

12 hrs.

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

**REPORTED PROTEST BY EMPLOYEES OF  
RESERVE BANK OF INDIA AGAINST PROCEDURE  
FOR DESTROYING SOILED CURRENCY  
NOTES**

**MR. SPEAKER:** Now we take up the call-attention motion. Prof. Madhu Dandavate.

**PROF. MADHU DANDAVATE** (Rajapur): Sir, I call the attention of the hon. Minister of Finance to the following matter of urgent public importance and request that he may make a statement thereon:—

“Reported protest on the 12th December, 1972 by the employees of Reserve Bank of India against the special procedure for destroying the soiled currency notes.”

**THE MINISTER OF STATE IN THE  
MINISTRY OF FINANCE (SHRI K. R.  
GÁÑESH):** Mr. Speaker, Sir, in the offices of the Reserve Bank of India, ordinarily, each individual note in the remittances or tenders received, is examined and counted by the Coin/Note examiners and thereafter there is a percentage verification of their work. Notes found unfit for issue, are destroyed. While this procedure continues to be adopted in respect of all remittances in the denominations of Rs. 100 and above, the Reserve Bank from time to time issues instructions limiting the detailed verification in respect of specific remittances in lower denominations to a percentage of the total notes received in the tender. This special procedure is resorted to depending on the load of work and the need for clearance of accumulation, but keeping in view at all times the security aspects.

To protest against the modified procedure there was a strike in the Bombay office of the Reserve Bank of India in June last. In accordance with the terms of the settlement on which the strike was called off on 1st July, 1972, the bank had discussions with the All India Reserve Bank Employees' Association from 14—18th November, 1972 on matters of inter-

est arising out of the modified procedure. During the discussions with the Association the Bank referred to the experience of Central Banks in other Countries regarding the examination and disposal of soiled notes and pointed out that the modified procedure, as followed in our country, was neither unusual nor unprecedented. The Bank also assured the Association that there was no possibility whatsoever of the Coin/Note-examiners posts being retrenched, but on the contrary, the number of posts has increased and would continue to increase. The Association insisted that the modified procedure should be abandoned altogether and asked for an assurance on these terms from the Bank. The Bank was not in a position to give any such assurance.

In response to a call from the All India Reserve Bank Employees Association, the staff of different offices of the Bank has, since the 5th December, 1972, been holding intermittently demonstrations either before office hours or during lunch hour. On the 12th December there was late attendance by one hour at the commencement of the business at most of the offices of the Reserve Bank, the response from the staff to the call varying from office to office.

**PROF. MADHU DANDAVATE:** Mr. Speaker, Sir, the hon. Minister has tried to gloss over the important issues that are raised through this call-attention motion—the nation-wide protest by the Reserve Bank employees, on 12th December, 1972, to protest against the special procedure for destroying the soiled currency notes which is resulting in job elimination. The most important aspect of this problem is not merely job elimination, that should be of much concern to us; but in addition to the problem of job elimination, the most important problem is from the point of view of the confidence of the people in the currency, whether people's confidence in the currency notes would be destroyed or would be actually shaken. The role of the Reserve Bank in the regulation of currency is very important. It is the sole authority that regulates the currency

in this country. This is the authority that introduces the currency and it is responsible for withdrawing certain types of currency.

There was, formerly, the 'Standard Procedure' that was incorporated in the issue Departmental Manual. I would like to refer to that and raise certain problems. That particular procedure that was followed till 1964 consisted of counting and sorting out of good, re-usable notes from unusable, soiled and defective notes and then pile them into pieces of hundred. The good notes were put back along with the new notes, and those notes which were found to be defective and soiled were taken away and destroyed. That was the procedure that was followed. In that former procedure, punching was there, and while the soiled notes were punched, there was no danger that defective notes would come back into circulation; therefore, that danger was also avoided.

But, Sir, in 1964, the 'Emergency Procedure' was introduced. And in 1970, a special procedure which you call as 'modified procedure' was introduced, and as a result of that, contrary to the statement that has been made by the hon. Minister, there would be destruction of 2,000 men's work every day.

