

SHRI KALP NATH RAI: My point of order is whether you can direct the Prime Minister.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): I am sorry, I can't. Mr. Chairman himself has made it very clear. I cannot direct the Prime Minister or any other Minister and force him to make a statement. If they make a statement *suo motu*, it will be very good. But if they do not want to make it, we cannot force them. Now we proceed with the other business... (Interruptions)... Now discussions are taking place. Your own Leader is there and why should we stop the business here? (Interruptions)... We shall proceed with the business. Yes, Mr. Agarwal. Let us proceed with the business... (Interruptions)...

(Continued).

THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 1978—(contd.)

SHRI SATISH AGARWAL: Sir, I beg to move:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

(Interruptions)

SHRI MANUBHAI MOTILAL PATEL (Gujarat): Sir, the motion is already moved. I support it.

SHRI KALP NATH RAI (Uttar Pradesh): There was a Special Mention by Makwana Saheb. How can you proceed with this when the Special Mention was there?

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): I will look into it. There was a Special Mention. Because of all this controversy which arose, it could not be taken up. I called him because I saw on the agenda the Reserve Bank of India (Amendment) Bill. We will consult Mr. Chairman and give consideration for that tomorrow because we have already... (Interruptions)... Because what we have done is...

(Interruptions)... It is going to be very difficult to proceed. I have already called the Minister.

SHRI KALP NATH RAI: The next item was a special mention by Shri Makwana. Therefore, he should make a special mention.

SHRI ERA SEZHIYAN (Tamil Nadu): The consideration of the Bill has already started.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): Mr. Makwana, one minute. What happened at the earlier stage was that the Chairman called your name, but you did not speak. (Interruptions). Your name was called, but you were not in the House.

SOME HON. MEMBERS: He was there.

SHRI YOGENDRA MAKWANA (Gujarat): I was in the House.

(Interruptions)

[MR. CHAIRMAN in the Chair]

MR. CHAIRMAN: The Bill has already been moved. If you can wait for one minute, till the Leader of the Opposition speaks, we can come to some final decision.

विपक्ष के नेता (श्री कमलापति त्रिपाठी): मान्यवर, मुझे बड़ा खेद है कि जो बात मैं चाहता था वह नहीं हो सकी। मेरी प्रार्थना आपसे यह थी कि सदन को कुछ देर के लिए स्थगित कर दें और फिर बैठ कर हमारे सदन के नेता और आपके बीच बातचीत हो जाए। आपके लिये मुमकिन नहीं हो सका कि ऐसा कर सकें। आपके लिये मान्यवर यह भी मुमकिन नहीं हुआ कि प्रधान मंत्री को आप इशारा कर सकें कि वे स्टेटमेंट दे दें क्योंकि यह एक ऐसा मामला है कि जिसका ताल्लुक प्रधान मंत्री से है। उन्होंने लोक सभा में वक्तव्य दिया था, राज्य सभा में भी दे देते। यह भी सम्भव नहीं हुआ। हमारी कोई बात चल नहीं सकी सिवाय इसके कि हम शोर करते रहे, आपसे प्रार्थना करते रहे। लेकिन हम सबको इस बात का दुख है कि चेयर ने भी हमारी रक्षा नहीं की और हमारे अधिकारों की रक्षा नहीं की। सरकार की अहमण्यता और जिद के सामने हमारी कोई बात चली नहीं। ऐसी स्थिति में अब सिवाय इसके हमारे पास कोई रास्ता नहीं इसके विरोध में और यह देखते हुए कि सदन में हमारी कोई स्थिति, कोई हैसियत नहीं रह गई कि हम वाक

[श्री कमलावति त्रिपाठी]

आउट करे। इसके सिवाय हमारे लिये कोई रास्ता नहीं है।

(At this stage some Hon. Members walked out of the Chamber)

MR. CHAIRMAN: Hon. Minister have you moved? Mr. Kulkarni, have you to speak on this?

SHRI SATISH AGARWAL: As the Hon. Members desired me to say something about the provisions of the Reserve Bank of India (Amendment) Bill, 1978, I wish to say with your permission, sir, that the Reserve Bank of India (Amendment) Bill, 1978 as passed by the Lok Sabha, I have made a motion, be taken into consideration.

This Bill seeks to amend the Reserve Bank of India Act, 1934 primarily to enable the Reserve Bank to deploy our foreign exchange reserves to the best advantage. The foreign exchange reserves are best utilised by importing capital goods on a selective basis for regenerating our economy. Every country, however, always has some reserves which could be deployed pending utilisation to the best advantage of the country.

The nature and content of our foreign exchange reserves is not fully understood in some quarters. Mr. Chairman, Sir, with your permission may I clarify the position for the benefit of this House? Foreign exchange reserves are presently held in the form of foreign balances or treasury bills or securities or bonds issued by foreign governments and deposits with top ranking banks abroad. By the very definition, the term foreign reserves do not represent any assets held physically in India but only the right of access available to the country for funds held abroad. The proper utilisation of the reserves is, of course, to import capital goods or such other commodities as will benefit India within the framework of the import policy

but obviously, all the foreign exchange cannot and should not be used up in immediate imports. A certain portion has always to remain abroad as reserve readily available to the country for meeting the future import bills or for meeting unforeseen contingencies. That is really the purpose of a "reserve". While the funds are so held abroad, it is but reasonable to expect that the Reserve Bank should try to maximise its earnings on them consistent with safety and liquidity, and amendments have been proposed in the Bill with this end in view.

Under the Reserve Bank of India Act, the scope for investment of foreign reserves by the Reserve Bank suffers from some limitations. New avenues of investment such as the Euro Bonds issued or guaranteed by foreign governments, bonds issued by international or regional financial institution such as the Asian Development Bank and negotiable certificates of deposit issued by the world's large banks have become now available, and many Central Banks of the world have taken advantage of these avenues for earning a better return and also for maintaining better liquidity of their external reserves. The international market for bonds and certificates of deposits is now well-developed with the result that an investment in a bond or a certificate need not be held till maturity and they can be sold before maturity in these markets with ease at the ruling rates. These investments in the bonds and certificates of deposit will give the Reserve Bank a slightly higher yield than is available under the existing provisions, without impairing liquidity.

In seeking this amendment, we are not proposing either to throw away the present advantage in the foreign exchange reserves that the country possesses or to relax the strict restrictions that government applies in the matter of import of goods against these reserves. There should be no

apprehension in this House on this Scene. What the Bill seeks is a proper deployment of the reserves pending their utilisation in accordance with the policy laid down by the Government earning better returns and for proper husbanding of these resources. As the House is aware, our foreign exchange reserves which stood at about Rs. 480 crores at the end of 1971-72 were of the order of Rs. 4730 crores as on 5th May, 1978. This is all the reason why we should for proper husbanding of these reserves are deployed to the best advantage of the country and any restrictions that exist in the statutes which stand in their way should be relaxed.

Under the Bill, it is proposed to empower the Reserve Bank to open gold accounts abroad. At present, the gold held in the vaults of the Reserve Bank does not earn any return. Occasionally there are, however, opportunities for earning a small return on deposits of gold made with the Bank for international settlements or other international organisations. The gold deposited will be returned in the form of gold after the period for which it was deposited.

The interest will be in the 4 P.M. form of gold or foreign exchange. At present, the Reserve Bank is not in a position to take advantage of such opportunities to earn interest on gold balances, and this is sought to be rectified by empowering the Bank to open gold accounts abroad. It is not the intention to transfer gold abroad from India and, in any case, section 33(5)(b) of the Reserve Bank of India Act specifically stipulates that not less than 17/20th of the gold shall be held in India. It will be seen that even after the amendment is passed, only a small portion of the Reserve Bank's gold holdings can be deployed by opening gold accounts abroad.

