

14.53 hrs.

RESERVE BANK OF INDIA (AMENDMENT) BILL

MR. DEPUTY-SPEAKER: Now we take up the Reserve Bank of India (Amendment) Bill. Mr. H. M. Patel.

THE MINISTER OF FINANCE (SHRI H. M. PATEL): I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

Sir, this Bill seeks to amend the Reserve Bank of India Act, 1934 primarily to enable the Reserve Bank to deploy a part of our foreign exchange reserves to the best advantage.

During the last few years, our foreign exchange reserves have increased sizeably. From the level of Rs. 480.38 crores at the end of 1971-72, the present level of the reserves as on 28th April, 1978 was of the order of about Rs. 4649 crores. The recent increasing trend in the reserves is a consequence of the improvement in the external payments brought about by the adoption of a number of measures directed towards curtailing dependence on imports on the one hand and by boosting exports and encouraging the inflow of remittances through authorized channels, on the other. Net inflow of external assistance has also picked up, but the invisible receipts have played a major role in the spurt in the reserves. Inward remittances, such as for family maintenance and savings of non-residents accounted for a sizeable part of the growth. The considerable increase in inward remittances was facilitated by several circumstances, such as an increase in the number of persons, working abroad the narrowing of the gap between the external and internal value of gold, and the efficiency with which smuggling and the leakage of foreign exchange have been checked through various measures, all of which have

encouraged the inflow of remittances through authorised banking channels.

At present, investment of foreign exchange reserves is confined to deposits with banks incorporated abroad or purchase of Government securities or securities of international institutions. The Reserve Bank of India Act, as it stands, does not permit the Reserve Bank to invest in Government guaranteed securities or bonds issued by any financial institutions, or to keep deposits with branches of the Indian banks abroad. Likewise, under the Act, no loans can be given by the Reserve Bank in foreign currencies. With the increase in the foreign exchange balances, it is necessary that some of these restrictions are removed to facilitate deployment of the external balances to better advantage.

At this stage, while commending the Bill for consideration, I shall confine myself to the relatively more important provisions. It is proposed to empower the Reserve Bank to open gold accounts abroad, invest in foreign securities guaranteed by a foreign Government, open accounts with foreign branches of Indian banks and invest in the shares and securities of international, or regional banks, or financial institutions formed by foreign governments, or principal currency authorities.

It is also proposed to empower the Reserve Bank to give loans to scheduled banks and certain specified financial institutions to enable them to purchase foreign exchange from the Reserve Bank for financing the import of capital goods and for other approved purposes. The Reserve Bank is also being empowered to give to scheduled banks and certain specified financial institutions loans in foreign currencies by way of refinance in respect of foreign currency loans given by them for financing interational trade, import of capital goods and other approved purposes.

The Bill also includes certain amendments to the Reserve Bank of India

[Shri H. M. Patel]

Act, which are considered necessary in the light of experience gained in the administration of the Act.

Sir, I would not like to take more time of this House on the other provisions of the Bill.

MR. DEPUTY SPEAKER: Motion moved:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

There are two amendments. Shri Vinayak Prasad Yadav is not present. Is Shri Hukmdoo Narain Yadav moving his amendment?

श्री हुकम देव नारायण यादव (मधु-
बनी) : उद्देश्य महोदय, मैं प्रस्ताव
करता हूँ :

"कि विधेयक पर 15 जुलाई, 1978
तक राय जतने के लिए उस परित्याजित
किया जाय ।"

SHRI B. K. NAIR (Mavelikara):
Sir, the Minister has explained the reasons for moving for consideration of this Bill. It is very clearly mentioned in the Statement of Objects and Reasons also, where it is stated:

"During the last few years India's foreign exchange reserves have increased sizably. There are also new opportunities for investment of reserves available now...."

Accordingly, it is proposed to amend the Reserve Bank of India Act, 1934, for empowering the Reserve Bank to open gold accounts abroad, invest in foreign securities guaranteed by a foreign government, open accounts with foreign branches of Indian banks...."

18 hrs.

While presenting the budget just a few weeks ago, the Finance Minister had stated thus in para 8 on page

8 about the utilisation of the foreign exchange resources accumulated so far:

"The country's foreign exchange reserves have risen further, despite an increase in imports, because of continued inward remittances and a small surplus on trade account. Since reserve accumulations amount to lending abroad, these should be drawn down and used for internal development by a poor country like India."

Clearly that objective was good. The reserves have been accumulated over a period of so many years with the sacrifice and suffering of the people. The Minister has said in his Budget speech that the reserves will be utilised for country's development, for industrial development and not for investment abroad. What is actually being proposed to be done now is just a reversal of the original intention. The entire object of having created the reserves here is being defeated by openly declaring the intention that the money is going to be invested abroad in securities and shares. So, the entire objective is being sabotaged. In the Statement of Objects and Reasons, the Minister clearly says that the money will be granted to Indian banks mainly to enable them to purchase foreign exchange from the Reserve Bank to finance import of capital goods and other things. For purchase of capital goods for a developing country like ours, nobody will have any objection. But if substantial part of it is going to be invested abroad, that should be objectionable. We have built up these reserves for a period of long years. What is going to happen in future?

The Janata Government is suffocating under the reserves. They are also feeling suffocation under the gold reserves that have been accumulated. That is why, they have resorted to gold selling. They say that in selling gold, their object is to defeat the activities of smugglers in gold and to see

that the price of gold comes down. What we have seen in today's papers is that the price have gone up. The smugglers are active again. If it was the intention to defeat the smugglers by resorting to sale of gold, then the purpose has been defeated. What are you going to do with that? The whole thing is being cornered by these people so that the prices may be pushed up again. So, in that object, the Government has failed.

Last year, that has happened? Mr. Patel was telling us that he would try to maintain the deficit at Rs. 84 crores. But what has actually happened? The deficit was more than Rs. 900 crores. In course of time, what is going to be done with whatever reserves that are available for our purposes? We do not know how long the remittances will continue. Just now, he was seeing that the reserves are going up because of remittances from abroad by people who are in the Gulf and other countries and are doing even manual labour there. But how long will this continue? These fellows will have to come back. Therefore, let us not squander away our reserves.

Today, we have a reasonable stock of foodgrains. What will happen tomorrow? The 1980s are going to be scarcity years so far as food production is concerned and the whole world will face scarcity conditions. What will happen if two monsoons fail? The entire stock of foodgrains will be eaten away. Therefore, let us not fritter away the reserves that we have got, to the western countries by way of securities and shares. We should preserve it for our own purposes.

There is another item. We are going to expand our industries. We will require a lot of money, a lot of capital; we will require capital goods. The hon. Minister of Industry, Mr. George Fernandes, is going to set up 450 or so new industrial centres. These will require a lot of capital, a lot of machinery to be purchased and a lot of raw material to be purchased. Where

from are we going to find the money? Let us provide for all that. I do not mind setting apart a small part of the money to remain with the banks for some other purposes. But our primary concern is to utilise our resources for our own progress, for our own development.

There is another thing. Our nationalised banks have not been an example of efficiency. The profit made by the so many nationalised banks was only Rs. 19 crores during the last year. A lot of money is being frittered away on so many non-essential items, unnecessary things. Almost all the banks are under a cloud. So many inquiries are going to be held or are being held. Are we going to permit them to squander away money like that? Where is the efficiency of our banks? The Government should keep all the money with themselves in their own hands, and not a pie to be given out.

So far as we are concerned, at the moment, we are having a time of peace. But looking round, we find Saudi Arabia is accumulating arms. For what purpose? Iran is accumulating arms. For what purpose? They may not attack us. But whenever and wherever war develops, we will be engulfed in it. We may not be a party to it. But the pulls and pressures of war will drag us into it. Where is the guarantee of permanent peace in the world? There no such thing. The war in any part of the world may develop at any time. We have to be prepared for it.

The hon. Finance Minister, Mr. H. M. Patel, was saying the other day that gold is never used in war. He was having a joke at us. He said: "I never thought that gold has no use in war. What is to be used in war time? Bankruptcy? Unless you have gold, what are you going to do? Of course, you cannot keep the army at the rate at which the Soviet Union and America are doing. But we cannot take peace for granted. Any time,

[Shri B. K. Nair]

war may erupt. So, I would suggest that not a pie of the money should be kept out of the hands of the Government or spent on the purposes mentioned in the first part of the statement. As far as the second part is concerned, it is all right. The entire money should be used for our own development only, for the purchase of capital goods and for our industrial development.

