry is involved in this. The Finance Minister says the SEBI will look after the market speculation. SEBI cannot do anything with the Finance Minister. SEBI can only regulate the brokers and their financing. It is the Unit Trust and other institutions which have to get into the act. He must tell us what the Government policy is. If fluctuations of shares are going to be allowed, if the Unit Trust and L. I. C. are not going to intervene, it is a different problem. If the bank funds are given to private operators to jack up the shares we are in an absolutely different ball game. I think there is a reversal.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Let us not turn it into a debate.

SHRI KAMAL MORARKA : I would like to know from the hon. Finance Minister as to what the Government policy is. What action is being taken by the Government? This enquiry is not making me happy.

This does not reveal anything more the what is already there. Thank you.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Shri Daj nand Sahay. He is not present. Shri Jail Reddy.

SHRI S. JAIPAL REDDY (Andhra Pradesh) : Mr. Vice-Chairman, I don't want cover the ground already covered by my colleagues. But I must admire the thoroughness with which our Finance Minister has narrated the startling facts. On the face of it this is the biggest bank scam in the history of free India. I am or happy that he has not hesitated to place the facts, as they are, on the Table of the House. I would like to know from Finance Minister as to why the C.B.I. not being asked to make this enquiry. Mr. Kamal Morarka has rightly point out, some of the R. B. I. officers are ready involved in this scam. The C. B. I. must be involved because it is not the Reserve Bank of India which is involved in it, but there are many other nationalised banks which have been involved in this highly orchestrated operation. I would like to know whether it is true that the UCO Bank has financed Rs. 50 crore to the same bull operator and whether this money has been used to repay the amount due by him to the State Bank of India. When the Budget was presented followed by a boom in the market, were told that the boom was an inevitable result of the positive reception of the 850 million people of India were according to the new economic policy. But we know that booms and glooms can be both cast and stage managed by one or two sharks. I would like the Finance Minister to throw some light on this phenomenon. The Finance Minister said that it would be enquired into. But, what is the time-frame? In the House—I think it is not irrelevant for to recall—we have been demanding : years—I am not finding fault with present Finance Minister—that the functioning of the banks should be subjected to the scrutiny of a committee of the Parliament. If the Public Accounts Committee

can scrutinise the deals of the Defence Ministry, why can't the deals of banks be scrutinised by the Standing Committee of the Parliament ? I think, the law in this respect should be amended. The secrecy clause in the present law should be dispensed With. I remember one case where I put a question way back in 1985 as to whether a particular company—I don't want to name the company—had availed of Rs. 160 crores in 24 hours. I got a reply after 20 days when I was a Member of the 8th Lok Sabha, saying that the facts were being collected and I forgot about the question. Later, after 2 years and 11 months, I got a written reply from the Finance Ministry to say that these facts, though collected, could not be supplied to me. Until got that reply after three years I didn't remember that such a question had been put by me. This secrecy clause is landing us in such a ridiculous situation. Will the Finance Minister take a look at this aspect of the legal position ? We are told that one officer who somehow has been able to hit upon this particular scandal has since been taken away from the position. I am not alleging. I am merely making an enquiry. If the Finance Minister does not know, I would request him to enquire into the matter and find out if this officer for having done the right thing has since been punished through transfer. We all know how money supply has been reduced in the priority sectors like rural development and elsewhere. I don't know how such huge mind-boggling sums can be advanced to individuals. Mr. Kamal Morarka has some knowledge of it. If he can't understand, I think I will never be able to understand. I would request the Finance Minister to take a class in this House and tell us by what particular magical formula such big sums could be advanced to individuals. Lastly, one Mr. Harshad Mehta has been caught. But then I don't know whether he can be punished at all because he has been able to return the money. But there may be many other mini Harshad Mehtas. This may be a tip of the iceberg. So, would the Finance Minister ever be able to present the iceberg as well?

SHRI VIREN J. SHAH (Maharashtra) : Sir, there is a Half-an-Hour Discussion at 6 p.m.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : You will have to wait for that. Mr. Gurudas DM Gupta. (*Interruptions*). What is the sense of the House ? Should we proceed with this subject?

SOME HON. MEMBERS : Yes.

SHRI VIREN J. SHAH : Sir, it was due on the last day of the last session and nearly 50 Members had asked for this. If the House permits, let us first finish the Half-an-Hour Discussion.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : No, this cannot be done. We will take it tomorrow. We will decide when this subject will be over.

SHRI VIREN J. SHAH : Sir, it is there in the Rules Book that Half-an-Hour Discussion is usually taken up at 5 p.m. This may be taken up tomorrow at 5 p.m.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : I will see.

SHRI GURUDAS DAS GUPTA (West Bengal) : Sir, this statement of the Finance Minister appears to me an excellent attempt to pass the buck on to somebody else. Sir, the point is, I don't demand that heads should roll in the State Bank of India or somebody else in the UCO Bank should be dismissed. I don't demand that. I don't demand that because I am not demanding the change of the Finance Minister. The problem that has been _____ (*Interruptions*)

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : You demand some clarifications.