The Bill also seeks to empower the Reserve Bank to invest in foreign securities guaranteed by foreign governments. As I have explained, the purpose of this amendment will be to allow the Reserve Bank to earn a slightly higher yield consistent with liquidity and safety in order to avail of the new opportunities that the international market is offering. This of the new opportunities that the international market is offering. This the United Kingdom or Japan do not usually issue bonds in international markets in their own names but prefer to authorise their public sector bodies to issue bonds in such markets which are unconditionally guaranteed as to the payment of principal and payment of interest by the government concerned.

Sir, at present, the Reserve Bank can open accounts abroad only with foreign banks. This has led to the anomalous situation that whereas the Reserve Bank can place a Euro-dollar deposit with a foreign bank in London, it cannot place a similar deposit with a branch of an Indian public sector bank in London. Placing of such a deposit will help the Indian banks in expanding their business abroad. Further, our action in discriminating against our own banks and preferring to deposit money with foreign banks is likely to create an unfavourable image of our banks abroad.

Sir, for better utilisation of our foreign exchange reserves, the Indian importers of capital goods may require loans. The Bill seeks to empower the Reserve Bank to make such loans through scheduled commercial banks either in Indian rupees or in foreign currencies. Of course, all such imports will be regulated by the policies laid down by the Government from time to time. The provision for making loans either in Indian rupees or in foreign currency has been made so that the Reserve Bank can have the option to allow the importers of

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such goods to borrow from the scheduled banks either in rupees, where they do not run any exchange risk, or in foreign currency in which case the exchange risk is implied. In none of these cases, however, the importer will be allowed to utilise the Indian rupees advanced for local expenditure. They will be immediately converted into foreign currency for the purpose of permitted imports. Apart from capital goods, such advances will be made available for import of other commodities within the framework of the overall import policy.

Sir, I would like to invite the attention of the House to clause 4(ix) of the Bill where we have sought to amend the existing section 17(13) of the Reserve Bank of India Act which empowers the Reserve Bank to invest its funds in the shares and securities of international and regional banks. For reasons already explained, new regional banks such as the Asian Development Bank and the international financial institutions have come into being and India derives considerable benefit from the membership of such banks and institutions. It is proposed to enlarge the scope of the existing statutes to facilitate the Reserve Bank's membership of, or investment in, the securities of such institutions. It is not the intention that with our hard-earned foreign exchange, the Reserve Bank will be investing in or speculating in the shares of the multinational or other corporations.

I would like to mention a few words about the purport of the amendments in clauses 6(1) (C) and 6(2) of the Bill. At present, section 17(12A) of the Reserve Bank of India Act empowers the Reserve Bank to purchase securities issued by foreign governments and maturing within a period of 10 years. However, the Bank can now keep such securities only in the Banking Department but not in the Issue Department. It is pertinent to mention here that the yield on secu-

rities with longer maturity is higher than those with a shorter maturity, and with the increased foreign reserves, it is not essential for us, from the liquidity point of view, to confine ourselves to purely short-term securities, thereby denying the country the higher yield on longer-dated securities. Once the Reserve Bank is empowered to purchase a 10-year security, I do not see any point in requiring it to be kept as an asset only in the Banking Department and not in the Issue Department. This anomaly is being sought to be remedied by amending section 33(6) of the Reserve Bank of India Act so that the Reserve Bank will be free to keep such securities as the assets of either the Issue Department or the Banking Department as the circumstances may require.

According to section 53 of the Reserve Bank of India Act, the statements of affairs, of the Issue and Banking Departments of the Reserve Bank are to be published in the specified form in the Gazette of India every week. In actual administration of this section, it has been our experience that there is a considerable time-lag in this statement finding its place in the Official Gazette by which time the topical value of the publication is lost. Further as the Reserve Bank of India's weekly statements receive immediate publicity in the dailies and are commented upon in Financial journals, it is not considered essential to publish it in the Official Gazette also every week. For the sake of economy, therefore, this compulsion of publishing the accounts in the Gazette of India every week is sought to be dispensed with and power taken to publish it in suitably abridged form at longer intervals. This is the practice in many other countries also. However, the Reserve Bank will continue to prepare its weekly accounts, submit them to its Central Board and the Central Government and also publish them in its publications as hitherto.

Sir, I am afraid I have taken much of the time of the House, but I thought

I should place all facts before the Members for their consideration.

With these words I request that the motion moved by me may please be taken into consideration and agreed to by the House within a very short time.

The question was proposed.

[The Vice-Chairman (Shri U. K. Lakshmana Gowda) in the Chair]

SHRI ARVIND GANESH KULKARNI (Maharashtra): Sir, if I have understood the object of the Bill correctly, the amendment has been brought by the Government to enable the Reserve Bank of India to negotiate with foreign banks and foreign Governments about gold and in foreign exchange transactions which the Reserve Bank of India was not allowed hitherto. I, therefore, commend the Bill. I have no specific remarks to make on the Bill as such. Of course, the measure that has been brought here may be necessary and has to be supported; but I would like clarification of one or two points from the honourable Minister. If I have understood correctly, Mr. Minister, you are also accepting gold proper; that is, just as money is coming from abroad, in foreign currency, from Indian residents abroad, gold from Indian residents abroad has also been allowed to come into India. Am I correct, Mr. Minister? Is this the idea? That is, gold coming from Indian residents abroad is to be deposited with the Reserve Bank of India . .

SHRI SATISH AGARWAL: No. This is an enabling provision, enabling the Reserve Bank of India to invest their foreign exchange reserves in order to earn more returns, have better safety and security and better liquidity. This is the objective, so far as I understand it, because my understanding is much less than that of yours.

SHRI ARVIND GANESH KULKARNI: I have followed; now the Reserve Bank of India is allowed and it will facilitate perhaps import of gold. Government of India is now undertaking to import more gold.

SHRI SATISH AGARWAL: No, no; not at all.

SHRI ARVIND GANESH KULKARNI: Then, perhaps I think will be only supporting the Bill, and I have not got any remarks to make.

SHRI SATISH AGARWAL: Mr Vice-Chairman, please permit me to make a small clarification. The objective of this amending Bill is only to enable the Reserve Bank of India to invest the foreign exchange reserves in order to earn more returns. That is number one. The second thing is to have a better security and safety and, thirdly, to have immediate liquidity, if need be. They are not going to be automatically utilised. Sir, for the information of the House, I would like to say that at present we had got in the foreign countries, at the end of December 1976, 86 branches of banks incorporated in India. They were incorporated in India. These banks had their branches and their number was 86 at the end of December, 1976. Now, this number might have gone up to 110. It should have gone up to 110 by now. These are 110 branches of banks incorporated in India. Now, as per the existing regulations, the Reserve Bank of India cannot invest its foreign exchange resources, foreign exchange reserves, in any of these banks incorporated in India. This is very ridiculous because we do not invest our money in our own banks, about one thousand and two hundred crores of rupees or so, and we are depositing this money in the London Bank or the Grindlays Bank. Now, this is only an enabling provision which enables the Reserve Bank of India to invest these funds in our own banks incorporated in India and functioning outside. Similarly, in the case of the foreign banks, security is guaranteed by the foreign banks.