We cannot be aiding foreign countries with our hard earned reserves. These reserves should be utilised for our own purposes, for our own development. The next five years are very crucial so far as we are concerned. We should not fritter away gold like that. That policy should be retraced. I would like the hon. Minister to clarify what he is going to do with the gold sale programme. Four or five gold sale programmes are going to be there. Is he going to continue with them or put a stop to them? Is he going to serve the interest of smugglers and black-marketeers or is he going to serve the interest of the country by saving whatever little gold we have.

श्री बुर्गो चम्ब (कांगडा) उपाध्यक्ष जी जहां तक इस बिज के एम्प एण्ड अक्सेचेंज का तल्लूक है वे बहुत अच्छे हैं, क्योंकि पिछले सालों में हमारे देश में काफी मात्रा में फारनर एक्सचेंज हासिल किया है और यह तकरीबन 5 हजार करोड़ से भी ज्यादा वैल्यू का फारन एक्सचेंज है। अब इस का इस्तेमाल करने का प्रश्न पैदा हो रहा है कि इस को कैसे यूटिलाइज किया जाये, इस प्रश्न को हल करने के लिये ही यह लेजिस्लेशन सदन में आया है। अब सरकार के सामने इस के बारे में दो तरफा मुताबाही आयेगी—अगर हम इस्तेमाल करते हैं तो दूसरी तरफ से यह धमाका उड़ाई जाती है कि फारन एक्सचेंज का जो रिजर्व है, उस को एक्जस्ट किया जा रहा है, अगर नहीं करते हैं तो कहा जायेगा कि इन को यह भी अकल नहीं

है कि इस का इस्तेमाल कैसे किया जाये। मैंने ये दोनों कंिट्रिब्यूशन अप्रोपीशन की तरफ से सुने हैं और अक्खबारी में पड़ा है लेकिन एक बात उन को जान लेनी चाहिए कि सरकार ने जो अपने आबजैक्ट्स एण्ड रीजन्स में लिखा हुआ है कि रिजर्व बैंक कैसे फारेन एक्सचेंज को इस्तेमाल करेगा, उस का एक तारीका तो यह है कि जो कारन फरेन्सी है, उस के लिए इस लेजिस्लेशन के जरिये रिजर्व बैंक को एम्पावर किया जा रहा है।

To open gold security accounts abroad, invest in foreign securities; Open accounts with foreign branches of the Indian Banks and to invest in the securities of the Indian National Banks and regional banks

और दूसरा इस का मकसद यह है कि रिजर्व बैंक जो है, वह निम्नलिखित कामों में इस को खर्च कर सकता है

"It empowers the Reserve Bank to give loans in foreign currencies to scheduled banks and certain specified financial institutions to enable them to purchase foreign exchange from the Reserve Bank for financing import of capital goods and other approved purposes"

इस में देखा यह जाना है कि कैपिटल गूड्स के लिए हम फारेन एक्सचेंज मारेन्टी को इस्तेमाल करेंगे या जो आइडेंट्स स्टेसीफाइड होंगे उन की परबेज के लिए हम मडयूल्ड बैंक्स को आबेराइज करेंगे। मैं फारेन्स मिनिस्टर साहब से यह प्रार्थना करूंगा कि जहाँ तक कैपिटल गूड्स की जबरत का सवाल है वह तो हमारे देश में घाप आने लगे हैं कि कितनो लोगों में हम माटेंज में सफर कर रहे हैं। जैसे हमारे यहाँ सीमेंट पावर, जेनरेशन और दूसरी ऐसी चीजें हैं जिन की माटेंज है। इनका उत्पादन बढ़ाने के लिए सीमेंट की क्वांटिटी को बढ़ाने के लिए या हाइड्रिक पावर जेनरेशन के लिए कोई मशीनरी खरीदने के लिए अगर यह इन्सी-मान हो तो मैं समझता हूँ कि इसमें कोई आपाधि नहीं होगी बाहिए क्योंकि हमारे देश में यहाँ सीमेंट बनाने के लिए साइमस्टोन के

पहाड़ पड़े हुए हैं वहाँ हम उतनी कैनेसिटी उस को बनाने के लिए देश में पैसा नहीं करते हैं जिस से हमारी जो जरूरतें हैं वे पूरी नहीं हो सकी हैं इसलिए ऐसी बातों के लिए अगर अपनी जरूरत को पूरा करने के लिए अगर कारेन एक्सचेंज को इस्तेमाल किया जाए, तो इस में कोई आपत्ति नहीं होगी। हमारे डेवलपमेंट के लिए यह एक बहुत बड़ा साधन होगा और हमारी जो प्राइवेट फाइनेन्शियल डिफिकल्टीज हैं उन को भी दूर किया जा सकता है अगर इस कारेन एक्सचेंज का हम ठीक इस्तेमाल करें।

मैं इतना ही इस बिल पर कहना चाहता हूँ।

SHRI VAYALAR RAVI (Chirayinkil): Mr. Deputy Speaker, Sir, I oppose this Bill. I don't think it is a very pious or an innocent Bill. This has some ulterior motive not only in squandering away the foreign exchange reserve of this country but also in making a jugglery and manipulating and taking away money from India to outside by certain privileged class of people in the country. If you go through the Bill carefully you will find that it can very well be seen that the provisions have been made not only for purchasing the shares or putting money in the securities of the foreign countries but also allowing the banks to operate in the import of capital goods.

Before coming to that, I would like to make it very clear that here today as law exists it is not possible for any individual of this country to take away money easily and open an account outside or he can save money outside. So, it is known to the public at any time as in the case of Indijas. Even if legally you have to transact money, it has to pass through different Ministry and the Government's consent has to be obtained. I know the Government is in trouble in the transactions with Indijas and a motion of Privilege has already been

moved by me against Mr. H. M. Patel and Mr. Vajpayee. I do not want to go into it. The Deputy Leader of the Janata Party, Mr. Mishra has also pointed out about it under Rule 377. It is a classical example how the Government is enabled to transfer money without the knowledge of the people. But they will be caught today or tomorrow. If Government passes this Bill, they can escape such a responsibility and can squander any amount of money; they can allow the privileged class like the Indijas to squander money outside the country. I do suspect that the whole purpose of this Bill is to defeat the present procedure so that monetary transactions outside the country can be manipulated.

In the Bill on page 2, in Clause 4-I, it is said very clearly.

"the making to scheduled banks ... and any other financial institution as may, on the recommendation of the Bank, be approved in this behalf by the Central Government of loans and advances repayable on demand or otherwise and against such security and on such other terms and conditions as may be approved in this behalf by the Central Board for the purpose of enabling such banks, or financial institutions; as the case may be, to purchase foreign exchange from the Bank for the purpose of financing the import of capital goods or for such other purposes as may be approved by the Central Government;"

What is the difficulty here today? Those who are getting the import licence can import. What is the difficulty? Why do you want this provision here? You only want a free hand to be given to the Reserve Bank and financial corporations, scheduled banks, nationalised banks and other banks to manipulate the foreign exchange. In the name of import or export, whatever it may be, you are

[Shri Vayalar Ravi]

giving a free hand to all these institutions to deal with foreign exchange. Our country had the bitter experience of the smugglers. Even today they persist in their operations. Can we allow these institutions, which are known for corrupt practices, to do all these things. A little while ago, my friend, Mr. Unnikrishnan, during the call-attention, has told us as to what is happening in these institutions of the country today. About LIC, about IDB and other institutions, I can speak volumes. By this Bill, you are allowing them to do their operations not only in India but outside India also; you are encouraging monopoly houses to squander away the foreign exchange. You are expanding the scope for corrupt practice to abroad, outside the borders of the country also. That is what you are doing by this, nothing more. The provision that is being made here empowering the Reserve Bank to give loans in foreign currencies to scheduled banks and other financial institutions for financing import of capital goods, will only lead to more and more corrupt practices, nothing more. The existing rules and regulations today are enough to look after these things. It has not been explained by them as to what is the need for such a provision to be incorporated in this Bill.

