

SHRI HARISINIRH BHAGUBAVA MAHIDA: What is there to apologise? How can you believe this statement?

SHRI NARASINGHA PRASAD NANDA (Orissa): On a point of order, Sir. The Leader of the House has just now read a letter written by Shri Atal Bihari Vajpa? ee saying that the letter which was re ad py Mr. Bipinpal Das is a forged aid concocted letter. Mr. Bipinpal Das as just gone out and he will be coning back. The original letter will then be produced and it will be see i whether this is a genuine letter or a forged letter.

SHRIMATI PURABI MUKHOPADHYAY (West Bengal): The letter which has just bee i read out by Mr. Advani, the Leade of the House, is written to Mr. Adv. ni. and not to you. Sir, the proper m :thod would have been, even if the Minister is sick, to go on record, he si ould have written to you. This is n imber one. Then, Sir, the main speech of Mr. Bipinpal Das was not with r igard to this letter only but also abo tit the functioning of the Jana Sangh in the texture of the Janata Party. We are told that the Janata Party i one; but it is a fact that in every case, the activist Jana Sangh is still maintaining its identity. So, whej we bring that charge and level it ; gainst a particular Minister, there is nc question of apologising, because we lo not know whether that letter is oncocted or whatever Mr. Atal Bihari Vajpayee has said is also concoch 1.

THE HIGH DENOMINATION BANK NOTES (DEMONETISATION) BILL, 1978

THE MINISTER OF FINANCE AND REVENUE AND BANKINF (SHRI H. M. PATIL); Sir, I move:

"That the Bill 1:> provide in the public interest fo the demonetisation of certain high denomination bank notes and fo matters connected therewith or ii cidental thereto, as passed by the Lok Sabha, be taken into consideration."

I wish to point out that it was brought to Government's notice that high denomination bank notes were being used extensively for illicit transfer of money for financing transactions which are harmful to the national economy or which are for illegal purposes. Immediate action to demonetise bank notes of the denominational value of Rs. 1,000, Rs. 5,000 and Rs. 10,000 issued by the Reserve Bank of India was, therefore, considered necessary by Government in public interest. As Parliament was not in session and immediate action was necessary, the President promulgated an Ordinance on the 16th of January 1978 to provide for the demonetisation of all high denomination bank notes of the above value which ceased to be legal tender in payment or on account at any place on the expiry of 16th day of January, 1978. The present Bill which has already been passed by the Lok Sabha, seeks to replace this Ordinance by an Act of Parliament.

As at the close of business on 16th of January 1978, the total number of high denomination bank notes in circulation was 13,05,899 notes value at about Rs. 145.42 crores. According to the provisional figures furnished by the Reserve Bank of India, these include 12.69 lakh notes of Rs. 1,000, 36,287 notes of Rs. 5,000 and 346 notes of Rs. 10,000 denomination.

While commending the Bill for con. sideration of the House, I shall confine myself to explaining the relatively more important provisions at this stage. A detailed procedure that was to be followed by a person other than a bank or Government treasury was laid down in the Bill for the exchange of high denomination bank notes by which a declarant was required to deliver in person a declaration signed by him together with the high denomination bank notes not later than 19th day of January 1978 to the office or sub-office or branch of the Reserve Bank of India or to the main office or branch of the State Bank at the headquarters of a district or to any other office of a public sector bank notified

[Shri H. M. Patel]

in this behalf by the Reserve Bank. Any person who failed to apply for exchange of any high denomination bank notes by 19th of January 1978 would tender the notes together with the requisite declaration to any office or branch of the Reserve Bank not later than the 24th of January 1978 together with a statement explaining the reasons for his failure to apply within the said time limit. 5 P.M. The Bill also contains provisions for the imposition penalties for making false statements.

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

The question was proposed.

SHRI BHUPESH GUPTA (West Bengal): I would like to have one information. You have said that there is some provision for penalty for false statements. We saw in the newspapers that some false statements have been made. I would like to know: How many false statements have been made and the persons involved in making these false statements? What steps have been taken, if any, against these people? How many false statements have been made? How many people are involved?

SHRIMATI NOORJEHAN RAZACK (Tamil Nadu): Mr. Deputy Chairman, Sir, I rise to support this Bill. The measure for demonetisation of the high-denomination currency notes has not come a day too soon. It is an undisputed fact that black money is having its stranglehold on the economy of our country. Experienced financial pundits say that the power of black money is such that an almost parallel economy is running in the country. Its tentacles reach far and wide and by subtle manoeuvres bring within its fold even the honest and the conscientious citizens. Black money is synonymous with corruption, smuggling and tax evasion and a complete dissociation of moral values. Sir, if

there is any measure which can loosen the stranglehold of black money even a wee bit, that has to be welcomed.