SHRI GURUDAS DAS GUPTA : I demand .. (*Interruptions*). I am demanding categorically the change of the Finance Minister and his policies. Why ? _____ (*Interruptions*)

SHRI V. NARAYANASAMY : You are changing your policies after every two minutes _____ (Interruptions)-----

डा० रत्नाकर पाण्डेय (उत्तर प्रदेश) :
इन लोगों ने भारत की आर्थिक स्थिति को चौपट कर दिया था (अवधान) आज देश को एक ऐसा फाइनेंस मिनिस्टर मिला है, देश कहां पहुंच गया है (अवधान) क्या बात करते हैं आप ? (अवधान) इनको तो बोफोर्स का फोबिया और दूसरा फाइनेंस मिनिस्टर का फोबिया है (अवधान)

SHRI N. E. BALARAM (Kerala) : He is asking your party to change the Finance Minister (Interruptions)

6.00 P.M.

DR. RATNAKAR PANDEY : He is the most brilliant Finance Minister of India.

SHRI GURUDAS DAS GUPTA : Mr. Vice-Chairman, Sir, we must give our attention to the source of the problem. The Finance Minister said that it is a system failure. The Minister said, at least hinted, that it has been a human failure. I say, Sir, that it is not a system failure. It is a policy failure. It is in totality a failure of the policy. Why do the banks advance loans graciously to the speculators ? Mrs. Gandhi did not nationalise the banks to give money to the share speculators. She did not nationalise the banks for this purpose. The banks were nationalised to enable (Interruptions).....

SHRI V. NARAYANASAMY : That point is correct.

SHRI N. E. BALARAM : Kindly accept that point. Mrs. Gandhi never visualised this.

SHRI V. NARAYANASAMY : We will agree, only to that point. Beyond that, we will not agree.

SHRI GURUDAS DAS GUPTA : The banks, at the moment, are having Rs. 1,30,000 crores with them. Why do I say that it is a policy failure? It is because Mr. Manmohan Singh .after assuming his

office, gave a clear signal that the banks must be profitable. In order to be profitable, the banks can do whatever they like. They can earn profit by hook or crook. They must show the book balance as profitable and in order to do that, they are entitled to do whatever they like. We are not interested only to discuss Mehta's affair. Why is it that the mutual funds were allowed to be floated ? It is in this House that I raised the issue. The mutual funds were floated with huge sums of money and who took advantage of that? The mutual funds were set up to make credit available not for productive purposes but for short-term non-productive investment in the economy. Let us go into the history. The banks were allowed to take loans from the open money market. Ever by incurring interest rate to the extent of 80% the banks were allowed to become speculative from the beginning. That is why the mutual funds were floated. That is why the banks were allowed to take loan from the open market. Therefore, after you have asked the banks to become speculative at least that was the signal that you have given to the banks--you cannot accuse the officers of the Reserve Bank for advancing this money. Morality does not permit you because you framed the policy. That is where I would like to draw the attention of the entire House. This is not a human failure. This is not a computer failure. This is not because somebody has embezzled the funds in the State Bank of India. This has been the culture and this culture....

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Gupta time is very short.

SHRI GURUDAS DAS GUPTA : Please allow me. I have a different view on this problem. You have allowed the banks to take up this culture because you told them that they had to be profitable, that they had to enter into cut-throat competition. The banks are to earn profit and to earn profit, they can even say good-bye to the philosophy of Nehru and of Mrs. Gandhi. This is the whole truth. If this is the truth, is it a human failure ? Is it for any,

Deputy Governor or for anybody else to find out the truth ? It is for the Government to find it out. The reason is, the policy of Shri Manmohan Singh, the policy of liberalisation, the policy of speculation, the policy of free market.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : We are not discussing the policy.

SHRI GURUDAS DAS GUPTA : Mr. Singh has made respectable every single ominous trend in the capital market including speculation. He has made everything respectable. And because he made everything respectable, this problem has taken shape.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : I would request the hon. Member to confine....

SHRI GURUDAS DAS GUPTA : I am confining myself. The Minister should kindly say the reason. The Minister must tell me under what rule this money was advanced. Mr. Vice-Chairman, Sir, I wish that you listen to me. The Minister must tell us under what rule the money was advanced. Secondly, this is not for the first time that the money was advanced for share market speculation. I do not agree. This is the tip of the iceberg. This caught our attention because something catastrophic had happened and this kind of investment by the banks in share speculation started long before, long before, and when we brought this to his notice, he said that this was the sign of health. What was the health ? He said that he was saying this as an economist . . . (Interruptions).

SHRI MANMOHAN SINGH : Mr. Gupta, can you yield for a moment ? Will you kindly say when I had said this ?

SHRI GURUDAS DAS GUPTA : Well, Sir, if the honourable Minister gives me time, I will go through the records and tell him.

THE VICE CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Das Gupta, this is not a debate.

