

it at 5 O'clock. We may take up other business.

16.54 hrs.

EXTENSION OF THE SITTING OF LOK
SABHA

[English]

THE MINISTER OF PETROLEUM AND CHEMICALS AND MINISTER OF PARLIAMENTARY AFFAIRS (SHRI SATYA PRAKASH MALVIYA): In order to complete the essential items of Government business it may now be essential to have a sitting of the House on Friday, the 11th January, 1991. That being the extended sitting, there may not be the usual Question Hour or the Private Members' Business on that day.

[Translation]

SHRI YAMUNA PRASAD SHASTRI (Rewa): Mr. Deputy Speaker, Sir, if the House is to sit on Friday, there must be the Private Members' Business positively... (Interruptions) ... Something wrong is going on daily and the Private Members' rights are being transgressed. Hence, the Private Members' Business must be taken up that day; the remaining business may be taken up afterwards.

MR. DEPUTY SPEAKER; Shastriji, generally, Members do not come prepared so we do not take it up.

[English]

I think, the House agrees with the suggestion of the Parliamentary Affairs' Minister.,

SOME HON. MEMBERS: Yes.

16.55 hrs.

STATUTORY RESOLUTION RE. DISAPPROVAL OF RESERVE BANK OF INDIA (AMENDMENT) ORDINANCE, 1990;
RESERVE BANK OF INDIA (AMENDMENT) BILL
AND
RESERVE BANK OF INDIA (AMENDMENT) BILL, AS PASSED BY RAJYA SABHA

[English]

MR. DEPUTY-SPEAKER: Now, we are taking up Items Nos. 20, 21 and 22 together.

The time allotted is two hours. Members shall have to be very brief in order to see that we are able to complete it today.

[Translation]

SHRI GIRDHARI LAL BHARGAVA (Jaipur): Mr. Deputy Speaker, Sir, I beg to move—

"That House disapproves of the Reserve Bank of India (Amendment) Ordinance 1990 (Ordinance No. 7 of 1990) promulgated by the President on 15th October, 1990."

Sir, the Reserve Bank of India (Amendment) Ordinance, 1990 which has been placed here and which is going to be replaced by an Act, was not required to be promulgated. My second submission is when this Ordinance would be converted into an Act, the situation in the country would be worse. It would enable the Government to sell the gold and to print the currency notes in an arbitrary manner which may cause price hike and inflation. So the Government should not increase the price of gold. This step would prove fatal for the Indian economy.

Mr. Deputy Speaker, Sir, this is the universal principle that the paper currency is released in proportion to gold deposit. But here the situation is reverse. The paper currency will exceed the stipulated proportion leading to excessive money supply which may invariably increase the prices. Yesterday also, we were discussing the price-rise. More money supply may lead to more inflation.

Mr. Deputy Speaker, Sir, through you, I would like to say to the hon. Finance Minister to consider all the aspects before taking any further step in this direction. The steps you are going to take today, had already been taken by the Governments of Brazil and Argentina and due to these steps their entire economy was totally disrupted. So, let this ordinance not be enacted into a law keeping in view the present price-hike in the country. The Government should not be empowered to raise the prices of gold and thereby to

[Sh. Girdhari Lal Bhargava]

17.00 hrs.

issue excess currency in the market. The inflation, caused by the increased prices of reserved gold upto 20 times, would affect the country in the long run and no Government either of today or of the future would be capable to check the damages caused by this step. Therefore, I request the Government to make an effort to increase the reserve of gold instead of raising its prices. This can be done through permitting the Indian immigrants to bring gold in to the country. This would also help to reduce the smuggling. Mr. Deputy Speaker, Sir, through you, I would like to say to the Government that its policy of raising the gold-price and relasing extra currency in the market will add fuel to the fire as the country has already been suffering from the problem of price hike. You will not be in a position to check it...*(Interruptions)* ...

16.58 hrs.

At this stage, a visitor from the public Gallery fell down on the floor of the House

[English]

MR. DEPUTY SPEAKER: One minute Bhargavaji...

(Interruptions)

MR. DEPUTY SPEAKER: Let him be taken to the doctor please...

(Interruptions)

MR. DEPUTY-SPEAKER: Members may not collect there please...

(Interruptions)

MR. DEPUTY SPEAKER: May I request the Members not to collect there please? The Security staff will take him to the doctor in the Central Hall. Leave the gentleman and let them take him to the Central Hall...

(Interruptions)

MR. DEPUTY-SPEAKER: Now, hon. Members may take their seats, please.

(Interruptions)

[Translation]

MR. DEPUTY-SPEAKER: Take him to Central Hall.

(Interruptions)

MR. DEPUTY-SPEAKER: Take him carefully. Bhargavji, you may continue. *(Interruptions)*

[English]

MR. DEPUTY-SPEAKER: Members may please take their seats. Don't stand in the gangway.

Now, Shri Girdhari Lal Bhargavaji may continue.

SHRI GIRDHARI LAL BHARGAVAJI: Mr. Deputy Speaker, Sir, finally, I would like to submit that today prices are touching the sky in the country and with the right to increase the prices of gold, the Government would have a right to sell the gold and to print more and more paper currency. It will further increase the prices. Again I would like to submit that there was no need of promulgating this Ordinance. You have given me the right to speak on the subject in the capacity of mover of the Motion for dis-approval and Motion for eliciting the public opinion. I hope that the Hon. Minister would reply to all my points and would abandon the right to increase the prices of gold.

[English]

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): Sir, I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

The Hon. able Members are aware that or foreign exchange reserves consist not only of currency reserves but also SDRs and gold held by the Reserve Bank of India. While the valuation of SDR and currency reserves the governed by established financial procedure and changed from time to time, section 33 (4) of the Reserve Bank of India Act, 1934, had originally provided for a fixed value for the gold held by RBI at a rate of 0.118489 gms. of fine gold per rupee. This means valuation of 10 gms. of gold at Rs. 84.396. The result of such a rigid position was that the gold held by RBI was of late valued at 1/26th of the international market price giving unrealistically low figure of the value of the reserves held by RBI. This is particularly disadvantageous of India while making inter-country comparison.

Considering the outdated nature of the fixed valuation procedure of gold and the urgent need to make a realistic expression of the gold held by RBI, it was decided to change the valuation procedure. The procedure now contemplated would enable the RBI to change valuation from time to time reflecting broadly the changes in international price and never exceeding it. This procedure would enable not only realistic valuation but an appropriate comparison with many countries.

The hon. Members may like to note that the amendment contemplates enabling provisions to allow flexibility for periodic revaluation. It places the prevailing international price as the ceiling and thus gives no scope for arbitrary valuation. It will be in a position to capture to effect of changing international price of gold.

As a result of the proposed amendment the value of gold held by us will be comparable with other countries, such as Thailand and Brazil which value their gold at a little over 100 per cent of the international price, of Pakistan and Ghana which value a little over 90 per cent and Argentina and Peru which value at a little over 80 per cent.

I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by Rajya Sabha, be taken into consideration."

Every scheduled bank is required to maintain with the Reserve Bank a percentage of the average DD balance of its total demand and time liability as reserve. This is usually referred as 'Cash Reserve Ratio'. Section 42 of Reserve Bank of India Act enables Reserve bank of India to exercise effective control over the growth in liquidity with a view to secure monetary stability in the country. The Reserve Bank uses its mechanism to control liquidity in the economy by waiving the CRR as and when circumstances require. At present, the RBI deducted through the scheduled banks for maintaining the above ratio limited to a maximum of 15 per cent. Most of the banks are already maintaining CRR at levels, very close to the present statutory limit of 15 per cent. The proposal in the Bill is to amend the relevant section suitably to empower the Reserve Bank of India to specify a higher limit upto 20 per cent for this purpose. It is expected that the Reserve Bank of India will enhance the limit with due caution to control the excessive liquidity as and when required.

Sir, I trust these Bills will receive the unanimous support of the House.

MR. DEPUTY SPEAKER: Motions moved:

"That this House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1990 (Ordinance No. 7 of 1990) promulgated by the President on the 15th October, 1990."

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by Rajya Sabha, be taken into consideration."

Mr. Girdhari Lal Bhargava, you have suggested amendments. Are you moving.

[*Translation*]

SHRI GIRDHARI LAL BHARGAVA: I have suggested for the disapproval of ordinance.

[*English*]

MR. DEPUTY SPEAKER: We are taking up items 20, 21 and 22 together. You have already moved your resolution and then you have suggested amendment at the consideration stage also for circulation in item no. 21. So, are you moving your amendment?

SHRI GIRDHARI LAL BHARGAVA (Jaipur): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 5th April, 1991." (1)

MR. DEPUTY SPEAKER: Shri Gulab Chand Kataria.

Prof. Rasa Singh Rawat.

PROF. RASA SINGH RAWAT (Ajmer): I beg to move:

"That the Bill be circulated for the purpose of eliciting opinion thereon by the 10th April, 1991." (3)

SHRI AJIT PANJA (Calcutta North East): Mr. Deputy Speaker, Sir, there are three items which have been taken up together I am basing my arguments on the Reserve Bank of India (Amendment) Bill, 1991. The amendment as it appears, looks very simple. But, in fact I do not know whether the Government has properly applied its mind. The Ordinance had already been issued. Though we have to support this Bill, I would like to bring certain salient features to the notice of the Government. The Reserve Bank of India Act, 1934, in the preamble and the statement

of objects stated clearly that this Act, if I may quote:

"Whereas it is expedient to constitute the Reserve Bank of India to regulate the issue of bank notes and keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage;

And Whereas it is expedient to make temporary provisions (I am emphasising the words—temporary provisions) on the basis of existing monetary system and to leave the question of monetary system best suited to India to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures."

So far as this Act is concerned, it appears that this Act has gone into amendments for 73 times since 1934. But the whole object of the Act, when it was passed and thereafter adopted after independence, was that this is a temporary measure and permanent measure would be found out and the whole thing to be looked into afresh.

