

MR. CHAIRMAN: The question is:

"That the Bill be passed."

*The motion was adopted.*

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STATUTORY RESOLUTION RE.  
DISAPPROVAL OF THE GOLD BONDS  
(IMMUNITIES AND EXEMPTIONS)  
ORDINANCE;

AND

GOLD BONDS (IMMUNITIES AND  
EXEMPTIONS) BILL.

[Translation]

SHRI GIRDHARI LAL BHARGAVA(  
Jaipur): Mr Chairman, Sir, I beg to work .

" That this House disapproves of the Gold Bonds( Immunities and Exemptions) Ordinance, 1993, ( Ordinance No. 22 of 1993) promulgated by the President on the 31st January 1993".

Mr. Chairman, Sir, at first I would like to congratulate the hon Minister for becoming a Minister I submit that at the instance of the leader of my party Shri Atal Bihan Vajpayee, the Government has brought this Gold Bonds Bill in the House. There is no two opinion about it that Shri Atal Bihan Vajpayee had referred to it while speaking on the Budget.

I am again requesting that the Gold Bonds Bill should be repealed because the said ordinance was promulgated during the current session and was issued too late.

During the last budget session, honourable Shri Atal Bihan Vajpayee, while speaking on the Budget, had stated that Gold Bond is beneficial for the country, but at that time you had ignored this advice and neither you had promulgated an ordinance nor any action had been taken in this regard. 'What ever I am stating is a fact, you can remember it You have named this ' The Gold Bond Scheme, 1993' Under this

scheme, the buyers of the Gold Bonds will get the relief in Wealth tax Gift tax, Income tax, Customs, Foreign Exchange Regulation and foreign subscription regulation etc. You have said this thing.

Secondly, you have said that the buyers will not be forced to reveal the source of the gold and the money for the purchase of gold. I would also like to point out that this Gold Bond Scheme was announced by the Finance Minister Dr. Manmohan Singh in his last budget speech. You have brought it late, you should have no objection in admitting this fact. You had promised for it during the last February and after a period of one year you are bringing it. You have also promised that Gold Bonds bearers will be exempted from Income tax and Gift tax and this scheme will continue from 15th March to 14th June. It has been enforced since 15th March. Today, it is 18th March, three days have been passed since the scheme is enforced. It has become effective since the date of promulgation of the Ordinance. I mean to say that a period of only three months has been mentioned in it i.e. from 15th March to 14th June. I would like to submit that this period of three months is not sufficient; so, you please think over it

Thirdly you have stated that the buyers of these Gold Bonds will get the same amount of gold back after five years I would like to point out that condition of returning back the same amount of gold after five years will have no attraction for the people so I would like to suggest that you should propose to give them some acres of land along with the gold for constructing the house etc It would be a better proposition to attract the people. The attraction of land will be more effective. The land has more attraction than the gold 'Indira Vikas Patra' also doubles the money in five years. Thus the proposed Gold Bond Scheme does not benefit the people in any form

SHRI SURYA NARAYAN YADAV(  
Sahasra): Why are you asking for the land?

SHRI GIRDHARI LAL BHARGAVA:  
Today land has become so costly, that the

people are unable to get it. Yadavji, you will also get a house. I think you do not have your own house in Delhi. Bhabhiji will remember for ever that you have got house on my suggestion. I am speaking for your welfare. The attraction of land and house is a must.

Fourthly I would like to point out that the people have lost their faith in Banks, because you are going on decreasing the rate of interest frequently, Some time it is 12% sometime it is 11% and sometime it is 10% and sometimes there happens to be a security scam.

There is a security scam and Harshad Mehta and Hiten Dalal are behind it. Banks coffers are empty and people have lost their faith in banks Which person will get his wife's ornaments melted and deposit them in banks on just your saying. The Government should only check whether the gold being deposited with it is pure or not and should keep with it as it is. Five years later Government can either give back the gold or give land in live thereof People have no faith on banks No body will be prepared to deposit with banks A non-Government council should be formed with some industrialists, people's representatives and elected honest leaders If you will ask the people to deposit their gold with this council, they will readily agree

Ladies cup gold in bank lockers without the knowledge of their husbands.. (*Interruptions*) I will have to make my wife understand and I will take your name while doing so No one will believe the hon. Minister's words as no one has faith in banks. (*Interruptions*). The people have lost their faith in you Shri Atal Bihari Vajpayee while speaking on the budget had also suggested this thing and I am also saying that if you ask about depositing the gold in a non-Government council and it a mass-movement, we will be with you. We will ask the people that the Government has mortgaged the country and it is going around with a begging bowl. This is a prosperous country and it should be made self-reliant. But the Government is obeying the IMF. It is trying to cause damage to the industries in

the country by doing treaties with Russia and America. It is our insult in the Government obeys the American dictates. This tendency should be done away with. I would like to say that this should be turned into a mass-movement, so that we can get rid of foreign debts. I have given four suggestions. Government have fixed the lower limit of depositing gold at 500 grams and have not fixed any upper limit. When the gold will be deposited in the bank it will issue a promissory note and a certificate to the depositor. I oppose this Ordinance and so far as the form of bill is concerned this is incomplete and no purpose would be served by it. Only three months of time has left, then this Bill will be passed and sent for the Hon. President's assent. Only two months will be left after this month of March. I put forth the motion to disapprove this bill and suggest that four suggestions given by me should be incorporated in this Bill and then presented. The Minister of Energy was saying that he will not do, but you are fair and look good and you will certainly accept my points.

[English]

MR. CHAIRMAN: Motion moved:

"That this House disapproves of the Gold Bonds Communities and exemptions. Ordinance 1993 (Ordinance No. 22 of 1993) Promulgated by the president on the 31st January, 1993."

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M. V. CHANDRASHEKHARAMURTHY): Sir, I beg to move: \*

" That the Bill to provide for certain immunities to the subscribers of the Gold Bonds and for certain exemptions from direct taxes in relation to such Bonds and for matters connected therewith or incidental thereto, be taken into consideration."