On this occasion, when the Ordinance regarding demonetisation is being regularised, I have to point out that the timing of this demonetisation Ordinance was such that it appeared more as a political act on the eve of the Assembly elections to take the teeth out of certain political parties than a purposeful, well-directed and well-co-ordinated economic offensive against the well-entrenched forces of black money. I cannot help pointing out that if it was purely meant to be an economic measure, the correct time would have been the moment the new Government came to power. Much valuable time had been lost. There was a continuous price rise in the economy obviously due to the manipulations of the black forces which went unchecked in their rampage to make illicit gains. And by the time this Ordinance was issued, these forces which have a second or even a third sight were apparently able to get an inkling of what was to come with the result that many have not fallen into the net.

I may also point out in this connection that there was almost a universal demand by experts for the demonetisation of hundred rupee notes if any impact were to be made on unearthing the hoarded money and if inflation were to be arrested. The Finance Minister of Tamil Nadu and the Chief Minister of Tamil Nadu were among those who were emphatic about the need for the demonetisation of hundred rupee notes. But that has not been done. Demonetisation of such notes would have given the shock of their lives to the black money operators. So, an opportunity had been lost for putting new life into the economy by checking these evil forces. I admit the administrative complexities would have been tremendous. But the beneficial effects on the

economy would I have been far more tremendous. It was not beyond the organising capacity of the Central Government to have brought in such a measure and implemented it successfully in a thorough-going manner. It is observed that out of Rs. 140 crores of high value notes, only Rs. 74 crores have been surrendered, and Rs. 15 crores were with the Banks. Unaccounted notes not surrendered are said to be Rs. 50 crores. These are as good as dead. They cannot poison the economy. Their value can be much more than Rs. 50 crores if we take into account speed of circulation. It is this that makes me wonder whether demonetisation of Rs. 100 notes also would not have led to better results.

Mr. Deputy Chairman, Sir, it has been said that out of Rs. 74 crores that have been surrendered a fairly good percentage is said to be unaccounted for and under the investigation of the tax authorities. What is the percentage of such cases? Can the Finance Minister give the names of the first twenty persons in order of magnitude of notes surrendered? By what time will investigation be completed and the guilty brought to book? These are the pressing questions which require immediate attention.

Sir, at this stage I have to state that what is of paramount importance for the economy of the country is not the administering of such periodic shocks, but the administering of the tax collection machinery with the highest professional efficiency of sleuths and bloodhounds undeterred by personal predilections. It will be useful if all land and building transactions, of value higher than Rs. 1 lakh effected during the last five years, are scrutinised by a band of honest, efficient and knowledgeable officers. Strict and quick action may be taken against those who are found living beyond their means.

Unless the finger of God is put into the lives of the corrupt and vile forces of society by concerted attacks

by the lawful Government, such forces will flourish with impunity. I would strongly suggest to the Finance Minister to bring about a White Paper on black money at the earliest indicating the ramifications of this scourge and the steps taken to combat it. Such a Paper should be followed by periodic reviews.

Thank you.

SHRI SANAT KUMAR RAHA (West Bengal): Sir, this High Denomination Bank Notes (Denomination) Bill is really a small Bill, a piecemeal Bill. Had it been a comprehensive Bill against monopolists, against black money, against smugglers, against hoarders, it would have been possible for us to support the Bill whole-heartedly, just this is only a piecemeal Bill. It is a half-hearted measure taken by the Government against curbing black money. Earlier the lady speaker said that the Bill has been made to check black money, but the Minister has said that it is only to check the use of illegal transaction through high denomination notes. What is correct is not known. If the Minister is correct, then I would say that the Bill has no importance at all because you are keeping black market above black-money transaction. What is the importance of this Bill if you find nothing in the black-money transaction? Sir, this is a very important point which should be clarified by the hon. Minister. When the black money is operating in the market, why has this piecemeal legislation been brought forward before this House? The black money is operating in the market in a huge way. Therefore, we should say that this piecemeal legislation is an in-fructuous exercise on the part of the Finance Minister. I would also say that the black money is running a parallel economy in our society. When this Ordinance was promulgated, it was rather a case of publicity in inverse ratio, to the impact that it would have on the life of the people. It has also been stated, on the other

[Shri Sanat Kumar Raha]

hand, by various papers that it was politically motivated. I do want to know from the Minister what the actual motivation behind this Bill is—whether it was intended against black-marketing and the black-money parallel economy, or it was motivated against the political parties which have so rough high denomination bank notes. This Ordinance was promulgated just before the elections and it has already strengthened the doubts and suspicions in the minds of the people. How much has this piecemeal Bill achieved? The Ordinance was promulgated on the 16th January. During this period, what has been the achievement actually? Whether there were any false statements when those notes were tendered and whether any action was taken against any managers of the banks—that is what I would like to know. Were there any loopholes found in this Bill? The Minister should clarify what have been the achievements of this Ordinance, and how far he has been able to check the illegal transactions which are operating in our society.