After the 73 amendments are put in, as it has been done if you compare with the amendments with the other portions of the Act which is for the establishment of Reserve Bank of India, with the intention and the objective to secure the monetary stability in India and generally to operate the currency and credit system, I do not think after all these long years since 1934, we go on amending this Act piece-meal as a fire fighting measure whenever required and not to come to the permanent measures which was thought of at that time when 1934 Act was considered and passed. The Preamble itself makes it a temporary provisions. Therefore, it is the golden opportunity and right opportunity at this time for the Government to consider and to bring a whole some new Act, repealing the old Act and making the new Act suitable according to the

object of the old Act, of 1934. That is to frame permanent measure in order to get sufficient clarity. By 1991, at this stage, the object for which the Government thought of amending the provisions as they are now thinking of international market fluctuation, that object was also thought of in 1934 when the Original Act was framed, when it was stated that the question is to be decided on the basis of existing monetary system best suited to India to be considered when the international monetary position has become sufficiently clear. Sir, international monetary position has now become sufficiently clear. At least, the present amendment shows that they want to bring international fluctuation, increase or decrease, to be taken into consideration. I quote from the very object and reason: "It is to ensure realistic reflection of levels of foreign exchange reserve without any loss of time". I do not think when it was thought of amending this Act, the main object of the Act was looked into. Therefore, I insist that a permanent measure must be brought in and piece-meal solution will not solve the country's monetary problem. It may be that because of this very reason, we are having various difficult situations so far as the foreign exchange reserve is concerned and also various monetary dealings are concerned.

As we all know, this is trying to touch the gold. Gold has been the symbol of wealth in all the great civilisation and there is a record. Encyclopaedia Britannica states:

"It is estimated that the greater part of the gold won from the earth in the last 10,000 years would still be accounted for in the banks and government vaults and in the widely distributed wealth of ornament, jewellery and other artifacts throughout the world."

This is the item of metal, which no other possession in all time has been so zealously and effectively guarded. Therefore, it is necessary to look into in detail the various measures that are put in.

From the amendment that is sought for

in the Objectives, it is stated that 0.118489...

MR. DEPUTY-SPEAKER: Can you avoid reading that which has been circulated?

SHRI AJIT PANJA: I am not reading. I am putting some portions of it. This is the gramme. It looks that this is the amount fixed up in 1934. It is not so. It appears that this was amended by the act of 1968 by Section 26 w.e.f. 1st of February, 1969. In fact, in 1934, it was thought that 2.88 grains were used at that time so far as gold is concerned. Regarding grains, that is, the content, not the grammes or the weight. This was brought in 1968. From 1968 to 1991, is it a fact that international monetary position was not considered at that time? This is sought to be brought in by the Government now and with an emergency, so much so, that they had to bring in an Ordinance, to bring this provision in force.

The Government is alarmed about the foreign exchange reserve. In order to show to the people that the foreign exchange has gone up, they want to make this calculation. The Bill itself admits that this will increase 140 times of the domestic price and 126 times of the international price. Therefore, immediately the foreign exchange reserve has artificially gone up to 40 times more so far as domestic price is concerned and 26 times more so far as international price is concerned.

The hon. Minister will please take note that such type of artificial creation of country's wealthy might backlash on us and we should not take one point out of this entire Act and create a position as if we are having good foreign exchange reserve.

It may be that this provision might help us in getting IMF loan or other things. But will the hon. Minister—he was not there when the Ordinance was passed—go into the details of the effects that are coming in?

The next point is about the gold coin and the gold bulion. The amendment provides that so far as the gold coin and gold bulion is

[Sh. Ajit Panja]

concerned, for the purposes of this Section, gold coin and gold bullion shall be valued. Now it is international price.

I give the definitions of gold and it is subject to correction by the hon. Minister. Gold coin and gold bullion has not been defined so far as this Act is concerned. If the gold coin and gold bullion has not been defined so far as this Act is concerned, what have we to go by?

We have to go by the ordinary dictionary meaning. Each dictionary, like the Chambers and other dictionaries, gives a different meaning so far as gold is concerned. 20th Century Chambers dictionary says:—

"Heavy yellow metal."

Then it is again stated:—

"One of the precious metals used for coin."

A different idea has been given by the Encyclopedia Britannica:—

"Gold is an extremely dense, valuable, bright, yellow metal, with a resplendent luster."

If we fall back on the ordinary dictionary meaning, there is a difference between Oxford, Chambers and Encyclopaedia Britannica in the meaning of the word gold.

If I possess a gold coin, how that is to be valued under the law according to the international price? What is the definition of gold coin? How much gold it is? It appears that purity of gold is reported as fineness parts of gold for 1,000. Pure gold is called 24 carat, whereas alloy gold may be 12, 14, 16, 22 etc carat depending on the percentage of gold in the alloy. A 12 carat gold alloy is 50% gold.

Therefore, if I have or if the Government has got gold coin and gold bullion, how will the international price be valued? How will you determine what kind of gold is this and which carat? There is no definition so far as

this Act is concerned. If we fall back on the General Clauses Act, if we fall back on the dictionary meaning, there is no definition. Therefore, this has to be clarified. Otherwise, the artificial system of taking international price into consideration and the domestic price into consideration will create such type of a capital for the country, such type of a wealth which will be a colossal hallucination so far as our country's economy is concerned.

I come to the next point. 'Security' has been brought in. I looked in vain whether the term 'security' has been defined so far as this Act is concerned, this being a special statute. There is no such definition so far as the 'security' is concerned. I would submit that the Government should consider how the gold coin and gold bullion should be valued; how this security shall be valued at a price not exceeding the international market price for the time being obtaining? What type and which type of security is this if the Act itself doesn't state? The object is that it is a temporary provision. The final provision has not yet clicked. Therefore, regarding the definition of the entire Act, unless the Government applies its mind, it will not be able to attain its objective as is sought for. Merely amending all these provisions will not be able to achieve the results.

Sir, so far as this entire Act is concerned, as far as the rupee coin is concerned, rupee coin has been defined in Section (2) sub-Section (D). If the rupee coin is defined and gold coin is not defined, how are you going to interpret and in what manner? At that time, the legislature thought it fit to define the rupee coin because they were considering the 1934 position. But so far as the gold coin and the gold bullion is concerned, the definition was never thought of. It is remaining blind so far as the definition is concerned. I checked it up. So far as this Act is concerned, if we take this Act and compare it with the object clause in my submission this will be absolutely unworkable so far as the Government is concerned. It appears also that during Shri Rajiv Gandhi's Government since 1985 to 1989, the value of gold seized was Rs. 624.07 crores. That much worth of con-

traband gold was seized. After it was seized, its value went up in such a manner that in 1987 its value was Rs. 65 crores. In 1988, it shoot up to Rs. 200 crores. In 1989—provisional figure which is found from the Annual Report of the Ministry of Finance—it shoot up to Rs. 259.55 crores. The total amount during the five years has gone up. It has broken all the historical records. The value of gold seized was Rs. 624.07 crores. How is the Reserve Bank going to value it? The Revenue Department through their various machineries like the Customs and other agencies collected and seized the gold. The law is that it should be deposited with the Reserve Bank. This was done during the five years of the Rajiv Gandhi's Government. There was a clear decision taken at that time. I hope the hon. Minister is aware of such a decision. A decision was taken tent the question of what is going to happen to this gold which is seized? A decision was taken that the gold worth Rs. 624.07 crores would be accounted for in the earning of the Revenue Department. This was a clear decision which was taken at that tie. I appears that the decision has not been given effect to. This much amount of gold is seized by our able officers by getting hold of the smugglers and this will not be reflected in the Revenue Account. The Reserve Bank takes it. But no credit is given to the Government Department which is doing all the work i.e. the Revenue earning Department. Therefore, your revenue shows—ex-figures—624 crores of rupees. As I told earlier, this decision was taken during the Government headed by Shri Rajiv Gandhi. It was decided that the gold confiscated by the Customs, DRI etc. should be deposited with the Reserve Bank of India and shall be credited as a Revenue credit. But the decision unfortunately has not yet been implemented. I hope that this decision will be implemented. I feel this decision has to be implemented. If piece-meal amendment is brought in without looking into the reality, it will not give a correct picture so far as the country is concerned.

17.25 hrs.

SHRI JASWANT SINGH *in the Chair*

Therefore, I conclude by saying that the framers of this Act, which is old as 1934, thought, at that time, that this was a temporary provision and even thought of bringing in a permanent Act when the international price picture became stable. This Government must immediately brig a permanent statute combining all the things together and making it contemporaneous with the 1991 position of Indian economy and comparing it with the international monetary system. Otherwise, if we want to solve this by a fire-fighting measure, this has to be done immediately because this is an Act by which the entire monetary system is calculated and devised. The Government has thought it fit to issue this Ordinance. With these words, I support this Bill.

[*Translation*]

✓ PROF. RAMGANESH KAPSE (Thane):
 Mr. Chairman, Sir, I would like to request the hon. Minister not to pass this Bill in a hurry. It should be passed after a serious consideration, because this decision is not going to have its effect on the revenue of the current year and the public-life, but it is also likely to have its effect in the coming 20 years. We have to decide first as to whether we shall follow the path adopted by Brazil and Argentina or shall we make such efforts that our economic condition may not deteriorate further? The hon. Minister should reply to this point. I hope that in view of his responsibility of protecting the interests of the public as well as that of the country, the Minister will not further insist on enhancing the price of gold. And the proposal to enhance the price of gold will be dropped.

Mr. Chairman, Sir, by enhancing the price of gold the Government will be authorised to print more currency notes and to sell greater quantity of gold, which may lead to higher inflation. Only yesterday we were discussing here about price-rise which has risen very much. One of main reasons for this price rise in inflation. Is the Government of the view that the existing price-rise and inflation should further go up? I request the Government to take the common man's

[Prof. Ram Ganesh Kapse]

plight into consideration before taking any such step so that the public may get some relief and may have the feeling that the Government is doing something for them.

Mr. Chairman, Sir, through this Amendment Bill the Government is going to increase the price of gold by 20 times, which will serve no purpose except enhancing the rate of inflation. The Government should take all possible steps to augment its stock of gold in the treasury. But the Government is not acting in that direction. The Government is thinking about the present benefit only and it is not thinking about its implications in the next 20 years. If keeping in view the present situation only, this Amendment Bill is passed, the country will be adversely affected by it in the coming 20 or 30 years. We should not overlook this point that the problem of inflation and price-rise which we are facing today is the result of the errors committed during the last 20 years. Sir, through you, I would request the hon. Minister once again not to pass this Bill in a hurry. I hope that he will take a wise step regarding this Bill after giving it a serious thought.