Mr. Chairman, Sir, it may be recalled that the Finance Minister in his Budget speech for 1992-93, has stated that the

[Sh. M. V. Chandrashekhara Murthy]

Section 5 of the Bill.

Government would introduce Gold Bonds Scheme to mobilise Gold reserves which are idle from the ordinary citizens of this country to supplement the official reserves, that is, the national reserves. (*Interruptions*) .They are also citizens, you cannot say they are not citizens. Citizen will have a different meaning. That is why, we have said "ordinary citizens". We are all ordinary citizens. Even Birlss and Tatas, they are also ordinary citizens.

Sir, the President had issue an ordinance on 30.01.1993 to Provide for certain immunities and exemptions to the subscribers. The present Bill seeks to replace this ordinance. The scheme has already been notified on 18.02. 93. The subscription for the Bonds has already been opened from 15. 03. 93 and will close on 14.06.93.

The Gold bond is opened to subscription by a resident in India, a Hindu Undivided Family ( HUF), the trustees of a trust, a firm or a company. Gold will be returned at the end of five years along with a iumpsun interest at the rate of Rs. 40 per gram. Minimum subscription is 500 grams and there is no maximum limit.

Mr. Chairman, Sir, the initial subscribers to this Bond, will enjoy certain immunities and exemptions under Section 4 of the Bill, under Wealth Tax Act, Gift Tax, Income Tax Act, Customs Act, Foreign Exchange Act, Foreign Contributions Regulation Act. By virtue of these immunites, the initial subscriber will not be required to disclose the nature and the source of acquisition of this gold including the source of money by which the gold was purchased. However, these immunities will not be available where proceedings have already been initiated before the date of promulgation of this ordinance. The interest accrued to the initial subscriber will also be exempted from Income Tax and Gift made by an individual subscriber to his spouse or to a child or to the parents will be exempted from Gift Tax,

18.00hrs.

Sir, I would like to deal more in detail, after detailed discussion of the Bill. Hence, I commend this Bill for consideration and passion by this House

MR. CHAIRMAN : Motion moved:

" That the Bill to provide for certain immunities to the subscribers of the Gold Bonds and for certain exemptions from direct taxes in relation to such Bonds and for matters connected therewith or incidental thereto, be taken into consideration."

THE MINISTER OF STATE IN THE MINISTRY OF HUMAN RESOURCE DEVELOPMENT (DEPARTMENT OF YOUTH AFFAIRS AND SPORTS) AND MINISTER OF STATE IN THE MINISTRY OF PARLIAMENTARY AFFAIRS ( SHRI MUKUL WASNIK) : Sir, we have got a very long list of business which we have to complete within a time limit. Therefore, I would just like to request that the House may continue its sitting for a longer period today so that we may sit upto 10 p.m. or 10.30 p.m. There are three, four Bills which it is very necessary that we will have to pass. Therefore, I will just like to request the hon. Members to agree to this.

MR. CHAIRMAN: What is the consent of the House?

Some hon. Members: No.

[Translation]

DR. LAXMINARAYAN PANDEYA ( Mandsaur): Mr. Chairman, Sir, the hon. Members and Shri Atal ji had said yesterday that they would like to speak on this Bill today. Two hours have been fixed for this Bill. Only 15 to 20 minutes have passed. We had decided that we will sit here upto 7.00 p.m. It is not necessary today This Bill can be passed tomorrow

[English]

SHRI MUKUL WASNIK: Sir, we have made arrangements for dinner for the hon. Members as well as staff.

[Translation]

SHRIGIRDHARI LAL BHARGAVA: Mr. Chairman, Sir, at 6' o'clock. I have to go to attend Roza Iftaar' which is our religious duty. If we do not go, it will be against the tenets of our religion.

[English]

SHRI MUKUL WASNIK: During the last few days, we have agreed to complete the business which was scheduled and which was listed; and it has to be done...(interruptions)

[Translation]

DR. LAXMINARAYAN PANDEYA: It has been decided that we will sit upto 7.00 p.m. Let it be so. After that we will not sit.

SHRI SURYA NARAIN YADAV (Saharsa): Mr. Chairman, Sir, 7.00 p.m. is all right. Who will sit upto 10.00 p.m. ? It may be your compulsion, but we will not sit upto 10 or 10.30 p.m.

SHRIGIRDHARI LAL BHARGAVA: We will sit only upto 7.00 p.m. and not a minute after that. This is not a play ground.

[English]

SHRI MUKUL WASNIK: Sir, we go on to complete the business. This business is very important; If we have to sit late, I do not think, there will be any problem. (interruptions)

MR CHAIRMAN: Can we do it without the cansent of the House?  
(interruptions)

[Translation]

SHRI RAJVEER SINGH (Anola) : Mr. Chairman, Sir, these are very important

Bills, but the Government wants to pass them in a hurry. When it was decided by the B.A. C. that the House will sit upto 7.00 p.m. They why does the hon. Minister want the House to sit upto 10.00 p.m. ? If this Bill has to be passed , let us discuss it tomorrow and not today. Let the House be sit upto 7.00 p.m.

[English]

SHRI BASUDEB ACHARIA (Bankura) : Sir, how long are we sitting.. ( Interruptions)

[Translation]

MR. CHAIRMAN: At present, the House will sit upto 7.00 p.m. and when the hon. Deputy Speaker comes, he will decide about it.

SHRI RAJVEER SINGH: We will not sit at all after 7.00 p.m.

[English]

MR. CHAIRMAN: There are certain amendments to the consideration motion. First ammendment is by Shri Girdhari Lal Bhargava.

[Translation]

SHRI GIRDHARI LAL BHARGAVA: I beg to move:

" That the Bill be circulated for the purpose of eliciting opinion thereon by the 12th July, 1993."

PROF. RASA SINGH RAWAT (Ajmer): I beg to move:

That the Bill be circulated for the purpose of eliciting opinion thereon by the 26th July, 1993."

