

[Shri Balgovind Verma]

(ii) The Coal Mines Re-venue (Second Amendment) Rules, 1975 published in Notification No. G.S.R. 199 in Gazette of India dated the 8th February, 1975. [Placed in Library. See No. LT-9028/75].

(3) A copy of the Payment of Wages (Air Transport Services) Amendment Rules, 1974 (Hindi and English versions) Published in Notification No. G.S.R. 10 in Gazette of India dated the 4th January, 1975, under sub-section (6) of section 26 of the Payment of Wages Act, 1936. [Placed in Library. See No. LT-9029/75].

(4) A copy of Notification No. G.S.R. 1399 (Hindi version) published in Gazette of India, dated the 26th December, 1974 containing corrigendum to Hindi version of Notification No. G.S.R. 871 published in Gazette of India dated the 10th August, 1974 under sub-section (2) of section 7 of the Employees' Provident Funds and Family Pension Fund Act, 1952. [Placed in Library. See No. LT-9030/75].

(5) (i) A copy of the Annual Report on the activities of the Coal Mines Labour Welfare Organisation, Dhanbad, for the year 1973-74.

(ii) A statement (Hindi and English versions) explaining reasons for not laying simultaneously the Hindi version of the Report. [Placed in Library. See No. LT-9031/75].

12.07 hrs.

#### CALLING ATTENTION TO MATTER OF URGENT PUBLIC IMPORTANCE

REPORTED UNEARTHING OF RACKET IN  
SOILED NOTES CONVERSION IN THE RE  
SERVE BANK OF INDIA

SHRI R. K. SINHA (Faizabad): I call the attention of the Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:—

“Reported unearthing of a multi-lakh rupee racket in soiled notes conversion in the Reserve Bank of India.”

THE MINISTER OF STATE IN THE  
MINISTRY OF FINANCE (SHRI  
PRANAB KUMAR MUKHERJEE):  
Speaker Sir, I rise to make a statement on the notice calling my attention to the reported racket in exchange of soiled notes in the Reserve Bank of India.

The notice is apparently based on the Press news in the New Delhi edition of the Hindustan Times regarding alleged racket in soiled notes involving a substantial loss to the Reserve Bank. Although certain stray incidents of irregularities had come to the notice of the Central Office of the Reserve Bank the report is highly exaggerated.

On 8th July, 1974, an Assistant Treasurer in charge of one of the Note Examination Sections in New Delhi was found to have passed some out-mutilated notes exceeding the powers vested in him.

In the same month, it was noticed that in a tender of 10 Rupee note packets worth Rs. 6 lakhs by the Syndicate Bank at New Delhi, there were about 200 cut and mutilated notes which were certified as payable by the Assistant Treasurer concerned in excess of authority vested and it was also found that the Assistant Treasurers had received certain out and mutilated notes directly from a note examiner instead of from the Group Supervisor in the Note Examination Section.

Another incident of passing and substituting in packets containing good notes, mutilated notes accepted by an Assistant Treasurer in the Nagpur Branch of RBI was also reported in August, 1974. In all such cases, the Assistant Treasurer and the note examiners concerned were placed under suspension and departmental enquiries were conducted in the usual course. Punishment, if any, is awarded in such individual cases depending on the results of the enquiry.

Considering the number of notes in circulation at about 7,000 million pieces, a few instances like those which have been brought to the Bank's notice, cannot be regarded as indicating a largescale racket in soiled notes nor any major departure from the normal rules causing serious loss to the Bank.

There has also been no incident of cancelled notes, meant for destruction, passing out for circulation, after the incident in December, 1973, of a stitched packet, containing 94 cancelled 1-Rupee notes having been presented for exchange at the counter at Delhi, was reported. In this particular case also, there was no reason to suspect existence of any conspiracy, as almost the entire packet of cancelled notes, with only 6 notes missing was presented for payment in the same condition in which it was apparently found, without any attempt to tamper with the notes so as to make them appear to be unpaid notes for which the payment was due. It has been established that the incinerator at New Delhi Office into which the cancelled note packet was consigned for destruction was defective as there was a clear distance between the bars of the incinerator of more than the normal margin and as the sieve used for recovering unburnt bits had not been repaired. The incinerator has since been repaired. As a precautionary measure, all the

incinerators and other equipment at all the offices of the Bank are being regularly inspected and repaired so as to prevent the recurrence of any such lapse.

It is true that in the absence of adequate arrangements for the expeditious adjudication of claims in respect of defective and mutilated notes, the ordinary public are put to inconvenience in getting payment for such notes. The Reserve Bank is actively considering the question of revising its Note Refund Rules, with a view to removing these hardships and eliminating the scope, if any, for trading in notes by shroffs and money-changers, which incidentally is an offence under Rule 128 of the Defence of India Rules, 1971.