The object of the old procedure was very laudable. That old procedure was introduced, firstly to check accuracy of financial transactions, secondly, to detect forgeries, thirdly, to salvage good notes; and lastly, by burning only soiled and defective notes after checking, counting and sorting out, only the soiled notes were destroyed and, therefore, to that extent, the expenditure on printing new notes was reduced; also the foreign exchange that is needed for purchasing paper for printing currency notes was also reduced to a very great extent.

In 1970, this dangerous special procedure has been introduced. Economists have commented on that; many economists and many journals have commented on

that; trade union organisations have commented on that. According to the new special procedure, various institutions like Railways, BEST, Delhi Milk Scheme, various State Banks and various currency chests send to the Reserve Bank of India bundles of 100 notes which according to them are soiled or defective notes, and the Reserve Bank, in order to avoid loss of time, do not resort to counting, sorting and punching of those notes; straightway these bundles are taken to the destruction place and in the presence of only two supervisory officers, lakhs of rupees worth of notes are completely destroyed. This is the procedure that is being followed. As a result of this procedure, there are certain dangers that are coming in. Especially in the context of currency notes of a packet of 100 each, I had already pointed out in the House some time back that statistics already indicate that, in each bundle of 100 notes, 50 to 60 notes are good notes which are re-issuable. But some of the banks, Railways, BEST and D.M.S., even on little suspicion, go on considering them as soiled notes and send them to the Reserve Bank. No counting is done, no checking is done and no punching is done by the Reserve Bank and without checking all these things, the bundles are destroyed and it is very likely that in each bundle of 100 notes, 50 to 60 good notes are bound to be destroyed. Again, this is done without defacing. Without effacing the notes, according to the new procedure, the notes are being burnt in the presence of two officers. Without casting any aspersion on any of the officers present, I would say that your arrangement must be fool-proof and against corruption and malpractice. In the presence of two officers, lakhs of rupees worth of notes are destroyed. They are not punched, they are not defaced, and it is likely that they may be taken away by the officers concerned and the notes might travel out and since they are not at all punched, they can be used for transaction. A new quantum of black money can be created. That will develop a new inflationary pressure on the economy. Not only that, as a democrat, I feel, in the economic activities of the country, if people's confidence in the currency is destroyed, then the very

(Prof. Madhu Dandavate)

basis that is required, for financial transaction is destroyed, and this is the greatest drawback in the special procedure that has been introduced.

In this connection, incorrect statistics were given by the Finance Minister last time. He read out certain statistics and indicated that in every bundle of 100 notes, majority of the notes were soiled. But when I went through these statistics, I found out that these were selective statistics; the statistics which the Finance Minister quoted in the House, were about notes from the currency chests of State Bank organisations in different parts of the country and, therefore, they were different. If you take the bundles of notes that are sent by the Delhi Milk Scheme office, the BEST, the Railways and various banks, you will find that in every bundle of 100 notes, 50 to 60 notes are re-issuable. But, by this monstrous new procedure, they are destroyed; lakhs and lakhs of rupees worth of notes which are very good notes, which are not defective notes, are destroyed. If such notes travel out, then, new malpractices can be introduced.

In this connection, I would like to draw your attention and seek your clarification on a very important point. The Reserve Bank of India employees conducted a prolonged struggle for 14 days in the month of June, 1972, in Bombay. There were strikes in Bombay, Calcutta, Delhi and other places. In Bombay there was a strike for 14 days. 2 officers working at Byculla refused to follow the fraudulent new procedures. So they were suspended. There was this 14 days struggle and the Government at first said that they cannot intervene. They said that this special procedure cannot be discussed. But the strike was withdrawn after 14 days on the categorical assurance that this matter regarding special procedure will be discussed with the All India Reserve Bank Employees Organisation. Such an assurance was given and it was repeated by the hon. Finance Minister that there will be no victimisation. But what happened afterwards is this. The concerned people have been victimised through the suspension of their increments. When I met the Finance Minister he said that there seems

to be a *prima facie* case of virtual victimisation and he promised that he would look into it. The Government has not taken note of Reserve Bank employees' protest against job elimination, computerisation and job transfer policy. The flimsy statement made by the Minister glosses over all these issues which I have raised.