SHRI DAU DAYAL JOSHI (Kota) : I beg to move:-

" That the Bill be circulated for the purpose of eliciting opinion thereon by the 4th June, 1993."

[English]

SHRI SHARAD DIGHE (Bombay North Central): Mr. Chairman, Sir, I rise to support the Gold Bonds (Immunities and Exemptions) Bill, 1993 moved by the Finance Minister. As stated by the Minister himself, a reference was already made to this subject by the Finance Minister last year in his speech in paragraph 20 on page 6 and I will quote some observations made by him:

Many hon. Members of this House have suggested that the Government should introduce a gold bond which would help to mobilise the idle gold resources of ordinary citizens to supplement official reserves. I had indicated in Parliament that this should be considered only when the balance of payments situation improves and adequate confidence has been built in the capacity of the government to manage the economy. This has now been achieved and our reserves are large and do not need supplementing. But I see no reason why patriotic citizens should be denied the development of India's economy. ."

The indication was given last year only in the budget speech by the Finance Minister that opportunity should be given to the patriotic citizens of this country to contribute their mite as far as the development of this country is concerned.

18.7hrs.

MR. DEPUTY SPEAKER *in the Chair*

This Bill is a very simple Bill. The main clauses are only clauses 3 and 4. Clause 3 authorises the Central Government to frame a scheme for subscription in the gold bonds. Clause 4 gives certain immunities to the contributors of the bonds in respect of wealth Tax Act, Gift Tax act, the Income-Tax act, the Customs Act, the Foreign Exchange regulation Act and the Foreign Contributions Regulation Act as far as these bonds are concerned.

Now, pursuant to the Ordinance which was issued in this respect, the Government

had already issued a notification of 18th February, 1993 laying down a scheme for the issuance of gold bonds, known as Gold Bonds Scheme 1993. According to that scheme, the maturity period is five years.

Subscription is in the form of gold of 0.995; fineness to be decided by the Government Mint; number three, ornaments to be melted after removing stones; number four, one bond will be for a minimum denomination of 500 Grammes of gold; number five, bonds in the form of Government promissory note or they will be in the form of stock certificates according to the options of the subscriber; and then number six, that can be subscribed by residents, individuals, Hindu undivided families, trustees, firms and companies. And lastly, there are facilities of nomination and they are transferable. This is, in short, the scheme issued by the Finance Department pursuant to the Provisions of this Bill. Now, in short, the benefits appear to be this that the interest is tax free and the earning by way of interest will be Rs. 20,000 in five years and with the present maximum marginal rate of concessions of 40 per cent tax plus 12 per cent surcharge, the effective earning, for an individual, comes to Rs. 28,960 who purchases a bond of 500 grams. Then the source of acquisition of gold is not to be disclosed. Then, as I said, immunity is there from Gift Tax, wealth tax, Customs Act, Foreign Exchange Act and Foreign Contribution Regulation Act. Further, the bonds are in the nature of security which can be accepted by the banks by way of securities for loans and benefit consequent to this appreciation that may take place after five years would also be given to the contributors. These are some of the benefits for the contributors under the scheme which has been issued under this Bill. From this point of view, we have to see the usefulness, or otherwise, of the Bill that is before the House today.

As far as gold reserves are concerned, they are sometimes very useful for a country like ours. We have seen that in 1991, when we faced payments crisis, our gold reserves came to our rescue and spared us

from humiliation of default as far as world commitments were concerned. At that time, in February 1991, as the figures show, the Reserve Bank of India raised 405 million dollars by pledging gold with the Bank of England. So, the gold reserves is as good as foreign currency reserves and can be deployed for meeting short-term external payments gap. This is the most useful reserve which will be useful to this country if these bonds issued under the scheme succeeds and if we are able to garner the reserves of gold from the public, if there is a proper response. It will naturally supplement official gold reserves and will, as stated by the Finance Minister, enable a patriotic citizen to contribute his might to the development of this country. Now, these dare some of the virtues of this Bill and the expectations of good results of the scheme, if the scheme succeeds. Only one doubt comes in my mind as to whether it is necessary to encrease our gold reserves in the present situation of our country. This adtttempt was made thrice as far as our country is concerned If I may refer to the past attempts, the Government had issued 15 year gold bond at 16.5 per cent simple interest in November, 1962. At that time, they were raised to meet the funding requirements to provide arms and to support service to the army against the Chinese invasion

Then Sir, at that time the authorities could mobilise 16.3 tonnes of gold. Again in March 1965, a new series of 7 per cent gold bonds with a maturity of 15 years were issued to map up unaccounted money and the authorities at that time could receive only 6.1 tonnes of gold. Again it was followed by National Defence Gold Bonds in October 1965, carrying an interest rate of 6.5 per cent and maturity period of 15 years. At that time, authorities could mobilise 30.7 tonnes of gold. Therefore, it is our experience that there was not much response from the public, as far as past experiments are concerned.

As per the records of the Reserve Bank of India, the country's official gold reserves

amount to about 350 tonnes. The Reserve Bank itself feels that it is in line with the international standards and we are not in a difficult situation as far as balance of payment is concerned. Therefore, my question to the hon. Minister is whether it is necessary to introduce such a scheme now, when the past schemes also showed that there was very poor response. If the report of the RBI is concert, we have sufficient reserves as far as gold is concerned. Therefore, the Minister may explain as to why it necessary to increase our gold reserved.

Another point that I would like to mention is whether this scheme will really encourage a patriotic citizen to contribute towards the development of the country. The scheme in itself is not so attractive for middle class and even upper middle class people. As I have stated 500 grams of gold is rarely held by a middle-class or upper-middle-class family. Generally, what they have is much less than this quantity. In India there is a craving for gold ornaments and gold is a sort of status symbol for a middle-class or upper middle-class family. The status of a family is generally considered by the number of ornaments that a lady in the house has. So, sufficient ornaments are always preserved by middle-class and upper middle-class families as far as India is concerned. Therefore, I feel that this may not be very attractive and hence it may not get a good response.