To sum up, I would like to assure Hon'ble Members that there is no truth whatsoever in the report that a multi-lakh racket in soiled notes conversion has been unearthed in the Reserve Bank of India. There has therefore, been no occasion for a senior officer from the Central Office of the Bank to enquire into any such incident involving irregularities of the nature alleged in the press report.

SHRI R. K. SINHA: I have carefully heard the statement of the Minister. It is welcome that the so-called multi-lakh racket in soiled notes does not exist, but in the statement made by the Minister I would like to point out a few contradictions and I hope they will be corrected.

First of all it is said that the incinerator at the New Delhi Office into which the cancelled note packet was consigned for destruction was defective. Then it is said that the sieve used for recovering unburnt bits had not been repaired. I think

[Shri R. K. Sinha]

stringent rules must be made by the Finance Ministry because the repetition of such incidents or the duplication of such things might actually bring about a racket which may involve lakh of rupees.

There is a statement that the incinerator and other equipment at all the offices of the bank are being regularly inspected and repaired. If this is so, why did this happen? Then also when notes are destroyed, why is not a list maintained of the numbers of the notes destroyed so that if anybody is caught, it can be pursued as a criminal case and the person found can be punished?

Then in the first part of the statement it is said:

"In the same month it was noticed that in a tender of 10-Rupee note packets worth Rs. 8 lakhs by the Syndicate Bank at New Delhi, there were about 200 cut and mutilated notes which were certified as payable by the Assistant Treasurer concerned in excess of authority vested and it was also found that the Assistant Treasurer had received certain cut and mutilated notes directly from a note examiner instead of from the Group Supervisor in the Note Examination Section."

श्री जनेश्वर मिश्र (इलाहाबाद): ये जान बूझकर छाप गये हैं ।

श्री सार० के० सिन्हा आप को भी जवाब दूंगा ... (अवधान)

That is why I was saying that the Supervisor, the Assistant Treasurer and the Note Examiner have been punished. What is the outcome of the enquiry and the statements made

by these people? Deterrent punishment must be meted out to these people if even one rupee notes which have to be destroyed are sent back for circulation outside the bank.

It is said:

"Considering the number of notes in circulation at about 7,000 million pieces, a few instances like those which have been brought to the Bank's notice cannot be regarded as indicating a large-scale racket...."

I do not consider that this is a question of a few instances or percentages. A very small percentage may also mean thousands or lakhs of rupees and Government must be careful.

The Finance Ministry has been doing good work in trying to attack the incidence of black money and smuggling. When the income-tax department attacks the House of Mr. Biju Patnaik or the Jaipur House and discover millions of rupees worth of gold or undeclared money, it only proves one thing that there are classes in this country, whose property if expropriated, will demand vengeance from them. That is why they are going about financing movements like those of Mr Jayaprakash Narayan. The coalminers whose mines were nationalised the people who find that their underground stocks of gold are being discovered, are coming out for a run on Delhi, for surrounding Parliament. It is just like a repetition of the march of Mussolini to Rome. Mr Jayaprakash Narayan is trying to repeat it. The Government should understand that the method of parliamentary democracy is a very difficult one. All the bourgeois, the reactionary press which specialise in white lies are lying like a snake always ready to bite the organs of Indian democracy. This is not a question of percentages or a few

instances. It is an antisocial act which must call for deterrent punishment. These are the things which create inflation and anti-popular activities and these must be curbed (Interruptions).

**SHRI PRANAB KUMAR MUKHERJEE:** So far as the first part of the question is concerned, whether a list of the soiled or damaged notes is being maintained, my answer is yes. If the list is not maintained, it is not possible to find out whether any mutilated or damaged notes are put into circulation. The 200 cut and mutilated notes were detected because of the fact that lists of soiled and damaged notes are being maintained.

About the punishment to officers, in the text of my reply I have said that certain officers are provided with some powers to pass cut or mutilated notes, but in this case it was found that those officers went beyond the powers vested in them. So, immediate action was taken. They were put under suspension and a departmental enquiry was started. Accordingly punishment was given to those officers.

Regarding the regular supervision of equipment for destruction and burning of soiled and damaged notes, a system has been introduced. But unfortunately, some snags developed in the machine. It is rather an accident. But vigilance care is being taken and supervisions are being made to see that these machines are in order. Whenever some snags develop, steps are taken to rectify those snags.