Yesterday there was stoppage of work for an hour by Reserve Bank of India employees at 18 centres. These issues have been focussed by various trade union organisations as well as by valuable contribution of economists in the country and by the people at large whose confidence in the currency system has been shaken. Therefore I demand a clear cut answer on all these various queries which I have raised just now.

SHRI K. R. GANESH: The hon. Member has raised a number of points. Before I go into these points I would like to preface it by saying that after all the Reserve Bank, as the Central Bank in respect of the issue of notes, and security of the entire currency system, is the proper authority to judge what should be the procedure to be followed. It is statutorily the body which is responsible for this. While speaking the hon. Member said that the entire currency system is in jeopardy, which is not the case. This modified procedure has been there right from 1964. Notes awaiting examination with the Reserve Bank in July, 1972 were 1953 million pieces of notes. When the first procedure was laid down in 1934 or 1935, that took into account the number of currency notes in circulation at that point of time. With very heavy circulation of notes now, the Reserve Bank had to adopt the modified procedure. The proper authority to judge all these things is the Reserve Bank of India and they have got the necessary expertise and they know the position. It is not therefore correct to say that this was done by a body which does not know its mind, which does not know its responsibility and all that.

On the question of job elimination which he mentioned, I wish to point this out. In the Coin/Note Examining section examines and verifies the soiled notes

even after 1964, the number of Coin/Note examination strength has been increasing. It was 2987 in June 1964. It was increased to 3446 in March, 1968 and again in March, 1972 it was increased to 4509. It is not correct to say that job opportunities have been denied. The organisation and the association have also been given assurance that there can be no retrenchment. As far as this question is concerned actually the job opportunities have been increasing. In the discussion with the employees it was pointed out by the Reserve Bank that 19 new note examining sections were opened since July 1970 raising the total number to 87. Each note-examining section employs about 45 persons. The Bank had already planned and is in the process of arranging for 9 more note-examining sections to be opened shortly. The opening of further note-examining sections will be considered in the light of future requirements.

Even with the modified procedure, there will be further job opportunities, because the strength of the Com/Note Examiners have got to be increased as I have stated already. I have given facts and figures to show that the hon Member's apprehension is not correct

As far as the high-denomination notes of Rs 100 and above are concerned, there is 100 per cent examination and the procedure as far as these notes are concerned, has not been changed. It is only in respect of lower denomination notes that this procedure is applicable. These notes are sent by the State Bank and Commercial Banks, in guarantee boxes and there is another percentage of surprise check, by the Reserve Bank also. There is a test check which is already existing and therefore there need not be any apprehension in the minds of hon. Members.

Now, let me state the modified procedure. The modified procedure is being used in recent months only in respect of chest notes which have already been examined once at the Bank's agencies. Since the standard procedure involving the counting of 100 per cent of the notes continues to be in force for a good part of

the notes received the Bank is always in possession of precise information about the very small extent of shortages or forgeries detected even through 100 per cent examination and the insignificant risk involved in arranging for only a percentage examination of some of the lower denominations. In view of the low value of denominations the absence of risk and the high cost of examining every note individually, the full examination of notes in the lowest denominations is wasteful.

Therefore, I would like to assure the hon. Member that all aspects are taken care of. I have already explained about job opportunities. Employees are assured that as far as they are concerned there is going to be no retrenchment. I have said that this job opportunity will be there even with the modified procedure. More Notes examining sections will be there.

The only other question left is what he stated about victimisation. When the agreement took place with the employees after the June 1972 strike, it was stated therein that the period of strike will be counted against their leave without wages and that this period would not count for increment. This has been the stand that the Reserve Bank of India has been taking for a large number of years, and even before the conciliation officer, before the Labour Commissioner and before the Labour Minister, the stand of the Reserve Bank was reiterated.

