

LOK SABHA DEBATES

LOK SABHA

Friday, August 10, 1990/Sravana 19, 1912
(Saka)

The Lok Sabha met at Eleven of the Clock

[MR. SPEAKER in the Chair]

[English]

PROF. SAIF-UD-DIN SOZ: Apart from the adjournment motion, I have given a notice for suspension of Question Hour because I have come from Kashmir Valley and I see a situation of death and destruction there. I see the para-military forces killing innocent persons. There is misuse of Disturbed Area Act. I want this Parliament to do a duty to the people of Kashmir... (*Interruptions*)

[Translation]

MR. SPEAKER: Today, there is discussion on the Kashmir problem in the House. You are also a part of this House.

[English]

PROF. SAIF-UD-DIN SOZ: A parliamentary delegation has not gone there...

[Translation]

I am a part of this House. I am telling you what I have seen there... (*Interruptions*)

MR. SPEAKER: Please sit down. Today, there is discussion on Kashmir and you

can participate in that discussion.

(*Interruptions*)

PROF. SAIF-UD-DIN SOZ: We told the Governor that the special powers under the Disturbed Area Act... (*Interruptions*)...

[English]

MR. SPEAKER: You are a seasoned parliamentarian and a senior Member of Parliament. Why do you want to deprive the Members of Parliament the benefit of Question Hour... (*Interruptions*)

PROF. SAIF-UD-DIN SOZ: The Home Minister must do a duty to come here... (*interruptions*) Why do you not suspend the Question Hour?

MR. SPEAKER: I cannot suspend the Question Hour. You can exercise your right during the Question Hour. It is Members' prerogative... (*Interruptions*)

SHRI P. CHIDAMBARAM: I would appeal to Mr. Soz and also to you to allow him to raise this at 12 O' clock as the first item.

ORAL ANSWERS TO QUESTIONS

[Translation]

Rupee Value vis-a-vis sterling Pound

61. PROF. YADU NATH PANDEY: Will the Minister of FINANCE be pleased to state:

(a) whether on 5 July, 1990, the Reserve Bank of India has fixed the purchase and selling price of Pound at Rs. 30.06 and

Rs. 31.44, respectively after devaluating the Indian rupee;

(b) if so, the reasons for effecting this devaluation;

(c) the details of annual loss likely to be suffered due to the devaluation of Indian rupee and the extent of adverse effect it is likely to create on the business with foreign countries; and

(d) the number of times when Indian rupee has been devaluated since 1985, the dates and extent and the outcome of devaluation effected each time?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) No, Sir.

(b) and (c). Does not arise.

(d) The exchange rate of the rupee is fixed with reference to the value of a basket of currencies, mainly of countries which are India's major trading partners. In a regime of floating exchange rates, upward or downward movements of the value of the rupee, which depend on fluctuations in the value of these currencies, is a normal phenomenon. The number of adjustments made in the rupee-pound parity rate during the period 1985-86 to 1988-89 are as follows:

1985-86	156
1986-87	148
1987-88	140
1988-89	200

In view of the number of adjustments made in the rupee-pound parity rate it is difficult to assess the outcome of each adjustment.

[Translation]

PROF. YADU NATH PANDEY: Mr. Speaker, Sir, I would like to know from the hon. Minister whether it is true that there was

a continuous downward trend in respect of the value of sterling pound during the period 1980-81 to 1984-85 and as a result of that there was a strong check on the devaluation of rupee. If so, what long term measures the Government have taken to check the effects of devaluation of rupee on the payment of foreign loan and to check the devaluation of rupee since April 1989 and if so, the details thereof.

PROF. MADHU DANDAVATE: Sir, in reply to the question asked by the hon. Member, I would like to say that the figures that have been given in the main reply show the adjustment made against different currencies from 1985 to 1988-89. And as I have already said that it is not a devaluation but adjustment only. As per the details, the number of adjustments made in the rupee-pound parity rate was 156 in the year 1985-86 and 200 in 1988-89. The reason for such a large scale adjustment is to nullify the adverse affect on our export in the competitive market. I have not given the details of the period prior to 1985. However, if he wants it, I will lay that on the table of the House.

PROF. YADU NATH PANDEY: Mr. Speaker, Sir, what does the Government mean by saying it repeatedly that Government is committed to check the devaluation of rupee. Since the Government has to pay higher amount in respect of repayment of foreign loans because of the devaluation of rupee, have the Government raised the matter with the concerned Governments for refixation of value of rupee for the purpose of buying and selling of yen, mark, British pound and U.S. dollar and if so, the details thereof and how far it is possible to check the recent fall in value of the rupee?

PROF. MADHU DANDAVATE: Sir, the Indian currency is linked not only with one currency but with five currencies. When some changes take place in the exchange rates of these five currencies, these have adverse effect on our currency also. These changes take place not because of our currency but because of the changes that are effected in the International currency and to avoid its

adverse affect we have to make certain adjustments.