**SHRI DHAMANKAR (Bhiwandi):** Sir, I join my hon. friend, Shri R. K. Sinha in complementing and congratulating the hon. Finance Minister for

the very serious efforts he is making to unearth blackmarketeers. While doing so, I have a feeling that the Government is trying to minimise the seriousness of the crime which is committed by them in Delhi and several other places. It is mentioned in the statement that since 1973 there have been no incidents of cancelled notes meant for destruction being re-circulated. But, according to press reports, there are quite a few such incidents. Some note examiners and Assistant Treasury Officers are involved in this racket. If a serious view is not taken of such incidents, then the members of the staff who are not honest will get encouragement to indulge in these things. I do not know whether the Government are taking a serious view of this incident and drastic action will be taken. Otherwise, incidents of this type will assume a very serious magnitude.

**MR. SPEAKER:** According to the rules, Members are allowed to ask only questions. Now they start with introductions and preambles and then convert it in to a regular debate. We have taken a decision not to give more than five minutes to each member.

**SHRI DHAMANKAR:** I will take less than five minutes. When we go to the Reserve Bank to get the spoiled notes exchanged, we find that there is a lot of delay that it takes two to three hours. That is why people go to the moneylenders and agents, who are racketeers, who do this for a commission, and utilize that money for speculative purposes. That is why these malpractices are continuing. In this context, what is the reaction of the Government particularly to the modus operandi that is being followed by these racketeers? Secondly, is the existing exchange according procedure for the destruction of soiled notes fool-proof? If not,

[Shri Dhamankar ]

what steps are the Government taking to make them fool-proof? What steps are taken, or proposed to be taken, to ensure proper accounting and strict supervision and vigilance in exchange of soiled notes? Fourthly, what is the number of officers or staff found involved in these rackets and malpractices? What permanent steps are being taken, or proposed to be taken, to check the recurrence of such racketing in the exchange of soiled notes?

**SHRI PRANAB KUMAR MUKHERJEE:** So far as the exchange of soiled notes at the counter of the Reserve Bank is concerned, it is a fact that there is delay and inconvenience to those persons. That is why from the 15th June, 1974 it has been decided that not only the State Bank and its subsidiaries but all the nationalised banks are allowed to accept soiled notes. As a result of that, the inconvenience felt by the people will be mitigated to some extent. Regarding the simplification of the procedure, the Reserve Bank feels that suitable modifications and amendments are necessary in the Notes Exchange Rules, 1935 of the Reserve Bank of India. It will be done shortly. But I will make it very clear that there is a difference between soiled notes and damaged notes. The soiled notes, which could be identified as genuine, could be exchanged at the branch offices of the State Bank and their subsidiaries and at the nationalised banks. But the notes which are damaged, which could not be identified, which are torn into pieces, only those notes are sent to the Reserve Bank for exchange. If the officers are satisfied that these notes are genuine and they fulfil the conditions laid down in the Notes Exchange Rules, 1935, then along the officers pass orders for payment.

Naturally, it takes some time.

The basic question is, between supply of the fresh notes and demand for the fresh notes there is a gap. In order to meet this gap, we have already taken some steps to augment the production of Nasik printing press and Rewa printing press. When more fresh notes will be available, the scope for any bungling or the scope of the middle-man or the unauthorised money exchangers will be limited to that extent.

**SHRI SAMAR MUKHERJEE** (Howrah): I have no independent information apart from the statement which appeared in the *Hindustan Times* on the basis of which the Call Attention was given by me.

In the reply given by the hon. Minister and the news which appeared in the press, there is a different in the assessment of the depth of corruption and this racket. The statement simply says that there is no conspiracy, no ramifications. So, the matter is treated very lightly. I do not think this is the correct position. The reality is that the people are facing difficulties in having their notes changed at the counter of the Reserve Bank. It is admitted in the statement which says:

"...the ordinary public are put to inconvenience in getting payment for such notes."

Herein lies the root of corruption. So, they are forced to sell notes at a commission of 15 to 20 per cent less. The money-lenders and others particularly sell them to the persons who indulge in this racketeering with the help of corrupt officers. Some instances have been cited here.

Regarding this corruption this racket, the reports have appeared from

time to time in the press. The *Hindustan Times* report says:

"According to a Reserve Bank source, the racket has been in existence for many years."

So, it is deep-rooted and there are ramifications also. I think, the Government should take serious view of it and make a thorough inquiry so that the roots can be found out and eliminated.

Then, in the statement it has been mentioned that though the Government is considering the question of revising its Note Refund Rules with a view to removing the hardships to the people, regarding punishment to corrupt elements, it is mentioned that, incidentally, it is an offence under Rule 128 of the Defence of India Rules, 1971. What is incidental I do not know. Is there no other rule to punish these racketeers apart from the Defence of India Rules? The Defence of India Rules came only in 1971. Before that, was there no rule, no check, to punish such corrupt elements? Why is it incidental that Defence of India Rule has come into operation? This shows the attitude of the Government. It shows that the Government does not take it seriously. They take it so slightly.