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That is all. So, I would like to say that this is only an enabling provision because the foreign exchange reserves are already abroad. This is the position. So far as gold is concerned, there is the Government gold which is being sold. Then, there is the gold reserve with the Reserve Bank of India which is in deposit and that is there as security. 17/20th part has to be kept there and the rest is 3/20th part, that is, 15 per cent. For example, the total quantity of gold held by the Reserve Bank of India comes to Rs. 193 crores, that is, the value of gold held in the Issue Department of the Reserve Bank of India. That value is 193 crores of rupees. Now, 15 per cent of that hardly comes to Rs. 22 crores. Now, if at any point of time the Reserve Bank of India thinks it proper that this gold should be invested in the IMF or thinks that it should be kept somewhere, then we would be getting interest by way of gold only and this gold will be returned in the form of gold only. So, these are only the enabling provisions which enable the Reserve Bank of India to invest our foreign exchange reserves to the best advantage of our country.

Therefore, Sir, this is only a very simple and plain Bill. That is all that I would like to say.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You could explain the details afterwards; you could explain it when you reply.

SHRI SATISH AGARWAL: The honourable Members know much more than myself, Sir.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): Yes, Mr. Bhandari. Not here. Yes, Mr. Jha.

श्री शिव चन्द्र झा (बिहार) : उपसभाध्यक्ष, महोदय, यह बहुत छोटा सा विधेयक है। हमारे पास फारेन एक्सचेंज का काफी बड़ा भंडार है। सवाल यह है कि उसका इस्तेमाल कैसे हो ? उसका इस्तेमाल अभी तक ठीक से नहीं हो रहा था

जो माल हम देश में बनाते थे, उस माल को भी, जिसकी हमें जरूरत नहीं थी, हम बाहर से इम्पोर्ट किया करते थे। और दूसरे रूप में फारेन एक्सचेंज का उपयोग होता था। इसलिए अब रिजर्व बैंक को ताकत दी जा रही है ताकि जितना भी फारेन एक्सचेंज है उसका ठीक से इस्तेमाल हो और जो इंडियन बैंक्स की शाखाएं बाहर हैं वे कैपिटल गुड्स को इम्पोर्ट करने में, बाहर उनका इनवेस्टमेंट करने में ठीक से इस्तेमाल करें। यह बात ठीक है और यह एक प्रसन्नता की बात है। लेकिन मैं यह जानना चाहता हूँ कि जो गाइड-लाइन्स होंगी उसमें जो लोग कैपिटल गुड्स को इम्पोर्ट करने के लिए इसका इस्तेमाल करेंगे तो जो माल देसी है, इंडीजानियस है, जो देश में बनाया जाता है, उस माल को इम्पोर्ट करने पर आप रोक लगायेंगे या नहीं ? क्योंकि आज देश की जो बुनियादी नीति है वह देश के औद्योगीकरण और उद्योगों को बढ़ाने की नीति है। इसलिए जो फारेन एक्सचेंज अर्न किया गया है उसमें हम प्रकार के माल के इम्पोर्ट करने पर रोक लगायेंगे या नहीं, मैं यह जानना चाहता हूँ। यह है पहली बात। और दूसरी बात मैं यह जानना चाहता हूँ कि जो विदेशी बैंक हिन्दुस्तान में हैं जिनके पास फारेन एक्सचेंज है, उन पर क्या आपका कोई कंट्रोल होगा ? मैं यह मानता हूँ कि कई लूप-होल्स हैं जिसका वजह से वह आपके पंजे में नहीं आयेंगे। इसलिए उनको आप कैसे कंट्रोल करेंगे ? वह सब इसके अंदर आ जायेंगे या नहीं, इसकी सफाई आप दें। तीसरी बात, आपका बैंकिंग विधेयक मोटे तौर पर संरक्षण के लिए है और जो विदेशी बैंक हैं वह अपना मुनाफा भेजेंगे फारेन एक्सचेंज लेकर तो वह बहुत झमेला खड़ा करते हैं। तो अब अच्छा होगा। मैं यह भी जानना चाहता हूँ कि फारेन एक्सचेंज का इस्तेमाल बढ़ाने के लिए आप राष्ट्रीयकरण की बात सोच रहे हैं या नहीं ? अगर थोड़ी देर के लिए राष्ट्रीयकरण नहीं करेंगे, यह सोच लें, तो यह मानी हुई बात है कि विदेशी बैंकों की खुरपात चलती रहती है, किसी न किसी रूप में चलती रहती है, यह अर्थ-व्यवस्था के लिए अच्छी बात नहीं है। मैं चाहता हूँ कि मंत्री महोदय इस बात की सफाई करें। चौथी बात मैं जानना चाहता हूँ कि जो बैंकिंग और रिजर्व बैंक इन जंतरल के बारे में हैं। बाहर से फारेन एक्सचेंज का ठीक से इस्तेमाल हो और बैंकों का डबलपमेंट हो और बैंकिंग चेतना देश में बढ़े इसके लिए आप कौन से कदम उठा रहे हैं ? फारेन एक्सचेंज कैसे आता है, किस रूप में स्मगलिंग होती है, उसकी कितनी रोक-थाम होगी, इसके ऊपर मंत्री महोदय प्रकाश डालें। इस विधेयक से फारेन एक्सचेंज की स्मगलिंग को कहां तक आप रोकेंगे। आज किस तरह से, किस तरीके से फारेन एक्सचेंज अर्न करते हैं, फारेन करेंसी की स्मगलिंग पर किस तरह से रोक लगायेंगे, इस पर भी प्रकाश डालें। बैंकिंग चेतना बढ़ाने की बात मैंने उठाई है। बैंकिंग चेतना देश में बहुत कम है। एक तो इसका कारण यह है कि हमारे यहां पर शिक्षा का स्तर बहुत नीचा है। आम जनता में

बैंकिंग चेतना बढ़े, देहातो में बैंकिंग चेतना बढ़े इसके लिए मेरा मुझाव यह है कि मोबाइल बैंकों की व्यवस्था की जाए। जिले का जो केन्द्र होता है वह बहुत दूर होता है, ग्राम जनता देहात के लोग वहाँ तक नहीं जा पाते जिसके फलस्वरूप उनका पैसा सुरक्षित नहीं रहता। बैंक दो दृष्टिकोण से फायदेमंद है। एक तो जनता का जो पैसा है वह सुरक्षित रहता है और दूसरा उसका इस्तेमाल समाज ठीक से करे जा सेविंग्स है, समाज उनका इस्तेमाल ठीक से करे। इसलिए यह दोनों दृष्टिकोण हैं। आप अगर प्राचीन इतिहास देखें तो पता चलेगा कि भारत बैंकिंग के बारे में बहुत आगे था। यह हमें कोटिल्य का ग्रंथ-शास्त्र बताता है। मध्य युग में भारत बहुत आगे था लेकिन आज का इतिहास हम लोग जानते हैं कि किस रूप में चेतना कम हुई है। मैं यह जानना चाहता हूँ कि क्या आप मोबाइल बैंकों की व्यवस्था करेंगे या नहीं ?

