

vàls of visitors to these places at the time of the Asiad Games and certainly they will be looked after in these places as we look after all the tourists in the country.

Scarcity of hard currency

*125. PROF. MADHU DANDAVATE: Will the Minister of FINANCE be pleased to state;

(a) whether the attention of Government has been drawn to the news-item under the caption "Acute scarcity of hard currency" in the Delhi Edition of the "Times of India" of 4 June, 1982;

(b) if so, whether it is a fact that, as mentioned in the news-item, due to the recent spurt in the smuggling of gold and other commodities into India, commercial banks and other foreign exchange dealers in the country are now faced with an acute scarcity of hard currency notes and that particularly US dollars in cash have gone underground; and

(c) if so, what steps are being taken to prevent this acute scarcity of hard currency?

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE): (a) Yes, Sir.

(b) Reserve Bank of India have reported that they have not received any complaint about shortage of foreign currency notes either from the travelling public or from authorised dealers/money changers.

(c) Does not arise.

PROF. MADHU DANDAVATE: It seems to be a very cursory reply. First I would request the hon. Minister, before putting my supplementaries, to request the Reserve Bank authorities to check up their statistics and records and find out whether the report sent by them is correct because in reply to part (a) of my question, he has said 'Yes, Sir'; that means, they have already seen the report

that has appeared in the *Times of India* of 4th June, 1982. There has been an elaborate report in the *Times of India* of 4th June under the heading 'Acute scarcity of hard currency'. Here the hon. Minister claims that the Reserve Bank has not received any complaints. I do not know whether those who are suffering from these difficulties have sent their letters of complaints to the Reserve Bank authorities or whether they have preferred to talk directly to the press narrating their complainis. If you have carefully gone through the report—and you have admitted that you have gone through the report—I would like to know whether it is not true that quite a good number of banking circles have already claimed that there is squeeze on the supply of foreign currency and they have attributed this to the hectic purchase on a big scale by the agents of smugglers who have been smuggling gold and other commodities including drugs. Not only the banking circles but, it has been reported in this very despatch, the Central Department of Revenue sources also have indicated that there is an increase in the incidence of smuggling in the recent past that has resulted in the payment crisis and as a result of that there is a jump in the demand for cash dollars and the Government is not able to meet the requirements of those who come forth with the demand for more and more foreign exchange. They have given the figures and I would like to know from the hon. Minister whether that is correct. The smuggling has increased and it is found that even when the demand is to the tune of 500 dollars, these agencies have not been able to meet the requirement. If this report which I have placed before you is correct, in that case, how is it that you say that the Reserve Bank has indicated that there have been no complaints at all?

SHRI PRANAB MUKHERJEE: In fact, when we saw the report of the *Times of India* of 4th June, 1982, we drew the attention of the Reserve Bank to it and asked them to give us their comments. The Reserve Bank said that they had not received any complaints and they had also checked up from cer-

tain offices, particularly in Bombay, and from certain important dealers. As the hon. Member knows, there are 68 dealers and all over the country more than 9,980 branches are operating who are dealing with foreign exchange in various categories. I do not rule out the possibility that in some branches sometimes there may be some shortage and they have to get it from their controlling agencies. There are various categories of the branches. Certain branches have their limitation, they have their limit; they are entitled to handle a particular quantity. Therefore, sometimes periodical shortages may be there, but the shortage is not of that magnitude as has been pointed out by the press report. That is why we enquired from the Reserve Bank as to what were their comments in that respect.

In regard to the second part of the question about smuggling, I myself have admitted on the floor of the House that gold smuggling is increasing mainly because of the price difference. In fact, in 1981, the total seizure of gold was 151 kgs. and in the last five months, from January to May, it has gone up to 558 kgs. because the price difference today is this: ten grams of gold in the Indian market are sold at Rs 1600 whereas the international price is Rs 960. In fact, in the Conference of the Collectors of Customs, I had to emphasize on taking strong measures to prevent smuggling. I can take the cue from the hon. Member and instruct my revenue intelligence to find out—it may be, there is some linkage—whether there is any linkage in it, but just at this time it is not possible for me to comment on it whether, because of this particular fact, there has been shortage. After all, they have to produce the documents. When there people are going to deal with them, they have to deal with legal valid foreign exchange documents. After all smugglers do not deal with legal documents. But anyway I will have a fresh look into that aspect of the problem.

PROF. MADHU DANDAVATE:
More I ask my second supplementary,

I seek a clarification about the reply to my first supplementary. I would like to point out the specific source in this report which has stated that the Managing Director of a leading foreign exchange dealing firm has stated that the usual stocks that they used to maintain are equivalent to about 4 to 5 days and that even that they have not been able to maintain at all. He has also quantified the problem. The Minister has assured that he will go into all the records and find out whether the situation is correct and I hope he will do that and give a more comprehensive reply next time.

The second part of my supplementary is: is it not true that as a result of the higher demand of the US dollar, the dollar now sells at Bombay's parallel market for Rs 12 to Rs 12.30 as against the main official rate of Rs 9.20. When it is being sold at such a differential between the official rate and the non-official rate, is it not an indication of the fact that there must be some scarcity? That is the only reason why people prefer to pay a higher rate than the official rate of Rs 9.20.

SHRI PRANAB MUKHERJEE: The implication is obvious, because after all we have no control over the illegal market. But because of the demand and supply—even in the legal market, the demand may be more and supply is less the prices may go up. It is not merely because of that fact. Perhaps the hon. Members might have noticed that for quite some time now dollar prices are firming up. It is not merely so in our country but in other countries also. I do not know whether it is because of this reason that suddenly there has been a spurt in demand of the US dollar. But as I have already said, sometimes this problem may happen in any Branch and even in the controlling office they may not have sufficient stock. Therefore, this type of casual shortage and periodic shortage may take place in a particular Branch or with a particular dealer. I do not rule out that possibility. But I wanted to point out that it is not of that magnitude. It has been so, the Reserve Bank would have got that information.