Moreover, the return is also not very attractive. The minimum quantity at 500 grams is rather on the high side. If the scheme were to be made attractive, I would suggest that there should be a smaller quantity. The criterion fixed should be 10 or 15 or 50 grams. 500 grams would be a very large quantity and the middle-class and upper middle-class families may not be able to contribute, even if they desire to do so. Just now, I was saying that the return is also not attractive. Rs. 40 per gram is the return and it works out to just half the labour charges for making the ornaments. Therefore, there is a direct loss of approximately

[Sh. Sharad Dighe]

half of the labour charges for making the gold ornaments, and the middle-class families may not be attracted to this scheme at all.

Otherwise also, the depreciation of gold price will also give him more than this return. For the upper middle class family also the return is too meager and may not be an attractive proposal. He can otherwise gain more by pledging his ornaments with banks and taking loan, etc. which he can invest in some business. Therefore, this proposal may not be an attractive proposal.

I now come to the last point, namely that this scheme would generate perhaps undesirable pressure on the economy. There will be excessive demand of gold which may perhaps encourage smuggling and smugglers may get advantage of this. Further on the scheme would give a wrong signal to the honest citizens who are otherwise abiding by the income tax act and other such acts. They will feel that here is a scheme which gives scope for condoning their defaults as far as income tax and other such things are concerned. By purchasing these bonds they can get immunity from all these acts. From this point of view I feel that a wrong signal might be given to the society which would demoralise the law abiding citizens. It will even boost the morale of unscrupulous elements in the economy. From this point of view the Government may consider whether they should pursue this scheme under the Act. Is it necessary?

I will conclude by saying that even when reserves are not necessary; when the scheme is not attractive for the upper middle class family from whom the Government expect a better response; when this scheme gives a wrong signal to the society who follow the income tax laws and when it boosts the morale of unscrupulous elements in the society, from that point of view the Government may give a re-thinking to this scheme. But, as far as the Bill is concerned. I support the Bill.

[Translation]

PROF. PREM DHUMAL( Hamirpur):  
 Mr. sean, Sir, whenever the country passes through a period of national crisis, the leaders rise above party politics and try to find out some solutions. During the Chinese Aggression in 1962, Pandit Nehru exhorted the people to donate gold in the National Defence Fund. At that time, people had faith in the leadership and they donated gold. when the country was passing through a serious economic crisis last year and we were unable to pay our instalments of loan, we were forced to mortgage the gold. At that time, one of our senior leaders, Shri Vajpayee gave a suggestion for gold bonds and he stated there was enough gold available in the country and only need is to generate faith among the people and they would of forward for donating gold to enable to country to honour its debt liabilities and to add to its gold reserves.

18.24 hrs.

[SHRI PETER G. MARBANIANG *in the Chair*]

Shri Atal ji had stated that as per his calculation, 150 tonnes of gold could come from foreign countries. Our Government had hoped for a just 35 tons of gold.

As per the figures of first eleven months, the country got 120 tons of gold and earned foreign exchange worth 3 1/2 crores of repees in custom duty. Our party still firmly believe that if the suggestion of Shri Atal ji is accepted and if we adopt proper policy and fix a 2 1/2% sale of interest for a period of 10 years, we can collect 2000 tons of gold through Gold Bonds. The figures reveal that 120-125 tons of gold was collected during a period 11 months. This is not much. If we encourage the people of this country we would get more gold. Otherwise also, people have lost much of the interest in gold. To collect 2000 tons of gold is not a difficult task. Though although Government's estimate was of only 3000 tons of gold We have faith in the people and in the leadership of the country. But it is

unfortunate that people have lost faith in Reserve Bank due to security scam. Try to win the faith of the people. If people start having faith in the system they would donate gold in Reserve Bank and the economic condition of the country would also improve through Gold Bonds.

The suggestions made by Shri Atal Bihari Vajpayee are very valuable. When Shri Bhargava was speaking, our leftist friends were saying something. Shri Bhargava had suggested that urban land should be given in exchange of gold. Lot of urban land is with Government. Government has so much of urban land lying unused. People would prefer urban land to gold where a house could be constructed. Government can opt to allot a plot of land at reasonable cost and if the person has given gold an year ago, the plot of land can be allowed at the then prevailing price. There are two ore benefits for doing so. Government is disinvesting public undertaking shares and the incurring loss can be set off if the Government follows right policy. Government has invested money in profitable public sector units. Government can exchange the shares of the public sector undertakings with gold. Public financial Institutions have invested money in some of the good private sector companies. When Government disinvests its shares, these can be offered to a person who can give gold in exchange Government would be able to reap good fruits of that money which otherwise is not giving full returns.

I hold Shri Dighe in High esteem. He is a very senior Parliamentarian. He has said that the position of balance of payment is very good, therefore there is no need to do so. If Government has to take another loan to pay off the previous debt I do not think that position of balance of payment is good. If Government has to take another loan to pay off the previous debt I do not think that position of balance of payment is good. If Government good reserves of gold, it is a good position. This is a good scheme. Government is bringing this scheme to utilise the hoarded gold which is lying un productive and the gold which is not in circulation in

being utilised. Government would be relieved of the burden of foreign debt and we are able to pay off our debt in easy installments. If we get foreign loan on a low rate of interest, for a long period, then it would be easier to pay the installments and at the same time we would be able to march towards self-reliance and swadeshi and our economic conditions would improve and above all, Government would be able to reap good reserves of gold and the land lying unused would also be utilised. If the country is able to pay its share of debt India would move towards swadeshi and self-reliance.

I support this Bill and keeping in view the suggestions and considering the patriotic feeling of the person who gave these for the good of the nation, the implementation of this Bill would help in solving the problem of the country.

With these words, I support this Bill.

[English]

MR. CHAIRMAN: May I remind the hon. Members that we still have many Statutory Resolutions and Bills to come? Please stick to the time of five to six minutes so that we get one more Bill / Statutory Resolution passed today.