[English]

SHRI AMAL DATTA (Diamond Harbour): Mr. Chairman Sir, the objects and reasons which have been circulated to us and what the Minister stated did not really give us a clue as to what will be the increase in the value of gold and bullion held by the Reserve Bank because of the increase in price which the Parliament is going to allow if this Bill is passed.

SHRI AJIT PANJA: It is not so; domestic 40% and international 20%.

SHRI AMAL DATTA: This is the rate. The total effect of the increase—whatever has already been done, the increase has already taken place—has not been given. So we have a right to know what is the total effect of this quantum jump in the evaluation which it appears from the objects and rea-

sons against what was fixed in 1934. We do not know how much gold and bullion is being held by the Reserve Bank and therefore we do not have any means of evaluating the effect. I hope the hon. Minister will give us the figures.

It is said that the recent developments in the Gulf region has made it necessary to revalue the gold reserves of the Reserve Bank. But I don't know how the Gulf region has made it necessary to revalue the gold reserves of the Reserve bank. But I don't know how the Gulf situation has necessitated it. The Gulf situation is certainly very bad; but it has been like this for the last six or seven years, probably longer. In fact the situation has been deteriorating steadily over the years and so the actual foreign exchange debt of this country today is nearing one lakh crore of rupees. Some of it may be due to the fall in the value of rupee also.

So it is not merely the Gulf situation; it is the fact that the Government and the country have been living beyond their means or they have not been able to create the means that they require. There has been a failure in both the domestic front as well as the international economic front. We can cover up temporarily our precarious position; make it a little brighter that what it actually is. Suddenly people will say that India's foreign exchange reserve has gone up from Rs. 5000 crores to Rs. 10000 crores or something like that. Therefore, it may be easier to persuade the IMF to give us a little more money. Because they first see whether the debtor has got the ability to pay back or will create the ability to pay back. How that ability is to be created is not the concern of the IMF. But anyhow some sort of affluence has to be flaunted for the purpose of getting the loan which we are in dire need of because we are not able to take the measures which are necessary, which have been staring us in the face for years. We have gone in for creating a situation which has landed us up in today's situation. One thing which remains to be seen is that this amendment which is sought for the pricing of gold says that price not exceeding the international market price for

the time being obtaining shall be substituted. How often is the revaluation going to be made? It is very important and it should be a part of the statute; it should not be left to the executive to decide that this month we shall revalue it because the international price has gone up and then when the price goes down we don't revalue it, we keep the value at the highest peak point until the next peak is again reached.

There is therefore a lacuna in the Bill. I hope the Minister will take notice of it and put the dates of a particular year on which the revaluation is to be made. It cannot be left to the executive for the time being to substitute their own judgement or their own whims on this situation.

The second Bill is regarding the increase in the cash reserve ratio of banks which the Minister has correctly said is 15% now and has almost been reached for quite some time.

There is no further room for the Reserve Bank to restrict creation of credit by the banks, whose credit creation it is supposed to control. What is the purpose of the control of credit creation? It is certainly to see that the prices do not go up and inflationary situation can be contained by not only restricting demand through restricting credit creation, but also channelising credit to productive channels where through short gestation periods, supplies can be increased as the price increases. The Reserve Bank does no such thing; the Reserve Bank does not even selectively control credit. It has given certain guidelines; those guidelines are practically immutable and unchangeable. What is it doing now is this that the inflationary situation is with us for the last few years. It has to restrict flow of credit to consumption as such, consumer durables in particular and more specifically, luxury consumer durables. It has not only not done anything, but also, during the last few years, the scheduled banks, nationalised banks and State Bank have been going into this channel. The Reserve Bank of India is keeping its eyes closed. So, there is enormous creation

of credit. Everybody knows that the consumer durable markets are sustaining by hire purchase, bank loans etc. In fact, I am told that 90 per cent of the Maruti cars are purchased on bank loans. One bank which dominates the field first is the first City Bank. Now, other banks are following suit. Similarly, purchase of two-wheelers have also been financed by the banks. I am not against people buying cars. But, people who could have bought cars two years later, would have waited, if the situation has not been created, if the psychology has not been created that, "Don't wait; why do you wait?; you take now whatever you like, which otherwise would have taken five years hence, six years hence or ten years hence." That is the situation which creates inflation. This is exactly the psychology which has been created by the Reserve Bank, failing to do its duty in relation to the bank expansion of credit in the consumption sector. Not only the standard chartered banks and other foreign banks, but even the State Bank of India has gone for personalised banking, which is a means of telling people—who have a good fixed income or—that, "You borrow; why do you restrict your life-style?; you come and take money from the banks and pay it back later". This is the way, the psychology has been created over the years and the Reserve Bank of India has done nothing to contain it. It cannot be done now, by merely increasing the cash reserve ratio from fifteen to twenty per cent. The whole thing has to be tackled by the Government which also cannot keep its eyes closed any more.

The other thing is that companies, business houses have been taking money. They have been taking money for one avowed purpose and using it for another purpose. There is no way of monitoring as to whether the borrowers, particularly the big borrowers are taking and utilising the money for the purpose for which they have obtained it. No monitoring is done at all. It is the Reserve Bank's duty to see that the banks do monitoring and it has to superintendent monitoring. It has not done anything at all. These are the things which I wanted to say.

[Sh. Amal Datta]

I support Mr. Panja when he said that a new look has to be given to the Reserve Bank of India Act and a comprehensive amendment has to be brought in. But these things I am speaking about can be done even within the present powers, structure and framework of the Reserve Bank itself. Now, because Reserve Bank and other banks have kept their eyes closed to how the money was being spent by the big companies, many of them have gone into liquidation. Many of them have gone into reckless methods of spending money and gone into liquidation. These debts have now been written off or most of them are in the way of being written off. At least the banks are not wanting to go to court and recover them. In any case, the court system in this country has collapsed. Even if the banks went to court, it will take ten years or twenty years to get a decree which can be executed and then nothing will be left. But what has happened in the meantime? A psychology has been created that the banks' debts once taken need not be paid back. That is the psychology for which the banks themselves are responsible and Reserve Bank with its duty to monitor the activities of other banks is most responsible. Unless these things are checked, you will not get far with C.R.R. A decision has been taken—all of us are parties to that—that up to Rs. 10,000 or whatever is the money, the debts will be written off. Practically everybody, in course of election campaign, promised that if he comes to power, he will see to it that this would be done. And ultimately such a decision has been taken in this Parliament. I do not know to what extent that decision has been implemented at all. But the psychology has been created now that the banks do not want to give loans to the smaller people. In fact, it started with the bigger people's default. An expectation was raised. The expectation sought to be satisfied but was not satisfied. But because of that attempt, the smaller people are not getting any loan. I speak from my personal experience. I see that the people who could have gone for farming or some other primary activities in the rural sector are going to the banks and just driven away. For

loan of Rs. 5,000 or Rs. 10,000, nobody wants to talk to them or look at them. They say: "you will never pay back. You will go to the Government." And they will waive the loan. What are we going to do about it? The whole thing has been a creation of the big business. Now it is the small people who are suffering but the Government cannot do anything at all. It is helpless.

Moreover, we mooted and spread the idea of the nationalised banks' social obligation, to cater to the entire country. This is what we were hearing about and we were talking about and we thought these are things have by now been taken for granted in the entire Indian polity. Today, we find the Reserve Bank has given directive that, no, bank office should be opened until it is viable. In what period of time? What is the time-frame in which the bank offices become viable? If we do not see that, then what will happen is that the banks are not going to open offices in rural areas at all. The idea was that 17,000 people will be covered by one bank office. That was the way, the bank were to be opened. Maybe the figure would have been lowered further, I do not know. But today the Reserve Bank says, no, the banks should not open office which will not be viable, which means that they are going to concentrate in big cities, in urban areas and not go out to the rural areas at all.

The other thing is that if this is a means for controlling inflation, then, I think, you are sadly mistaken, because it is the Government which is at the root of creating the inflation. The Government must control its deficit finance. There must be a ceiling on Reserve Bank by law on the extent to which the Reserve Bank can lend to the Government and the Government can borrow from the Reserve Bank. There must be such a limit. This is something, we must all start thinking. This is not something which may be brought in this Bill but the Government must start thinking and take measures as quickly as possible because otherwise there is no way of containing inflation and price rise. More than that, perhaps it is the Government's overall borrowing which should be limited as

it was envisaged in the Constitution. That has not been done. It has been talked about by the last Government, by Shri V.P. Singh's Government, but nothing concrete has been done as far as I am aware. Maybe some papers were prepared at that time. So, I request the Minister and this Government to seriously think and take steps to see that Government's borrowing from Reserve Bank is limited and the Government's overall borrowing power is limited under the Constitution by invoking Article 292 of the Constitution. These are the overall remedies and strategy to contain inflation to fight price rise. These are some of the steps which are essential and they should be worked out.

With these words, I conclude.

[*Translation*]

SHRI TEJ NARAYAN SINGH (Buxar):
Mr. Chairman, Sir, I support this Bill and I think I am not wrong if I say that such an Amendment placed before us for the consideration is first of its kind in the post-independence era. As far as I know, the price of gold in our country is the same as had been fixed by the Reserve Bank in 1934. It is altogether a different matter that the price of gold in our country's open market is the highest all over the world. That is why the people in our country procure gold from foreign countries and sell it at higher rates within the country. I would like to say that such an approach is not going to solve this problem. If the Government is facing shortage of gold, the Government should confiscate the gold in the possession of the Royal families in the country which are keeping huge quantity of gold in their possession. During the Emergency period, 18 Maunds of gold had been seized by the Government from the Royal families. I am sure that none of the royal families might be possessing less than two quintals of gold. I would request the hon. Minister to undertake raids for confiscating gold after taking all the legal steps in this regard. If there is shortage of gold in the country, Government should search the premises under the law. The land in excess of the ceiling is acquired by

the Government under the Ceiling Act; similarly excess quantity of gold should also be confiscated by the Government. Such process will strengthen the Government and there will not be any need for the enactment of legislation of this kind.