I want to know, considering the hardships to the people how much time the Government is expected to take to revise the Note Refund Rules and whether the Government would make a thorough inquiry so that these roots and ramifications of the racketeering are found out and eliminated.

**SHRI PRANAB KUMAR MUKHERJEE:** I do not agree with the views of the hon. Member that there is a well-built racket which has been reported in the press. I have already mentioned the three incidents which took place in over 24 years. In all these three incidents, the matter was looked into in great detail and it was

found that there was no racket. There might be some mistake. Actually, what happened was that there was an implication of the excess jurisdiction. The officers who have not got that power exercised that power. But it has not been established that there was any *mala fide* intention to circulate the mutilated notes to the people for making any payment.

Regarding revision of the rules. I have already mentioned that the Reserve Bank is giving consideration to it and revised rules for refund of notes will come shortly. In order to mitigate the difficulties in between these periods, an order has been issued on 15 June, 1974 in which the branches of the nationalised banks and the branches and subsidiaries of the State Bank of India have been delegated the power of exchanging soiled notes. I have already mentioned in reply to a question put by another hon. Member that there is a difference between soiled notes and damaged notes. In order to find out whether a damaged note could be paid the due value, some sort of expertise is necessary to find out whether that note is genuine or forged. It is not possible to develop that type of expertise in the branch office of any bank. That is why, these damaged notes are being sent to the Reserve Bank offices where they have developed some sort of expertise on the basis of which they come to a decision whether it is a genuine note and if it is a genuine note and fulfils the criteria which have been laid down—, and then as per the criteria, they make an arrangement for payment. It takes some time. In order to reduce the inconvenience to the people, the Reserve Bank is going to revise the rules on note refund.

Regarding punishment, not only under the Defence of India rules, which are well known, but, if I have understood correctly, under the Indian Penal Code itself, dealing in currency notes is a cognizable offence.

श्री शरद यादव (प्रबलपुर) : अध्यक्ष, सहीदय, यहां बैठे बैठे एक बाल मेरे मन में रोज घाती है कि कोई भी बस्त हो, मोलमोल जवाब घाता है। मैंने सत्ता पक्ष के बहुत से नेताओं के बक्तव्य पढ़े हैं कि भ्रष्टाचार खत्म करना चाहते हैं और बिरोधी पक्ष के लोगों के भाषण भी पढ़े हैं कि भ्रष्टाचार खत्म करना चाहते हैं। ऐसी स्थिति में, हम लोग ऐसा क्रम क्यों नहीं करते कि, सभी लोग जो भ्रष्टाचार के खिलाफ हैं उनकी एक कमेटी बने। इस सम्बन्ध में, जो इन्व्वायरी हो रही है वह डिपार्टमेंटल हो, खरी है और डिपार्टमेंटल इन्व्वायरी का अर्थ यह है कि जिन लोगों पर आरोप लगाया गया है वही उसकी इन्व्वायरी कर रहे हैं। इतना बका-बपला बगैर सारे बड़े अफसरों के मिले नहीं चल सकता। भ्रष्टाचार हमेशा उपर से नीचे बहता है। इसलिये अगर भ्रष्टाचार की इन्व्वायरी भ्रष्टाचारी करत-है तो मामला तय नहीं हो सकता।

रोज रोज भ्रष्टाचार के मामले निकलते हैं। आज मैं इस सवाल के अन्तर्गत यह कहना चाहता हू कि यदि ईमानदारी से हम लोग भ्रष्टाचार के मामले में कुछ काम करना चाहते हैं तो एक कमेटी बनानी चाहिये जिसमें सारे दलों के लोग हों और सत्ता कांग्रेस के लोग भी हों। नहीं तो हम सरकार पर आरोप लगायें कि यह हरेक मामले को ससद से छिपाना चाहती है। सरकार कानून के द्वारा यह सब मामले छिपाकर हमेशा देश को बुझाह करने का काम करती है।

आचार्य कृपलानी ने मिथले, साल एक बक्तव्य में कहा था कि उत्तर प्रदेश के चुनाव में कांग्रेस पार्टी ने लाखों रुपये नकली छापकर, उनका अपने चुनाव में उपयोग कर लिया। आज भी यह कहते हैं कि नोट नहीं छाप रहे हैं। हमारे जैसे लोगों की, जो जनता के बीच में रहते हैं, यह पता है कि बाजार में कितने काराब और बेकार किस्म के नोट चलते हैं।