मेरा अन्तिम सवाल जो मैं पूछना चाहता हूँ जो मुझे पूछना तो कल चाहिये था लेकिन समय न मिलने के कारण न पूछ सका। बैंकों की बात आई है तो मैं यह कहना चाहता हूँ कि रिजर्व बैंक जनरल पब्लिक सेंटर में आना है।

आप रिज़र्व बैंक की पालिसी बनाने जा रहे हैं, जो विल पॉस हो गया है, आप सात जॉन बना रहे हैं। मैं यह जानना चाहता हूँ आपको स्टेटवाइज जॉन बनाने में क्या हिचकिचाहट होनी है। सेट्टलाइजेशन को आप डिसेट्टलाइज करने जा रहे हैं यह एक अच्छी बात है। जिन लोगों ने इसका विरोध किया है वह एक गलत काम किया लेकिन सात जॉन जैसे ईस्टर्न, वेस्टर्न आदि न बना कर आप स्टेटवाइज जॉन क्यों नहीं बनाते हैं। यदि ऐसा करते तो ठीक होता। आपके विधेयक में लखा हुआ है कि रोजनल पेनल आप बनाने जा रहे हैं। यह जो ग्रुप है यह आप रिजन-वाइज बनाने जा रहे हैं। तो क्या आप यह महसूस करते हैं यह ग्रुपवाइज इतना डिसेट्टलाइज नहीं होगा जितना होना चाहिये। इसलिए ज्यादा अच्छा होगा कि स्टेटवाइज आप इसकी ग्रुपिंग करें। यह जो आप क्लर्क या अधिकारी बहाल करेंगे यह स्टेटवाइज करने से ज्यादा अच्छा होगा। यही तीन चार बातें मैं जानना चाहता हूँ। इन्हीं शब्दों के साथ मैं विधेयक का पुनः समर्थन करता हूँ क्योंकि मोटे तौर पर इसमें कोई विवाद की बात नहीं है।

SHRI LAKSHMANA MAHAPATRO (Orissa): Mr. Vice-Chairman, Sir, while moving the Bill the hon. Minister gave the impression that something very good is going to happen in the country because of the amendment that he is proposing and that foreign exchange reserves which have increased so much in size should not be allowed to remain idle and should

be put to the best advantage. That is why this small piece of legislation is brought. There are different ways where he wants to spend money as set out in the Statement of Objects and Reasons.

My point is that this Bill is not that innocent as it is made out to be and there is much more in it than meets the eye. The whole conception of this nature which is intended to be in the form of the Reserve Bank of India Act has emanated from a very wrong thinking. This is clear when we go through the Statement of Objects and Reasons. Sir, as you know, this Reserve Bank of India Act was made in the year 1934. I shall read to you from the Preamble of the law. When it was originally intended to constitute the Reserve Bank of India, the law says:

"Whereas it is expedient to constitute a Reserve Bank of India to regulate the issue of Bank notes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage."

That was the most important purpose for which this Reserve Bank of India was created and a law was made. We have been working under this particular law. In the meantime, many things have happened and 1934 is far distant a period. Without referring to or looking at what has happened during these years, the Finance Minister, all of a sudden, comes forward with this Amending Bill. He gets a huge reserve of foreign exchange. He makes a reference to that reserve as being something which should not glut because it is built up by the money that is being sent by the residents mostly and according to law the whole thing has to be repatriated in foreign exchange and it may vanish into thin air any moment. Therefore, why do you think that it is a very big sum? Why do you not take some measures whereby it is not frittered away? We could see his

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intention when he made the proposal about making purchases of watches, etc. The plea made at that time was that it was to check smuggling because there is a great craze for foreign goods, especially electronic goods and watches, in India. That was the objective given out. We did apprehend at that time that the Finance Minister will fritter away the whole money. That is why we were raising objections. He was all along assuring us saying: "Look here, I am not going to waste the money, not a pie, not a pound or Mark or Yen on anything wasteful." He said that this money would be spent on whatever was considered very much necessary. Now, when he comes to this House with such a Bill, one is really astonished. We knew his ideas. We knew that he is wedded to a certain economic thinking and economic philosophy and he would work in this way. There is no other escape for him. Whatever he does, he will try to see that his economic philosophy is perpetrated and perpetuated. That is what he has done. This Bill is conceived on a very wrong premise. For example, there was a time immediately after Independence when we had enough of foreign exchange. We thought, as the Finance Minister now thinks, that the size of the foreign exchange was very big. We thought we were having enough of sterling reserves. But it melted into thin air. After a short time thereafter, we felt the constraint of foreign exchange. With great difficulty we built it up again. So, it is a graph which is not always growing horizontally or an ascending graph, but a graph which, now and then, rises and falls. It has to be like that. It is bound to be like that because we have tied ourselves to different international monetary systems on account of which we will have to face such situations. It has been stated: And whereas, under the present disorganised monetary system of the world it is not possible to determine what would be the suitable permanent monetary basis for the Indian monetary system and in

order to secure monetary stability—the very important purpose for which this Reserve Bank was constituted—, but it is clear that the stability which was intended to be secured. We are not able to have. That is one aspect of the matter. The other thing is that, over the years, after the Reserve Bank of India Act was passed and this particular organisation created, we have been seeing that it has not been functioning in a manner that was expected of it. On the other hand, in spite of our Finance Minister telling us that it should not be reduced to the position of a maid of the Finance Ministry, I am inclined to say that it is nothing beyond that now. In fact, its position is much worse. For some time past, events have been taking place in this country from which one can easily see that this Reserve Bank of India has behaved just like a private domestic servant, or to use the very word used by the Finance Minister, just like a maid of the Finance Ministry. In the result, so many things have happened in such a way that you cannot say that they could have been done by the Reserve Bank of India. These could have been done by a private bank or by a petty officer but the Reserve Bank could not have done them. I will give you an instance which has taken place recently. Sir, you know. The other day we raised the question about the Kohinoor Mills, how a very large amount was advanced without all the formalities having been observed and the Reserve Bank was also a party to it. The Minister promised to us the other day that he will constitute a committee. I understand that a committee headed by somebody, whose name I do not immediately remember, has been formed. I am very much interested to know how far that committee has progressed in its work, has any inquiry been conducted and what steps are contemplated with a view to seeing that such things do not recur? In every scandal that we have discussed in this House, we have seen the Reserve Bank involved in it. Is it not true that the fibre that you got from other countries was got without

any certificate which was required to be given by the Reserve Bank of India before the things were got? According to the rules, if you are able to say that you hold some money somewhere in a foreign country against a particular transaction, you are entitled to get into this country only those items which are importable into our country and which are not on the banned items list. Not only those articles which were on the banned items list were got into this country, but when an inquiry was held it was further found also that no certificate, as required under the rules, had been given by the Reserve Bank. The Reserve Bank did not even care to find out whether that particular company had that money in that country. That is what has happened.

Sir, this Bank has been behaving in such a way that it has lost all credibility. Sir, I will just now tell you some more things which will show that we shall have to be very, very careful about the Reserve Bank, apart from being very very careful about the foreign exchange money held by it. By this law it is being enabled to have transactions in all those foreign exchange reserves and we will have to be very careful about this thing. (*Time bell rings*).

Sir, what is this?

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You have already taken ten minutes, you are nearing 15 minutes. I gave you a warning.

SHRI LAKSHMANA MAHAPATRO: We have not fixed any time limit for this Bill.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): Three Bills will have to be passed now. So much time has been taken.

SHRI LAKSHMANA MAHAPATRO: I have not started yet.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): Instead of wasting time on that, you kindly proceed. You started 15 minutes back. You started at 4.16.

SHRI LAKSHMANA MAHAPATRO: I do not dispute that I have taken some time. But what I want to say is that I cannot be limited to speak in this matter.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): I gave you the warning. You can take another two-three minutes and wind up. There are other speakers also.

SHRI LAKSHMANA MAHAPATRO: You saw Mr. Kulkarni getting up and then I sat down.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You have already lost two minutes on this argument.

SHRI LAKSHMANA MAHAPATRO: That is because I had the bell; otherwise, I would not have lost this time. If you had not pressed the bell, I would not have lost this time.

As I was saying, this Reserve Bank, in the meantime, of course, in consonance with the intentions of the Government now in office, has been doing everything that is possible for helping the monopoly for helping the multi-nationals for helping private banks to the detriment of the public sector, to the detriment of the rural poor and to the detriment of the Scheduled Castes. This is what I want to say. This is the record of performance of the Reserve Bank.