SHRIMATI MALINI BHATTACHARYA (Jadavpur): Thank you Mr. Chairman. Sir, I rise to oppose the Bill. But I find that some of my arguments have already been anticipated by the hon. Shri Sharad Dighe. The only thing I do not understand is why or how after given all these arguments, he is still supporting the Bill.

[Translation]

It seems that these are some political compulsions for it. Perhaps he has no interest in it.

[English]

SHRI SHARAD DIGHE: The Bill only authorises the government to issue such



[Sh. Sharad Dighe]

bonds; when they should issue, that is for them.

SHRIMATI MALINI BHATTACHARAYA: Actually we find that first of all it was only in 1992-93 Budget Speech that reference to this Gold Bond Scheme was made. It was said that it was at the suggestion of some MPs that the Government thought about the introduction of this Scheme. I do not know from where this *Janadesh* was derived by the Finance Minister. But I think that a number of MPs in this House are very strongly opposed to it, like the MPs from our party.

Anyway, what had been said in that Budget Speech? It had been said already in 1992-93 that our reserves are large and do not need supplementing. As Shri Sharad Dighe has already mentioned, now our gold reserves are 350 tonnes, so, there does not seem to be any urgency in implementing this Gold Bond Scheme at all and yet it is being done.

Originally it was to have been installed from May 1992 but at that time it was not done, then year elapsed and subsequently we suddenly find that with the help of an ordinance this has been passed and already the scheme seems to be partly in operation as a result of that ordinance. So, we cannot understand, to satisfy whom is this hasty step is being taken at this stage when there is no crisis in the gold situation.

Then the Finance Minister had, said:

"I see no reason why patriotic citizens should be denied the opportunity to contribute their might, might to the development of India's economy."

Now, who are these patriotic citizens? What kind of patriotic citizens does this scheme have in mind? We know of course most people in India have nothing to do with gold. They do not have even an iota of gold. But in many middle class families, ordinary middle class families we find that there are

some ornaments passing from the mother to the daughter-in-law or to the daughter and so it goes on. But is it with these people in mind that this scheme is being installed? If that is so then what was the reason for this provision; this clause? In 4(1) (a) it is mentioned and I quote:

"no subscriber shall be required to disclose, for any purpose whatsoever, the nature and source of acquisition of the gold subscribed for the 'Gold Bonds, including three source of money with which the gold was acquired".

Now, in an ordinary family is a woman having ornaments unwilling to divulge the source of her ornaments? I do not think so, it comes down from the mother to the daughter. That is how it comes. Then who are the people; who are anxious not to disclose the sources from which their gold derives? That is the question I want to ask to the Ministry. Is it for their benefit that you are having this Gold Bond scheme? It seems that primarily it is these people who are going to be benefited. Then, it has been said that not only it is necessary to disclose the source of the gold, but even the source of money with which the gold has been acquired need not be disclosed. What is the meaning of it? Is not it likely that the scheme will provide incentive for converting even current incomes in Gold Bonds by purchasing gold from the market? So, they seem to be bent on benefiting one particular class of persons with this Gold Bond scheme and other patriotic citizens.

Now, I remember the Finance Minister in his last Budget Speech had ended with a very famous quotation that is,

"sarfaroshi ki Tamanna Ab  
hamare Dil main Hai

Is it *Sarfaroshi* that you are asking for from these patriotic citizens? What is the proof of patriotism that you are asking for from these people who are to purchase Gold Bonds? What are they going to sacrifice? They are not going to sacrifice anything. Rather, they are going to gain double or

perhaps triple benefits by investing in these Gold Bonds. How? Firstly, in clause 5. it has been said that this will be interest free. Secondly, it has been said that it will be exempt from the provisions of the Gift Tax Act also. Thirdly, it has been said that no enquiry or investigation shall be commenced against any subscriber under any of the said Acts, that is the Wealth Tax Act, Gift Tax Act, Income-Tax Act etc. on the basis of their having purchased these Gold Bonds. So, people who have acquired gold by dishonest means; by perpetrating a fraud on the people of the country; by perpetrating a fraud on the Government, you are allowing these people by instituting this Gold Bond scheme not only to get away with their ill-gotten gains but also to make further profit out of their ill-gotten gains. From this point of view also, I think, that this is a form of offering more and more benefit to people, who are parasites on the economy; who are perpetuating our black money; who are enabling this black economy to expand, why should you go on giving concessions to them in the form of such schemes?

One of the hon. Members of B.J.P. has talked about the question of the people's faith in Government. He has said that if people have faith in Government then they will invest in this Gold Bond scheme; if they do not have faith in the Government then they will not invest in the Gold Bond scheme. But, why should this particular class of gentlemen, this particular class of so-called patriotic citizens have any faith in these Gold Bond schemes? They would, as a matter of fact, wait for further concessions. If you have given them some concessions they will wait for more. You gave them some concessions to make black money into white in 1991-92. Now you are giving them further concessions. In 1991-92 did the Government get any benefit out of the kind of concessions that were promised to people who have black money? They did not get much benefit out of it. The people were asked; the Government was entreating, appealing to people having black money to come out with it; no-one will be punished; they will not be asked about the source of their income and so on. What was the

result? Did you gain much from these exercises? You did not.

And this is not just what I am saying but many export committees have said so. For instance, one survey which was made by the National Institute of Public Finance under the guidance of Mr. Chellaiah has said that by giving these kinds of concessions to owners of black money the Government, in fact, cannot benefit. It cannot hope to get these people to invest in the schemes that had been given by the Government. Because it would be more profitable for them to hold on to their ill-gotten gains for a further period.

Therefore, the argument of the Government that this is one way of resource mobilisation fails—I think there are other alternative ways of resource mobilisation. There are people who are not paying wealth tax. There are people who do not pay their income tax—particularly in the upper slabs of our economy. It is not the ordinary middle class people who evade income tax. It is people who have more money; it is people in the upper slabs whose income is unlimited, it is these people who must not evade government taxes.