तो हमेशा जो मोलमोल जवाब दिया जाता है उसका एक ही फ़ैसला इस देश में होना चाहिये। नहीं तो आप इस देश में एक लम्बे-बाँड़े ग्रान्दोलन की प्रक्रिया को नहीं रोक पायेंगे।

श्री मेरे मित्र श्री जयप्रकाश नारायण के नाम को भी इसमें ले लायें। यह भूत उनके पीछे लगा हुआ है। जो पाप करना है भूत उसके पीछे लगता है। इसलिये कांग्रेस का कोई भी सदस्य श्री जयप्रकाश नारायण का नाम लिये बगैर आज बोल नहीं सकता है। मैं यह कहना चाहता हू कि आप इस भूत को छुट्टी दें, यह देश आप लोगों का भी है आप भी इस देश के नासिन्धे हैं। आज जो बुजुर्ग हो गये हैं, जिनके बाल पक गये हैं, उनकी भी झूठ बोलने की आदत हो गई है। उनकी वह आदत छूटनी चाहिये वरना अश्वमेध महोदय आप बहा पर भी उन्न के सम्बन्ध में कोई बँन लग दिये। झूठ बोलना उनके अलड में आ गया है।

अध्यक्ष महोदय : प्रश्न क्या है आप का ?

श्री शरद यादव : मेरा कहना यह है कि जो भ्रष्टाचार कर रहे हैं, उनकी इन्व्वायरी के लिये सब पार्टियों की एक कमेटी बनाई जायें क्योंकि जो इतना बड़ा मामला है वह बगैर बड़े अफसरों के मिले नहीं चल सकता है।

**SHRI PRANAB KUMAR MUKHERJEE:** The hon. Member has brought in the name of Acharya Kripalani as Shri R. K. Sinha brought in the name of Shri Jayaprakash Narayan. Neither Shri Jayaprakash Narayan nor Acharya Kripalani has anything to do with soiled notes.

So far as the Committee, suggested by the hon. Member is concerned, I do not feel that it will solve the problem.

MR. SPEAKER; It is not always very essential to answer. You can say that it is a suggestion for action. Please note it. You are not a new Minister now. You are quite getting matured now. He gave some good suggestions and you just note them.

Mr. Sat Pal Kapoor—not here.

12. 36 hrs.

**BUSINESS ADVISORY COMMITTEE  
FIFTY-SECOND REPORT**

**THE MINISTER OF WORKS AND HOUSING AND PARLIAMENTARY AFFAIRS (SHRI K RAGHU RAMAIAH):** I move:

"That this House do agree with the Fifty-second Report of the Business Advisory Committee presented to the House on the 20th February, 1975."

MR SPEAKER: The question is:

"That this House do agree with the Fifty-second Report of the Business Advisory Committee presented to the House on the 26th February, 1975."

The motion was adopted

12.37 hrs.

**MOTION OF THANKS ON THE  
PRESIDENT'S ADDRESS—contd.**

MR. SPEAKER: Now we have some time and we can utilise it for a few more Members to participate.

Before I call the next member I may inform the House that the Prime Minister will reply at 2 p.m.

SHRI PILOO MODY (Godhra): That is not convenient to me. Can you make it five past two? (Inter-ruptions).

MR. SPEAKER: Mr. Manoharan.

SHRI K. NANO HARAN (Madras North): At the outset, let me congratulate the Prime Minister....

SHRI PILOO MODY: We are discussing President's Address.

SHRI K. MANOHARAN: ...for her courage and Sheikh Abdullah for his genuine understanding in reaching a very good accord which is really a shot. Much has been said about that accord. But, so far as Anna DMK is concerned, we welcome that accord and thereby, the bitterness that has been there for the past so many years has once for all gone. I do not wish to say much about it now. But simply let me quote the *Hindustan Times*—a small portion of its editorial; I think that would carry the necessary sense.

"Mrs. Gandhi has displayed a maturity and courage which should give her strength to apply these same gifts in other areas of national reform and endeavour. Altogether, the Kashmir accord is a fine achievement—a sign of strength. Only those who are weak in their own convictions of India's unity will distrust it."

The next important point I want to say is about the total revolution of a national leader. I have the highest regard for him. He is the official spokesman of the total revolution today. According to him, total revolution means, I think, total chaos, total anarchy and total confusion to be created in the country....

SHRI NOORUL HUDA (Cachar): A matter of interpretation.

SHRI K. MANOHARAN: Had it been a total utilisation of the national wealth or total mobilisation of the natural resources of the country or total exploitation of the man-power, I