Sir, recently, we had been very much concerned about the sterling tea companies and we shouted about it for their Indianisation. And now you see, FERA is being diluted by the Reserve Bank and double standards are being adopted to give benefit to some of the sterling tea companies. According to rules, valuation of the property that these sterling tea com-

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panies hold, has to be done by a particular valuer. A particular set of valuers is being chosen. They are almost brokers of these tea companies, and on their valuation, everything is done, whereas the criterion is different in some other cases. Therefore, double standards are being adopted. It is because these sterling tea companies are involved. So, FERA to that extent is being diluted to give advantage to some companies.

If you see the study made by the Reserve Bank of India in relation to the years 1973-74, you will find that these large companies have concentrated borrowings. As against deposits, these borrowings have risen by Rs. 170 crores. Here again, the foreign companies have cornered the maximum amount.

Then coming to this populist concept of ruralism of which they make such tall claims and proud talks everyday whenever any matter is taken up. Sir, here you will see the Reserve Bank has changed the rural banking policy. It is not interested to have the rural policy that was there in 1976 which said that for every metropolitan branch office to be started, there should be at least four branches in the rural side. But now they are not interested. Mr. James Raj's committee said: Go slow in this matter. If that is true and the rural banking policy, because of that reason, is being so altered, I want to know how you are interested in the rural side and how you are interested to provide more money in the rural side.

Then I come to the Estimates Committee. Sir, its report is very revealing. According to this report, during 1976, the advances to rural sector constituted only 6.7 per cent of the total advances against deposits of 8.9 per cent. How is the rural sector going to benefit? This is the Reserve Bank which is guiding all these transactions as far as the poor people of this country are concerned.

Lastly, Sir, I want to say about its performance. The case relates to the place Bangalore. There are vaults in the Reserve Bank of India. One day, when the Bank was opened, out of the nine bins that were kept by the State Bank of India, one bin was found missing. Soiled notes worth rupees one lakh were there. It is a double locking system. The Bank which had kept the bin was also entitled to have a padlock. When the people came to open it, it was found missing. Of course, these were soiled notes. All the same, Rs. one lakh was missing. They saw this when they tried to open it. The lock that was put there by the State Bank of India was not there, but another lock was put there. This is what is happening. How has it happened? These were the vaults of the Reserve Bank of India. Therefore, this is the record of the Reserve Bank of India which is now being enabled to go into all these transactions in other countries. The Reserve Bank of India, which, in its shortened form is known as the RBI, if the Act is amended in the way in which my friend wants it to be amended, will stand for 'Ruin and Burial of India'. It will not be the Reserve Bank of India. It will stand for 'Ram and Burial of India'. This is what they want to do. What will flow from this? You have already done sufficient mischief. This is the last straw on the camel's back. These are the things that will flow from this.

The first thing is, will the foreign exchange resources, which are now going to be used, be abused? I think they will not only be abused, but, because of the provisions that are now being fitted into the law, they will also be used very badly as far as private banks are concerned. The private banks are now being authorised and a lot of mischief would be done. I am afraid, the floodgates of corruption would be opened. There will also be many people who will grease their hands because of this. We shall have to take care of this. Sir, at one time,

We were very much concerned about the brain drain. But we are not in the least concerned about the foreign exchange drain. Why do I call it a drain? This is because, who will purchase, who will buy these securities and so on? Will they be poor countries? Will they be developing countries? No. They will only be developed countries. Till now, you were running with a begging bowl to other countries for aid. Now, you have become so rich that you want to make investments in rich countries, in developed countries. Is this the position truly? No. You are interested to see that the multi-nationals make use of it. You are interested to see that the banks which have opened their branches there also make use of it. It is they whom you want to serve. That is why you have come up with this provision. It is not for any other purpose. Now, I am interested to know one thing. You have already about Rs. 11,000 crores of foreign debt on which you pay interest. How much will be offset against that particular interest that you pay by this particular investment that you want to make? I would like to have a categorical reply to this. Is it something better than what you are paying?

Another thing which will accrue from this is this. You know, Sir, that even without such an enabling Bill, the capitalists, the monopolists and the many more unscrupulous rich people in this country were capable of having money in foreign banks. We were saying that they were running what was called a parallel economy of black money in this country. Will this not also permit them to legalise their black money? Will it be in any way helpful to unearth the black money? Or, will it help them to convert black money into legal money? This is my question.

Then, in regard to amendment of section 53, he was saying that because of their experience that the matter was not coming up in the official

gazette in time, within the time of one week that was permitted, they are making this change. Is it the reason why you are doing it? No. Now, you want to have no control. This section provided for control. Now, everything will be arbitrary. Anything can go on unchecked. Therefore, you are interested to change it this way because you are interested in certain things which you did not check in your own country and you also want it to be treated as a part of Government's conduct and business. This is speculative business. They are interested in speculative business. This particular transaction into which they are entering will be a speculative business in actual goods and also in securities. That is what they say. Therefore, the Government which is trying to allow its Reserve Bank of India to get into this particular trade...

THE VICE-CHAIRMAN SHRI U. K. LAKSHMANA GOWDA): I think you will have to wind up now.

SHRI LAKSHMANA MAHAPATRO: I am winding up. Is it not true that everyone of us is suffering today because of the speculative trade? Is there any definite and concrete measure taken by this Government to check speculative trading? On the other hand, we have instances of this Government indulging in speculative trade through this particular law.

Therefore, my objection to this Bill is not only from the point of view that it will be reducing to a position of pauperism as far as foreign exchange is concerned, for absolutely no reason, but also it will be making greater harm because all these multi-nationals, big sharks will be able to utilise this particular situation, as far as the foreign exchange is concerned, to their best advantage and will pounce upon us immediately they come to know about this. Is it not true that one day when we were facing this foreign exchange problem we had also to devalue our rupee? Therefore, anything could happen and we will have to dance to their tunes.

[Shri Lakshmana Mahapatro]

Therefore, I am opposed to this particular Bill which will be doing the greatest harm. Sir, it is a controversial Bill. It is better that he did not indulge in this Bill. Our country needs many more important things. You need so many things for agricultural and other development. You require so much money. You do not buy anything for them. For anything and everything you say that you do not have money. Now when the money is placed in your hands you want to give it to other countries to prosper. So, for Heaven's sake, do not do this. Do not give it to the rich countries for making more exploitation of a few developing and under-developed countries.

SHRI GCVINDRAO RAMCHANDRA MHAISEKAR (Maharashtra): Sir, I rise to support the Bill because I think for the first time after independence in this country we are embarking on a policy of a constructive, healthy and commercial utilisation of foreign exchange reserve. This is perhaps ingredient in the need of the economy. Because there is stagnation of the foreign reserves that we are earning and because we are unable to utilise them in the form of rupees in our country, we have to resort to a certain methodology, certain system through which we can get the maximum return from our foreign reserves. There are certain limitations. We know we started with 900 crore sterling in this country in 1948, but all this foreign reserve was being utilised to import cereals, articles of food and articles of consumption. In fact, much of our work or many of our exercises in our financial policy were just to seek a sort of balance between the export and the import trade and, therefore, we found that we were not left with any particular foreign reserve to be used for some better purposes. But now when the import of cereals has stopped, when we have a buffer stock of 21 million tonnes at our disposal, we are building fast our foreign reserves. In fact, we do not know today

where these reserves are, how gainfully they are to be utilised by the Reserve Bank with all the limitations and restrictions that it has for the time being on it. We know very well that the Reserve Bank at present is working under certain strains and stresses because of which it is not at liberty even to shift its foreign earning from a currency of which the value is decreasing today to a currency of which the value is increasing. This is not permitted, according to the Reserve Bank of India Act. By this amendment, the Reserve Bank will now be permitted to change a foreign currency, the value of which is going down, into a foreign currency the value of which has stabilised in the international market. This is one very important gain that the Bill will provide after these amendments. That is what I could see, in fact, from these amendments.