Now I come to more dangerous things. I want to invite your kind attention to page 3, clause (12B) please see the proviso:

"Provided that the borrowing bank or financial institution, as the case may be, furnishes a declaration in writing to the effect that—

(a) it has made loans and advances in foreign currencies for financing international trade or for the import of capital goods or for such other purposes as may

be approved by the Central Government; and

(b) that the amount of loans or advances so made and outstanding at any time will not be less than the outstanding amount of the loans or advances obtained by it from the Bank;"

So, the purpose of the Bill is very clear. The Government, as I said earlier, wants to allow....

MR. DEPUTY SPEAKER: Please try to conclude.

SHRI VAYALAR RAVI: I will conclude in one minute. This is not an innocent Bill. It is a very important Bill. I do not know why only one hour has been allotted for this.

Now, look at this provision. You allow the private banks also to operate. You will allow them to invest in foreign securities; the Reserve Bank can allow investment in foreign securities guaranteed by foreign Governments. For what?

Mr. Nair has rightly pointed out this thing. It is true that the foreign exchange reserves have now gone up to Rs. 5,000 crores. What was the condition in 1974-75? It had never gone beyond Rs. 1,800 or Rs. 2,000 crores. Now the reserves have gone up because we have completely cut down import of fertiliser and import of foodgrains. Also the remittances of Indians working abroad have gone up to Rs. 1,500 or Rs. 1,800 crores. This does not mean that Government should squander away the entire money that is available. A time may come when we may need this money to purchase essential goods. They are importing left and right without looking at any corner. This shows a tendency to squander away foreign exchange and allow certain forces in the country to resort to corrupt practices, because they can accumulate wealth not only in India but outside the country also. I oppose this Bill.

They are allowing banks and such institutions to be opened everywhere. They are allowing the Reserve Bank to purchase shares and put money in foreign countries. Where is the Central Government? Where is the Foreign Affairs Ministry? This question is linked up with the policy of the Government; it is linked up with the foreign policy; it is linked up with the national interest. I would like to know from the Hon. Minister what guarantee he can give to the House that the Reserve Bank will not act against the foreign policy of the Government with reference to the developing world. They are giving a free hand to the Reserve Bank to put money in any country they like. I do not know whether they will go even to South Africa. How can you prevent them—because, you are giving a free hand to the Reserve Bank to do this jugglery outside the country. And many of the banks—the nationalised banks as well as private banks starting with the Vijaya Bank or any other bank...

MR. DEPUTY SPEAKER: Let us confine ourselves to the Reserve Bank: let us not go to other banks. You must conclude your time is up

SHRI VAYALAR RAVI: If you read the Bill you will find that they have mentioned all the banks: nationalised banks, scheduled banks, commercial banks and others are all included. It means they are allowing these notorious institutions to handle foreign exchange in whichever manner they like.

So, I would appeal to the Hon. Finance Minister, please do not move this Bill....

MR. DEPUTY SPEAKER: He has already moved it.

SHRI VAYALAR RAVI: Please withdraw the Bill: it is not in the interest of the nation. You are allowing a free hand to the Reserve Bank

even to put the Government of India in an embarrassing situation if they put money in the securities of foreign Governments which may be against the national interest, against the foreign policy of the Government. I would appeal to you to withdraw the Bill and not to press it as it is against the national interest. It is against the people of the country and so I oppose it.

श्री कंवर लाल गुप्त : (दिल्ली सदर) :
उपाध्यक्ष महोदय—

श्री वयालार रवि : अंग्रेजी में बोलिय ।

उपाध्यक्ष महोदय : जिसम चाहें बोलें ।

श्री कंवर लाल गुप्त : हमारे पास देश में दो चीजें ठीक हैं । एक तो 'मारे पास अनाज के भंडार हैं, करीब 17 मिलियन अनाज हमारे पास है । इसके अनिश्चित करीब चार हजार करोड़ के फारेन रिजर्व हमारे पास हैं ।

As he had suggested, let me speak in English.

These are our two great assets and, to a substantial degree, the previous Government is responsible for it. But, after that, this Government also. The amount has been increased even during our regime. It is a double-edged sword which will cut both ways. If the foreign reserves are not properly utilised, it can create chaos; but the foreign reserves can be used for the development of this country also. So, what I feel is this: in the last one year the Government has not come out with a detailed scheme of using the foreign reserves properly for the development of this country. Of course, it takes time; you will have to have a study of this problem. During the budget speech the Finance Minister said that these reserves should be utilised for further production and to remove the scarcity of essential commodities which is prevalent in this country. But I am sorry to say that I agree with Mr.

[Shri Kanwar Lal Gupta]

Vayalar Ravi that to send our foreign exchange reserves away through the Reserve Bank or any other bank to foreign countries is disastrous. After all, a poor country like ours cannot afford to send our own foreign exchange to foreign countries. It should be utilised here and now, and we can. For instance, there is a lot of shortage of cement even now. Today, we have read the news that there is a lot of shortage of cement in Bombay itself. Similar is the case in respect of steel, fertilizers, chemical compounds, power generation plant, raw materials for various projects and so many other things. You have to see that the foreign exchange reserves are utilized for the import of all those commodities which are in scarcity in this country. You should also see that the benefit of these imports should not go to the higher section of the people, bigger people. That is another precaution that we have to take. The advantages of imports should go to the backward areas. The schemes should be formulated in such a way that the benefit goes to the backward areas and the people residing there. I would, therefore, request the hon. Minister to have a second thought about it. Are we in such a desperate situation as to send our foreign exchange reserves to other countries? I think, this is not a proper thing.

Secondly, you have given certain powers to the Reserve Bank of India. I do not quarrel with that, but I have my own feeling about the functioning of the Reserve Bank. I have just received a letter today; this contains a long list of names of the persons. I had raised a question about a lot of bungling in the Allahabad Bank and the Central Bank. My friend, Shri Satish Agarwal when he was not a Minister had also raised a similar question. You set up an enquiry, but invariably the Reserve Bank officials conduct the enquiry. I have a lot of long list, which indicates the names of the officials of the

Reserve Bank, who after retirement, got jobs in the nationalised banks or their relations got jobs in these banks. For this, the oblige these nationalised bank officials and executives. We have a complaint against the working of the Reserve Bank. It should be streamlined and those who are responsible for such mal-practices should be taken to task.

I had asked a question from the Minister whether a person who was sixty-two years old, had been appointed as a special officer in a bank at a salary of Rs. 2,500/-. This has never happened in the history of any bank. He said that there was no other experienced officer in the whole country and, therefore, they engaged him. This is the reply of the Minister. Unless you take strict action against those officers who are responsible for making such appointments, the conditions will not improve. I have got my own doubt about the powers that you have given to the Reserve Bank. But, you should see that these powers are properly utilised. Unless that is done, I am afraid, there will be bungling in the matter of foreign exchange also.

Now, we have already started the sale of gold. It was considered to be a welcome move, but the price has not gone down; there has been comparatively no change. In this connection, I want to make a submission to Shri Patel, the Finance Minister and to Shri Agarwal also. You had Gold Control Act and there was an economy of that. You understand that economy. Now you are giving certain concessions every year. Many times, you have given certain concessions. I want to know, what is the economy now of controlling the gold. What do we gain out of it except that the Government wants to stand on its prestige? I absolutely see no reason for keeping it on the Statute Book. May I, through you, Sir, demand that the Gold Control Act, should be completely scrapped so that we may provide employment at least to one

million people of this country. There were many people who committed suicide at that time. You have seen all that. I would like to know the reaction of the Finance Minister to this. Since you have started selling gold and now you want to send the gold to foreign countries also, why don't you withdraw this Act?

What is the difficulty? I want to know.

MR. DEPUTY SPEAKER: The hon. Member's time is up.

SHRI KANWAR LAL GUPTA: Lastly—I am winding up....

MR. DEPUTY SPEAKER: Please don't go on winding your speech.

SHRI KANWAR LAL GUPTA: In the end, Sir, I request the Minister to have a second look at this and see that the valuable foreign exchange reserves are utilised for the internal development of this country.