SHRI GURUDAS DAS GUPTA : Sir, while discussing inflation in this House and "Is the situation in the money market, we were given to understand that the situation was good and the economy was picking up and, therefore, that was being reflected in the movement of the prices in the capital market. That was the roundabout answer that we were given. Why did they not take corrective action long before ? Why is it that Shri Manmohan Singh has suddenly woken up ? Why ?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Please conclude now.

SHRI V. NARAYANASAMY : Please put your question.

SHRI GURUDAS DAS GUPTA : I am coming to my question now. The situation in the share market started taking an inflationary trend long before, not today or yesterday. Why did the Government not take the necessary corrective action long before ? This is my first question.

Secondly, is it true that investment of bank funds in speculation not the funds of the State Bank of India alone in speculation became very apparent during the last two to three years ? Is it true ?

Thirdly, is it true that bureaucrats have started investing in shares ? Is it also true that the formation of the Mutual Funds had contributed to the speculative misadventure by the banks ?

Fourthly, is it also true that the banks also started taking loans from the open money market at an exorbitant price ?

Fifthly, is it true that the money that the banks used to take as credit from the open money market was used for speculative purposes ?

Sixthly, is it a fact that the Report of the Reserve Bank of India has indicated recently that a number of foreign banks in the country including the American Express are not investing their funds in the productive sectors, but they are investing in short-term operations for speculation?

[Sh. Gurudas Das Gupta]

My seventh question is whether the Government was aware of this speculative trend and, if so, why it did not take necessary corrective action long before.

I am coming to my eighth question now ..
(Interruptions) -----I would like to know whether there are complaints that the UCO Bank had invested about Rs. 50 crores....
(Interruptions) ... Please do not interrupt. This is a very serious issue, this is a very serious economic malady (Interruptions). Sir, I expect the Principal of a College to behave as a Principal and not as a * student. . . .
(Interruptions)....

I am coming to my eighth question now.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : You have come to your ninth question now!

SHRI GURUDAS DAS GUPTA : All right. My next question is whether it is not a fact that it is because of this policy of the Government that the banks had turned speculative long before and, if it is so, whether the Minister will agree that it is necessary to have a fresh look at the entire banking policy and whether it is not necessary to reintroduce the principles of nationalisation now which seems to be in default. Lastly, I would ask the Minister to kindly pinpoint the person who was responsible for making this colossal advance. Who was that man ? He cannot be a small officer. And is he ready to take stringent action against this very important officer of the State Bank of India and also the United Commercial Bank ?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Dr Ratnakar Pandey.

DR. RATNAKAR PANDEY : I do not want to put any question.

SHRI V. NARAYANASAMY : On a point of order (Interruptions) He made a very unfair comment about the hon. Member. It is quite unfortunate. He was telling about Dr. Ratnakar Pandey.

*Expunged as ordered by the Chair.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : He does not want to ask anything—Dr. Pandey.

SHRI GURUDAS DAS GUPTA : I did not name anybody. I only said that a Principal should behave as a Principal, and not as* student. (Interruptions).

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Let us not waste the time of the House.

डा० रत्नाकर पाण्डेय : माननीय उपसभाध्यक्ष जी, कोई आपत्तिजनक बात की हो तो वह रिकार्ड देख कर निकाल दीजिएगा ।

उपसभाध्यक्ष (श्री भास्कर अन्नाजी मासोदकर) : वह देखेंगे ।

SHRI V. NARAYANASAMY : It is very unfair. Let it be removed from the record.

DR. RATNAKAR PANDEY : What he was saying is not called for.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : I will see the record. Mr. Salaria.

SHRI GURUDAS DAS GUPTA : I did not name anybody (Interruptions).

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Pandey, I think it was in good humour, nothing else.

SHRI KAMAL MORARKA : If what the hon. Member suggested is accepted to be expunged, then half of what Pandeyji says will have to be expunged everyday (Interruptions).....

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Morarka, do not add to the humour that is going on ____ (Interruptions) -----

श्री० रत्नाकर पाण्डेय : मैंने तो इनकी तुलना एक सदन के सदस्य से की जो रोज-रोज प्रश्न किया करते थे १.. (व्यवधान) .. और १० प्रश्न इन्होंने किए हैं । एग्जैक्टली १० प्रश्न किए हैं ।

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Salaria. Only clarifications.

SHRI SHABBIR AHMAD SALARIA (Jammu & Kashmir) : Very small clarifications. I shall be short and to the point. No. 1, would like the hon. Minister in his reply to state how long before this episode, which has led to this rise in the value of shares, the banks have been advancing money for investment in share market. No. 2, what credit or charges have been taken by the banks for such advances ? No. 3, if the hon. Minister has the information available, who have in the past been the main beneficiaries—not all, the main beneficiaries—of such advances ? No. 4, I submit that the hon. Minister will agree with me that if by investment in share markets banks earn so much, then the trend of investments by banks for productive purposes in the industry of the country will definitely be slackened and affected. Therefore, ways and means should be found to plug this system and stop the banks from advancing money or credit to anybody for investment in share market.

And one more submission : What is the limit which at present exists for such advances and for genuine purposes of the persons who have got the shares and what limit he proposes to fix in future ?