Secondly, I would like to submit that there are large deposits of gold in our country. According to my information gold is extracted only at one place in our country. The Govt. should undertake survey at various places so that deposits of gold could be located. There are gold deposits not only under the land but also under the water at various places in the country. The Government should undertake expeditious steps to find out gold deposits in a large number so that our country might be strengthened.

The Government should enforce control on sale and purchase of gold under the laws. At the same time, the Government should not take such steps as a result of which the smugglers in the country may make easy money. According to my information, in 1978 the Government had auctioned five hundreds Maunds of gold which was purchased mainly by the smugglers. Thought the status of the Government went down, yet the status of the smugglers went up. Therefore, such an action should not be taken. I would like to urge the Government that in order to solve this problem, the Government should take such actions which may not put the Government in any crisis. I would also like to add that while increasing the price of gold which is in possession of the Government, it should see to it that it does not lead to increase in the market-price of gold. There is apprehension in the public mind that with the increase in the price of gold kept by the Government in the Reserve Bank, there might be further increase in the market price of gold. It may be an insignificant issue in other countries, but in our country the rise in gold price is interpreted narrowly as a sort of interference in religion of the people as on many religious occasions of our country, golden-ornaments are essentially worn by the people. In rural areas there is one such

[Sh. Tej Narayan Singh]

festival 'Jeevatiya' when women irrespective of their economic condition have to wear essentially the ornaments of gold. On this occasion, all the persons whether rich or poor cherish a desire to wear gold ornaments. There are many such customs and traditions in our country. I, therefore, urge the Government that it should take all precautions to see to it that increase in the price of gold kept in the R.B.I. does not have my effect on the market price of gold. If open market price of gold goes up due to increase in the price of gold in possession of the Government, the Government's image in the public will be tarnished.

I would, therefore, urge the Government that it should enact a separate legislation to control the price of gold which has increased considerably in the open market. The said legislation must be strictly enforced in order to lessen the people's burden. This is a fact that the price of gold in our country is much higher than those in other countries, because gold is treated as an important material by the Indian families especially by the women, whereas in foreign countries neither the women give much importance to it, nor does there exist any such custom when wearing of gold is essential.

We, therefore, support the Government's stand of raising price of gold kept in the treasury provided the open market price of gold is not affected and the public does not feel any burden.

Finally, I would like to suggest that the Government should enact a legislation for the seizure of gold which has been cornered by some persons in the form of black-money so that the Government is strengthened.

SHRI JAG PAL SINGH (Hardwar): Mr. Chairman, Sir, though I support the Reserve Bank of India Amendment Bill 1990-91, yet I would like to put forward certain suggestions regarding this Bill. Sir, all over the world, the economic condition of any country is assessed on the basis of the gold stock

possessed by it. But despite the fact that our country has large deposits of gold, the value of our currency in the International market is constantly falling. Perhaps we might be having inadequate stock of gold in our country. As the Minister of Finance might be knowing it well that the Government of India is able to produce only 20 tonnes of gold as against its requirement of about 200 tonnes in the country. Hence it is clear that 180 tonnes of gold is brought in the country through smuggling from other countries. The data shows that the Government of India is able to seize only about 18 to 20 tonnes of smuggled gold out of 180 tonnes per year. There is a gap of Rs. 1157 in the price of gold in our country and the International markets since 3.9.90. So it is quite natural that our country's market attracts the gold-smugglers in a large number from other foreign markets.

Therefore, I would like to ask the hon. Minister to take stern measures to rebuild our economy that has been shattered very badly during the last 11 Or 12 months of Shri V.P.Singh's Government. The reasons which you have stated for bringing this ordinance are not completely true. Such has become the condition of our country in the International market or in the International Relations that none, be it the I.M.F. or the World Bank, is ready to give loans gracefully to us due to our sick economy. Their views are also correct to some extent, because our Government has not been able to manage the economy well. Our Government has been taking loans of thousand Crores of rupees from the International Monetary Fund and the World Bank. The Government of India is not in a position even to reduce its deficit or to evolve a strong economic structure in order to provide social justice in the country.

Mr. Chairman, Sir, I would like to submit that the purpose of this Amendment Bill cannot be fulfilled until the Government adopts stern measures to seize the smuggled gold that is brought every year in the country worth about Rs. 162 crores. Through this measure, the stock of gold as well as the foreign exchange reserve in our

country may be increased. Further, I would like to say that the Indian immigrants living in the foreign countries, who earn incomes through their hard labour may be given some relaxation in bringing gold into the country. On one hand, you are ready to provide the concessions to the industrialists for earning the profits at the cost of the foreign exchange, but you do not allow our Indian immigrants to bring gold with them in the country. You may fix some limit of ornaments one may bring in the country. You may levy proper custom duty also on that, if you consider it necessary. Thus, gold brought by them will be legal and it will increase the Government's revenue as well as our foreign exchange reserve. And it will check smuggling also.

Mr. Chairman, Sir, in order to serve the purpose of this Amendment Bill there are only two options left for the Government. It should either produce legal gold or seize illegal gold. This Amendment Bill to control the price has been moved here after 1934, 1958 and 1968. But I am doubtful about its outcome.

I am once again pointing out to this factor which is an important aspect of Indian economy. I do not think that the Reserve Bank has ever been motivated to serve the purpose of providing social justice, it is for the Government to see whether it has served the purpose or not. It is the sole responsibility of the Central Government to review its basic Industrial policy. Today, almost all the Bank whether it is Reserve Bank or other Banks are serving mainly the interests of the capitalistic section of the society in the country instead of achieving the goal of social justice. I am not aware of the mentality of the management of the Banks and I do not know whether it is feudal or capitalistic one. But there is certainly an alliance between to capitalism and the feudalism in the country and I am of the view that the Banks can break this alliance effectively. But till date the Banks have not taken any effective step to provide social justice to crores of people who are living below the poverty line in the country. I, would

therefore like to request you that Government should consider the question of changing the policy and the fundamental structure of Banking and industry in order to improve the economy of the country.

Mr. Chairman, Sir, so far as the question of gold is concerned, first of all, the smuggling of gold must be checked. In our country only 20 tonnes of gold is produced and about 18 tonnes of smuggled gold is seized a every year by the Government. But when remaining 162 tonnes of gold is smuggled in the country from abroad, it will naturally lead to higher rate of inflation in the country and it will be very difficult to control the black-money. Today, there is parallel economy of black-money in the country. This amendment Bill will serve its purpose only when the parallel economy of black money is eliminated.

With these words, I support this Amendment Bill.

18.00 hrs.

SHRI GUMAN MAL LODHA (Pali): Mr. Chairman, Sir, through the discussion that is going on about the Reserve Bank of India Amendment Bill, I would like to draw the attention of the hon. Minister towards the world economic system which emphasizes that any country must release currency in a certain fixed proportion to the reserve of gold it possesses. But unfortunately in our country, on one hand, the gold reserve is diminishing day by day, but on the other hand, paper-currency through the machines is being printed on a very large scale. As a result, inflation and prices are increasing by leaps and bounds. After the price-rice, the price-index and the Dearness Allowance also increase. It is a vicious circle which is damaging the economy of our country. I support the views expressed by other Members. We should pay attention towards the overall economy and the Reserve Bank should regularly monitor the entire economy including Banks so that Bankings system and other financial institutions may function well. During the last many years, several

[Sh. Guman Mal Lodha]

Banks by distributing loans in an irregular manner have caused a great damage to the economy of the country. For example there are many Banks like the United Commercial Bank, the Bank of India and the Canara Bank which are known for the great scandal of improper fundings. All such irregularities took place, because the Reserve Bank did not properly discharge its responsibility of monitoring these Banks. Further, I would like to say that the proper arrangement must be made in all the Banking Institutions. A long span of time has passed, but the employees of the Rural Banks did not get the benefit of the National award. All the Bank employees should be given the third benefit of the pension as the employees of the L.I.C. and other national organisations are given this benefit. Perhaps, the State Bank and one or two other Banks provide such benefit to their employees. But the employees of other Banks after the retirement remain hand to mouth and face the problems alongwith their families, because there is no such facility of pension for them. So the third benefit must be given to them also. Hence, the Reserve Bank after proper monitoring should plan a package-deal to benefit the employees, labourers and low-salaried persons.

Abolition of the Gold Control Act is a good step for our economy, because with the implementation of this Act many defects had developed in our national economy. But at the same time, some steps must be taken to eliminate the parallel economy. I would request the hon. Minister to clarify about the rumours spreading in the whole country including the Banks about the demonetisation under which currency notes worth Rs. five thousand would be exchanged for Rs. five hundred by the Government. Now, I conclude my submission.

[English]

SHRI HET RAM (Sirsa): Mr. Chairman, Sir, the Bills which have been brought forward by the hon. Finance Minister are quite good. He has also clarified the posi-

tion regarding gold. The position in India is totally different, if you compare it with other countries. Gold price in India is very low as compared to other countries. The rates may increase but not the quantity. The total value of gold reserve in the country may go up to Rs. 5,000 crores. It may give an impression that we are having more reserves, if you see from the angle of India currency. But the international price of the gold may remain same.

Now, let me talk about reservation. If something happens and there is crisis in the international market, then how are you going to solve this problem? Do you have any mechanism to stabilise our economy? Our economy is in very bad shape. I want to ask you whether we are in a position to satisfy international community. When the price of gold is coming down, what mechanism are we having to satisfy the international market that we have sufficient reserves at our credit?

As far as Second Bill is concerned, the 15 per cent reserve which is there is sufficient. It is because we have a total deposit which is 100 per cent with the banks, and out of that 100 per cent, it is only 15 per cent which is deposited with the RBI. So, still 85 per cent remains.