SHRI C. K. CHANDRAPPA (Cananore): I am happy the Reserve Bank of India (Amendment) Bill has provided one of the very rare occasions when the Members of the Opposition and even one of the prominent leaders of the government party can join on a common issue where the government has shown its poverty of imagination by introducing a Bill of this kind. Why I said that it is an expression of the poverty of imagination is because Mr. Patel, while introducing his Budget, spoke about the possibility of the foreign exchange reserves to be used for the development of this country. That was only 1-1/2 months ago. Now, the Minister has come before us with a Bill which does not speak a word about that possibility, the possibility of utilising the foreign exchange reserves for the development of our country. The Minister instead said that he wants you to give authority to the Reserve Bank of India to invest and invest the foreign exchange reserves in gold bonds, foreign

securities and shares abroad guaranteed by foreign governments. I must say that I do not want to charge the Finance Minister with a conspiracy but it looks like that. You are opening loopholes in the existing Act by which the foreign exchange reserves will be utilised by the multi-nationals secretly. It will happen. There is no doubt about it because once the money is invested in securities and gold bonds abroad, the only sanctity the government presents before the House is that these will be guaranteed by the foreign governments. Now who does not know the fact that if these foreign exchange reserves are offered abroad, it will not be bought by poor countries, it will not be bought by developing countries but it will be cornered by rich countries through various devices and those countries which are rich enough, to amass these foreign exchange earnings of ours and they will spend that money through multi-nationals for their arms race and so many other purposes and they will send multi-national corporations to countries like India and other developing countries to exploit the people. A part of the money they are going to use will be the hard-earned money which our people earned with their sweat and blood abroad. This is the first objection, that unwittingly or knowingly the Finance Minister is offering the hard-earned foreign exchange earnings of our country to the multi-nationals to be used for exploiting not only this country but also other developing countries of the world.

15.33 hrs.

[SHRI M. SATYANARAYAN RAO in the Chair]

The second point is that money is going to be invested and there is a formulation which, the Minister said is apparently very innocent. He said the money will be invested in the foreign branches of Indian Banks. I

[Shri C. K. Chandrappan]

do not know whether he is trying to fool himself or the country. Foreign branches of Indian Banks—it is not nationalised banks' foreign branches you specially mean? There are foreign branches of Vijaya Bank and the like. In this country under the nose of the Reserve Bank, under the control of the Ministry or the Minister, they are doing all kinds of malpractices here and abroad. When this Government is offering money under so many headings—loans, etc.,—then that money will be again given to the multi-nationals by these banks to make more profit or they will use this money....

MR. CHAIRMAN: Please wind up, as only one hour has been allotted.

SHRI VAYALAR RAVI: We are appealing to the Minister to withdraw this Bill.

SHRI C. K. CHANDRAPPAN: Why did he specify that only the Nationalised Banks' foreign branches will be allowed to do so. There is not so holy an intention behind this. I am totally opposed to that intention.

The last point is—he says that this money will be used for giving foreign exchange loans to people to buy capital goods for the development of industry and all that. We all know who will utilise this? This will be utilised again by big industries in the country. Even in this country the Government failed and miserably failed to give any assistance to small scale industries—the small scale industries who would like to buy a little thing and run their small industries. You are allowing the sharks to amass this money. You are again working against the interests of the country. This Bill shows the lack of imagination of how to spend this money for the development of this country and at the same time I think it is a part of the conspiracy by which the Government has become an active

participant in squandering away this money and is also helping the multi-nationals.

श्री हुकम देव नारायण यादव : (मधुबनी) : महापति महोदय, कई माननीय सदस्यों ने कहा कि देश में बहुत सी चीजों का अभाव है और कई लोगों ने यह जिक्र किया, सरकार भी बराबर कह दिया करती है कि गल्ले में आत्म-निर्भरता आने के कारण ही विदेशी मुद्रा में काफी पैमाने पर बचत हुई। मैं यह कहता हूँ कि देश में यह कितना अल्ट्रा है। एक तरफ तो लोग कहते हैं कि अनाज में देश आत्म-निर्भर है, दूसरी तरफ देश में 48 प्रतिशत ऐसे आदमी हैं जो पूरी कैंलोरी के अभाव में रक्तहीनता में रोगी हो रहे हैं। एक तरफ गल्ले में आत्मनिर्भरता की बात भी कही जाती है और दूसरी तरफ हिन्दुस्तान में लोग अन्न के बिना मरने भी हैं। प्रचुरता और भुखमरी ये दोनों हिन्दुस्तान में विराजमान हैं। एक तरफ कहते हैं कि विदेशी मुद्रा की बचत भी है और दूसरी तरफ जब हम लोग जो गांवों से आए हैं, देखते हैं तो पाते हैं कि करोड़ों रुपया विदेशी कर्जा भी है। एक तरफ विदेशी मुद्रा भी बची हुई है और दूसरी तरफ करोड़ों का विदेशों का कर्जा भी है। तो उस कर्ज को निपटाने में क्यों नहीं इस को खर्च किया जा रहा है जो इस को इस तरीके से खर्च करने की बात सोची जा रही है। जब विदेशी मुद्रा हमारे पास है और हिन्दुस्तान में करीब 477 विदेशी कम्पनियां चल रही हैं जो करोड़ों रुपए मुनाफा कमा कर विदेशों में ले जाती हैं, तो इस विदेशी मुद्रा का इस्तेमाल इस के लिए क्यों नहीं किया जाता कि उन विदेशी कम्पनियों का राष्ट्रीयकरण कर लिया जाए? उस में उसका इस्तेमाल न कर के हम यह रुपया दे रहे हैं माल आयात करने के लिए। तो माल आयात करने के लिए जो पैसा देगे वह देश के अन्दर जो बड़े बड़े उद्योगपति हैं उन को देने। मेरे एक प्रश्न के उत्तर में बिरला जी की देशी और विदेशी कम्पनियों का नाम आया

था। उन की कम्पनियां देश में भी और विदेशों में भी हैं। आप विदेशी मुद्रा का इस्तेमाल माल आयात करने के लिए करेंगे तो हिन्दुस्तान की देशी कम्पनियां अपनी विदेशी कम्पनियों से करारनामों करेंगी, अपने मन में दाम तय करेंगी, एक पाई की जगह दस पाई तय करेंगी और यहाँ का पैसा उठाकर वहाँ देंगी। वहाँ से माल आयात करेंगी तो मनाफा वहाँ वेगी। इसलिए मैं कहना चाहता हूँ कि इस लिए अगर पैसा इस्तेमाल किया जाएगा तो बड़े उद्योगपति इसमें ज्यादा से ज्यादा नफा कमायेंगे। उनकी यहाँ की कम्पनी भी नफा कमायेगी और उन्हीं की विदेशी मन्तवित कम्पनी भी नफा कमायेगी। उस तरह से करोड़ों रुपये का फौलमाल हाता रहेगा।

आप आयात पर इस पैस का खर्च करेंगे तो बर खर्चों किन प्रकार का होगा? अगर आप उत्पादन के माध्यम बसाने पर विदेशी मुद्रा हो खर्च करेंगे तब तो ठीक है लेकिन उत्पादन के माध्यमों पर खर्च न करने खान की चीजों पर खर्च करेंगे तो उसका मतलब है कि जिनका पैसा है उसको खा सी हर के हजम कर देंगे, बचेगा कुछ भी नहीं। इसलिए जो विदेशी मुद्रा हिन्दुस्तान के पास है जिसको हिन्दुस्तान के लोगों ने किसी तरह से पेट काट कर, नन पर कम रुपड़ा पहन कर इकट्ठा किया है, उनके उपयोग का स्वर जिनका ऊपर उठना चाहिए था उतना ऊपर नहीं उठा। उस कारण से या और किसी कारण से पाई पाई करके उन्होंने जो पैसा बचाया है उसका इस्तेमाल इस तरह से नहीं होना चाहिए कि वह विदेशी मुद्रा भी खर्च हो जाये और इस देश का विकास भी न हो सके।