These are my submissions.

SHRI N. E. BALARAM : Mr. Vice-Chairman, Sir, really speaking, I am slightly disappointed with the statement, because I do not see anything in the statement more than what appears in newspapers. I am sorry to say this. The broker's name was there in the newspaper. Temporary misappropriation and figures of the fund were also in the newspaper. The bank

which was a party to that was also there. There is nothing new in the statement. I would like to seek two clarifications. According to the statement, RBI has been examining the sale-purchase transactions in Government securities undertaken by several banks including the State Bank of India some time from 27th January, 1992. It is mentioned in this statement at para 11. They said, "acting on some information received, the RBI has been examining ..." etc. And the State Bank was also examining it. The State Bank was also to examine the problem. But, what is the result ? The result is, as they have stated at para 12, "obviously, this is a serious case of system failure." I do not accept it. They said, "this is also indicative of a possible collusion between some officials of the bank and the broker in question." This is the conclusion. After three months of perusal or examination or search or investigation by the RBI and the State Bank of India, they have come to this conclusion, a very vague conclusion. What is this conclusion ? "This is also indicative". It is not a firm statement. This is only an indication. Even now, the Finance Ministry or the Finance Minister could not tell us firmly that this is what has happened. This is only a possible explanation. This is only a possible explanation of what has happened in this episode. So, I am asking only two questions. One is : Are they—the Reserve Bank and the State Bank—not giving the information to the Finance Ministry about all these developments ? Whatever information they have got, are they not supplying the same to the Ministry ? I do not know. Am I to understand that the linkage between the Finance Ministry and the Reserve Bank and the State Bank is so loose or something like that ? Is there no proper linkage, no proper information ? Is it an overnight information from the RBI or the State Bank to the Finance Ministry ? I do not know what it is. Secondly, even after going through the case for three months, they could not establish anything. They are only assuming some guess that somebody might have done this, some officer might have colluded with some outsider*. It is some preliminary guess. And that is

[Sh. N. E. Balram]

what he has given to us. I do not know what has happened. So, it is not proper to give this thing after three month's of investigation conducted by the RBT and the State Bank of India. Is it not proper at least now to think of seeking the help of the CBI to find out the real truth ? If you ask the CBI to go into the matter, I don't think they will take more than a month to tell you what it is. So, is it not proper ? So, these are my two questions to the hon. Minister.

SHRI TINDIVANAM G. VENKATRAMAN (Tamil Nadu) : Mr. Vice-Chairman, Sir, I want to ask only a few questions.

Sir, at page 3, the Finance Minister has stated that he had asked the Reserve Bank to look into bank frauds and to report of any additional preventive and remedial measures, and so on. I would like the Finance Minister to tell this House all those bank cases that come under the category of frauds. Then, at page 4, it is stated that "it appears that to a certain extent, Bank's funds have also been used for this purpose." Using the Bank's funds for this purpose is unlawful. So, this is an admission by them as I presume. Then, he said, "in this context, I would like to take the House into confidence regarding certain investment transactions in Government Securities of the State Bank of India." Following that, at page 5, it is stated that "preliminary scrutiny by the RBI has indicated that the bulk of investments in Government Securities made by the SBI and not backed by proper SGL forms ...", etc. Who is responsible for that ? How is it that advances are being made without backing ? Who is at the bottom of this ? Has he been spotted out ? If so, he must be taken to task and his name must be mentioned in this House. And finally on page 6—this is the admission by the Finance Minister frankly—it says : "The recent events do point to the weaknesses in systems and procedures in some important areas of the working of our banking system." What are the areas where he finds these weaknesses which are to be

rectified, and at what point of time these are going to be rectified ? These are my questions.

श्री राम नरेश यादव (ऊत्तर प्रदेश) : महोदय, माननीय मंत्री जी ने जो उत्तर दिया है, उसमें इस बात को स्वीकार किया है कि सचमुच में किस तरह से विफलता रही है और उसके बारे में जांच करने की बात कही है। मैं दो प्रश्न करना चाहता हूँ। एक तो यह है पेज "6" पर...

"The recent events do point to the weaknesses in systems and procedures in some important areas of the working of our banking system."

तो मैं यह जानना चाहता हूँ कि जो बैंकिंग सिस्टम में कुछ कमजोरियाँ हैं, जो कुछ प्रोसीजरल चीजें हैं, उनके बारे में क्या आप जांच कराएंगे ? क्योंकि अगर यह नहीं होती तो इस तरह की घटना न होती, इसलिए केवल इस संबंध में, कि बैंकिंग सिस्टम की कमजोरी और प्रोसीजर को ठीक करने के लिए क्या माननीय मंत्री जी कोई कमेटी बनाएंगे, गठित करेंगे ? और, कमेटी गठित करके कमेटी को यह निर्देश देंगे कि एक महीने के अन्दर अपनी रिपोर्ट दे ताकि आगे इस तरह की गलती न होने पाए ? येरा पहला सवाल यह है।