As far as advances in most of the banks are concerned, they are stagnant; they are bad. They may be about 20 per cent to 50 per cent. But it depends upon bank. In some banks, a situation has arisen wherein they are called as sick banks. There are also rumours that some such banks may be merged with other banks so that they may sustain the economic position. When the situation is that the banks are not in position to pull on with this 15 per cent reserve money which is deposited with the RBI the rate of interest which the RBI is paying to the banks is very low—Now what the situation in most of the banks in public sector- and R.B.I. also govt. agency. No use of C.R.R. by R.B.I. as these banks should have self discipline, it is not in a position to deposit this 15 per cent money which is to be deposited, it is going to borrow the same from the open

market at very high rates of interest. That will definitely affect Banks adversely their profit. The main purpose of creating C.R.R. was that it will control inflation. But it is not able to control the inflation as the deposit is from market borrowing.

18.07 hrs.

[DR. THAMBI DURAI *in the Chair*]

15% money have already been deposited in the RBI but it is not able to maintain the same. Now, the profits of the Bonus will go down as liquidity goes down.

As far as inflation is concerned, it is not the bank deposits which is creating inflation, but it is the black-money which is out of our control, that is creating inflation.

Neither the RBI nor the Government are able to control the black money. This is one thing is destabilising our economy and not the liquidity of the banks.

I would request the hon. Minister that instead of going for schemes like SLR and CLR, you should control the circulation of black money in the country. These schemes are very minor ones.

With this request, I support the Bill.

[*Translation*]

SHRI HARISH RAWAT (Almora): Mr. Chairman, Sir, I support this Bill which has been moved in order to fulfil the urgent needs of the country. Through this Bill, the hon. Minister has proposed to be stow powers on the Reserve Bank to revalue the gold reserve and thereby be re-assess the foreign exchange. I think this is a normal process and I would like to the hon. Minister that in the present circumstances, the very firm policies are required to be formulated, because he has taken the charge of the Finance Minister in such a crucial phase when the economy of the country is passing through a period of crisis, and not just through the transition period, due to the wrong poli-

cies adopted by the previous Government in the economic sphere. It would be disastrous for the whole country if the people lost faith in our economic set up. I think that the financial institutions or the Banks and especially the Reserve Bank may play a very important role in resolving this crisis. I would like to suggest that the whole of the Reserve Bank Act is required to be thoroughly examined it appears to me that more powers should be given to the Reserve Bank so that it may regulate and monitor effectively the working of the different Banks. Thus the Reserve Bank will serve as an effective weapon of giving valuable suggestions as also creating any hurdles for Government particularly when it intends to take any such step which might damage the economy. Functioning of Banks could also be improved thereby. We had realised in the recent past that some of the financial measure taken by the previous Government have created problems for your Government. I think any Government which will present the budget in future will be liable to face unpopular reaction, unless some miracle happens. I am afraid that you will be able to retrieve the situation. Economic situation of our country is so bad that the Government will be forced to take unpopular steps. I, therefore, request you to give serious thought to this issue.

Mr. Chairman, Sir, many of the Nationalised Banks, barring a few are not in good condition. Some Banks are not having commercial transactions on a sound footing, because these banks under the pressure of the Government have opened new branches in the rural areas. That is why, three Banks are not functioning well and their financial position is in a bad shape. In my opinion, the Bank-Managements are mainly responsible for such financial crisis which these Banks are facing as they bother a little about providing proper facilities to the ordinary public. Due to all this, doubts have arisen about the functioning of other Banks as well. I, therefore, would like to request the Finance Minister to empower the Reserve Bank to intervene in the working of these Banks and Government should also take effective steps to keep effective control over such Man-

[Sh. Harish Rawat]

agements which due to their own faults, tranish the image of the Banks.

Mr. Chairman, Sir, now I would like to give a small suggestion about Uttar Pradesh also. This is very unfortunate that there is not even a single head-office of any Nationalised Bank in this province despite being the largest one in population. Even the number of the zonal office is quite inadequate in this province. As a result, the financial working in Uttar Pradesh is also on a very low key. The Head offices of all the Nationalised Banks are located either in Bombay or in Calcutta. There is one Bank by the name of Allahabad Bank in Uttar Pradesh. Even the Head Office of the Allahabad Bank is located in Calcutta. I do not complain as to why its Head Office is located in Calcutta. But I certainly request you to ask the Nationalised Banks to open at least some more regional and zonal offices, if it is not possible to open Head Office in the different areas of Uttar Pradesh so that the people of that province may be benefited thereby. Long back Uttar Pradesh Government had submitted a proposal for constituting a U.P. based Bank after merging all the small Banks like the Bareilly Bank and the Nainital Bank there. I would like to request that this proposal must be graciously considered by your Ministry.

I welcome this Bill once again.

SHRI GEORGE FERNANDES (Muzaffarpur): Mr. Chairman, Sir, I have some objections regarding the reasons which have been given for moving this Bill in this House. The hon. Minister of Finance has said in "the statement of objects and reasons" that we have to take certain decisions to show the world that regarding the foreign exchange especially in the matter of the balance of payments our condition is not so miserable as it appears after the gulf-crisis. I have objection that it is not needed as the world is well acquainted with the fact as to how India had fixed its gold-price during the last many years as I think it was done 25-30 or 30-40 year back. Whether the world market

or world Bank; International Monetary Fund or Gulf Countries were not aware of our helplessness in this matter or did they not knew about it that how we fix our gold prices? It is not so. It will not solve the problem. But I am still not so desperate to say that there is no solution to this problem. An hon. Member of the Congress Party just now has gone out after expressing his hope over this paper mathematics that the new Minister of Finance will correct all the errors committed by the Viswnath Pratap Singh Government during the last one year.

Mr. Chairman, Sir, this position has deteriorated over a period of time. The Minister of Finance himself will accept that we have been acquiring huge foreign-loans since long in order to satisfy our extravagance and luxury. (Interruptions) During the last 5-7 years the loans which have been waived off. (Interruptions)

SHRI HARISH RAWAT: You declared that the loans will be waived off and according to that declaration the loans of the hundred persons in each district were waived off and as a result now not only two thousand but there are more than ten thousand of twenty thousand people who are asking for waiving off their loans in each district and they are not repaying the loaned taken by them. (Interruptions)

SHRI GEORGE FERNANDES: That also will be done and it will be better if you ask the Deputy Prime Minister about this. It is going on, Rawat ji, do not worry about it. (Interruptions)

SHRI HARISH RAWAT: You created such a problem to which you had no solution.

SHRI SHOPAT SINGH MAKKASAR (Bikaner): It was their responsibility to implement their manifesto.

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, it would have better if we could have used the external debt for the development purposes in the country. We

would like to ask the former ruling party which is supporting the present Government and pulling the strings from the background should try to analyse this problem because this is not only the question of that party but it is the question of the whole nation. Today, with regard to the question of foreign exchange we have reached to a very dangerous position. I would like to request to the Government to think over it with a new approach in order to overcome the severe crisis which the country is facing regarding foreign exchange. In this context, I would like to cite an example. A car being manufactured under the licence from Suzuki company of Japan in Gurgaon near Delhi. Every year crores of rupees are being drained out to a foreign country due to this car.

Thought it has been named 'Maruti' but it is completely a Suzuki car. Every part of this car is imported from there and only assembly is done here. Only about two thousand workers are working there but if my information is correct foreign exchange worth rupees two hundred fifty to three hundred crore goes to Japan on this pretext only. This Suzuki car is causing this much loss of foreign exchange to the country. In my opinion, our country can do away without Suzuki Van but is certainly not in a position to afford a loss of such a huge amount of the foreign exchange just in order to satisfy the luxury of the few handful persons. In the last 4-5 years Congress Government has entered into agreements with the various multinational companies. Such as Maggi soup, ash-brow, children's toys etc. are the few example of it. The Madras Rubber factory made an agreement with a multi national company which manufactures toys according to which the 40 percent of its profit would have to be paid in the form of the foreign currency to that company based abroad. In the same way the contract for the commodes was made with a Swedish company. There were a number of such contracts. During the last 4-5 years, different contracts were made with approximately one thousand foreign companies. But none of them was for any big machinery or say such thing for which

higher technology is required. All these contracts were made for manufacturing such luxurious items are used by only ten per cent people rather to say only few people of the country can afford to use those.

SHIR BHOGENDRAJHA (Mudhubani): Not ten percent. It would be hardly one percent.

SHRI GEORGE FERNANDES: Lit it be 10 percent because we are of the view that in India there are about 7-8 crores people, the so-called medium class, who are indulged in building their status by wandering around the high class people. I would like to put a special question before the hon. Minister of Finance. He may counter my question about the agreement made by this Government with pepsi cola as some of the Members told that the present Government had to continue the contract made by the previous government. I would like to say to him that all such contracts which are not at all in the interest of the country must be terminated immediately as today our country is facing acute shortage of foreign exchange. All such agreements or contracts which are not in the interest of the country should be terminated and in this way foreign exchange may be saved. All such arguments which are given to support the investments by the Pepsi Cola, coco-cola, foreign coinpanies making toys and that these investments will be helpful in India's progress and development are totally baseless. Therefore, I would like to say to the Minister of Finance who has moved this Bill in the House that all the unnecessary contracts made with the foreign companies must be terminated immediately. Mr. Chairman, Sir, in this context I would like to mention another thing which is related to the responsibility of the Reserve Bank of India. There are many problems, such as the problem of Punjab, Kashmir, Assam and the naxalite movement in Andhra Pradesh before the country. We often discuss on Bihar.

SHRI K.D. SULTANPURI (Shimla): You say about Tamilnadu.

SHRI GEORGE FERNANDES: Yes, add Tamilnadu also. The main issue associated with all these problems is of exploitation. The structure of the Reserve Bank has become a means of continuous exploitation. All the villages or the backward areas of the country are ignored by it. I would like to place an evidence of it before you. Here in my hand are the datas of the Public Sector Banks' Deposits and credits in the Reserve Bank. The credit ratio upto March 1990 of Uttar Pradesh which is done of the poorest state of our country, is 46.3%. The revenue received from that state, the savings of the poors has been diverted in the development of the Metropolis civilization. This point has been raised at different levels before the Reserve Bank of India and the Ministry of Finance but the Government has never bothered to interfere in this matter. The same is the case with other states also. The credit is 45.5 percent in Punjab, 37.8 percent in Bhihar and 51 percent in Bihar. Same is the case with Assam also. The money of the poor and backward states is diverted on the development of the other prosperous states. In the same way the most backward areas of a state are neglected in order to give extra attention to the other developed areas of the same state. Thus there is a wide gap between the developed and the backward areas of the country due to such prevailing imbalanced system. So I would like to request the hon. Minister of Finance, as a discussion is going on the Reserve Bank of India though in different context, but it is the responsibility of the Reserve Bank to remove the disparity in the developmental structure. Therefore, I would like to request that the deposits the savings in the rural areas should be utilised in those areas only and development work of that area should be done by the savings of the people of that area. Government must decide in this matter.