So, by this method of resource mobilisation, giving more concessions to such people, you are only inciting their greed for more and more profit.

At the end I will say that we can have nothing to do with this scheme, with this Bill which is just meant to line the pockets of people who already have their pockets heavy with their ill-gotten gain and we are going to have no part in the passing of this Bill and we strongly oppose this Bill and with these words I thank you for your indulgence and I sit down.

SHRI S.S.R. RAJENDRA KUMAR (Chengalpatu): Mr. Chairman, Sir, I thank you for giving me the opportunity to speak on this important Bill of Gold Bond Scheme. I would like to first appreciate the hon. ble Finance Minister for his Master Plan to develop the economy of the country.

[Sh. S.S.R. Rajendra Kumar]

Initially the Minister came out with the Removal of Gold Control Act which allowed anybody to possess Gold of any quantity. Later, he allowed N. R. Is. to bring gold into the country by which flow of gold started bringing down smuggling.

Then the conversion of rupee into dollar system in the open market came which will definitely help not only NRIs to bring gold but also enabled the resident Indians as well to avail the facility of getting gold.

Now, presently to utilise the idle Gold resources of ordinary citizens in supplementing official resources, our hon. Finance Minister has come forward with the Gold Bond Scheme.

Earlier the Government issued 15 year Gold Bond at 6.5 per cent interest in November, 1962 and mobilised 16.3 tonnes of gold.

Again in March 1965, a new series of 7 per cent Gold Bond with a maturity of 15 years, the authorities received only 6.1 tonnes of Gold.

Then it was followed by National Defence Gold Bond in 1965 October carrying 6.5 per cent at 15 year maturity which fetched 13.7 tonnes of gold.

Analysing the mathematical calculation where the Gold stock has been doubled from 3,700 tonnes in 1965 to 7,500 tonnes at present, the authorities will only be able to mobilise about 30 tonnes of gold.

Having appreciated the Gold Bond Scheme, I would like to present before the House a few of my observations and suggestions for improvement.

Firstly, the rate of return at less than two per cent per annum is very discouraging and should be raised to a reasonable level of 5 to 6 per cent.

Secondly, our hon. Finance Minister

has only concentrated on the rich people with lot of black money for his estimation of gold stock of 7,500 tonnes of gold, as the minimum stipulated quantity restricting the participation of the Gold Bond Scheme to 500 grams.

As we all know, there are 20,000 tonnes of gold in the Indian household and why are these small people not taken into account? They are the ones who with small efforts can easily be multiplied into huge unimaginable collections.

If the Government really wants to mobilise the idle gold resources of ordinary citizens to supplement official resources, the minimum quantity offered should be brought down to at least 50 grams, if not 100 grams.

I suppose the hon. Minister has offered only three months from now. This will restrict the total idea of mobilisation creating a similar feature of only lower collection of gold as in the case of 1965 Gold Bond Scheme.

This limited three months availability will create hesitation and delay in decision making in the minds of individuals to take appropriate decision of Gold Bond Scheme. And again, the limited time will also endanger the price of gold to go up.

By extending the limited time, the Gold Bond Scheme can be made a continuous process because the Government always requires the ordinary citizens' resources because of the shortage in the official gold stock.

The Bond holder should have free and easy availability of gold and the necessary assurance. The assurance of giving gold as loan 75 per cent (or less) any time before the expiry of the bond will eliminate any misconceptions. Now, taking all this into consideration, I would like to point out the following:-

(1) To increase the past experienced gold mobilisation record of 13.7 tonnes of gold into more than double.

(2) In not only tapping the general gold stock of 7,500 tonnes but also the virtually untouched Indian household gold of 20,000 tonnes.

(3) And to make the Gold Bond Scheme a continuous process.

Sir, before ending my speech, I would like to present before the House a suggestion in regard to this scheme for further implementation.

The Government should start a Gold Saving Bank in all the nationalised banks.

The ordinary citizens should be able to deposit gold in savings bank account in a nationalised bank as we deposit rupees into the Savings Bank Account. This small quantity of gold deposit in the Bank will create a historic collection of unbelievable huge amount. I think that this would definitely help our nation's financial development in future.

With these words, I conclude my speech, Sir.

[Translation]

SHRIMATI SUMITRA MAHAJAN (Indore) : Mr. Chairman, Sir, I would like to submit that the proposed gold Bond Scheme has been envisaged to distract the attention of the people from the general deteriorating conditions of the country. The loans that country is taking have reached a saturation point. We have come to such a pass that our policies and plans are now being decided by the people from whom we take loans. It is they who decide the way we should govern our country. We have brought our country to such a pass. Was the country always in such a condition?

We talk about the times when Raghu was the ruling king. Gold reserves were kept open. People were not greedy and so they used to get the gold as per their requirements. It is said that there were times when one could roam throughout the country carrying gold in a wooden stand. Why such a

situation has arisen today? If this country was such a prosperous country, how come it has reached such an economic crisis? What is the reason? This country was extremely rich, How far Government is responsible for it is a point for introspection. The Government is responsible for bringing the country to such a state of bankruptcy during the last forty years. There is need for introspection on this count. Government formulated numerous plans. One of them is gold bond scheme but the big question is whether people are ready to give gold or not? During Chinese Aggression in 1962, an appeal was made to the people to donate gold for defending the country and they did so without asking any question. The women of the country came forward to give their gold. They did not expect any benefit in it. Shri Dighe has observed that the general mentality of the people is that nobody is ready to give one's gold without earning any profit on it. It is considered as a secured capital. Now, there is no credibility. We had previously also asked the public that if they declare their undeclared wealth, they would not be asked about the source of income and some interest would also be given. If you are telling such things to the countrymen, it would affect the credibility. This means Government is telling people that earn black money and then give it to Government which would convert it into white money. It is the same as a gentleman thief is asking for help from a black thief. When plans are formulated for a country these should have credibility.