दूसरी बात, यह कहना चाहता हूँ कि जिस दिन सारा गेर मार्केट जिस तरह में बढ़ा है और सारी चीज जो खतरनाक मोड़ पर आई है, जिसमें 622 करोड़ रुपए का इन्वोल्वमेंट हुआ और फिर वापस भी कहा जाता है, हम यह जानना चाहते हैं कि जब इतना बड़ा कांड हुआ, इतना बड़ा मामला हो गया 622 करोड़ रुपए का, ऐसी स्थिति में जो आपने कहा कि डिप्टी गवर्नर, रिजर्व बैंक से इसकी जांच कराएंगे तो हमारा सुझाव यह है कि इस मामले में, कि जबकि बैंकिंग सिस्टम स्वयं ही इन्वोल्व है और आपने यह भी स्वीकार किया है कि बैंकिंग अधिकारी और ब्रोकर की सांठ-गांठ से हुआ है तो ऐसी स्थिति में जांच निष्पक्ष हो, सही रूप में स्थिति सामने आए, क्या सी०बी०आई० से इन्क्वायरी कराये

के बारे में आप निर्णय लेंगे ? और, फिर निर्णय करते समय एक समयबद्ध सीमा आप बांधेंगे ताकि दो महीने के अंदर, तीन महीने के अंदर यह रिपोर्ट आ जाए और उसके आधार पर जो दोषी पाए जाए उनके खिलाफ कार्यवाही भी की जाए। यह मैं माननीय मंत्री जी से जानना चाहूंगा। धन्यवाद।

DR. NARREDDY THULASI REDDY (Andhra Pradesh) : Sir, I do not know much about the stock market but as a layman, I would like to ask two simple questions. One is, till a few months back, this stock market fever was urban-oriented, specially city-oriented. But nowadays, this fever has reached the nook and corner of the entire country. This has reached the rural side. The agriculturist who has to go to the fields and put all his energy on agricultural production, is not going to the fields; he is suffering from stock market fever. He is not investing the little money he has on agriculture. He is putting it in the stock market. So my apprehension is, because of this, there may be a positive industrial growth but definitely there is going to be a negative agricultural growth. I would like the hon. Minister to throw some light on this aspect.

My second question is, our banks are unable to lend money to a common man, especially for the craftsmen, the petty traders and the agricultural workers. But even then, these people used to get money with a reasonable rate of interest from these moneylenders in the village. But nowadays, they are not able to borrow it from the moneylenders because the moneylenders are also suffering from the stock market fever. Rather, these moneylenders are in need of more money to invest in the stock market. So, instead of lending money, they are in need of money, and because of that, the common man, especially the craftsmen, the agricultural workers, the petty traders, would have to suffer in a village. So, I request the hon. Minister to throw some light on this aspect as well.

SHRI MANMOHAN SINGH : Mr. Vice-Chairman, Sir, I am very grateful to all the Members who have raised various issues for clarification. It has turned out to be a mini debate. But I would resist the temptation to go into issues of general policy nature. This has been debated on several occasions. I would confine myself to the issues arising out of the statement that I have made.

One thing I do want to say is that I have truthfully placed all the facts that were known to me. I would like to assure the House that this enquiry would be completed as speedily as possible, that we would take action against all those held responsible, found guilty.

SHRI S. JAIPAL REDDY : Indicate some time-frame.

SHRI MANMOHAN SINGH : The Governor of the Reserve Bank of India was out of India. He has come back only yesterday. I have discussed this matter with him. In the next few days, I will be having a detailed ...

SHRI SURESH KALMADI : The enquiry will be by a Deputy Governor of the Reserve Bank of India. The Reserve Bank of India is a party to it.

SHRI DIPEN GHOSH : What are the terms of reference ?

SHRI MANMOHAN SINGH : The terms of reference of the enquiry are, precisely, the terms I have mentioned in my statement. If you see the statement, I have mentioned what the Reserve Bank of India is enquiring into.

SHRI GURUDAS DAS GUPTA : Cannot the matter be investigated by a judge ? The Reserve Bank of India is a party to it. It is very much a party to it.

SHRIMATI JAYANTHI NATARAJAN (Tamil Nadu) : This is not Question Hour. Let the hon. Minister reply. He has heard everybody patently. (*Interruptions*)

SHRI MANMOHAN SINGH : Several hon. Members have expressed concern

[Sh. Manmohan Singh]

about the small investors. I do share their concern. Let me say that it is, precisely, for the investor protection that we have set up the SEBI. Although the SEBI came into existence in 1988, it was not given statutory power until this year. Now that the SEBI has been given effective power, we have a mechanism. Unfortunately, a number of things happened. Soon after the SEBI came into existence, there was the brokers' strike. For this reason, I think, the attention of the SEBI was diverted.

Shri Trivedi is not here. He brought in the question of the dispute between the SEBI and the brokers. I think that is a different issue. But for the time being, at least, that issue seems to have been resolved, in the sense that the brokers' strike is over. Now, as regards the fee, the SEBI has reduced the fee. I have said, on more than one occasion, that it is our intention to see that the SEBI Act is implemented fully and effectively.

