

LOK SABHA

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Friday, November 18, 1988/Kartika
27, 1910 (Saka)

*The Lok Sabha met at
Eleven of the Clock*

[MR. SPEAKER *in the Chair*]

OBITUARY REFERENCE

[*English*]

MR. SPEAKER: It is my sad duty to inform the House of the demise of Shri K. Kaiho who was a Member of the Sixth Lok Sabha during 1978-79 representing Outer Manipur Constituency of Manipur.

A teacher by profession, he was an active social and political worker. He worked zealously for the uplift and welfare of the tribals in his State.

An able parliamentarian, he took keen interest in the proceedings of the House.

Shri Kaiho passed away at Nazareth hospital in Shillong on 13th October, 1988 at the age of 55.

We deeply mourn the loss of this friend. I hope the House will join me in conveying our condolences to the bereaved family.

The House may now stand in silence for a short while in memory of the deceased.

The Members then stood in silences for a short while

ORAL ANSWERS TO QUESTIONS

[*English*]

Liberalisation of Gold Policy

122. SHRI SANAT KUMAR MANDAL† :
SHRI SHARAD DIGHE:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are contemplating to liberalise the gold policy;

(b) if so, the reasons therefor and the extent of liberalisation proposed:

(c) whether it is fact that most of the black-money is invested in this yellow metal; and

(d) the estimated quantity of gold and silver smuggled into the country annually and the value of gold seized during 1987 and 1988, so far?

THE MINISTER OF STATE IN THE DEPARTMENT OF REVENUE IN THE MINISTRY OF FINANCE (SHRI A.K. PANJA) : (a) to (d). A statement given below:

STATEMENT

(a) and (b). Following the assurance given by the Finance Minister in the Rajya Sabha on 6.5.1986 that the Government

was going to have a "second Look" at the Gold (Control) Act, two Working Groups, namely, Working Group on Gold Policy under the chairmanship of Dr. C. Rangarajan, Dy. Governor, Reserve Bank of India (Rangarajan Committee) and a Working Group on Gold Control Machinery under the chairmanship of Shri J. Datta, former chairman, Central Board of Excise & Customs (Datta Committee) were constituted in May 1986. While the Rangarajan Committee examined the gold policy in all its aspects, the Datta Committee examined the procedural aspects under the Gold (control) Act, 1968. The Rangarajan committee has, *Inter alia* suggested modifications in the Gold (Control) Act, review of the present ceiling on the aggregate value of gold jewellery that could be brought into India free of duty under the Transfer of Residence Rules etc. The recommendations of the Datta Committee *inter-alia* include increase in limits of primary gold to be possessed by goldsmiths; modification in records and returns; review of the system of licensing of gold dealers and relaxations under the Gold (Control) Act to facilitate export. The recommendations of both the Committees are under examination.

(c) The study report titled "Aspects of the Black Economy in India" published in March 1965 by the National Institute of Public finance and Policy reported that black wealth found its way amongst other things, in ornaments of gold, However, no estimate of the extent of black money invested exclusively in gold or gold jewellery has been made in the aforesaid report.

(d) Since smuggling is a clandestine activity, it is not feasible to estimate the quantum of gold and silver being smuggled into the country at a given time. The value of Gold seized during the year 1987 and 1988 are given in table below:

Year	Value of gold seized (Rs. crores)
1987	65.78
(up to 7.11.1988)	136.80 (provisional)

SHRI SANAT KUMAR MANDAL: Mr. Speaker, Sir, I would like to know from the hon. Minister as to what is the maximum holding of gold permitted per individual or a Hindu Undivided Family at present and whether it is a fact that the existing Gold Control Act has miserably failed to check the hoarding of gold and enforcing the ceiling.

SHRI A.K.PANJA: So, far as the first question is concerned, for families, it is required that they have to make a declaration of their holding of gold, if the quantity exceeds 4 KG.. (*Interruptions*)

So, far as the Act is concerned, it has not failed. They can hold, under the Act, any amount but if it is more than 4 KG, they will have to file a declaration (*Interruptions*)

So, far as the existing laws are concerned, it is not that the laws have miserably failed. (*Interruptions*)

But various lacunae came to our notice. We found there are various lacunae and therefore two Committees were formed to go into this and they have made certain suggestions. We are taking corrective measures.

SHRI SANAT KUMAR MANDAL: My second supplementary is ... (*Interruptions*)

MR. SPEAKER: Do you want more or less?