Alongwith the credibility of the scheme it should be attractive and long lasting. The Government is providing three months, time but people have to think a lot to give away their gold to the Government. The scheme should be attractive and people should know as to what will be returned to them. The credibility of the gold will be determined by the Government. The Government should have introspection whether public have faith in the Government. Therefore, I would like to say that inspite of this being decided by the Government officials, it should be decided by a committee, which should comprise of reputed persons of the

[Sh. Sumitra Mahajan]

country in whom people have confidence. If a committee comprising of such persons is constituted and it implements this scheme and appeals to the people, I think this scheme can be more successful and if the Government launches this scheme through banks, then this scheme will not have credibility. It is, therefore, necessary to make this scheme attractive. My party has put up some amendments. The Government had started a scheme earlier for NRI's. Then the rate was low and the minimum quantity of gold required to invest in this scheme was 5 kg. That is why the scheme was successful. I would like to request again that the amendments moved by the Bharatiya Janata Party should be considered properly. Only then the scheme will be successful. Along with it. The Government should enhance its credibility also and should reduce the feeling of suspicion among the people to make this scheme a success. Therefore, the scheme should be made attractive. Only then we can support it.

[English]

SHRI P. C. CHACKO (Trichur): Sir, I support this Bill. This is a very good legislation being brought to this House. All the Members who have spoken on this were elaborating on this subject. The scope of this Bill should be widened to make it more beneficial to the country. In fact, a scheme like this, once introduced, can always be pursued and further improvements and further amendments can be made to make it a foolproof scheme.

When the first Budget was presented to this House by the Finance Minister, this scheme was announced and it was welcomed by the people of this country with very great enthusiasm. So, this legislation is being brought forward to update the scheme which has generated real public interest.

The reserves of gold in this country, in the villages and homes in India, is estimated to be to the tune of 40,000 tonnes and this country is facing a foreign exchange

crisis and balance of payment crisis. With the right policies being pursued by the Government, to an extent, we are able to overcome this problem. One hon. Member on the other side has said that we have overcome this problem only by borrowing. It is not correct. The fiscal management during the last two years is the real reason why we could overcome this crisis. We have seen that at a time of crisis, it was our gold reserves which came to the rescue of this country. The basic objective of this bill is to raise gold reserves. How it has to be utilised and other details of the scheme can be worked out. Naturally the suggestions which are made in the House, I am sure, the Government and the hon. Minister will consider them carefully. I remember the discussion took place on the question of taking our gold outside bar plodging. When the payment crisis was at its worst height. It was the gold reserves which saved our country and the Government could take back that gold. we could overcome that crisis temporarily and when the fiscal situation improved we could bring back the gold this country. We do not hope that such a situation will recur in the near future. But at the same time, gold reserve is always one solid thing on which we can rely on. The gold reserves which are in the homes and in the rural side of our country an astronomical figure of 40,000 tonnes. These are unofficial estimates. This is the biggest non-productive asset. Of course, we cannot ask the people to part with their gold completely due to various reasons, the entire thing cannot be taken out. At the same time, considerable portion of the gold which is non-productive can be mobilised. to mop up that gold to the advantage of the citizens and at the same time, to the advantage of the Government, this scheme is being brought forward. Tax evasion and other things are being cited as the objections to this Bill. We can think of removing such irritants because we are announcing schemes where incentives are there and tax exemptions are also there.

19.00hrs.

These maladies are not something which is exclusive to the gold bond scheme. I hope

the hon. Minister will clarify how these things can be rectified. Shri Sharad Dighe, in his speech, brought many valid points before this House. I hope the hon. Minister will explain what the Government is going to do on that. But how the gold reserve in this country can be raised to the advantage of the country, for the development of the country and, at the same time, for the benefit of the citizens, is the intention behind this Bill.

I think all the party members in this House are to agree on one point. That this is a good piece of legislation. Government is making a honest attempt to mobilise this gold. Those left parties who are deadly opposed to any sort of assistance from World Bank, and international agencies, should support this Bill because this is the right substitute. At the time of crisis, without relying on anybody, we can depend on that. This legislation is very important and is any drawback, as pointed out by Mr. Sharad Dighe, can always be rectified. But More than that, if there is any minor drawbannk this legislation for that

I agree with some points raised by Shrimati Malini Bhattacharaya and others. They are very relevant. We can think about them. At the same time, this basic idea must not be given up.

I support this legislation and I support the Bill.

[Translation]

SHRI GIRDHARI LAL BHARGAVA: Mr., Chairman, Sir, we have to go. It is seven o' clock now-(*Interruptions*).

[English]

MR. CHAIRMAN: There are three or four hon. Members to speak. Let them speak. We will adjourn the House after that.

[Translation]

SHRI GIRDHARI LAL BHARGAVA: Mr. Chairman, Sir, we have to attend 'roza iftar'.

It is a matter relating to our religion. Should we ignore our religion? If you order so we will not go. If we obey you, we will not attend 'roza if tar'. How can we offer namaz after sunset. The sun god is not going to stop by your order.

[English]

MR. CHAIRMAN: Please wait. There are four Members. Let them speak. Tomorrow the hon. Minister will reply and this Bill will be passed tomorrow.

SHRI BOLLA BULLI RAMAIAH(Eluru): This Scheme has been introduced with the exemption of Wealth Tax, Gift Tax, Income-tax, Customs Tax, Foreign Exchange Regulation Act. for various purposes, with all the immunities that have been developed. Though some of our friends have mentioned that we have reserves of 350 tonnes in the Reserve Bank, it is not really that very dependable amount because we have already some consequences earlier. Already we find percolation in our country's resources for exports and imports on account of the recent policy of liberalisation. Naturally, lot of more imports will be coming. Our exports will also pick up. It will take some time. In the meanwhile, to mobilise our resources, gold bonds are very essential.