[English]

SHRI NIRMAL KANTI CHATTERJEE:

What I am unable to understand because of my poor knowledge in these matters is; what is the implication of this distinction between the former devaluation and the floating devaluation that is going on since the days of 80s? What distinction really is there in terms of any impact either on foreign trade or on foreign exchange reserves or on any other aspect on which the hon. Finance Minister may like to enlighten us?

PROF. MADHU DANDAVATE: As I have already pointed out earlier, really speaking, after all, devaluation on depreciation is depreciation. I shall only point out to him that the criticisms that are levelled are general criticisms. There must not be devaluation in order to see that there are certain skeletons in the cupboard that can be hidden, and some manipulatory results can be produced. But, as far as these adjustments are concerned, if you can look at the numbers 156, 148, 140 and 200, all these adjustments had to take place because we wanted to maintain the competitiveness of our exports and, therefore, these marginal adjustments which are made from time to time, we cannot give in every case 150 times. I am not saying that 150 or 200 are marginal. What I am saying is that when the changes take place 150 times, in that case, these are changes that have to be made in response to the fluctuations that take place and we have to protect the competitiveness on our export market, and that is the reason why these adjustments are being made by the past Government, present Government and I think even in the future if we will have to make, they will become inevitable. That is the reason why these adjustments are being made by the past Government, by the present Government and I think even in future also they will have to be made. They will become inevitable.

SHRI JOSS FERNANDES: Sir, the number of fluctuations that have taken place

over the last two years give the impression that the rupee is not stable: The International Monetary Fund which is based in London is a capitalist-oriented Fund which devalues rupee much more than what it should be. At the same time, the value of the rupee is much better than is at present rated in international circles. Possibly, a reviews of the total monetary system is required as it is based on value of goods and services. I do not think rupee is as inferior as is made out to be. If we can hold our own in the whole of South-East Asia, why not in international sphere?

PROF. MADHU DANDAVATE: Sir, I would like to remind the hon. Member that as far as the value of the rupee is concerned and the changes in the value of rupee are concerned, there can be an internal change in the value of the rupee and there can be external change also. As far as the various specters in the economy of the country are concerned, they are responsible for the change in the value of the rupee and we find that the purchasing value of the rupee also changes. But, as I said earlier—I will repeat that—since our currency is linked up with the basket of five currencies where, due to various extraneous factors to Indian situation when some internal changes in the currencies take place, exchange rate takes place, we have to take cognisance of that and in order to protect our market and our competitive exports, we are forced to undertake certain adjustments, and they have to be done.

As far as the second part of his question is concerned, that problem is constantly under review.

SHRI P. CHIDAMBARAM: Sir, I agree that the hon. Finance Minister is not hiding any skeletons in his cupboard, but I think he is trying to hide his discomforts in managing the economy. I think he should be candid. Now, 200 changes in 1988-89 means practically every other day you are adjusting the exchange value of the rupee vis-a-vis the pound. What you should tell us, Mr. Finance Minister, is what was the rupee-pound exchange value on the 1st of April, 1988, on the

1st of April, 1989 and on the 1st of April, 1990. That will tell us whether the decline in the value of the rupee vis-a-vis pound is marginal as you try to make out or it is sharp as we maintain it. I think we should honestly admit that the pound is a much stronger currency. The Indian rupee is a weak currency vis-a-vis the pound. The Indian rupee has become weaker and the policies that you are pursuing are likely to make it even weaker. If your trade deficits are high, if your growth rate is low, if your revenue deficits are high, the Indian rupee will be weaker. As the balance of trade is adverse to you and it is growing, it will become weaker. What is the harm in admitting that the Indian rupee is weaker vis-a-vis the pound? Also tell us what steps you are taking. Instead of hiding behind all this verbiage that we have made 200 changes and it is marginal as compared to 156 changes in 1985-86, tell us honestly whether the rupee is getting stronger vis-a-vis, the pound or it is getting weaker. If it is getting weaker, what are you doing about it? Also, please tell us what was the exchange value on 1st of April, 1988, 1st of April, 1989 and 1st of April, 1990.

PROF. MADHU DANDAVATE: Sir, I do not think I have tried to hide anything less talk about the skeletons. In fact, it is very clear from the statistics that are available, and which have been given to the entire House by the previous Government and even by the present Government, that in comparison with the harder currencies—the five currencies in the basket—the Indian currency, that is, the rupee, is a weaker currency. There is no sense in denying the fact and, therefore, we will say that in course of time, as we try to improve our international trade relationship, we try to reduce the trade deficits, the balance of payment position improves and all these extraneous tensions and constraints on the economy are reduced to a greater extent. To this extent we will succeed in seeing that we are able to make our currency, which is not a very strong currency, stronger than what it is today.

