

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAGANNATH PAHADIA):

(a) Government have introduced the following schemes which would serve as incentives to the individuals who remit funds from abroad through official channels: —

(1) the non-resident (external) account scheme under which the non-resident IrifTlan account holder has the benefit of having the amounts received therein, remitted outside India at his will;

(ii) the foreign currency (nonresident) accounts scheme, under which in addition to the benefit mentioned in item (i) above, the account holder does not run the risk of any loss due to fluctuation in exchange rates;

(iii) scheme permitting investments, with option to repatriate by non-resident Indians and persons of Indian origin residing abroad, in new Indian companies upto 20 per cent of the new equity issues;

(iv) schemes permitting investment, with option to repatriate by non-resident Indians and persons of Indian origin residing abroad in certain industrial undertakings upto 74 per cent;

(v) the scheme of priority allotment in respect of import of tractors, cement and scooters to persons receiving funds equivalent to their cost, from relatives abroad; and

(vi) the scheme for permitting non-resident Indians and persons of Indian origin to utilize 25 per cent of the amount of foreign exchange repatriated by them to India through banking channels on transfer of residence for specified personal purposes.

(b) and (c) Yes, Sir.

#### **Rise in rate of inflation**

430. SHRI JAGJIT SINGH ANAND: SHRI B. SATYANARAYAN REDDY:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the rate of inflation has continued to rise even after the assumption of office by the new Government;

(b) if so, what has been the quantum of increase in the rate of inflation and the whole-sale prices in the first four weeks of assumption of office by the new Government; and

(c) what steps Government propose to take to counter the rise in the rate of inflation?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAGANNATH PAHADIA): (a) and (b) The Wholesale Price Index (1970-71=100) has increased from 224.2 for the week ended 12-1-1980 to 226.2 for the week ended 9-2-1980, an increase of 0.9 per cent in 4 weeks since the assumption of office by the present Govt. This compares with the increase in the wholesale price index of 17.4 per cent between 31-3-1979 and 12-1-1980.

(c) Government proposes to tackle the price situation by

(i) increasing production and supplies;

(ii) better supply and demand management;

(iii) removing power, transport and other infrastructure bottlenecks;

(iv) streamlining of distribution arrangements; and

(v) stringent enforcement of existing laws to deal with anti-social elements such as hoarders and black-marketeers.

#### **Circulation of Black Money and resultant inflation**

431. SHRI JAGJIT SINGH ANAND: SHRI KISHAN LAL SHARMA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware of the fact that circulation of black-money has continued to increase during the recent years and this is one of the main causes of inflation in the country's economy;

(b) if so, what is the quantum of black money in circulation at present; and

(c) what steps Government propose to take to put an end to the circulation of black money?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAGANNATH PAHADIA): (a) The Government are generally aware that the circulation of black-money has increased over the years. However, inflation is caused by many factors, of which black-money may be one.

(b) The Government have made no estimate of the quantum of black-money in circulation in the country.

(c) Government propose to deal with the problem of black-money through more effective implementation of tax laws.

#### Devaluation of the Rupee

432. SHRI JAGJIT SINGH  
ANAND:

SHRI B. SATYANARAYAN  
REDDY:

Will the Minister of FINANCE be pleased to state:

(a) the number of times Rupee has been devalued vis-a-vis the Pound since April, 1979 and what is the per centage of devaluation and amount in terms of Rupees; and

(b) what steps Government have taken or propose to take to stop further devaluation of the Rupee?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAGANNATH PAHADIA): (a) and (b) Presumably, the Hon'ble Members are referring to the downward adjustments in the value of the rupee against Pound Sterling effected by the Reserve Bank of India since April, 1979.

With a view to imparting a measure of stability in the exchange rate of the rupee, the Government have, with effect from September 25, 1975, adopted an exchange rate system under which the value of the rupee is fixed with reference to the daily exchange rate movement of a suitably weighted basket of currencies of countries which are India's major trading partners. Adjustments, both upward and downward, in the rupee-sterling rate are effected, as and when necessary, in order to maintain the exchange rate of the rupee in line with the movements in the value of the currencies in the international currency markets. Under this arrangement, the exchange rate of the rupee vis-a-vis Pound Sterling was changed 17 times between April 1, 1979 and March 11, 1980 as shown in the attachment. (See Statement below). On 11 occasions, the value of the rupee against Pound Sterling was adjusted downward and on the remaining 6 occasions, it was adjusted upward.

The earlier connotations of devaluation and revaluation have lost their relevance in the context of 'floating' exchange rate arrangements obtaining for major currencies of the World and the changes, both upward and downward, effected from time to time in the rupee-sterling rate would simply imply an adjustment to the fluctuating exchange rates in the international currency markets. In a regime of 'floating' exchange rates, fluctuations in the value of currencies are inevitable and all such adjustments have to be viewed in a larger perspective.