Mr. Chairman, Sir, I will conclude my speech after saying that besides other things the Reserve Bank has to monitor the functioning of all other Banks also.

THE MINISTER OF HUMAN RE-

SOURCES DEVELOPMENT (SHRI RAJ MANGAL PANDEY): Should the Government of India do anything or not if a state does not have money for further development?

SHRI GEORGE FERNANDES: I want to say that money saved in a state should be used in the development of that state first. As for example, if Rupees 500 crores have been saved by the people of Azamgarh district, it should be utilised in that district only, not in Bombay or Delhi. Further, I want to say that you have no right to up bring the capitalists of the country at the cost of the farmer's interests. The Government has no right to develop the urban civilization and avoiding the rural development. There are no roads in different areas of Assam, Bihar and Rajasthan but in Delhi, they are constructing roads and bridges in every three months. I oppose such imbalance situation.

SHRI SHOPAT SINGH MAKKASAR (Bikaner): We find that in Delhi very smooth roads are constructed whereas Rajasthan lacks badly in the matter of roads.

The Reserve Bank is supposed to supervise also the entire Banking system functioning in the country. I would like to ask the hon. Minister of Finance certain questions as to how far the Reserve Bank has cared to fulfil this responsibility? Is it not true that the Banks of the Public Sector in the country have not reconciled their accounts for the last ten years? Is it not true that these Banks have wasted crores of rupees during the last 5-10 years? Is it not true that the officers of these Banks right from the Chairman-cum-Managing Director to the lower levels are indulging in Currupt practices? In this context I would like to mention the name of a particular Bank and ask the Minister of Finance whether he did not ask the Chairman-cum-Managing Director of the Vijaya Bank to resign while vigilance and C.B.I. inquiry against him was in progress? Are the people today not hankering after entering into these Public Sector Banks? They have done much harms to these Banks. They are behaving like feudal-lords. How was it possible for those who

were recruited as lower rank officers in these Banks to amass crores of rupees? I hope that the hon. Finance Minister would take a special note of the three issues which I have placed before him and he would take some firm decisions in this regard.

[English]

SHRI YASHWANT SINHA: I am extremely grateful to all the Members who have participated in this discussion. I have greatly benefited from the suggestions which have been made. I must confess right in the beginning that I am greatly intrigued by the points which hon. Mr. George Fernandes has raised. And when I come to that I will explain why I am intrigued.

What is sought to be done through these amending Bills is very simple. The first relating to the gold reserve is an enabling provision which will enable the Reserve Bank to value the gold which it holds as reserve in line with the reality obtaining in international market especially the London Metal Exchange. As you are aware, the value of the reserve prior to this Ordinance which was brought on the 15th of October, 1990 was only Rs. 287 crores. As a result of the formula which has been incorporated in this Bill and was enacted through this Ordinance which is even 10 per cent less-it is not 100 per cent of the international prices; it is only 90 per cent of the international prices- it has gone up on 30th November, 1990 to Rs. 6627.43 crores. Now the point is, not that we have over-valued it, not that arbitrary valuation is taking place, not that somebody is playing around with these figures artificially for the purpose of unduly impressing the rest of the world. What we are trying to do is to bring it in reality with international prices because what had happened earlier was that the value of the reserves under the provisions of the existing Act were artificially depressed. And that is the distortion which is sought to be corrected through this amending Bill.

Now why I am intrigued by the remarks made by hon. Mr. George Fernandes is that this Ordinance was passed by a Govern-

ment of which he was a Cabinet Minister. It was enacted on the 15th of October, 1990.

So, if anybody is guilty of undue haste in bringing such a legislation, it is the then Government and the Cabinet, of which Mr. George Fernandes was responsible Minister I hope...

(Interruptions)

SHRI BHOGENDRA JHA: But do you mean to say it was guilt?

SHRI YASHWANT SINHA: I am not saying that. I am saying that Mr. George Fernandes has said in his speech that it is only a show and that everybody knew what the real value of the reserves was. By artificially now revising it, we are just putting up a show before the world. And this he is saying about in enactment which was brought by his own Government. He has said he read the Object and Reasons of the Bill and said that he took objection to the reference to the Gulf crisis. I am surprised. I do not know whether Mr. Fernandes attended the Cabinet meeting in which this matter was discussed, subsequent of which the Ordinance was enacted. I do not know whether he read the Cabinet Note which was prepared. I do not know whether he briefed himself before he came to this House this evening to talk on this Bill. But if he had done his home work, I am sure he would not have raised this objection because the reference to the Gulf crisis and the fact that we were bringing this amendment, consequent upon the Gulf crisis, was something for which we are not responsible. It is something which they themselves had decided and, therefore, I am intrigued.

SHRI BHOGENDRA JHA: You were also a party to that. You belonged to that party.

SHRI YASHWANT SINHA: You were also a party to that, they were also a party to that. But I was not. I was not a member of the Cabinet fortunately, nor were you, nor were they..... (Interruptions)

[Translation]

SHRI GEORGE FERNANDES (Muzaffarpur): This does not make any difference as to when this ordinance was proclaimed. The points which I have raised can be said while remaining in the Government and outside also. This ordinance is superficial and it will not solve our problem in any way. The quantity of our gold-reserves is the same as it had been in the past. At present we don't have even Rs 257 crore. Then how it has gone upto Rs. 6627.43 crore. So, there is nothing to worry about it.

SHRI YASHWANT SINGH SINHA: I am not in the confusion. I have simply narrated some facts here in the House to make the position clear.

[English]

That was the only intention with which I made those remarks. Now, Sir, if we had been convicted, when we came into Government, that this was a useless piece of legislation which need not be carried forward, then we would have allowed the Ordinance to lapse. Quite frankly, we did not think so because while the international experts and wizards, knowing the formula by which the Reserve Bank of India values its reserves, would perhaps know a what is the true value of our reserves, as far as the general public is concerned, in India and abroad, they would not be aware of it. It will be very difficult for anyone to imagine, for instance, that India still values its reserves on the basis of something which is 20, 30, 40 years old. No country in the world is today doing it on that basis. I have information about what other countries are doing, not only developed countries but also developing countries. I also read it in the initial speech which I made before the House. We are only falling in line with the rest of the world. We are trying to bring ourselves in touch with the reality as it exists today.

A number of other points were raised. Let me make one point very clear- because from this side Mr. Bhargava and Mr. Lodha

made the point that this is going to add to inflation that it is not even remotely connected with inflation. If I know my economics, even the rudimentary, elementary economics, then mere revaluation of the reserve in line with international prices- a reserve which remains with the Reserve Bank of India, which is not used- is not going to contribute in any way to inflation. Inflation is there because of other reasons and we can discuss that.

But just as it will not regulate traffic in Connaught Place, it will not touch inflation at all. So, let me be very clear about it that this revaluation is not going to have any impact on inflation. (Interruptions).

[Translation]

PROF. RASA SINGH RAWAT: Sir, I had made a suggestion to circulate the Bill for eliciting public opinion what happened to that suggestion.

[English]

MR. CHAIRMAN: Your amendment is already circulated.

(Interruptions)

SHRI YASHWANT SINGH SINHA: Mr. Ajit Pnja made a very valuable speech and raised many issues. He is not here just now. But I would like to say that we have noted, because the suggestion did not come from him, it came from many other quarters in this House that the Act has become very old, it has been amended a number of times and that there was need to bring about a comprehensive new Bill to regulate the RBI and make it more effective. We have taken note of that suggestion and I will certainly go back and have a look at it. But he also said that a decision had been taken about confiscated gold. Gold is confiscated and annual valuation takes place every year, we know what quantity and what value of gold we have captured. In 1990, for instance, we had confiscated gold worth Rs. 665 crores at domestic prices. What happens is that this gold does not automatically go into the

vaults of the Reserve Bank. It is not added on to the reserve, it is held on Government Account. It is only when it will be transferred, in case it is transferred, to the Reserve Bank of India that to that extent the amounts will get reflected in the Revenue Account of the Government of India. But I have taken note of that suggestion. There are various ways in which this confiscated gold can be used, for instance, it is being used to supply the much needed raw material to the goldsmiths for making ornaments through the State Bank of India for export purposes. So, if any point of time the Government comes to the conclusion that we have sufficient stocks of confiscated gold which ought to be transferred to the reserve held by the Reserve Bank of India, then at that point of time that such a transfer will take place and that value will get reflected in the Revenue Account of the Government of India.

As far as the questions in regard to the definition of bullion and coin system is concerned, we follow the international definition. Fine gold is regarded as 99.99 purity. Thus, for everything there is an international definition and we follow that definition. So, there is absolutely no confusion in regard to that.

Various suggestions have been made about how we should regulate gold permitting NRIs to bring gradually. These are not germane to the issue that we are discussing, but certainly we have heard these suggestions and we will take note of them.

Now, Sir, I think, as far as the Ordinance which we now seek to bring as a Bill before the House and which we seek to enact as a law is concerned- as far as that Ordinance is concerned, it is very simple; as far as the general picture is concerned, in regard to foreign reserves, it is not a secret from this House, from the people of India that reserves have been falling steadily, somewhat sharply, ever since we were hit by the Gulf crisis and are determined, we have repeatedly said unlike the previous government which said, 'The coffers are empty'- that was the swan song which went on and on, we are not

saying that, we are careful, we are saying, we have a difficult situation, but there is no need for panicky just as Rs. 287 crores worth of gold actually could be valued at Rs. 6,067 crores, similarly with all the assets that we have in this country and especially as the Prime Minister is fond of saying, 'we have the human resources in this country', if anybody thinks that this country is bankrupt, then there is no more foolish phantom thought than that. This country is a solvent country, this country is capable of standing on its legs, and this country will stand on its legs, we shall overcome the temporary difficulties that we have. Therefore, there is no question of empty coffers, there is no question of panic, there is no question of despair, we shall live with hope and we shall overcome. So, let me assure Mr. George Fernandes..(Interruptions)

SHRI GEORGE FERNANDES: Sir, may I ask one question to the hon. : Is it not true that the total assets of the Government of India are less than the total outstandings of the Government of India? If the Government of India were a corporate body, it would have gone liquidation. The Managing Director of the corporate body may be billionaire, but he may send his company into liquidation. Today, the outstandings of the Government of India, both foreign and domestic, are more than the assets of the Government of India.