If the hon. Member wants to know the latest position of the exchange value, it is Rs.

32.55 in relation to pound sterling, Rs. 17.31 in relation to dollar, Rs. 10.98 in relation to deutsche mark, and Rs. 0.104 in relation to Yen. These are the latest figures as on 7th August, 1990.

[Translation]

SHRI BANWARI LAL PUROHIT: Mr. Speaker, Sir, if we compare rupee and dollar we shall find that the value of rupee is falling rapidly. In the official figures and according to assessment by the Chief Ministers the unofficial rate of exchange of dollar is Rs. 17.5 or Rs. 18 but in the actual dealings it is Rs. 22. I mean to say that there is rapid fall in the value of rupee. We are putting up a facade of maintaining the value of rupee. Why don't we go in for the devaluation of rupee. What is the harm in doing so? They apprehend that it will lead to poor impression about the party in power. The Government should take a bold step and devalue the rupee so that the national economy may not suffer further loss on that account.

PROF. MADHU DANDAVATE: I think the devaluation of rupee is not an easy thing. However the suggestion made by Shri Chidambaram is the best course. The rate of growth, balance of payment situation and export growth these three are the best courses and I think we should go ahead for them only. So far as the adjustment is concerned, that is also a sort of devaluation. We have been doing adjustments for the last few years and that adjustment too is devaluation. We have been doing that but I would like to submit that the suggestion to go in for sharp devaluation of rupee may be a soft option but it is not a good option for us.

[English]

SHRI K.S. RAO: Sir, the replies and the speeches of the hon. Minister will always be full of humour and very pleasant but indirectly certainly not to be correct and straight answers. The hon. Minister was telling right now that he will have discussions with the various foreign countries in regard to the fixing up of the variations in the exchange

rate. By now he must have realised that it is not his talent and speeches or the negotiations or the expressions or the language that help in the exchange rate but it is the wealth that is generated in the country that could decide the value of the rupee in comparison with the foreign currency. I would like to know from the hon. Minister whether he is himself satisfied with the tax structure or the various policies of the Government that he has introduced in the last budget to motivate the Indian citizen, whether he is an ordinary citizen, common man or businessman or anybody else in various professions, to work, to earn, to produce and generate wealth sufficiently, to avoid this type of fluctuations happening too many times in the country. Does he think anything revolutionary method or has he got any revolutionary concept—if he could not introduce it in the last budget—that he will introduce at least in the coming budget?

PROF. MADHU DANDAVATE: Mr. Speaker, Sir, if you read the question here, the question is regarding rupee value vis-a-vis the sterling pound and even personally I feel that the questions is completely outside the ambit of the question that he has asked.

MR. SPEAKER: He is asking the question because you will reply to that.

PROF. MADHU DANDAVATE: But, Sir, since you have not prevented him from asking the question, I assume that you have also given the consent to ask the question and for all that I would say that if you want to broaden the ambit of the question and go to the question of tax-structure how we have to reduce deficits in the country, how the balance of payment position is to be improved, etc. I don't think this is the correct ambit which we can discuss. But while replying to Mr. Chidambaram, broadly I have accepted that basic aspect of tackling this problem as also to see that we reorient the economy, try to have better resources, try to improve our relationship, try to augment the resources and also have better balance of payment. (*Interruptions*)

SHRI V.N. GADGIL: May I know from the hon. Finance Minister what is the reaction to the proposal of one of their Chief Ministers, Shri Biju Patnaik, that the rupee should be made free?

PROF. MADHU DANDAVATE: Sir, I think Mr. Biju Patnaik, did a little bit of loud thinking and I must make it explicitly clear that when we have so much fiscal imbalances in the country, the present position of high deficits, inflationary pressures in the economy, again imbalances in our trade relationship, under such a situation if we try to float the currency and accept convertibility, I think it will bring disaster to our economy and I am totally opposed to that. (*Interruptions*)

Seizure of Jewellery in Income Tax Raids

*62. SHRI HARIN PATHAK: Will the Minister of FINANCE be pleased to state:

(a) the circumstances under which Income tax authorities have the right to take away jewellery during raids;

(b) whether jewellery valued below Rs. 1 lac is permitted as "Stri Dhan" to a Hindu woman and the Income tax authorities cannot take it away;

(c) whether the Income tax authorities can take away jewellery during the raids which is assessed under the Wealth Tax Act and on which Wealth Tax is paid; and

(d) if so, the distinction made between the Wealth Tax paid and unpaid jewellery?

THE MINISTER OF FINANCE (PROF. MADHU DANDAVATE): (a) to (d). A Statement is laid on the Table of the House.

STATEMENT

As per Section 132 (1) of the Income-tax Act, the authorised officer can seize any money, bullion, jewellery or other valuable article or thing found as a result of search