

SHRI CHINTAMANI PANIGRAHI : We are thankful to the hon. Minister that he is seized of the problem and has given us all the details. The RBI has given its final report also, and it has also dealt with the question and said that it was not within the powers of the banks to give advances against debentures. The Government has also banned loans against debentures. That ban order has come. If the Government is fully satisfied that all these loans were used for speculative purposes,—in fact, the names have been given and it has been found that it was all fraudulent—, in that case, the Government should take immediate action on that. Government knows all these facts fully well.

SHRI VISHWANATH PRATAP SINGH: The Committee which has been formed will also go into the question of end uses and also go into the matter to find out whether the powers have been exceeded over those given under the guidelines by the RBI. This is part of the reference to the Committee and this will be looked into.

SHRI BHAGWAT JHA AZAD : In view of the detailed information that has been given by the Minister and the stink that has been left all over the country because of deals of Reliance Industries Ltd. in conspiracy with some of the persons in the Banks, will the Minister ensure that the Committee that has been set up for the detailed investigation will not be used as a time gaining device to allow the culprits to go scotfree. Is it not true that there is enough evidence on record, which the Minister has himself given, which should lead to the prosecution of the culprits in this case? Has the Government been able to find out the prince among the culprits who should be tried and tried early?

SHRI VISHWANATH PRATAP SINGH : There is a time bound schedule

for the Committee. It is two months. Because the RBI had said that it was a preliminary investigation, it was thought fair that the matter should be gone into thoroughly and two months' time has been given to the Committee. I think that takes care of the concern of the hon. Member. So far as prince or pauper, whosoever is there, is concerned, according to law they will be dealt with.

Erosion in Parity Rate of Indian Rupee

*27. **SHRI MURLI DEORA :** Will the Minister of FINANCE be pleased to state :

(a) the fluctuation that the Indian Rupee's parity rate has suffered compared to other international currencies like the U.S. dollar, the Pound Sterling, the German Mark and the Japanese Yen during the last three years ;

(b) whether Government are aware that importers—particularly of capital goods and bulk raw material—have suffered considerable losses in Indian Rupees arising out of the steady parity erosion ; and

(c) the steps Government propose to take to contain/combat this situation?

THE MINISTER OF FINANCE (SHRI VISHWANATH PRATAP SINGH) : (a) to (c) . A statement is given below.

STATEMENT

(a) to (c). The value of the Indian Rupee in relation to a few major international currencies, expressed as rupees per unit of foreign currency at the beginning of the calendar years has been as under in the last three years.

<i>Year</i>	<i>Pound</i>	<i>US \$</i>	<i>DM</i>	<i>JY</i>	<i>FF</i>	<i>Swiss Franc</i>
1983	15.75	9.6432	4.0866	0.0420	1.4371	4.8556
1984	15.20	10.6496	3.8462	0.0456	1.2604	4.7890
1985	14.30	12.4533	3.9200	0.0495	1.2809	4.7441

The exchange value of the Rupee is determined with reference to the daily exchange rate movements of a selected number of suitably weighted major currencies. In a regime of fluctuating exchange rates both gains and losses are possible. Having regard to the present position of balance of payments and the need for encouraging domestic industries, it is not considered necessary to take any specific steps to insulate imports from the effects of fluctuations in exchange rate.

SHRI MURLI DEORA : According to the reply given by the hon. Minister, there is some erosion of Indian Rupee in comparison with foreign exchange, whether they are dollars or pounds or yens. The real reason of this erosion is the widening trade gap between our exports and imports. Sir, I would like to ask the hon. Minister whether it is a fact that according to a recent World Bank Report, India's debt service ratio would go up from nearly 15 per cent in 1985-86 to 20 per cent in 1989-90? If so, what are the steps that the Government is going to take in this direction?

SHRI VISHWANATH PRATAP SINGH : The world has switched over to the floatation system of exchange rates and it is known that Rupee is connected to a basket of currencies, along with the basket of currencies it floats.

So far as the trade gap is concerned, certainly we have to concentrate on export efforts and try to close the gaps, and take several measures. About the debt service, the maximum it does touch is just below 20 per cent—even according to the assessment undertaken and invisibles taken. I think this is a manageable level of debt servicing. But any way, we have to take all efforts to see only necessary imports come, and if there is any unnecessary import, we have to tighten up our belts from that side, and at the same time give thrust to our exports.

SHRI MURLI DEORA : Sir, as per the report laid on the Table of the House, for the dollar which could have got for us Rs. 9.64 in January, 1983, today, the importers have to pay Rs. 12.45.

SHRI VISHWANATH PRATAP SINGH : Not today, but in January, 1985.

SHRI MURLI DEORA : Yes, in January, 1985, I would like to ask the hon. Minister whether precautions are taken on covering the foreign exchange on imports of Government of India for different projects such as defence, agriculture, and other imports of public sector undertakings? If the imports were covered in 1983, we would be paying only Rs. 9.6 for one dollar and if the imports were not covered, we would have been paying Rs. 12.45. So, I would like to ask the hon. Minister whether he is satisfied with this basket of currency which is available as far as our imports and exports are concerned? Or is the Government thinking of changing this basket of currency?

SHRI VISHWANATH PRATAP SINGH : So far as the basket is concerned, it has served a useful purpose. And we are not thinking of changing the basket of currency. So far as the effect of exchange rate fluctuation on our imports is concerned, there is an impact on our imports so far as the currencies which have appreciated are concerned. But by the same token, it is also a constraint on unnecessary imports. It also acts like the Customs barrier, may be the physical barrier, or also as a duty barrier; and in respect of much of our capital, today, the industry is also seeking protection from too much inflow. If the rupee is too high than normally what it should be, it opens the floodgates to imports also. So, we have to balance. It is a complex situation. There is no simple model, because 70% of our imports are not flexible. We have large projects to invest in. So, if the rupee goes down too much, then this acts on that. If it is too high, then too much comes in, and also exports are hit. So, we have to have a healthy balance, just like the normal blood pressure—not too low, not too high.

SHRI MURLI DEORA : What about covering the imports against fall in currency rates?

SHRI VISHWANATH PRATAP SINGH : I do not think we can extend that cover, i.e. against the exchange rate risk. It is not possible.

Indians and Foreign Nationals Indulging In Smuggling and Terrorist Activities

*28. **SHRI ANAND SINGH :** Will the Minister of EXTERNAL AFFAIRS be pleased to state :