What have we been doing till today? Till today, we have been exporting our resources and importing inflation, because we have been exporting our resources in the sense of earning foreign reserves and by not being able to spend them in the form of rupees. That was why there was a statement by the hon. Finance Minister that unless we build a bank consortium, we will not be able to use these foreign reserves in the form of rupees in a healthy manner for development purposes in this country to have a generating economy. That was the statement he made. I am sure that with the provisions that have been made in these amendments, there will be loans and advances given by the Reserve Bank to the scheduled banks and financial institutions in this country to have foreign exchange given to them so that they can finance Indian entrepreneurs in foreign countries with foreign exchange from foreign reserves. Today these banks rely on foreign agencies to finance the Indian entrepreneurs for their foreign exchange. This is a very sad state of affairs that our own banks are not self-reliant. We talk

of self-reliance in economy. But today our banks are not self-reliant as far as the supply of foreign exchange to the Indian entrepreneurs in foreign countries is concerned. I am sure that this particular transitory stage has to be gone through in the economy of this country. I can understand that some sort of trade deception is likely to be there. You have to go with it once you want that the foreign exchange reserves should give you the maximum benefit. I particularly feel that these amendments are going to be healthy. What would be the result? There are three important factors that I have seen. As I have said, the first important factor is the financing of Indian entrepreneurs outside by our banks, by our financial institutions, with foreign exchange without the help of foreign agencies or foreign financial institutions.

The second factor that I see is that the country will have a consortium of banks which would make it possible for this country to have development through rupees against foreign exchange.

The third thing is the importing of goods. We cannot forget that the importing of goods would be restricted to capital goods and subject to the approval of the Central Government, loans and advances will be given by the Reserve Bank to these financial institutions and to the scheduled banks. Therefore, in that particular case we will be having a wider spectrum of financial institutions participating in the use of foreign exchange for importing capital goods and certain other goods that are required and that are not produced in this country. Now this would mean concentrating or getting the services of a wider spectrum of institutions in order to import capital goods into this country.

It has been pointed out and I quite agree with what my hon. predecessor

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has said that our foreign exchange should be used in order to create a new economic order in this world where the economies of the developing countries should be aided and assisted. I agree, but unless, first of all, we ourselves become stronger in our national economy, it will not be proper for us to go to the help of others. It would be as good as a weaker person helping another weaker person and both of them going down in this complex international market and in these complex International Monetary Fund activities. Therefore, as I said, I do agree that our philosophy, our policy of genuine non-alignment should guide us in the participation of creating an economic order where the economies of developing countries have to be helped. But this will not be possible for us because we are a poor country and if we do not have these amendments in our Reserve Bank of India Act we will be having a vacuum, a gap that will keep our own national economy weaker and we will not be in a position to get the maximum return from our foreign exchange reserves which we have built up with all our efforts or which we will be building up with all our efforts in the future to come.

I have got certain doubts which I would like to place before the hon'ble Minister. I just would like to know whether in the financing institutions the State apex co-operative banks and the State marketing co-operatives will be included or not. If they are included I would welcome it. That would be indirect decentralisation of the monetary power which these people have been enjoying for such a long time because if these banks are allowed to participate which the Bill provides for, naturally, they would have larger participation in the world market. That is one question that I would like to ask.

My second question is about a provision that has been made in this Act. The Act says that loans and advances would be given to Scheduled banks and other financial institutions stipu-

(Shri Govindrao Ramchandra Mhaisekar)

lated by a particular condition. You say that it gives an undertaking that it has made loans and advances. Does it mean that your advances by the Reserve Bank would be a *ex post facto* thing. on the agreement of these financial institutions including the State Bank, then these financial institutions are likely to take it for granted that it is a prior permission for the sale of certain goods, and then it would be a matter of right to get it approved by the Government for these loans and advances because, as I said, it is said, "it has made loans and advances." I would like that it should have been that unless they first give a stipulation and the Government approves that whatever they are importing are capital goods, whatever they are importing are goods which are really required for the economy of this country, these loans and advances should not be given. I do not think this is construed from this particular provision that has been made on page 3 in sub-clause (a). This particular doubt I would like to be cleared. I feel this would be a good thing, a transitory step that would lead, naturally, to what my predecessor said as participation in the building up of the third economic order of this world. But this is an essential transitory step. And, therefore, I welcome this amendment to the Reserve Bank of India Act.

SHRI SATISH AGARWAL: Mr. Vice-Chairman, Sir, during the discussion of a motion for consideration of the Reserve Bank of India (Amendment) Bill, four hon'ble Members have participated in the debate. I express my thanks to all of them, including the one hon'ble Member who has criticised the provisions of the Bill from the core of his heart probably feeling sore. I have no grudge against him because there is no institution in this world which is infallible. The Reserve Bank is also one such institution. There may be

certain shortcomings. He has rightly pointed out certain acts of omission and commission with particular reference to the Report on the Kohinoor Mills. But I may remind the hon. Member that this particular alleged scandal of the Kohinoor Mills does not relate to the period 1977. I do not rule out that there can be such instances. But we are taking all possible precautions to see that the whole banking system is placed on a sound footing. When this matter was raised on the floor of Parliament, the Government immediately appointed a One-man Inquiry Committee. The Report was submitted, the Government examined it, some action has been taken and further action is proposed to be taken. Instructions have been issued to the Reserve Bank to take appropriate action and lay down certain guidelines for future purposes so that there is no recurrence of such instances in the future. That is all with regard to that.

Now he has referred to certain other cases also. It will not be possible for me to go into much more details. One particular reaction that my hon. friend, Mr. Mahapatro, has expressed is with regard to investment. Rather he used the words, "Draining out foreign exchange reserves for speculative purposes and for investment in multi-national companies." I may assure him that these two apprehensions, that is, investment of the foreign exchange reserves by the Reserve Bank in multi-national companies and for speculative purpose, are ruled out. I have made it clear in my main speech also and he should have no apprehensions on this score.

Now, so far as the allegation that the Reserve Bank was encouraging multi-nationals, black money, black-marketeers, hoarders and monopolists as against the public sector banks is concerned. I do not know much about the past. He knows much more than what I know about it. This may have been the practice long back. But so far as 1977 and thereafter is concern-

ed, I can assure him that here are fresh instructions issued by the Finance Ministry and the Reserve Bank—this is a long note. There are ten points which are recently issued. If the hon. Member insists, for his information, I can read out these ten points. The instructions that have been issued are that the major percentage will naturally go to the rural sector. We want to strengthen the rural banks, the small banks and the public sector banks also. Now the DRI scheme has been extended to all the districts in the country. Half a per cent of the total deposits and issues has to be invested. Then the Scheduled Castes and Scheduled Tribes people, marginal farmers, small-scale artisans and so on and so forth are there. All these details he is very much aware of and I am sure he knows much more than what I know about banking. I know only this much that so far as banking is concerned, one has to be cautious about three things. Firstly, security of investment, secondly, liquidity of investment and, thirdly, return. A depositor has to be conscious about all those things. He chooses a bank, whether it is a co-operative bank, rural bank, apex body, a public sector bank or a private sector bank, where his deposit will be safe. I am only too serious about it. And liquidity—whether I can get money at the appropriate time, say, when the marriage of my children take place. The other point is, what return I am going to get. So, these are the three considerations which a man has in his private life and they are very much there so far as Reserve Bank is concerned.