(*Interruptions*)

SHRI SANAT KUMAR MANDAL : My second supplementary is whether Government is ware that the bulk of the black money is at present invested in gold hoardings and if so, may I know what steps do the Government propose to take to de-hoard gold? Is it not that this gold is daily taking lives of innocent wives after they are pestered for more gold jewellery by their in-laws?

SHRI A.K.PANJA: So, far as first part is concerned, there was a report made where it was found that some amount of this black wealth found its way in making gold orna-

ments. But in regard the estimate of black money invested exclusively in gold and gold jewellery, nobody has yet been able to give us any report.

So, far as de-hoarding of gold is concerned, various actions under the law are being taken. The search and seizure operation takes place, the accounts declarations are to be filed and those are checked. And the information so far as intelligence is concerned, that has been strengthened to find out the hoarding of gold.

MR. SPEAKER: Shri Banwari Lal Purohit.

[*Translation*]

MR. SPEAKER : I saw that no one was raising his hand. I did not see you.

SHRI BALKAVI BAIRAGI : Who will dare raise his hands when it concerns with four kilos of gold?

MR. SPEAKER : Moreover a Bairagi will hardly dare raise his hand.

SHRI V. TULSIRAM: Even one kilo is enough for a Bairagi.

SHRI BALKAVI BAIRAGI : Even up to my four coming generations, no one will be ever in a position to raise hands in this regard.

MR. SPEAKER : Thus you will be free from worry, you will be happy.

SHRI V. TULSIRAM : His C.R. will have not dark spot. I am saying this because he was asking me.

MR. SPEAKER : Did you testify it?

(*Interruptions*)

[*English*]

SHRI SHARAD DIGHE: In order to meet the legitimate domestic demand and to

curb smuggling more effectively, it has become necessary to review the gold policy and the Government has taken right measures in appointing these two Working Groups to review gold control machinery and gold policy. And it appears from the reply that recommendations have been made in this respect by the Datta Committee. Now from the figures given in reply to Clause 'D' shows that even though the smuggling is a clandestine activity, there are indications that the smuggling of gold has increased from Rs 65.78 crores in 1987 to Rs 136.80 crores in 1988. Therefore, I would like to know that this being the urgent problem how long will you take to consider these recommendations of this Working Group and when will you come to the conclusion as far as these policies are concerned?

SHRI A.K.PANJA : So, far as Rangarajan Committee is concerned, the report was submitted in May 1988. So far as Datta Committee is concerned, it was submitted in May 1987. So far as Datta Committee is concerned; portions of it have already been implemented. I can enumerate main items of it. Manufactured component of gold jewellery should not be treated as primary gold. This is one of the recommendations. This was implemented on 2nd August, 1988. Hypothecation of gold should be allowed so as to raise credit from banks by jewellery exporters. This was implemented on 25th of August, 1988. And the relaxation limit of primary gold to be possessed by jewellers in hundred per cent export oriented jewellery complex and free trade zone was implemented on 7th July, 1986. And the most important one is the inter-dealer transaction of primary gold permitted in hundred per cent export-oriented jewellery complex and free trade zone was implemented on the 4th July, 1986.

There are two other recommendations and those are also being implemented.

So far as the recommendations of the Rangarajan Committee and other recommendations made by Dutta Committee are concerned, they are under close examina-

tion and they will be given effect to gradually.

[*Translation*]

SHRI GIRDHARI LAL VYAS : Mr. Speaker, Sir, Gold cannot be recovered from the persons having it in excess of the limit simply on the basis of instructions issued by the hon. Minister I would like to know as to how many searches have been made of the people who possess gold in excess of the limit of 4 kilograms. It is a known fact that all the erstwhile rulers, landlords and capitalists in the country possess gold more than the limit of four kilograms. I would like to know whether any searches have been made and whether any persons have been apprehended and if so, how many such cases have come to light till now?

[*English*]

PROF. N.G. RANGA : We welcome his return to the House after recovery from sickness.

SHRI A.K.PANJA : The total figure given for November only is, on 11th November itself we made searches and seized gold to the tune of 87.45 kgs. evaluated at 2.82 crores in Bombay. On 9th November the value of the seized gold is Rs 30.40 crores. These are the main items. In Mathura on 11th October gold worth 37.3 lakhs was recovered. The seizure at Mangalore Coasts on 31st May is worth Rs 8 crs. The other one is Bombay Coast again wherein 14 jackets of gold were seized on the 12th September is valued at 6.5 crore rupees.