MR. CHAIRMAN: Your question is different. If the Minister wants to answer, he can do so. But what he said was about the national wealth.

SHRI YASHWANT SINHA: Sir, Mr. George Fernandes has been a Minister much longer recently than me. I am sure he has computed the value of assets and the liabilities and I am sure he knows the answer. But, I was saying that we are not looking at the assets of the Government of India; we are talking of the viability of the whole nation. Then, we are not merely concerned with the assets held by the Government; we are talking of national assets. As far as national assets are concerned, they are many times

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more than any liability that we have nationally. Let us be quite clear about it and therefore, as I said, I am quite confident that we shall overcome the temporary difficulties in which we are now and this country shall move forward.

SHRI NIRMAL KANTI CHATTERJEE (Dumdum): But that does not contradict the fact that the Government coffers are nearly empty.

SHRI YASHWANT SINHA: If you want to start a discussion on that, let me tell you very clearly let us put this at rest once and for all. I was also one of them; when we were shouting that the Government coffers are empty, the foreign exchange reserves were at a reasonable level—Mr. George Fernandes is sitting here—the foreign exchange reserves continued to remain at that somewhat comfortable level until September when as a result of the Gulf crisis, they started declining. If we are looking at the fiscal deficits, if we are looking at the budgetary deficit, we have finished the previous year with a deficit of something like Rs. 11,000 crores which was not unprecedented, because this year if we had not taken these steps and if we do not take more such steps in future in regard to controlling the expenditure, let me tell you the deficit with which we would have been faced this year would really have made this nation look absolutely bankrupt. So, when we are talking of bankruptcy, when we are talking of coffers, what exactly do we mean? We mean what is exactly in our foreign exchange reserves; we mean what is the budgetary deficit and we are referring to our loans.

SHRI NIRMAL KANTI CHATTERJEE: It is a very simple thing. When we talk about Government coffers in terms of international balance of payment in reference to our import bills, it is two weeks reserves that we have got. I remember, when I was in Rajya Sabha and Mr. Pranab Mukherjee was the Finance Minister, we asked him as to how much reserves we have now. His answer

was that it would come for at least three months' import. This is what the position described. There is no reason for panic because of the national wealth. But, at the same time, that does not mean that we have a right to equate the Government's situation with the situation of the nation. These are two different things.

SHRI YASHWANT SINHA: I do agree that we cannot equate to situation of the Government with the situation of the nation. Let me make it very clear that we held through out the whole of 1989-90 and until September, 1990, the foreign exchange reserves were in the range of anything between Rs. 5,000 to Rs. 6,000 crores. The monthly figure kept on varying. But, when the National Front Government came into power in December, 1989, the foreign exchange reserves were such that there was no need for a talk of empty coffers and let me tell you with a full sense of responsibility that the enormous amount of damage which has been done to India's credibility abroad as a result of this empty coffers talk is incalculable. I am saying this with a full sense of responsibility.

As I said, this Reserve Bank gold re-evaluation being in line with reality, is a legislation which had been brought through an Ordinance by the previous Government. We feel it should be realistic. So, we are supporting it. We have brought it before the House. I am very glad it has received the support of practically every section of the House except the Party which has brought it as an Ordinance and, I am a sure, on second thoughts, Mr. George Fernandes will also fall in line and will support this. I have unanimous support as far as this Bill is concerned.

The second Bill which has been passed by the Rajya Sabha and which is under consideration before this House relates to another enabling provision. It relates to raising the cash reserve ratio of the banks from 15 to 20%. This again is a very simple legislation. 24 out of 28 public sector banks in this country already have a CRR of 15%.

As you know, one of the main reasons for inflation is money supply. My colleague, Rao Birendra Singh has replied to the debate which has taken place in this House to which many hon. Members have referred. One of the many reasons is increased money supply and, therefore, even if the CRR is at 15%, there is a feeling that money supply is increasing. This year we have taken stern steps to restrict money supply and, I am sure, we will be able to keep it under check. It has become essential to enable the RBI to take it up to 20%, if they feel. As you know, RBI is an autonomous organisation. RBI independently gives advice to the Government of India. RBI independently comes to its own conclusions in regard to the health of the economy. It has certain statutory functions and it is within that that we are now enabling the RBI to be able to raise the CRR, if they so feel, to 20% as against the present limit of 15%.

A number of other points have been raised in regard to the functioning of the banks. I touch upon a few.

It was said that there is not enough being done for the rural sector. Let me tell you that expansion of bank branches is enormous. In 1989-90, for instance, the total number of bank branches which were opened was only 1,518 out of which 1,376 branches were opened in the rural areas so that the commitment to the rural sector is continuing absolutely without any dilution. I do not think it is a case of anybody in this House, either sitting on that side or this side, that there should be any dilution either in regard to the number of branches which are being opened in rural areas or in regard to various kinds of credit which is being made available.

SHRI NIRMAL KANTI CHATTERJEE: That is agreed. But, will the RBI guideline not hamper further expansion in the rural side in terms of viability? That is the point.

SHRI AMAL DATTA (Diamond Harbour): I had very specifically made the point that the Reserve Bank has now

re siled from the earlier position that there should be branch to cover a particular number of population. They have now given a directive that all branches, opened in future must be viable by themselves. That will slow down the speed of opening banks in rural areas.

SHRI YASHWANT SINHA: I am aware the policy is that for every 15 to 25 villagers, there should be a rural branch. If there has been any dilution in this stand, I shall go back and check and correct it, if it is necessary. But, let me tell you one thing that, with the CRR which is at present at 15% and the SLR, a total of 53.5% of the banks' money is now under the control of the Reserve Bank of India and of the balance which is available to them for lending, 40% is to be reserved for the priority sector. Therefore, as far as that is concerned, there is going to be absolutely no dilution. This will mop up a little more if the Reserve Bank of India feels that such a step becomes necessary and, let me assure the hon. Members, that this is quite clearly an anti-inflationary step, because the more money we keep in reserve, prevent it from going into circulation, the less will be the pressure on prices. So, Sir, as I said, this again is a very simple legislation enabling the Reserve Bank of India to be able to raise the CRR limits. A number of points have been raised again by Shri George Fernandes in regard to Credit Deposit Ratio and the RBI's control over the bank and all that. It is a long continuing point and it is a long continuing struggle. I am all for improving the Credit Deposit Ratio especially for the rural sector, especially for the backward States and it shall be my endeavour as long as I am the Finance Minister to make sure that the various banks serve the needs of the poor in the rural areas, in the backward areas. That will continue to be my endeavour.

SHRI AMAL DATTA: As far as loan is concerned, no credit should be given to luxury consumption areas. What is your view?

SHRI YASHWANT SINHA: I would make the point that 53.5 percent of the banks money is being controlled by the re-

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serve Bank of India through CRR and SLR. of the balance, which is 46.5 per cent, 40 per cent is being reserved for the priority sector. So, there is only 6.5 per cent left. Let me make it clear..

SHRISONTOSH MOHANDDEV (Tripura, west): I fully agree with you. But the point Mr. Amal Datta has made is a very valid point. In this House all sections of the Members have raised it that in view of the fact that loans up to Rs. 10,000 has been written off, there is a tendency on the part of the banks not to give small loans to the small farmers as new loans. On this issue, will the Minister say something? Is the Minister aware of it? If it is so, will corrective steps be taken?

MR. CHAIRMAN: Let him answer the questions one by one.

SHRI NIRMAL KANTI CHATTERJEE: Sir, out of the 53 per cent, the residual part of that is 40 per cent and not the total of it. The Minister is making a mistake there. (*Interruptions*)

SHRI BHOGENDRA JHA: The next Budget is coming soon. The Minister has to chalk out his policy from now onwards. I would like to know from him whether the Reserve Bank is giving any guidance to the bank branches throughout the country to yoke its money for productive endeavours to produce goods and materials and not merely for trading and hoarding purposes. Whether it is going to be your policy?

SHRI YASHWANT SINHA: Let me assure the House that there is no question of any bank being given unbridled freedom to indulge in profiteering or to enable others to indulge in profiteering. If there is any loophole, we shall, through the Reserve Bank of India or directly, try and curb it. But let me make one point very clear. As far as foreign investment is concerned, Shri George Fernandes has talked about Maruti and the Pepsi coming here. I remember when I was a Member and sitting in the Opposition in the

Rajya Sabha I had also made a fiery speech against Pepsi Cola coming into the country. We had hoped that when Shri George Fernandes, a person like him would join the Government as a Cabinet Minister, he would throw Pepsi Cola out as he has done in the case of Coca Cola. But that did not unfortunately happen in the 11 months that he was in power.

[*Translation*]

SHRI GEORGE FERNANDES: I had stopped its service in the trains. What I want to say is that today you are in a position to do so. It is because while commenting on the Industrial policy, the Prime Minister had expressed his views regarding investment of capital entirely by the foreign investors due to that Industrial Policy.

SHRI YASHWANT SINHA: There after George Saheb has also said that multinational companies are coming to manufacture commodities and other consumer goods. Foreign capital and foreign techniques have been brought to this country so as to manufacture these items. Sir, so far his question is concerned, our policy is very clear that no foreign technology or foreign investment is needed in the area of manufacturing consumer goods in this country. If at all, there is any need of foreign technology or foreign investment, it is in the priority sector and any such priority will be fixed by us only and not by foreigners.