Now, I do want to say that I have never taken a view that the stock market is the index of the success or failure of our policy. In fact, in the statements that I have made both inside the House and outside the House,—I may be wrong, but I am speaking from memory—I have always emphasised that I really did not know, frankly speaking, what determined the share prices. This is a subject on which, even today, I think, you will not get agreement. Stock market prices are divorced from the basic fundamentals of an economy. This is not only our experience here, but it is also the experience in countries like Japan, the U.S.A., and European countries. Therefore, frankly speaking, I am not going to say that I know what determines the stock market prices, or, I will lose my sleep simply because the stock market prices fluctuate. I do want to say that market prices have a logic of their own. There are certain consequences which follow. Wherever interventions are necessary, in the public interest, the Government will remain alert.

In this case, I wish to assure the House that the Reserve Bank of India has been

alert. I have given some instances. Even before this came, to our notice, I had warned the stock exchange authorities. I called them as early as in March. I had set up a group in the Reserve Bank of India to look into the cases of frauds, bank frauds, that have taken place, and recommend the measures to be taken.

Shri Morarka referred to the credit policy. It is not only the question of the April 22 instructions. The same injunction was contained in the credit policy which was announced in September, 1991. The credit policy was further tightened with regard to shares, advances against shares, in April, 1992. Therefore, at the level of policy, whatever was necessary was being done. Even with regard to the role of the Reserve Bank of India, I must compliment the Reserve Bank of India that they became cautious that something was wrong. Right from January onwards, they started investigating the problem, reconciliation of the SGL. And there is a problem that after so many years we have not been able to computerise the operations of the public debt office. This is a problem not only in the Reserve Bank which is, not able to compile SGLs in time, but in many of our other banks. So, this is a major problem, inter-branch reconciliation is a big problem.

SHRI GURUDAS PAS GUPTA : In what way does the computer system enable a bank to invest in speculation ? In what way ?

SHRI MANMOHAN SINGH : If the whole system had been computerised, the Reserve Bank, as well as the, State Bank of India would have come to know about this immediately. So, I seek the cooperation of the, hon. Members.

SHRI GURUDAS GUPTA : Do you think the investment had been made without the knowledge of the highest quarter ? Was it an act of error or omission ?

SHRI DIPEN GHOSH : The SBI had the computerised ledger system.

SHRI GURUDAS DAS GUPTA : The Finance Minister is white-washing the culprits and the policy failures ... (*Interruptions*)

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : You are not allowing him to complete.

SHRI GURUDAS DAS GUPTA : Sir, you had been a Judge. You tell us, in what way the failure of the computer can be held responsible for investment by a bank in speculation ? In what way can it be related ?

SHRI MANMOHAN SINGH : I was explaining to you that the Reserve Bank has been alert- I have already mentioned in my statement that sometime in the month of February the Income-tax Department also started investigating some matters. Those investigations are still in progress and, therefore, it will not be proper for me to reveal anything at this stage until those investigations are completed.

SHRI N. E. BALARAM : You have been investigating for the last four months.

~SHRI MANMOHAN SINGH : I would like to say that appropriate measures will be taken to deal with this particular case.

An issue has been raised about the UCO bank. I have seen reports.

SHRI VIREN J. SHAH : Could I ask one question ? It is a simple question whether the Income-tax officer who was reported to have deeded, has been removed from this investigation? Shri Jaipal Reddy also mentioned this.

SHRI MANMOHAN SINGH : I am not aware of this. If there is any information with tile, I will pass it on to the hon. Member.

Well, a question was raised by Shri Ghosh as to when the money was returned to the State Bank of India. From the information that I have, I think this was in the 3rd week of April.

SHRI DIPEN GHOSH : In which way, the process of returning ? How can a person return this amount of Rs. 622 crores at once ?

SHRI MANMOHAN SINGH : I do not know of all this. It is a subject matter of inquiry which is being conducted by Reserve Bank. Then, you have asked whether the CBI will be associated. I do not control the CBI, but if necessary, we will associate the CBI.

SHRI S. JAIPAL REDDY : We are demanding an enquiry by the CBI. The hon. Minister should appreciate that the officers of the RBI are Directors of various nationalised banks.

SHRI N. E. BALARAM : You please seek the help of CBI also ... (*Interruptions*) ...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : He is not yielding. You know the procedure. Let him complete.

SHRI S. JAIPAL REDDY : But he is conceding, he is a very reasonable man.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : He is still on his legs.

SHRI S. JAIPAL REDDY : Let the Finance Minister agree for an enquiry by the CBI.

SHRI GURUDAS DAS GUPTA : The man returned Rs. 600 crores and this money cannot be legitimate. Therefore, why is that man not arrested for having so much unaccounted for money ?

SHRI MANMOHAN SINGH : As far as the issue of secrecy clause is concerned ... (*Interruptions*) ...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : You know, Mr, Gupta, he is not yielding. I cannot permit you.

SHRI GURUDAS DAS GUPTA : The Minister should yield to reason.