[*Translation*]

SHRI GIRDHARI LAL VYAS : Mr. Speaker Sir, there is no reply to my question as to how many searches have been made in the premises of capitalists?

[*English*]

DR. DATTA SAMANT: The seizures in Bombay and Mangalore amount to Rs 8 crores or Rs 10 crores. The recent seizures

of gold in Bombay and Mangalore show that the smuggling of gold has gone up in the last few months.. (*Interruptions*)

It is my correct information that from Dubai for the gold smuggled there is insurance and there is a regular smuggling of gold worth Rs. 10 crores from Dubai. The insurance is 7% against smuggling. When it is caught in India, your papers are wrapped up and sent there. They are getting full money back. It is a serious matter. That is why smuggling has gone up. The smuggled gold in Dubai is insured for Indian supply. That is why they are not bothered. They are smuggling gold instead of doing other export - import business. the whole economy is getting spoiled.

I would like to know whether the Government is going to make any enquiry of such bigger economic dealing and whether the Government is going to stop it by informing other countries about it or by taking serious measures.

SHRI A.K.PANJA : Whenever we get any such information from cogent and reliable sources, we do make enquiries. So far as the insurance against gold smuggling is concerned, the facts are not with me. As the Hon. Member is saying, gold smuggling is being insured in foreign countries and therefore there is no risk involved. I shall have to look into it. This has to be enquired into. (*Interruptions*)

SHRI P.M.SAYEED : Very recently, you might have read in the papers, there was a smuggling vessel which was caught in Lakshadweep. That was a record catch. (*Interruptions*)

The people thought that the people from Lakshadweep have been involved. None of our islanders has ever been involved in this and they are incapable of doing it.

AN HON. MEMBER : Including you.

SHRI P.M.SAYEED : Including you also.

Let me tell you Sir, there have been some suggestions from the gold experts. The inflow of gold in the form of smuggling was due to the international market. Our market is higher than the international market. There was a suggestion that Government should review this policy and see that at necessary points Government can sell gold for ornaments purposes. If the Government is prepared to do that, the experts say the inflow of gold in the form of smuggling would get curbed automatically. Will the Government review this policy.

SHRI A.K.PANJA : Dr. I. G. Patel committee first went into this question and they suggested amongst other things that we in India shall have to change our gold habit. That is the first thing because the demand is insatiable and the supply is small. Secondly, as the hon. Member said as to how to keep the balance between international price and our Indian gold price, that has been recommended by Rangarajan committee and we are going into it.

Housing Scheme of Unit Trust of India

*123. SHRI BANWARI LAL PUROHIT†:
SHRIMATI BASAVARAJESWARI :

Will the Minister of FINANCE be pleased to state:

(a) whether Government have recently approved a newly formulated housing scheme of the Unit Trust of India (UTI) known as Housing and Construction Unit Scheme;

(b) if so, the salient features of the schemes;

(c) the extent to which it will help housing and construction sectors and the common public;

(d) whether the investors in the UTI will get housing facility from UTI; and

(e) if so, the details thereof?

THE MINISTER OF STATE IN THE DEPARTMENT OF ECONOMIC AFFAIRS IN THE MINISTRY OF FINANCE (SHRI EDUARDO FALEIRO) : (a) to (e). A statement is given below.

STATEMENT

(a) to (e). Government have recently conveyed approval to the Unit Trust of India (UTI) for the launching of the Mousing and Construction Development Fund. The salient features of the Fund are given below:

- i) The Fund propose to initially raise Rs 50 crores. If the response is encouraging the size of the Fund might be increased to Rs 100 crores.
- ii) Individuals, registered cooperative societies and non-resident Indians will be eligible to participate in the Fund. The minimum subscription to the Fund will be Rs 1000/-.
- iii) The investment objective of the Fund will be to provide returns to the Unit holders through capital appreciation and dividend by investing in land and construction activities.
- iv) The Fund will be managed by the UTI with the Housing Development Finance Corporation Ltd acting as Advisors.

The Fund will help housing and construction sectors by deploying additional financial resources in these sectors. The public, who invest in the scheme, are expected to benefit by way of income and appreciation related to investment in housing and construction activities under the scheme. There is no proposal at present for giving housing facility to investors, from UTI.