PROF. MADHU DANDAVATE: May I just seek clarification on one point? It is a very important point. I made a specific reference to this that before this procedure has introduced, the statistical data which was available at the Reserve Bank Office indicated that especially from the railways, the BSP and the Delhi Milk Scheme the notes which were sent as soiled notes were not all soiled; out of every 100 notes, about 50 or 60 were found to be reissuable notes. So, it is not correct to say that they were all checked and guaranteed to be soiled ones.

As far as the statutory position is concerned, we do consider that the Reserve Bank has its own autonomy, but even

[Prof. Madhu Dandavate]

then, if the people's confidence in the currency is shaken by any procedure, I think that the hon. Minister has the right to give advice and direction to the Reserve Bank to revert to the old procedure.

**SHRI PILOO MODY (Godhra):** Collusion.

**PROF. MADHU DANDAVATE:** I have already referred to it. Only two or three persons are in charge of destroying the currency notes. Does he not think that malpractices can take place?

**SHRI PILOO MODY:** Collusion between two officers can defraud their whole process.

**SHRI K. R. GANESH:** As far as the specific point which the hon. Member has raised is concerned, I shall find out the figures and supply them to the hon. Member.

**SHRI C. T. DHANDAPANI (Dharampuram):** I was working in a bank. So, may I ask just one question?

**MR. SPEAKER:** But his name is not there.

12.23 hrs.

#### PAPERS LAID ON THE TABLE

REVIEW AND ANNUAL REPORT OF HINDUSTAN CABLES LTD.

**THE MINISTER OF INDUSTRIAL DEVELOPMENT AND SCIENCE AND TECHNOLOGY (SHRI C. SUBRAMANIAM):** I beg to lay on the Table a copy each of the following papers (Hindi and English versions) under sub-section (1) of section 619A of the Companies Act, 1956:—

(1) Review by the Government on the working of the Hindustan Cables Limited, for the year 1970-71.

(2) Annual Report of the Hindustan Cables Limited for the year 1970-71

along with the Audit Accounts and the comments of the Comptroller and Auditor General thereon. [Placed in Library. See No. LT-4000/72.]

#### NOTIFICATIONS UNDER INDIAN TELEGRAPH ACT

**THE DEPUTY MINISTER IN THE MINISTRY OF COMMUNICATIONS (SHRI JAGANNATH PAHADIA):** On behalf of Shri H. N. Bahuguna, I beg to lay on the Table copy each of the following Notification (Hindi and English versions) under sub-section (5) of section 7 of the Indian Telegraph Act, 1885:—

(1) The Indian Telegraph (Ninth Amendment) Rules, 1972, published in Notification No. G.S.R. 1390 in Gazette of India dated the 4th November, 1972. [Placed in Library. See No. LT-3988/72.]

(2) The Indian Telegraph (Tenth Amendment) Rules, 1972, published in Notification No. G.S.R. 1480 in Gazette of India dated the 25th November, 1972. [Placed in Library. See No. LT-38988/72.]

#### NOTIFICATION UNDER ALL INDIA SERVICES ACT ANNUAL REPORT OF ISI, CALCUTTA

**THE DEPUTY MINISTER IN THE MINISTRY OF HOME AFFAIRS (SHRI F. H. MOHSIN):** On behalf of Shri Ram Niwas Mirdha, I beg to lay on the Table—

(1) A copy each of the following Notifications (Hindi and English versions) under sub-section (2) of section 3 of the All India Services Act, 1951:—

(i) The Indian Administrative Service (Appointment by Promotion) Third Amendment Regulations, 1972, published in Notification No. G.S.R. 467(E) in Gazette of India dated the 27th November, 1972.

(ii) The Indian Administrative Service (Fixation of Cadre Strength) Fourteenth Amendment Regulations, 1972, published in Notification No. G.S.R. 473(E) in Gazette of India dated the 30th November, 1972.