SHRI MANMOHAN SINGH : Several Members have raised the issue of removal of secrecy clause from the Banking Operations Act. I think, over a period of time we must move towards greater transparency, but this cannot be a one-day operation. I think our banking system has to function in accordance with the established norms and procedures common among banks all over the world, but I do agree that in the long term more and more transparent functioning of the banking system is to be encouraged. But at this stage I cannot give any assurance that I am ready to remove the secrecy clause from the Banking Operations Act.

Now, Shri Jagesh Desai has asked this question, why did you allow rise in share prices ? What I do want to say is that share prices have risen not because of anything that Government have done and that I do not believe that it is the business of the Government to regulate share prices. Share markets all over the world fluctuate. I recognize that it can hurt the interests of small investors. But investors ought to know the uncertainty that characterizes stock markets. It is precisely to protect the interests of small investors that mutual funds have come into existence. Therefore, small investors would be better advised to have recourse to mutual funds rather than undertake risky operations. Beyond that the operations of SEBI can be depended upon in future to ensure that investor protection is given due importance, and this is one of the important functions of SEBI.

Now, between the months of February and April, I have already mentioned the action that we have taken. There was the action taken by the Income Tax Department. There was the action that I took : I called all the Chiefs of the Stock Exchanges. Also the credit policy action. So, whatever was possible was done ...
(Interruptions) ...

SHRI JAGESH DESAI : In spite of that there was trouble.

SHRI MANMOHAN SINGH : I am sorry, but I do not know as to what determines share market prices. Therefore, really I am not going to say that it is my function to regulate the stock market prices, that I should control the rates at which stock market prices ...
(Interruptions) ...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Now, please.

SHRI GURUDAS DAS GUPTA : Just one minute. I understand, the Government do not have any power to control the prices, but Government do have the power to control the flow of bank money to speculation. Why did not Government stop that ? That is the precise question that I had posed.

(Interruptions)

THE VICE CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Minister, Mr. Sinha wants to ask something.

SHRI YASHWANT SINHA (Bihar) : Sir, I was resisting the temptation to get up and ask a question and I thought I would ask it after the Minister has finished. But since you have given me the permission now, the only question I wanted to ask the Minister is this : Through the facts which have come to the notice of the Ministry so far, is a criminal case made out or not? Six hundred crores were taken and six hundred crores were returned. Is there a criminal liability or not? If there is a criminal liability—the Reserve Bank Deputy Governor can go into the other questions—should not a criminal case be started immediately and shouldn't the Minister, in order to broaden the scope of the inquiry, respond to the demand which has been made in the House, take the initiative of asking the CBI to make investigations into this case ? But a police action, I think, is called for immediately.

SHRI MANMOHAN SINGH : I can say at this stage that it is precisely one of the issues that we have asked the Governor of the Reserve Bank to consider. Now, we cannot rush to institute a criminal

case until I have all the facts before me. can assure you, this is one of the issues which will be considered in all seriousness.

SHRI DIPEN GHOSH : From whatever he has stated in the statement itself there is a *prima facie* case for immediate action.

SHRI SURESH KALMADI : Freeze his accounts, Sir, That is what I wanted ... *(Interruptions)* ...

SHRI MANMOHAN SINGH : I think Shri Kamal Morarka asked this question, from where did this particular broker get the money to repay? This is also being investigated. As I have mentioned, the Reserve Bank is looking into all aspects of the matter, not only from the side of the State Bank but also who were the seller banks. So we should await the results of that inquiry.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Minister, there is again one question from Mr. Salve.

SHRI N. K. P. SALVE : Not for a moment do we expect the Government to regulate the stock exchange prices. But, when there is a clear manifestation of a very serious malaise and it was being alleged that there is a torrent of rain of Indian currency falling, would it not be for the Government of India immediate to see what is wrong in the State of Denmark. ? Sir, on page 3, para 6, the Minister himself is kind enough to say:

I had asked the Reserve Bank to set up a group to look into bank frauds and to report of any additional preventive and remedial measures that were required to minimise the scope of bank frauds;"

A fraud is there, he is admitting. When it s a fraud, why has no police complaint been made and a police case registered ?

SHRI MANMOHAN SINGH : I think, that particular paragraph deals with a general study that I had asked the Reserve Bank to conduct to look into the system,

to look into the working of the banking system as a whole. This has nothing to do with this particular case.

SHRI GURUDAS DAS GUPTA : This is the kind of light-hearted attitude of the Government. ... *(Interruptions)* ...

SHRI JAGESH DESAI : He is very clearly generous. *(Interruptions)*

SHRI GURUDAS DAS GUPTA : Sir, the specific case is that there has been a criminal conspiracy. Also the banks started investing in speculation. The Minister is not coming to that point, why and since when the banks started doing speculation.

SHRI MANMOHAN SINGH : I think, Shri Kamal Morarka asked the other question : which banks used bankers' receipts ? All this is being investigated into by the Reserve Bank. I think, we should await the results of that enquiry. It will give us all the information.

SHRI ASHIS SEN (West Bengal) : Mr. Chairman. Sir, ... *(Interruptions)* ...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Please. This is not the procedure. He is not yielding. Mr. Sen.