As our friends have mentioned, earlier also in 1962, in 1965 and many times we have introduced schemes but the mobilisation was not that much. We can also see what has happened in the various schemes starting from Tyagi disclosure scheme of 1951 followed by two voluntary disclosure schemes of 1965, a VDS again in 1975, special bearer bond scheme of 1981, amnesty scheme in 1985-87 and National Housing Bank scheme of 1991-92. They have all been a disappointment and not so encouraging.

But the total amount is not much as was expected. We hope, this time the Government and the Finance Minister will make a little modification. As our friends have earlier mentioned, the amount of return on this is not sufficient even to repair the jewellery.

[Sh. Bolla Bulli Ramalah]

Sir, I want to say two things. One is the increase in the interest and the other is to reduce the quantity to 100 gms. from 500 gms. so that the accessibility for the smaller and middle class will be much more. I hope the Finance Minister will take these suggestions into consideration and give his thought. If he can look into these things, the mobilisation of the resources of the country will increase and help for increased productivity of the nation.

[Translation]

SHRI VISHWANATH SHASTRI (Gazipur): Mr. Chairman, Sir, I would like to thank you for giving me time to speak on this Bill. Earlier also such bonds had been issued but the Government could not achieve its objectives. This scheme will also not succeed and will rather encourage black money because the manner in which exemptions have been announced under this scheme that will certainly encourage black money and the measures of the Government to control the black-money reveal that Government has surrendered to the black-marketeers and they will definitely try to take benefit of the exemptions. Liberalisation and other economic policies are going in their favour and that will prove fatal to this country. I, therefore, oppose this Bill.

With these words I conclude and would like to thank you for giving me time to express my views.

SHRI SYED MASUDAL MOSSAIN (Murshidabad): Mr. Chairman, Sir, I oppose this Bill because it will be fatal for the country. The contents of the Bill clearly reveal that only those persons will get advantage from it who possess gold. Shri Dighe has clearly said that the Government will not pay the sale tax on the jewellery used by women which they had paid at the time of purchase. The people who have gold in the form of bricks, biscuits etc, will deposit it. Though I agree with Shri Dighe, I feel people belonging to middle class and upper middle class will also deposit the gold.

Though they will not deposit their jewellery and they will purchase gold and deposit it under this scheme, because they are getting exemption in income tax. The result will be that the small saving schemes like Indira Vikas Patra, Kisan Vikas Patra, NSC, N.S.S. etc. will suffer a set back and as a result it, the largest source of income of the State Government will not be available any more. Under the scheme there is no need to revealing the source of income or source of purchase. Exemption in income tax is going to be given. The result will be that state Governments will suffer most because they have to depend heavily on small savings. Therefore, I urge to reconsider the scheme and withdraw the Bill. Another Bill can be introduced later on after giving a serious thought over the matter. With these works I conclude.

[English]

SHRI RAMESH CHENNITHALA (Kottayam): Sir, this is an Ordinance on Gold Bonds of 31st of January. Now the hon. Minister is here to replace that Ordinance. This piece of legislation will, as the Minister said, definitely help the developmental activities of our country, by mobilising the idle gold reserves of the residents of India. Subscriptions to the bonds will be accepted in the form of gold. And at the end of five years, as it is mentioned, the equivalent quantity of gold will be returned to the subscriber with the interest of Rs. 40 per gram of gold.

As the Minister has already mentioned about the advantages of the scheme, I do not want to go into the details of advantages. It will definitely give an opportunity to disclose the hidden wealth which is idle. Gold is an idle wealth and this can be utilised for the developmental activities. As the Finance Minister's Budget Speech says, the objective of the scheme is to enable the patriotic citizens to contribute all their might to the development of India, as a resource mobilisation. We are accepting this version. I would like to caution the Government and the hon. Minister that the undesirable pressure on our economy will also be develop-

ing. We must take care of that. Most of the subscribers are either the hoarders of unaccounted cash, jewellery or gold. No poor people will be its subscriber. Most of the subscribers are utilising the unaccounted money to purchase the gold. As a result of purchase of gold by the unaccounted money, the demand pressure on the gold market will increase. And the scheme will, I agree with the Bill, enable us to give more funds for the developmental activities. But my apprehension is that it will give a wrong signal. Not only this scheme but all the voluntary disclosure schemes will definitely give a wrong signal to the law-abiding citizens of our country. It will definitely demoralise the tax authorities and also unhealthy tax culture will be developed. These voluntary disclosure schemes will only give a moral boost to the unscrupulous businessmen who are trying to violate the laws. Our Government's endeavour is to fight against black money and the black money economy. We should not allow a parallel economy to run. We have to take adequate measures, stringent measures to detect this black money. Half-hearted, ill-conceived efforts will be avoided.

Now the need of the hour is to have a well-coordinated scheme to fight against this black money economy. I do not want to go into details. There are people and committees whose opinion is the same. The Wancho Committee Report has also mentioned about the voluntary disclosure scheme. I do not want to quote all these things. Prof. Chelliah has also in his report described about the voluntary disclosure

scheme. The expert committee on voluntary disclosure scheme or bonds is not a solution to the problem. I am congratulating the Finance Minister. I am congratulating Shri M.V. Chandrashekhar Murthy. He is a very humble and honest man. I am not questioning his sincerity in fighting against the black money. The Government must take care of this aspect. We do not want tax evadors. We do not want to encourage the black-marketeers. We do not want to have demoralisation among the tax authorities.

Finally, further transferability will be a convenient shield to the tax-evadors. I will request the hon. Minister to come forward with effective schemes to fight against the black market economy and black money market. Otherwise, this parallel economy will definitely harm the prospects of our country and of the nation. The moral of the law abiding citizens should be high and the law abiding people should not think that it is a way for corrupt practices. So, my humble request to the hon. Minister is to come forward with bold initiatives which the people of this country will definitely welcome.

MR. CHAIRMAN: Now the House stands adjourned to meet again tomorrow, Friday the 19th March, 1993, at 11.00 a.m.

19.16 hrs.

*The Lok Sabha then adjourned till Eleven of the Clock on Friday, March 19, 1993 / Phalguna 28, 1914 (Saka).*