इसके अलावा यहाँ पर जो कहा गया कि जो प्रादेशिक बैंक है या विदेशी बैंक है उनके शेयर खरीदने पर पसा लगायेंगे तो जो प्रादेशिक बैंक है, जो हमारे राष्ट्रीयकृत बैंक है उन बैंकों का हमारा अनुभव तो बहुत बेकार रहा है। जब एक टेलीफोन पर 60 लाख रुपये

निकल जाता है तो उन बैंकों पर किस तरह से धरोना किया जा सकता है। हमारे किसान इन बैंकों में दौड़ते दौड़ते मर जायें लेकिन उनको 5 रुपये कर्जा नहीं मिलेगा और बड़े बड़े आदमी कारोड़ों रुपये का कर्जा ले जायेंगे। इसलिए पहले आप बैंकों की व्यवस्था को ठीक करें, जो उन बैंकों के अधिकारी हैं उनके खर्चों को ठीक करे उसके बाद ही हम प्रकार का कदम उठावे।

आखिर मैं म कहूँगा कि कालून म जो हिन्दी के शब्दों का प्रयोग किया जाता है, हिन्दी जानने वाले लोग भी उसका विरोध करने हैं। प्रत्याभूत, प्रतिभूत—इस तरह के संस्कृताब्ज शब्द आप इस्तेमाल करने हैं जिनके माने जानने के लिए निधटु और पार्श्वानि को देखना पड़ेगा क्योंकि माधायण डिकशनरी से उसके अर्थ नहीं मिलेंगे। आप ऐसे शब्दों के स्थान पर चालू हिन्दी के शब्द इस्तेमाल करे या जो अंग्रेजी के शब्द हिन्दी भाषा में खप गए हैं उनको भी इस्तेमाल कर सकते हैं। आप ऐसे शब्दों का इस्तेमाल मत करे जिनका अर्थ जानने के लिए निधटु और पार्श्वानि को देखना पड़े।

SHRI O. V. ALAGESAN (Arkonam): In my view Mr. Chairman, this is a very tricky Bill. I say this because it is very difficult to make up one's mind—whether to support it or to oppose it. This is because Government wants not to give information but to keep back information.

Now, the Statement of Objects and Reasons is a very scrappy type of statement.

I thought that the hon. Finance Minister would enlighten us in his speech moving for the consideration of the Bill.

But he has done nothing of the kind. His speech was as good as the Statement of Objects and Reasons. He did not choose to enlighten us any further

[Shri O. V. Alagesan]

than what he has stated in the Statement of Objects and Reasons.

In a Bill of this kind, Sir, in my view more information should be furnished to us. And, in the absence of such information, as I said, it is very difficult for us to judge whether this Bill is good or bad.

Now, Sir, this Bill was described variously by my hon. friends—some one said, the Finance Minister is doing it in despair, somebody else called it 'Poverty of imagination'. Now, Sir, what is our foreign exchange reserve, according to the hon. Finance Minister? As on date, it comes to Rs. 4,649 crores. It may go up to Rs. 5,000 crores before the year is out. Or it may even be Rs. 6,000 crores and beyond Rs. 6,000 crores. It is just equal to one year's imports.

So, when you look at it in this way, this is nothing very extraordinary or very unusual, to be flabbergasted. The paradox of our economy is this. Until a while ago, we thought that if we had got enough stocks of foodgrains and if we have enough foreign exchange in our hands, they will supply all the solutions to our ills. Instead of supplying solutions to our ills, they have provided only problems. It looks as if the Finance Minister is at his wit's end as to what to do with the foreign exchange reserves because, last year, when he presented the budget, he glibly told the House that he was going to draw down Rs. 800 crores. But, this year, he came before the House and confessed that he was not able to draw it down to Rs. 800 crores. So, exports mounted up and imports went down and down. Anyway, remittances went on increasing. He has been left with another, say, Rs. 2,000 crores of foreign exchange extra in his hands. At the moment this seems to have completely unnerved him. At least we should look into the past experience. What was our past experience? We had accumulated a lot of

sterling balances in those days soon after we became free. There were lots of accumulated sterling balances with the U.K. that loomed large. We thought that it was going to stand us for a long time. But, has it happened? All that melted away in a short while. Again we were groping in for foreign exchange. So, Sir, to think that this is a huge amount and you should do something for it is itself in a sense being on the wrong track. What is the present position of our foreign exchange reserves? Where are they?

Many people believe that it is with us. It is not with us but it is with the foreign banks. What is the interest that it earns? This is my information. I would like the hon. Minister to tell if my information is correct. It is only 2 per cent. What does it mean? About Rs. 4,000 or 5,000 crores of foreign exchange we have lent to other countries which are advanced countries. We are a developing country. We have contracted debts which come to over Rs. 11,000 crores. Almost half this money we have left with the foreign countries, with the foreign banks or with the foreign Governments. That means that our money is being put abroad to finance their development, to finance their activities. Activities of whom? Activities of the very well developed countries. That is the position now. If the hon. Minister wants to earn more interest on this balance, on the foreign exchange reserves, by putting them in foreign securities which are guaranteed by foreign Governments, he should tell us as to what will be the increased rate of interest that he will be getting? What is the present rate of interest that he is getting on our foreign exchange reserves? By this simple method, what is the increased amount that you will get and what is the increased rate of interest that you expect? If he is able to enlighten us on this point, we may as well agree. Even then it will be financing the development in the developed countries. If you are going to earn a little higher interest in the process, that will be

consolation. The foreign exchange reserves are put in foreign securities. My point is: Whether there is liquidity and whether he will be able to convert them immediately for our use, for our import purpose? If he is able to clarify these things, it will be good.

Then, Sir, he said that he is going to open a gold account in foreign countries. That means he proposes to buy gold. What is the rate of gold sold in those countries? What does he propose to do with that gold? Does he propose to have that gold put into our country and sell it at our advantage? Does he propose to sell it in such a way that it will depress the gold prices here? Merely selling gold by the Reserve Bank to-day does not solve the problem. He has not brought down the prices. It is even higher than what it was before. So, does he propose to purchase gold from foreign countries, bring it here and then sell it at a price which will depress our gold prices here?

Sir, there is another way of utilising the foreign exchange reserves. We have contracted debts from all sorts of countries, big or small, developed or undeveloped, all sorts of countries. We have contracted these debts. Now, can he not see his way to at least liquidate some of the debts? I do not say all the debts should be liquidated. We will be accumulating foreign exchange reserves; we will have to go on taking loans from foreign countries. But can he not in the interim period see his way to at least liquidate a part of the foreign debt that is accumulated and in a selective manner? I would like the Minister to give his thought to all these things and tell us exactly what he proposes to do. He should not allow the House remain in suspense and suspect that he is placing the entire foreign exchange resources at other places so that the same may get misused.

SHRI C. M. STEPHEN (Idukki): Sir, I have sought to speak on the Floor of the House because on going

through the Bill I felt there is much more to it than meets the eye. There are many many question marks coming up. Some of them my friend, Mr. Alagesan, has pointed out on which I would like to get clarification from the Finance Minister.

At the outset I may say that my stand is one of opposition to the motion that the Bill be taken into consideration. The basic policy which is involved in this is: How do we propose to use our foreign exchange. Mr. Mohan Dharja when he was participating in the debate on planning told us that it is a crime to leave the foreign exchange unutilised. We are a poor country. We cannot afford to dole out the foreign exchange to other countries. If I remember correct, when the discussion on the Finance Bill took place the Finance Minister told us that you will be wrong if you are going to get away with the idea that the foreign exchange we have is too large. It is rather too small. These are the two official statements that have been made before the House. With that view in mind, let us consider how the Bill seeks to utilise the foreign exchange.

Sir, the Reserve Bank Act as it then was is very specific as to how the foreign exchange is to be utilised. Nothing is left as vague. It is absolutely specific. Now, this is sought to be diluted and a lot of delegated powers are sought to be taken. For example, under Clause 4 a new sub-clause (1) is sought to be introduced. They have said that the foreign exchange can be used for the purpose of financing the import of capital goods or for such other purposes as may be approved by the Central Government. What exactly are those other purposes? God alone knows! What I am saying is that utilisation of foreign exchange which has so far been specified by the Act now, that power is taken to utilise in such a manner as Central Government from time to time think. It is not merely for the

[Shri C. M. Stephen]

purpose of financing the import of capital goods. Other things are there.

