

**Statement-II**

*Details of cases of official found involved in smuggling of gold at different airports during 1997-98, as on date and action taken against them. (Ref. Para c & d of Parliament Question)*

1. During the year 1997-98, in one case, one Superintendent of Central Excise, was found involved in smuggling of 270 gold biscuits and 4 video cameras, valued at Rs. 1.5 crores, at Bangalore Airport. The Superintendent and other persons involved were arrested and detained under COFEPOSA. Prosecution is being launched against the official. Departmental action is also being taken against the official.
2. During the year 1997-98, in a case relating to seizure of 29.745 kgs. of gold, valued at Rs. 136.42 lakhs, two Assistant Managers of State Bank of India, based at Hyderabad, were found involved in the smuggling. They were arrested and prosecution is being launched. Show Cause Notices were also issued to them in the adjudication proceedings initiated against the persons concerned with smuggling.

During year 1998-99, no involvement of any official has been noticed, so far.

**Share of states from Central Revenue**

589. DR. T. SUBBARAMI REDDY : Will the Minister of FINANCE be pleased to state:

(a) whether the State Governments are unhappy despite increase in share of Central revenues;

(b) if so, whether the Union Government on its part has set up a Financial Commission at regular intervals which have revived the revenue sharing aspects and have suggested changes so as to meet the demands of the shifting priorities and requirements of the States;

(c) if so, whether all the recommendations of the Finance Commission have been fully implemented by the Government and if so, the main reasons therefor;

(d) the main recommendations made by the latest Finance Commission and the number of its recommendations have been implemented; and

(e) the main reasons for being unhappy over the sharing of revenues by the State Governments?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA) : (a) and (e) Despite increase in States' share of Central revenues in Revised Estimates 1997-98 over Budget 1997-98, some states have been facing financial difficulty.

(b) to (d) The Finance Commissions are set up under article 280 of the Constitution. So far Ten Finance

Commissions have been set up and their recommendations regarding revenue sharing arrangements have been implemented in full except one major recommendation of the Tenth Finance Commission for an alternative scheme of devolution of share in Central Taxes to States. This recommendation has been accepted by the Inter-State Council and the Government.

The required Constitution Amendment Bill is likely to be introduced in the Current Budget Session of Parliament.

**Debt repayment to Russia**

590. SHRI SUSHIL KUMAR SHINDE : Will the Minister of FINANCE be pleased to state:

(a) the balance of Rupee-payments due to Russia against the Rouble credits received from erstwhile Soviet Union (USSR), as at present;

(b) the terms of the debt-repayment agreement signed to clear the debt;

(c) whether any instances of abuse and misuse of the Russian Debt Repayment arrangements by exporters and importers have come to the notice of the Government during the last three years;

(d) if so, details thereof, and

(e) the extent to which the damage caused thereby to Indian economy?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA) : (a) India's outstanding rupee debt to Russia as on 31.3.98 was about Rupees 23269.82 crores.

(b) The state credits given to India by the former Soviet Union are being repaid as per the agreement arrived at between India and Russian Federation in January, 1993. Under the agreement, the rouble denominated debt, as on 1.4.92, was converted into rupees using the exchange rate on 1.1.90 as per the Inter-Governmental protocol of 1978 (Rouble 1=Rs 19.9169). This is repayable as per the schedule and terms of the relevant agreements. The principal debt as on 1.4.92 was also converted into rupees using the exchange rate as on 1.4.92 as determined by the protocol of 1978 (Rs. 31.7514) and the difference between the rupee value of the rouble debt converted at the two rates was rescheduled for payment in annual instalments over 45 years. The rescheduled portion carries no interest. Repayments of the rupee debt are made into a Central Account of the Russian Bank for Foreign Economic Relations (BFER) with the RBI, and the balances used exclusively for exports of goods and services from India to Russia.

(c) to (e) Some cases of misuse have come to the notice. These cases *inter alia* include, misuse, of Value Based Advance Licences (VBAL) and Quantity Based

Advance Licences (QBAL), wrongful availment of MODVT under VBAL; import of goods not covered by the relevant Customs notification, mis-declaration of value of export of inferior or junk materials. Allegation of diversion of export consignments meant for Russia to third country destinations have also come to light.

Various measures have been taken by the Government to plug the loopholes and to prevent such misuse. These measures, *inter alia*, include streamlining the procedure of verification for availing MODVAT, etc. VBAL scheme has been discontinued with effect from 1st April, 1997 in the new Exim Policy.

The Government of Russian Federation has also introduced a new scheme called the "Passbook Scheme for Import" for preventing loss of revenue due to switch trade and this measure is expected to curb diversion of export consignments meant for Russia.

Due to various steps taken, reduction of misuse of the Russian debt Payment Arrangements has taken place.

The damage caused to the Indian economy on this account has consequently also been reduced.

#### **Credit Policy**

591. SHRI G.M. BANATWALLA : Will the Minister of FINANCE be pleased to state:

(a) whether the Government have taken note of the general disappointment on the failure to lower the cash reserve ratios (CRR) for banks when the present credit policy was announced;

(b) whether the failure to do so is likely to effect adversely the difficult liquidity position and if not, the reasons therefor;

(c) whether the Government propose to reconsider it and appropriate reduction is likely to be announced;

(d) if so, the details thereof; and

(e) the steps taken to ensure that the one percentage cut in lending rate does not lead to cut in deposit rate and effect savings adversely?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) Policy with regard to Cash Reserve Ratio (CRR) is decided by Reserve Bank of India keeping in view the macro economic and monetary policy needs of the economy.

(b) No, Sir. The banks are not experiencing a difficult liquidity position.

(c) and (d) It is for the Reserve Bank of India (RBI) and not the Government to make changes in Cash Reserve Ratio (CRR) in the light of liquidity conditions and financial market developments.

(e) Banks have the freedom to fix their Prime Lending Rate (PLR) and this is determined by each bank after taking into account its cost of funds, transaction costs and other relevant factors.

#### **Grants to Financial Institutions**

592. SHRI RATILAL KALIDAS VARMA : Will the Minister of FINANCE be pleased to state:

(a) whether some Financial Institutions of Gujarat have represented/urged the Union Government to sanction various loans, aid and grants to serve better to the public and various small, medium and large scale Industrial Units;

(b) if so, the details thereof;

(c) the action taken on each of these; and

(d) the total amount of loans and grants provided to the State and disbursed to each such Financial Institution from 1.1.1995 till date and the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF PERSONNEL, PUBLIC GRIEVANCES AND PENSIONS AND MINISTER OF STATE IN THE MINISTRY OF FINANCE (BANKING, REVENUE AND INSURANCE) (SHRI KADAMBUR M.R. JANARTHANAN) : (a) to (d) The information is being collected and will be laid on the Table of the House to the extent available.

[Translation]

#### **Pulp and Paper Plants**

593. SHRI BACHI SINGH RAWAT 'BACHDA':  
SHRI P. SANKARAN:

Will the Minister of INDUSTRY be pleased to state:

(a) whether Pulp and Paper Plants are on the verge of closures in the country;

(b) if so, the details thereof and the reasons therefore;

(c) whether thousands of workers are facing unemployment as a result thereof;

(d) if so, the details thereof; and

(e) the steps being taken by the Government to remedy the situation?

THE MINISTER OF INDUSTRY (SHRI SIKANDER BAKHT) : (a) to (d) The Paper Industry has witnessed a steady increase in installed capacity and production over