So far as our foreign exchange reserves are concerned, they are not here in India. They are neither in Bombay nor in Calcutta nor in Delhi. They are all abroad. It is absolutely a misnomer, as if we have the foreign exchange reserves here in the North Block and we are going to transfer them to UK or USA. The learned hon. Member apprehended that they will be invested in the developed

countries in multi-nationals and for speculative purposes. For his information I may tell him that at the end of December, 1976 we had 86 branches of Indian banks in foreign countries and now the number has gone up to near about 108. The total amount in deposits at the end of December, 1976 was Rs. 914 crores which has gone up to near about Rs. 1,200 crores now. Now look at the branches we are operating:—

| | |
|--------------|----|
| Guayana | 2 |
| Fiji Islands | 7 |
| Mauritius | 5 |
| Kenya | 8 |
| UAE | 5 |
| Oman | 8 |
| Belgium | 1 |
| Japan | 2 |
| France | 1 |
| Hong Kong | 10 |
| Singapore | 5 |
| Sri Lanka | 3 |
| USA | 2 |
| Bahamas | 1 |
| West Germany | 1 |
| Bangladesh | 1 |
| UK | 30 |

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Now these are very, very small countries. Excepting the USA, we have got only two branches. We are not going to have more. So that apprehension you should not have in your mind, that this whole investment is going to be in developed countries, or anything like that. It is only to strengthen these banks.

SHRI LAKSHMANA MAHAPATRO: How much it is able to transact is the thing that matters. It is not a question of numbers—one or two. Even a single branch can play great havoc if it is in the U.K. or Japan or Hong Kong or the USA.

SHRI SATISH AGARWAL: If the branches play havoc and there is some scandal, we are here accountable

[Shri Satish Agarwal]

to Parliament. We shall stand and face some sort of Shah Commission hereafter. Why do you worry about it? So far as the things as at the present moment stand, they do not indicate to the side which you have pointed out.

Now, so far as the return is concerned, I am told at the moment we are getting 6.10 per cent return on our foreign exchange investments and by this new mode of investment, or this enabling provision the Reserve Bank will be able to plan out such investments in certain other approved sectors, certain other financial institutions which are guaranteed by various Governments. We shall probably be able to get nearly one per cent more—this is a rough estimate—and that will mean much more in the total perspective of the whole thing. So, so far as the question of return is concerned, that is my reply.

Now, so far as the question of dilution of F.E.R.A. is concerned, this goes to the credit of my friend Mr. Mahapatro that he enlarged the premises of discussion over this limited Bill. It is only a question of . . . (Interruptions). Perfectly right. You are perfectly right that way. It is too much wide. It has crossed all limits. You have crossed the boundary. That is what I was saying, nothing else. That is why I was paying compliments to you when I said that you know much more about banking than what I know.

So far as the question of some tea companies' dilution of FERA is concerned, that is a different matter. But we have issued instructions that the foreign companies have to go within that particular limit of 40 per cent or something like that, within a particular specified period. If there are certain specific complaints, the Government can look into them.

Now, he has referred to certain other banned items being allowed to be imported. I am not absolutely

clear in my mind what particular banned items he has in mind. But if there are certain illegal importations being allowed with regard to certain items by the Reserve Bank, the Government will definitely look into the matter.

Now, he also referred to a matter in Bangalore where a sum of rupees one lakh was missing from a particular vault—this and that. These are specific complaints. I do not rule out the possibility of such things happening in such a big organisation. But then precautions are being taken—and action is being taken—wherever thought necessary.

Then, Sir, he has referred to an apprehension that it will generate black money in foreign exchange. I am sorry I cannot agree with this suggestion of my hon. friend. This is not going to generate black money in foreign exchange. The whole thing has to be regulated according to the provisions of law. There is no question of any black money in foreign exchange, or, say, foreign exchange racketeering, if there be any—and there may be; I do not rule it out. But how will they be able to take advantage of it? I am sorry I do not agree with the suggestion of my learned friend. So far as his particular points are concerned, I think it is sufficient.

Now, my friend Mr. Jha, sitting at my back, referred to the mobile bank system. I may tell him that there are certain banks in this country which have adopted this system of mobile banks. It is a question of costs now. The United Commercial Bank is one such bank where they have organised this system of mobile banks and they have adopted it and are practising it. But it is a costly affair. This is good. This is a welcome gesture which should be good particularly for the rural sector.

Now, so far as the other points raised by my hon. friend with regard to indigenous manufacture *versus* import are concerned, the Government of India has laid down a well thought

import policy that has been announced by the Government is not going to hamper the growth of indigenous manufacturers. It will be kept in mind. So, wherever we are going to allow imports of gold and imports of capital goods and utilise these foreign exchange reserves, it is not going to mar any chances of prosperity so far as the indigenous industries are concerned. So far as the nationalisation of the foreign banks is concerned, I remember that the Finance Minister said something on this score, and I am not competent enough to say something more than what he has already said.

So far as the question of banking consciousness about the banking system is concerned, this consciousness is very much growing in the rural areas, and the people are becoming very much banking minded. In my own rural constituency the people are very much after getting more and more banks opened in the rural areas. So, the people are becoming very much banking-minded. Rather, on the contrary, the complaint is that the deposits that the banks mobilise in the rural sector, are not invested to that extent in the rural sector itself. Now instructions have been issued on that score that there should be much more investment as against the deposits mobilised in the rural sector. So, that particular problem will not be there.

He enquired about some remittances also. I have given you the total figure of the foreign exchange available at the moment, but I may inform this Hon. House that the non-trade remittances of foreign exchange which were near about Rs. 1,000 crores in 1975, which rose to Rs. 1,500 crores in 1976 and which rose to Rs. 1,900 crores in 1977, are bound to cross Rs. 2,500 crores in 1978. This is going to prove that there is not much speculation or foreign exchange racketeering, and that everybody who is going abroad and earning money, doing

some profession or business abroad, is remitting his foreign exchange earnings to India through the legal channels. So, there is nothing to worry about on this score.

श्री शिव चन्द्र झा : स्टेट बैंक ऑफ इंडिया के बारे में आपने नहीं कहा . . .

SHRI SATISH AGARWAL: With regard to the particular point regarding the State-wise zones for recruitment, it could have been very well raised yesterday. But he is not going to miss an opportunity and particularly he is going to put a new man for cross-examination. Any way, I have to state that so far as the State-wise zones scheme is concerned, for example in the Eastern Zone we have got the UCO Bank and another bank which will collaborate and recruit people for these two banks throughout the country, and they will and they can create centres for examinations all through out. They can have four or five places, examination centres, interview centres that way. So, the seven centres or the seven boards that were referred to by the Finance Minister is only grouping of banks, the nationalised banks, and wherever there are more branches of a particular bank in a particular area, they have been clubbed together that way. It would not be required for the people working in the South to come to Calcutta or Chandigarh or anywhere else. They will have recruitment facilities at all these places. That particular scheme is yet to be worked out. The recruitment in banks is being done according to the existing procedure, that is the past procedure. After passing of this Bill and it becoming an Act, new recruitment boards will be set up, new procedures will be devised and all the suggestions made by the hon. Members will be kept in view.