There is yet another point which I would like to touch. When there was the Government of the National Front with George Saheb in the Council of Ministers, it had announced its Industrial Policy. We had strongly opposed the policy inside the party. At that time neither George Saheb had resigned from the Party nor opposed the policy. (*Interruptions*)

[*English*]

SHRI BHOGENDRA JHA: Are you going to change the Industrial Policy?

SHRI SONTOSH MOHAN DEV:
New policy is coming. The Minister has said it.

[Translation]

SHRI GEORGE FERNANDES: Mr. Chairman, Sir, I would like to know whether the Government has announced a policy in the House that the foreign companies would not be allowed to enter the consumer sector. I would like to mention the names of 3-4 companies. The 'Gustans Berg' which is a Swedish company and manufactures commodities was invited to the country by the Government of that party which is now supporting your Government. Maggy Soup, Hash Bro Toys, Maruti vehicles and Pepsu are among them. Will these companies be driven out according to their policy?..(Interruptions)

[English]

MR. CHAIRMAN: I will not allow like this.

[Translation]

SHRI YASHWANT SINHA: I would like to submit that the present Government has no such policy under which foreign companies who have already been permitted would be asked to wind up their establishments in the country. Please do not ridicule that point. No such step has been taken during eleven months..... (Interruptions)

I would like to say...(Interruptions)...

[English]

SHRI YASHWANT SINHA: I am not yielding how. I have yielded enough. I have to close it now. (Interruptions)

DR. BIPLAB DASGUPTA(Calcutta South): What are you going to do now? (Interruptions)

MR. CHAIRMAN: I cannot allow this kind of a debate. If anyone wants to ask a

specific point, I have no objection. But you can not force the Minister to say something now itself.

(Interruptions)

MR. CHAIRMAN: When you are proceedings like this, he has also a right to speak.

(Interruptions)

SHRI YASHWANT SINHA: Sir, it has been said on behalf of the Government on a number of occasion that we propose to bring a new Industrial Policy. We shall do it. We shall take Parliament into confidence. We shall place it before Parliament. I can only say at this stage that the new Industrial Policy will be much more in consonance with the national needs, with the national objectives, with the national aspirations than the useless policy, the disastrous policy which the previous Government had brought. With this note now, would appeal to the House to support and pass this Bill.

[Translation]

SHRI DAU DAYAL JOSHI (Kota): I would like to point out that due to their banking policy a number of banks in the country have reached the stage of bankruptcy. Among them, especially the United Commercial Bank.....(Interruptions)... Due to the support in the West Bengal, they are keeping the UCO Bank alive. But the New Bank of India has reached the stage of bankruptcy and it is going to be merged with other banks. Please let me know as to how the Government is adopting dual policies in this regard. The New Bank of India is going to be merged while the United Commercial Bank is being given the benefit.

SHRIGIRDHARILAL BHARGAVA: The hon. Minister tried his best to explain the Bill. In fact, the Bill is very brief. It has far-reaching effects. Gold is the symbol of prosperity in this country. Especially in our country, gold is everything for a woman. It has not been stated as to what effect it will

[Sh. Girdhari Lal Bhargava]

have. It is certain that this Bill will cause price rise, increase inflation and black-marketing. On every currency note, it is printed on behalf of Government of the R.B.I. that "I promise to pay." If the Government keeps gold reserve less than the required quantity and prints notes disproportionate to gold reserve, people will lose faith in the currency. On every currency note, a promise is being made that, "I promise to pay" etc. If the government wants to lose that confidence, it is altogether a different matter. History has been witness to it and ours is a poor country. The hon. Minister cited the instances of Brazil and Argentina. But at the same time, he must admit that increasing the printing of notes by 20 times would give rise to inflation and have far reaching effects. Your Government will get this bill passed but the coming Governments will have to face great difficulties and those will not be able to check the negative effects which would occur in the long run. Therefore, every effort should be made to raise the level of gold reserve. Non-resident Indians should be allowed to bring gold with them and to deposit that in the country. You can increase the tax on such deposits. I would, therefore, like to request the Government to withdraw the Bill and not to thrust it on the poor people of the country.

[English]

SHRI GEORGE FERNANDES: Sir, I am on a point of clarification. I want to say only one sentence. The hon. Finance Minister made a point that.

[Translation]

During the tenure of Shri Vishwanath Pratap Singh's Government the country suffered a great economic set-back. He further said that the country has suffered a great loss in every international field. This is not correct. I would like to explain in one sentence only.

[English]

MR. CHAIRMAN: I don't want to reopen it. Now that stage has gone.

SHRI GEORGE FERNANDES: I have to make a clarificatory statement because there is a charge made and I must clarify it. (Interruptions)

MR. CHAIRMAN: I shall now put the Resolution moved by Shri Girdhari Lal Bhargava to the vote of the House. The question is:

"That this House disapproves of the Reserve Bank of India (Amendment) Ordinance, 1990 (Ordinance No. 7 of 1990) promulgated by the President on the 15th October, 1990."

The motion was Negatived

MR. CHAIRMAN: There are two amendments moved to the consideration of the Bill. One is by Shri Girdhari Lal Bhargava and another by Prof. Rasa Singh Rawat.

[Translation]

SHRI DAU DAYAL JOSHI: Mr. Chairman, Sir, my question has not been replied... (Interruptions)

[English]

MR. CHAIRMAN: Nothing will go on record without my permission....

*(Interruptions)**

MR. CHAIRMAN: Is Shri Girdhari Lal Bhargava withdrawing his amendment?

[Translation]

SHRI GIRDHARI LAL BHARGAVA: If they do not agree, I am withdrawing my amendment.

[English]

MR. CHAIRMAN: Has Shri Girdhari Lal Bhargava leave of the House to withdraw his amendment?

SEVERAL HON. MEMBERS: Yes, Sir.

Amendment No. 1 was, by leave, withdrawn.

MR. CHAIRMAN: Is Prof. Rasa Singh Rawat withdrawing his amendment?

[Translation]

PROF. RASA SINGH RAWAT: I would like to submit that gold is dear to crores of people living in the villages and towns because it signifies the marital status of women in the country. As such, I would like to know from the Government whether with the passing of this Bill, the prices of ear and nose rings and other gold ornaments will not go up. It should not happen that with the passing of this Bill price of gold may go up and inflation may rise further. With this I withdraw my amendment.

[English]

MR. CHAIRMAN: Has Prof. Rasa Singh Rawat leave of the House to withdraw his amendment?

SEVERAL HON. MEMBERS: Yes, Sir.

Amendment No. 3 was, by leave, withdrawn

MR. CHAIRMAN: The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

The Motion was adopted

MR. CHAIRMAN: The House shall now take up clause by clause consideration of the Bill.

There are no amendment to clauses 2 and 3.

The question is:

"That Clauses 2 and 3 stand part of the Bill.

The motion was adopted.

Clauses 2 and 3 were added to the Bill.

MR. CHAIRMAN: There is no amendment to Clause 1.

The question is:

"That clause 1, the Enacting Formula and the Long Title stand part of the Bill.

The motion was adopted.

Clause 1, the Enacting Formula and the Long Title were added to the Bill.

MR. CHAIRMAN: The Minister may now move that the Bill be passed.

SHRI YASHWANT SINHA: I beg to move:

"That the Bill be passed."

SHRI GEORGE FERNANDES: Sir, I will not take more than 60 seconds. I shall exercise my right to make a speech at the third reading stage. (Interruptions)

MR. CHAIRMAN: I have no objection in it. At least, you should have given in writing that you wanted to say something at the third reading stage.

(Interruptions)

MR. CHAIRMAN: You have already spoken also.

(Interruptions)

SHRI GEORGE FERNANDES: Sir, I would not take much time. The only point which I want to make is this that in so far as this Bill is concerned, I am supporting it. But, at the same time, I want to draw the attention of the Finance Minister to the fact that the total liability of the Government of India is, Rs. 3,56,000/- crores as of date, as against the total assets of Rs. 2,35,000/- crores as of date; and so, the net liability- which means that the Government will have to go to the state of bankruptcy- is Rs. 1,21,000/- crores. Sir, my colleague and former Finance Minister Shri Madhu Dandavate told the country that we are in a state of bankruptcy. I am sure the hon. Finance Minister will understand the significance of what he was saying. Thank you very much, Sir.

MR. CHAIRMAN: Mr. Minister, do you want to say something?

SHRI YASHWANT SINHA: No, Sir.

MR. CHAIRMAN: The question is:

"That the Bill be passed."

The motion was adopted

MR. CHAIRMAN: Now, we are talking up the Second Bill.

The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by Rajya Sabha, be taken into consideration."

The motion was adopted

MR. CHAIRMAN: The House shall now take up Clause-by-Clause consideration of the Bill.

Clause 2

MR. CHAIRMAN: There is no amendment to Clause 2.

The question is:

"That Clause 2 stand part of the Bill,"

The motion was adopted

Clause 2 was added to the Bill.

Clause 1

Amendment made

Page 1, lines 3 and 4,-

for "(Amendment) Act, 1990"

substitute "(Second Amendment) Act, 1991." (1)

(SHRI YASHWANT SINHA)

MR. CHAIRMAN: The question is:

"That Clause 1, as amendment, stand part of the Bill."

The motion was adopted.

Clause 1, as amended, was added to the Bill.

MR. CHAIRMAN: The question is:

"That the Enacting Formula and the Long Title stand part of the Bill"

The motion was adopted

The Enacting Formula and the Long Title were added to the Bill.

MR. CHAIRMAN: The Minister may now move that the Bill, as amended, be passed.

SHRI YASHWANT SINHA: I beg to move:

"That the Bill, as amended, be passed."

MR. CHAIRMAN: The question is:

"That the Bill, as amended, be passed."

653 *Stat. Res. re. disapproval PAUSA 19, 1912 (SAKA) R.B.I. (Amend.) Bill and* 654
of R.B.I. (Amend.) ordinance, 1990, R.B.I. (Amend.) Bill, as passed by R S.

The motion was adopted

19.13 hrs

MR. CHAIRMAN: The House stands
adjourned to re-assemble tomorrow at 11
a.m.

*The Lok Sabha then adjourned till Eleven
of the Clock on Thursday, January 10,
1991/ Pausa 20, 1912 (Saka).*