Again coming on to another line where they are going to utilise the foreign exchange is in purchasing securities issued by institutions or body corporate, especially outside India. So far it was only for securities issued by our Government or foreign Governments. Now, it is sought that the foreign exchange be invested for buying securities issued by corporate bodies and other institutions in the foreign countries. That is to say we are going to utilise the foreign exchange not for the purpose of getting goods in this country, for developing industries or meeting the needs of our people but the sweat of our brow is sought to be given to the foreign equities so that those countries' economic activities may develop. This is a dangerous innovation which is coming in. I would like to have information on that. There was not this clause of using foreign securities of the foreign countries. What exactly are your statistics? My understanding is that this is for the purpose of participation in the International Monetary Fund, World Bank and such other institutions. How much of our foreign exchange we have in the past by utilising the provisions of the Reserve Bank of India Act as was being utilised for the purpose of buying those securities of foreign government? And if that is not even found to be necessary to be utilised in that way, then why come to the new proposal that over and above you want to invest these in the corporate bodies overseas? Then, the other thing is about buying shares and securities of foreign countries. Again the same thing happens. One is buying the shares and securities issued by the corporate bodies. With the other shares and securities which have already been issued, are you going to buy them? And the essence of that is that you are going to utilise foreign exchange for the purpose of developing other

countries, not for the purpose of developing this country. The provision of the period is 10 years which is the maximum. You are fixing the maturity period for 10 years. That means your foreign exchange will remain tied down there. This is the freedom that you are now seeking to give to the Reserve Bank of India. These are the new clauses which are being introduced. Clause 12(A) is introduced in place of the present 12(A). A new clause 12 is introduced in place of the present Clause 12 for the purpose of inserting the freedom to invest in the foreign securities of the foreign governments and corporate bodies, not merely the foreign governments but of foreign companies and foreign corporate bodies. This is the freedom that you are going to take.

Now, again Clause 13 is the same thing, exactly putting in foreign companies. Again under Section 43, it is sought to be amended, that is, so far the period fixed was 5 years; Now you want to raise it to 10 years. For a period of 10 years, you want to tie down there. This is the fourth innovation that you are bringing in.

Finally, I want to know another point. Under Section 53, you are seeking to amend the present Act. Under the present Act, you have got to give weekly information in the Gazette. Now, you want to amend it so that instead of publishing weekly gazette of India, you want to make it for such intervals and publish it in a modified form as you deem fit. The information has been coming every week so far. Now, you want to withhold that information and you want to limit it to such a period as you want to limit it. This is a very very sensitive area, namely, the foreign exchange for which you are seeking to get powers for the utilisation in an arbitrary, uncontrolled and unregulated manner and completely to the detriment of the national interest. This is the totality of the import of this Bill. As Mr. Vayalar Ravi pointed out, this is the totality of powers, if

these powers are being taken to deal with the foreign exchange, in such a manner as they choose, there is not going to be any control about it at all. The Finance Minister owes it to the House to explain why it became absolutely necessary. He has to explain why the present provisions are not sufficient and give us full information as to how the foreign exchange under the provision of the Bill as it now is, has been utilised and why this additional provision becomes absolutely necessary. He owes this to us an explanation. This is a very basic policy matter about which you have been speaking again and 16.00 hrs.

again. Let us not look at the foreign exchange as a burden. There was a time when we were going about knocking at the door of every country for accommodation in respect of foreign exchange. But here with foreign exchange in hand, they are not willing to utilise it for industrial expansion, for import of capital goods or goods that our people want but they want to utilise foreign exchange for the purpose of speculative transactions, whether in gold or in securities. Freedom is sought to utilise foreign exchange for developing the developed countries, foreign countries whereas we are ourselves a poor country. That is the principle that is sought to be introduced in this Bill. It is absolutely wrong and I oppose the motion for consideration.

SHRI H. M. PATEL: It is quite clear that this Bill has not been properly understood.

SHRI O. V. ALAGESAN: It is because you have not provided information.

SHRI H. M. PATEL: Whatever be the reason; may be our fault. I should have thought that the position had been made very clear; one can take up certain things but one cannot compel understanding. The very statement of objects and reasons said quite clearly:

"During the last few years India's foreign exchange reserves have increased sizeably. There are also

new opportunities for investment of reserves available now. It is therefore necessary that the Reserve Bank should have adequate authority to invest or utilise these reserves to the best advantage."

The point is really this. We have large reserves. Those reserves are also outside. They are not within the country; they are foreign exchange reserves. So long as we are not able to utilise them, they will be there. A certain amount has to be there. Let us get the best, maximum possible return from those reserves compared to what we are getting today. What have we suggested? We give the Reserve Bank freedom to invest them in a certain way. Much of it you will see is perfectly safe. We have said: foreign bonds guaranteed by foreign governments. Euro dollars, Euro bonus and so on, things which really are as good as any foreign security. Only those were not in existence when the Reserve Bank Act was first brought into being. These are the kinds of things which give us a little higher return than we are able to earn today. There is no question of wasting our reserves or handing them over there for investment. As long as we are not able to find full use for them, we have to keep them there.

It was said that I was doing something contrary to what I said in my budget speech. I am not. I had said then and I repeat: there is no question of waste or frittering away our reserves or use them for any thing just because we have them, but use them only where it is necessary. I also said: they are not so enormous that we can think of using them like this. They are not enormous because even a couple of bad monsoons would land us in every great difficulties. Therefore these reserves have to be utilised for the correct purpose, namely, import of essential commodities we are short of. We have been doing that. We have liberalised our imports. This was one of the ways of utilising our foreign exchange reserves purposefully. Liberalisation of imports

[Shri H. M. Patel]

would mean that our industries would be able to compete more effectively in foreign countries. We have done that. Similarly, with regard to capital goods, the normal policy of the government is that we do not allow capital goods to be imported if they are available in the country. Therefore, where is the question of throwing away foreign exchange reserves meaninglessly. They are all going to be used purposefully and nothing is going to be lost.

SHRI VAYALAR RAVI: One clarification. Encouragement has been given by the Government, including the present Government for the inflow...

SHRI H. M. PATEL: May I just explain? The point is, we are not now dealing with the point of what our policy should be for utilising our reserves. That is a different issue. As things stand today, with such policies as we are able to adopt and with such things as we can do to utilise these foreign exchange reserves, we have not been able to use them all up. Therefore, a certain quantum of foreign exchange reserves remain and while they remain there, they have to be kept somewhere; you keep them with the Bank of International Settlement or you may keep them with any other Central Bank; but by doing so, which is permissible under the Reserve Bank Act, we gain only a certain amount of return.

SHRI O. V. ALAGESAN: What is that?

SHRI H. M. PATEL: It is 6.10. There is no need to imagine that I am keeping back anything. The general proposition is there and the exact information is not particularly significant for this purpose. Now when we do this, we shall get something more and I think there should be no reason why you should object to our husbanding our reserves and getting maximum possible return while they remain unutilised.

SHRI O. V. ALAGESAN: How much more will you get? I have put a specific question and you have not answered that.

SHRI H. M. PATEL: What is this? Do you think that the international investments are at our command? If I say one per cent or half a per cent, it may be anything. But it will be more than what we are getting today. Is that not enough?

SHRI O. V. ALAGESAN: You should give the rate.

SHRI H. M. PATEL: I am sorry, it is not possible for anybody to give that. If you had known anything about the international investment or even investment within the country, you can only say that we shall be able to get more. How much more, it is not always possible to say that. You mentioned about Gold accounts. For instance, the International Monetary Fund, is disposing a certain amount of its gold as a part of its policy. It is possible that we may purchase them. I am giving it only as an instance. A certain amount of these reserves may also be held in gold. Gold Accounts mean that the interest is also paid in gold and the amount is also to be returned in gold. This may be done whenever we find that by doing so, it shall be to our advantage and therefore, we are permitting the Reserve Bank to use its discretion and see that it is utilised and see that the reserves are put to the best possible use.