Certain points were raised by the hon. Member who spoke last. He said with regard to certain co-operative banks, and some advances and loans to the Scheduled Banks and all that. So far as these points are concerned,

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I am told that at the moment the co-operative banks are also to some extent in the State sector. So far as the banking aspect is concerned, they are largely regulated and controlled by the Reserve Bank also partially, but it is not a full control as in the case of the Scheduled Banks and the public sector banks. With regard to whatever suggestions you have made in your learned speech, full of appreciation for the Bill, and other points that you have covered, right now I assure that the suggestions that you have made in this respect shall be looked into and whatever possible will be done. I will send you a reply in writing with regard to your points which you have raised. With all these words, Sir, I think that there is nothing more for me to say. I am very thankful once again to the hon. Members for giving their valuable suggestions and for according their welcome to this measure. I hope the motion will be adopted and the Bill will be passed. Thank you.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): Now, the question is:

"That the Bill further to amend the Reserve Bank of India Act, 1934, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 to 9 were added to the Bill.

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

SHRI SATISH AGARWAL: Sir, I move:

"That the Bill be passed."

The question was proposed.

SHRI LAKSHMANA MAHA-PATRO: Sir,...

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): You have already spoken.

SHRI LAKSHMANA MAHA-PATRO: Sir, in spite of whatever I said with a view to establishing that this particular amendment Bill is a manifestation of bankruptcy of imagination, the Minister went on saying that something good is flowing from it and that there need be no apprehensions. That apart, I want to know what he is doing about the demands of the employees in the Reserve Bank of India. They have been on strike for a long time and they want so many elementary things. Everyday thousands in number are demonstrating in front of their offices. That is the scene we see everyday in Delhi and also in Bombay and other places. Now, their demands are very few. They are: revision of wages, restoration of trade union rights, right to bonus and protest against the alleged illegal or wrong implementation of the Pillai Committee Report. So these are the little things that they are worried about. And what is the Government doing about it? They should tell us.

The second thing is, he says that new directives have been given to the effect that the rural areas should be better served and for that, more money should be invested in the rural areas. That was not my point. That was the point of Mr. Jha and he has replied to that. I just wanted to know what makes the Finance Ministry not sanction a Local Office of the State Bank of India in Orissa. I have been writing letters since 1974 and every time they are giving some excuse or the other. There are already 100 branches there now. All the MPs put their signatures to this demand and placed it before the Finance Minister when he went to Bhubaneswar a few months back. Then we have had the resolution of the officers' conference, a unanimous re-

solution on this matter. Further, when the Chief Minister met the Finance Commission, he made the same point there. Everyone—not a single person excepted—has been making this demand. What is this reason—“restructuring”, “does not qualify” and all that? Is it not true that in other places the number of branches is smaller and yet you have given them a Local Office? How do you attend to the problems of a backward State like Orissa if you want to deal with matters from Calcutta, a developed area compared to Orissa? These are the points which should be understood. They cannot be dealt with in this fashion. People are now in a state of discontent now. One day ...

(Interruption).

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): I think this Bill relates to foreign exchange.

SHRI LAKSHMANA MAHA-PATRO: The third thing is, for the last three or four days I see in the papers daily that this particular provision has also been made with a view to seeing that we sell the gold that we have kept in the Reserve Bank by auction and that we also import gold from foreign countries for the purpose of making ornaments and again exporting them for earning foreign exchange. Is that true? How far is that true? I want to know to what extent you will be investing money for such imports.

SHRI SATISH AGARWAL: Sir, the hon. Member raised three points. The first is with regard to opening of a Local Office of the State Bank of India in Orissa. The other thing is with regard to sale and import and export of gold. The third is with regard to certain RBI employees. So far as sanction for local offices to be opened in Orissa is concerned, I am presently not aware of the facts and the background of the non-sanction. But I may assure him that I will make an inquiry into this aspect and will

let him know as to what came in its way.

So far as the question of gold is concerned, I am sorry to say that the present Bill has got nothing to do with the import of gold or export of gold ornaments. That is absolutely a different scheme which was announced on February 20, 1978 by the Finance Minister when he made his Budget Speech. That scheme is for sale of gold by Government as part of anti-smuggling drive. And import of gold at international prices is only for export of gold ornaments. This Bill has got nothing to do with that scheme. The gold accounts that are to be opened are something different. So far as the Reserve Bank is concerned, it has got nothing to do with that part of the policy of the Government whereby we are going to import gold at international prices for export of gold jewellery. Then, as far as the question of Reserve Bank employees going on a strike is concerned, that again is nothing unusual with the Reserve Bank of India. All bank employees have gone on strike. Therefore, so far as we are concerned, the whole question has to be looked into from that perspective. We are waiting for the report of the Bhootalingam Study Group.....

SHRI LAKSHMANA MAHA-PATRO: The Bhootalingam Committee....

SHRI SATISH AGARWAL: You had your say. You might agree or you might not agree, the Government is not going to take any decision with regard to increase in the salaries or wages of an individual or a sector of the employees without looking into the whole national perspective. I think at present bank employees are paid much better than those in other sectors. So this thing has to be looked into in that perspective. It is not a question of satisfying certain employees of the Reserve Bank. I can also say that we will plead their case. That is not the question. We

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have to view things in a national perspective, from the point of view of national service. What should be paid, the manner in which it has to be paid, all these questions have to be studied. And Government appointed the Bhootalingam Study Group. They have submitted their report. After examining that report very carefully, justice will be done to the various sections of the society.

Sir, with these words, I request that the Bill be passed.

SHRI LAKSHMANA MAHA-PATRO: Sir, the report of the Bhootalingam Committee...

THE VICE-CHAIRMAN (SHRI U. K. LAKSHMANA GOWDA): Yes, Bhootalingam Committee's report is there. They have to study it, examine it.

The question is—

"That the Bill be passed."

The motion was adopted.

THE ELECTRICITY (SUPPLY) AMENDMENT BILL, 1978

THE MINISTER OF ENERGY (SHRI P. RAMACHANDRAN): Mr. Vice-Chairman, I move:

"That the Bill further to amend the Electricity (Supply) Act, 1948, as passed by the Lok Sabha, be taken into consideration."

Sir, this Bill seeks to amend the financial provisions of the Electricity (Supply) Act, 1948. The Act which was last amended in 1976, defined the role of the Central Electricity Authority and gave a positive direction in the structure of the Act for separation of generation functions from distribution. This amendment, however, did not make any change in the financial provisions governing the structure of the State Electricity Boards, the norms of the financial working or

the manner in which they were to prepare and furnish their accounts. During the next Plan the public sector will be responsible for utilising 23 per cent of the total public sector outlay and it has programmed to instal an additional capacity of 18,500 MW which would be almost two-thirds of the total installed capacity available today.

State Electricity Boards will be the main agencies for implementing the power development programmes. While we are separately pursuing with the States the matter of greater professionalisation and functional working of the State Electricity Boards to improve their management, the financial working of the State Electricity Boards is largely governed by the structure envisaged in the Electricity Supply Act of 1948. The capital investment by the State Electricity Boards is made available to them today entirely in the form of loans apart from what they are themselves able to generate from their internal resources. The bulk of the loans have been made available by the State Governments. The lending institutions which will continue to finance much of the investments in the next few years, would be anxious to ensure that the State Electricity Boards earn adequate returns and work with a greater degree of financial viability which will strengthen confidence in these institutions for discharging their responsibilities under the Electricity Supply Act of 1948.

State Electricity Boards are autonomous organisations but are subject to policy guidelines from the State Governments. The State Electricity Boards are organised to function in the most efficient and economical manner. There are no positive directions as to how the Boards should accomplish this and the Boards have functioned in the past in an unequal manner depending on the State Governments or the lending institutions to meet their entire requirements from the capital investment. A