SHRI ASHIS SEN : I am not on that point. ... *(Interruptions)*

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : If we go on like this, it will never conclude.

SHRI ASHIS SEN : I would only say that after total investigation the full facts would be available. But, will they mention which other banks are involved in it ? To the extent available, is it not possible for the Finance Minister to let us know that?

SHRI MANMOHAN SINGH : I will make all the facts available when they come to me.

SHRI SURESH KALMADI : No questions have been answered. We have asked

[Sh. Suresh Kalmadi]

a whole lot of questions. No question has been answered. It would be better to wait for the report to come whenever it comes. *(Interruptions)*

SHRI MANMOHAN SINGH : You can wait for that. I can answer those questions on which I have information. I have explained all the details which are contained in the statement.

Shri Jaipal Reddy as well as Shri Gurudas Das Gupta asked whether this has anything to do with the economic policy. My answer is an emphatic "no". Fluctuations in stock market prices are a normal feature all over the world. I am not claiming that our economic policy's success is to be judged by what happens in the stock market prices or that simply because the stock market falls it is because of the failure of the Government. . . . *(Interruptions)*

THE VICE -CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Please. This is not fair. . . . *(Interruptions)*

SHRI S. JAIPAL REDDY : Mr. Vice-Chairman, this fluctuation is not a normal feature because it has been caused by a massive bank fraud.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Minister, you go ahead.

SHRI S. JAIPAL REDDY : But he is referring to general fluctuations.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr. Minister, please go ahead.

SHRI MANMOHAN SINGH : As far as Mr. Salaria's point is concerned, I am afraid I cannot provide information about who got the bank money for this. I do not have the facts before me, nor is it possible for me to collect that sort of information.

Shri Balram asked when the RBI took the initiative. I have already mentioned that in January the Reserve Bank, I think,

started feeling that there is something which needs to be looked into, and from that point onwards they started the enquiries.

He asked what information the RBI supplies to the Government. Well, we are in touch with the Reserve Bank of India. I discussed these matters with the Reserve Bank from time to time. As soon as the Reserve Bank noticed this, I think, some action was taken on the Reserve Bank side, some action was taken on the income-tax side. So, in all these matters, I can assure the House that whatever was possible in the circumstances, that was done. But failure do happen. This is a serious case of systems failure. As I mentioned, there is obviously an element of collusion, and all those responsible for this. I think, grave lapse, will be, I think, brought to book.

Shri Venkatraman asked me which banks have indulged in fraud. I cannot answer a question of that sort. Any bank which is involved in the present transactions will be looked into, and the Reserve Bank will come back to me with a report, and I will be very happy to share that report with this House.

SHRI JAGESH DESAI : If there is any lapse on the part of the Reserve Bank of India, then who will . . . ?

SHRI MANMOHAN SINGH : Well, I will. As far as shortcomings are concerned, there is no doubt that there has been a system failure. There are shortcomings in the working of our banking system, in the working of our financial system and as I mentioned, I set up this Committee on Bank Frauds precisely to look into that aspect of the problem. All these matters are under investigation. As and when I have more facts, I will be very happy to share those with the House.

SHRI GURUDAS DAS GUPTA : Only one point. Kindly allow me to ask. Will the hon. Minister assure the House that he will look into the policy that the banks will no more invest in speculative business ?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : But the that he will look into all the aspects.

SHRI GURUDAS DAS GUPTA : Banks-investment in speculation goes against the principle of nationalisation.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : But the Minister has already said that he will look into these. (*Interruptions*) You may not be satisfied, but he has already said. (*Interruptions*)

SHRI GURUDAS DAS GUPTA : The Minister has not assured us that the banks will not be investing in speculative business. (*Interruptions*)

SHRI SURESH KALMADI : As per the statement there is a *prima facie* case that something has happened in the State Bank of India. An inquiry on this is going on. That is fine. But till the inquiry is going on, will the top officials of the State Bank of India be suspended ? Otherwise there will be no free inquiry at all.

SHRI DIPEN GHOSH : I understand that you have constituted an inquiry and as soon as you get more information, you will come back to the house with the in-

formation. But, *Prima facie* there is a case which you have willy-nilly admitted. I would like to know what interim measure you have taken to prevent the banks from diverting its funds to speculative activities. Mr. Morarka has put a simple question whether you are going to create a maximum limit beyond which commercial banks will not be allowed to invest or finance their credits for speculative activities.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : Mr Minister. he wants to know what interim arrangement you want to make.

SURI MANMOHAN SINGH : As fains the credit policy is concerned that is the prerogative of the Reserve Bank. Existing regulations are there. I mentioned the Circular of 22nd April. If in the light of the experience any changes are required, they will be made, but this is a matter which concerns the Reserve Bank. I have to discuss with the Reserve Bank . . .

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR) : The House stands adjourned till II A.M. tomorrow.

The House then adjourned at fortyeight minutes past six of the clock till eleven of the clock on Tuesday, the 5th May, 1992.