There are certain other points which were not clearly understood and I would like to explain them also. For instance, it was mentioned about ten years, it means only this. If you have foreign securities of duration of five years and securities of ten years, ten years' bonds would give a better return than that of five years. It does not mean that you have to hang on to them for ten years. You sell them when you like. You make a sound purchase; it is there for you to hold them; then you dispose them

as and when funds are necessary. This is merely another sphere of investment and there is nothing more sinister involved in this than a straightforward proposition.

SHRI C. M. STEPHEN: The point is, you are attempting to invest in foreign scrips and not in the Governmental thing.

SHRI H. M. PATEL: Yes, certain kinds. I gave you an illustration. The Euro Dollar Bonds are foreign scrips, but they are as good as Government scrips. As I explained to you, these types of securities were not available before and these are as good as Government scrips and it is, therefore, that we take advantage of that. The return on that type of scrip is better. It seems to me that mainly the criticism has been based on a misunderstanding of the intentions underlying this Bill.

SHRI B. K. NAIR: What about the banks bungling and becoming corrupt? It can always take place.

SHRI H. M. PATEL: What bungling?

SHRI B. K. NAIR: Our banks would be authorised for this kind of dealings and many of them have bungled all the time within and outside India.

SHRI H. M. PATEL: Well, we have to use the instruments we have. We have our Reserve Bank and it is the first time I hear anybody running down the Reserve Bank.

SHRI B. K. NAIR: Not Reserve Bank.

SHRI H. M. PATEL: I am talking about the Reserve Bank. This is a Bill to amend the Reserve Bank of India Act. These are powers to be utilised by the Reserve Bank, which is our central bank. I should have thought even the opposition would respect it.

AN HON. MEMBER: Not Reserve Bank but other banks.

SHRI H. M. PATEL: We are not concerned with the other banks at the moment.

SHRI VAYALAR RAVI: There is an important point and Mr. Patel should feel concerned about it. For the last two or three years, the Government of India were trying to bring as much inflow of foreign exchange into the country as possible from Indian nationals abroad. Now the government is taking a position that we have enough foreign exchange and we will invest it in other countries. It is going to have an impact on the flow from Indians abroad.

SHRI H. M. PATEL: This is again a misunderstanding. What does bringing foreign exchange into the country mean? Your foreign exchange holdings to be brought into the country does not mean that the blessed foreign exchange comes walking into the country. It is something quite different. Nobody is going to be discouraged from sending his money back.

SHRI VAYALAR RAVI: The incentive will be lost.

SHRI H. M. PATEL: Some attempt should be made to understand the position. These are foreign exchange reserve holdings. If you return your holding, it means the country obtains command over that much of foreign exchange abroad. You in return get your money here in rupees.

SHRI C. M. STEPHEN: The principle involved is, as far as we are concerned, we would prefer, even if the return is slightly less, to have the foreign exchange fluid for the purpose of utilising it in such manner as we want, rather than permitting it to be invested in foreign countries for the development of those countries. We cannot lend money that way.

SHRI H. M. PATEL: This is quite correct. There is no difference between you and me. I would like to

[Shri H. M. Patel]

see that we utilise this foreign exchange in our own country for our purposes as quickly as possible. But just because it is a desirable objective that we do so, it does not mean we should do it whether we require it for our development purpose or growth purpose or not. We do not want to fritter them away. This Bill is concerned only with the limited purpose that while they are there, we should see that they bring us the maximum return. It is not that we keep them there just to earn more return. It is because they remain there, in the present circumstances, we are seeing how we can get a better return.

Mr. Chandrappan referred to Vijaya Bank. I understand that Vijaya Bank has no foreign branch at all. The only Indian bank which is not a nationalised bank which has got a foreign branch is the Punjab & Sind Bank Ltd.

AN HON MEMBER: Another notorious bank!

SHRI H. M. PATEL: May be, but we are not going to invest money in that. When the nationalised banks are there, I do not see why we should do any such thing. Sir, I feel that the Bill, if properly understood, is one which is most essential and which will help us to really husband our resources better and more satisfactorily.

MR. CHAIRMAN: There is an amendment to the consideration motion by Shri Hukmdeo Narain Yadav. Is he withdrawing it?

SHRI HUKMDEO NARAIN YADAV: Yes; I am withdrawing it.

Amendment No. 2 was, by leave, withdrawn.

MR. CHAIRMAN: The question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, be taken into consideration."

The Lok Sabha divided:

AYES

Agrawal, Shri Satish
Amat, Shri D.

Bharat Bhushan, Shri
Chaudhary, Shri Motibhai R.
Dasgupta, Shri K. N.
Dave, Shri Anant
Digvijoy Narain Singh, Shri
Durga Chand, Shri

Fernandes, Shri George

Ganga Bhakt Singh, Shri
Guha, Shri Samar

Jaiswal, Shri Anant Ram
Joshi, Dr. Murli Manohar

Kailash Prakash, Shri
Kar, Shri Sarat
Khalsa, Shri Basant Singh
Kishore Lal, Shri
Krishan Kant, Shri

Mahi Lal, Shri
Mallick, Shri Rama Chandra
Mehta, Shri Prasannbhai
Mishra, Shri Shyamnandan
Mondal, Dr. Bijoy
Mritunjay Prasad, Shri
Munda, Shri Karia

Nahata, Shri Amrit
Nathuni Ram, Shri
Nayak, Shri Laxmi Narain
Negi, Shri T. S.

Pandeya, Dr. Laxminarayan
Paraste, Shri Dalpat Singh
Paswan, Shri Ram Vilas
Patel, Shri Dharmasinghai
Pradhan, Shri Gananath

Ram Kishan, Shri
Ramjiwan Singh, Shri
Rao, Shri Jagannath
Rodrigues, Shri Rudolph

Sahoo, Shri Ainthu
 Sai, Shri Larang
 Satapathy, Shri Devendra
 Sharma, Shri Rajendra Kumar
 Sharma Shri Yagya Datt
 Shastri, Shri Y. P.
 Sheo Narain, Shri
 Singh, Dr. B. N.
 Sinha, Shri Satyenara Narayan
 Surendra Bikram, Shri
 Swam, Dr. Subramaniam
 Tej Pratap Singh, Shri
 Tiwari, Shri Brij Bhushan
 Tiwary, Shri Madan
 Varma, Shri Ravindra
 Verma, Shri Chandradeo Prasad
 Verma, Shri R. L. P.
 Yadav, Shri Ramji Lal
 Yadava, Shri Roop Nath Singh

NOES

Alagesan, Shri O. V.
 Austin, Dr. Henry
 Barua, Shri Bedabrata
 Bhakta, Shri Manoranjan
 Chandruppan, Shri C. K.
 Gogoi, Shri Tarun
 Gopal, Shri K.

Gotkhirde, Shri Annasaheb
 Jain, Shri Kacharulal Hemraj
 Krishnan, Shrimati Parvathi
 Kunhambu, Shri K.
 Lakkappa, Shri K.
 Murugaiyan, Shri S. G.
 Poojary, Shri Janardhana
 Pullaiah, Shri Darur
 Rajan, Shri K. A.
 Ramamurthy, Shri K.
 Rao, Shrimati B. Radhabai Ananda
 Rao, Shri M. S. Sanjeevi
 @Rathor, Dr. Bhagwan Das
 Ravi, Shri Vayalar
 Shankaranand, Shri B.
 Stephen, Shri C. M.
 Thorat, Shri Bhasaheb
 Venkatasubbaiah, Shri P.

MR. CHAIRMAN: The result* of the division is: Ayes 57, Noes 25.

The motion was adopted.

MR. CHAIRMAN: Now, we will take up clauses. The question is:

"That Clauses 2 and 3 stand part of the Bill."

The motion was adopted.

Clauses 2 and 3 were added to the Bill.

@ Wrongly voted or NOES.

*The following Members also recorded their votes:

AYES: Shri H. M. Patel, Shri Yadvendra Dutt, Shri Hukmdeo Narain Yadav, Shri Vinayak Prasad Yadav, Shri Yuvraj, Dr. Ramji Singh, Shri Vinodbhai B. Seth, Shri Shiv Sampati Ram, Shri Kanwar Mahmud Ali Khan, Prof. A. K. Amin, Shri H. L. Patwary, Shri Raghubir Singh Machhand, Shri Yashwant Borole, Shri Raghavji, Shri Parmanand Govindjiwala, Shri Sambhajirao Kakade, Shri B. P. Mandal, Shri Ratansinh Rajda, Shri Chandra Pal Singh, Shri Chaturbhuj, Shri Hukam Ram, Shri Ram Murti, Shri Chimanbhai H. Shukla, Shri Kanwar Lal Gupta, Shri Ram Dhari Shastri, Shri S. Ramaswamy, Shri Shri Shrikrishna Singh.

NOES: Shri Dharendra Nath Basu, Shri Saugata Roy, Shri B. Rachalaiah, Shri B. P. Kadam, Shri B. K. Nair, Shri B. Devarajan, Shri M. V. Chandrashekhara Murty.

Clause 4—(Amendment of section 17.)

MR. CHAIRMAN: Now, amendment to Clause 4. The Minister.

SHRI H. M. PATEL: I am moving it. I beg to move:

Page 2, line 33,—

for "Bank of International Settlements"

substitute—

"Bank for International Settlement" (5)

MR. CHAIRMAN: Do you want to explain it?

SHRI H. M. PATEL: This power is being taken.....

MR. CHAIRMAN: The question is:

Page 2, line 33,—

for "Bank of International Settlements"

substitute—

"Bank for International Settlements"

The motion was adopted.

MR. CHAIRMAN: Mr. Lakkappa, your amendment is there. Are you moving it?

SHRI K. LAKKAPPA: Yes, Sir. I beg to move:

Page 2,—

after line 25, insert—

"Provided that the Reserve Bank shall not recommend the name of any bank for the purpose whose antecedents and transactions are under enquiry or if it is involved in any shady transaction of various nature." (6)

MR. CHAIRMAN: The question is:

Page 2,—

after line 25, insert—

"Provided that the Reserve Bank shall not recommend the

name of any bank for the purpose whose antecedents and transactions are under enquiry or if it is involved in any shady transaction of various nature." (6)

The motion was negatived.

MR. CHAIRMAN: The question is:

"That Clause 4, as amended, stand part of the Bill."

The motion was adopted.

Clause 4, as amended, was added to the Bill.

MR. CHAIRMAN: There is no amendment to Clause 5. The question is:

"That Clause 5 stand part of the Bill."

The motion was adopted.

Clause 5 was added to the Bill.

MR. CHAIRMAN: There are two amendments to Clause 6. But Mr. Asokaraj is not here. The question is:

"That Clauses 6 to 9 stand part of the Bill."

The motion was adopted.

Clauses 6 to 9 were added to the Bill.

MR. CHAIRMAN: The question is:

"That Clause 1, Enacting Formula and the Title stand part of the Bill."

The motion was adopted.

Clause 1, Enacting Formula and the Title were added to the Bill.

MR. CHAIRMAN: Now the Minister.

SHRI H. M. PATEL: I beg to move:

That the Bill, as amended, be passed.

MR. CHAIRMAN: Motion moved:

"That the Bill, as amended, be passed."

SHRI K. LAKKAPPA: I want to say something. I want to speak for about ten minutes.

MR. CHAIRMAN: Please speak only for two minutes.

SHRI K. LAKKAPPA: Mr. Chairman, my amendment to Clause 4 says:

"Provided that the Reserve Bank shall not recommend the name of any bank for the purpose whose antecedents and transactions are under enquiry or if it is involved in any shady transaction of various nature."

For the last one year, we are making sustained efforts to check such malpractices as are practised in various banks. Considerable efforts had to be made in recent years to attain a favourable balance of trade and build up our foreign exchange reserves. Great care is, therefore, to be taken to invest these reserves for the betterment of the country's economy.

Two channels of investment are: acquisition of share in international banks and financial institutions which have branches working here, and in Indian banks with foreign branches. We are thinking of such a far-reaching amendment to the Act, to see that the foreign exchange reserves are properly utilized, to bring more prosperity to our country. Indian commercial banks had, at the end of December 1977, 100 branches spread over 26 countries. There, therefore, exists a strong case for framing a planned and coordinated programme of overseas branch expansion and RBI's investment in these branches. From time to time, reports have appeared about the malpractices in banking transactions and other operations practised by Indian banks like the Vijaya Bank, Lakashmi Commercial Bank, Allahabad Bank etc. and foreign banks like Grindlays Bank. When they were raised in this House, the Minister of Finance had shown an inability to investigate those things. No action has been taken so far.

Even when the fraudulent practices and the people who are involved in such shady transactions are brought to the notice of the Government, no action is being taken. There are also other matters. Making of investment in such banks, whether Indian or foreign, whose transactions were adversely commented upon should be avoided. Some multi-national banks have already got branches in India, and they repatriate huge remittances back to their countries. Making further investments abroad in such foreign banks will provide more opportunities to them to make more profits to the disadvantage of the country's growing economy.

The assets of the Reserve Bank of India in foreign securities already exceed Rs. 1,766 crores. It is to be carefully examined whether, instead of acquiring more securities in multinational banks, it is better to make further investment in banks like the Asian Development Bank, which are set up for promoting economic advancement of the region. India is expected to play an important role in the activities of this regional financial institution of Asia.

The Reserve Bank should not involve itself with those banks, whether foreign or Indian, which have indulged in shady transactions. For the benefit of the hon. Minister. I would like to quote the names of foreign banks with deposits of more than Rs. 50 crores each as on 31st December, 1977:

| | |
|---|----------------|
| American Express International Banking Corporation. | Rs. 74 crores |
| Bank of America | Rs. 59 crores |
| Chartered Bank | Rs. 138 crores |
| City Bank | Rs. 82 crores |
| Grindlays Bank | Rs. 428 crores |
| Mercantile Bank | Rs. 102 crores |

(Shri K. Lakkappa)

The investments of the Reserve Bank should be for the benefit of this country and they should not be invested in such institutions which have committed huge fraud by making shady transactions. In fact, the Reserve Bank should make investigations into all such transactions. I hope that wisdom will prevail on the hon. Finance Minister and he would make efforts to stop such frauds and the Reserve Bank will undertake more responsibility to go into such shady transactions.

SHRI H. M. PATEL: What the hon Member has said is not at all relevant to this Bill; But I will give him this assurance that if there are any Indian Banks or foreign Banks operating in India, which take recourse to malpractices of any kind or indulge in anything undesirable, we shall certainly look into them most carefully and take whatever steps are called for.

MR. CHAIRMAN: The question is:

"That the Bill, as amended, be passed"

The motion was adopted.

16.28 hrs.

CUSTOMS, CENTRAL EXCISES AND SALT AND CENTRAL BOARDS OF REVENUE (AMENDMENT) BILL

MR. CHAIRMAN: We will now take up the Customs, Central Excises and Salt and Central Boards of Revenue (Amendment) Bill. The hon. Minister.

SHRI VINODBHAI B. SHETH (Jamnagar): Sir, I rise on a point of order. I have given notice of some

amendments, but they have not been circulated.

MR. CHAIRMAN: I will come to them at the time of the clause by clause consideration.

SHRI VINODBHAI B. SHETH: They have not been circulated.

MR. CHAIRMAN: I will check it up.

डा० लक्ष्मी नारायण नांदेय (मंदसौर) सभापति महोदय, मेरा एक निवेदन है, हमने कुछ सशोधन दिये थे, सम्भवतः उन को संकुलित करने में कुछ कठिनाई हो सकती है, लेकिन जिन्होंने सशोधन दिये हैं, उनको हम पर बोलने का अवसर जरूर दिया जाए।

MR. CHAIRMAN: You have given an amendment for the omission of the whole clause. That is not admitted.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI SATISH AGRAWAL): Sir, I beg to move*:

"That the Bill to provide for certain amendments to the Customs Act, 1962, the Central Excises and Salt Act, 1944 and the Central Boards of Revenue Act, 1963, be taken into consideration."

Sir, the notes on clauses make a mention about the intention of the Government in bringing forward this legislation. I may be permitted to say something with regard to the objective of this particular amending Bill very briefly.

I would like to submit that during the last 15 years, the indirect tax revenue of the Central Government has risen from Rs. 800 crores and something over to nearabout Rs. 7000 crores. Naturally, the work of the Indirect Taxes Board has assumed large

*Moved with the recommendation of the President.