The Minister has already stated that on the 16th January, 1978, Rs. 195 crores worth of high denomination notes were there in circulation out of the total circulation of Rs. 8543 crores. So this piecemeal Bill has got only 0.61 per cent, impact regarding the illegal transactions in high denomination notes. How far the Government will achieve its end and purpose of checking illegal transactions when there are hundreds and thousands of such cases?

Originally the notes were to be tendered for exchange before 19.1.1978. But the time was extended upto 23-1-78. This extension was a boon for the black-marketeers, smugglers and hoarders and helped the fraudulent methods of those people who wanted to whiten those notes by depositing these in the temple funds at Tirupati and the Lakshmi.

naraya' Temple. On the other hand we found brisk activity for the exchange of these notes. These high denomination notes were sold in the market at throw-away prices. I do not know whether there has been any investigation on this. What were the follow-up steps taken by the Government after the Ordinance was promulgated? There is black money in black-marketing, hoarding, smuggling; there is black money in illegal transactions; there is black money in smuggled goods, ornaments, housebuilding activities etc. What steps is the Government taking against this black money hoarded in cash or kind?

As regards the black-money parallel economy, it is damaging our nation. The Minister should consider very seriously that this piecemeal legislation will not be able to touch the fringe of the problem. The problem is very vast. So the entire system should be revamped in such a way that the black money operation is stopped and checked to such a degree that it is substantially felt in our country's economy. For this, very strong and hard decisions must have to be taken by our Government. Composed as it is and its character being what it is, the Government is incapable of taking such bold and hard decisions. The Wanchoo Committee had recommended even the demonetisation of Rs. 100 notes. But the previous Government as well as the Janata Government have been averse to the implementation of this recommendation. May I know from the Minister what he thinks about the recommendation of the Wanchoo Committee, whether this recommendation will be implemented by the Janata Government or not?

Sir, the Janata Government—as its character is—is exposed sufficiently by its Budget, its fiscal policy, its budgetary measures. It is clear that this Government will always try to give relief to the capitalist sector, to

the multinationalists to the hoarders, to the big monopolists and the big traders etc. For this reason they are not capable of taking severe and harsh steps against black money. I would request the Minister to clarify the situation whether through such piecemeal measures he can totally apprehend the demonetisation problem and whether he will implement the recommendation of the Wanchoo Committee.

Sir, wherever demonetisation has been resorted to there have been failures. Here also it is nothing but a hoax and a farce. Therefore, I would like the Minister to give the actual effective less, the positive side as well as the negative side in operation of this ordinance in the monetary field.

Sir, I understand that there are commercial banks, private banks and private establishments who deal in black money. The black money in operation through these sources alone is about Rs. 2,000 crores. May I know from the hon'ble Minister whether this is a fact and what steps they propose to stop the misuse of this power by these organisations?

Sir, when the Government brought out the ordinance it was nothing but a case of publicity, and not a matter of performance. The publicity was meant only as a political stunt because the Government wanted to give some radical ideas. It has been reported in the Press that some party has brought high money from Nepal in India. The Government should clarify whether some political workers of certain parties are also involved.

Since 1970 till date black money has been operating on a huge scale resulting in inflation and price rise. In this situation in view of the recommendations of the Wanchoo Committee, I want to know whether the Government has assessed what is the

total amount of that money which is operating in the monetary field of the country today and how the Government will check the situation regarding black-money operations, hoarding, smuggling and so on.

Finally, I would like to impress upon the Government that this is a very piecemeal legislation—with a big content no doubt—and want to know, therefore, whether they will bring forth a comprehensive Bill to fight against black money as a whole.

With these words, Sir, I conclude.

SHRI H. M. PATEL; Sir, I am glad to say that this Bill has a limited objective as already stated. I was asked whether the Government had any particular motive other than that which is stated. I do not see why there is any need to look for motives other than the objective for which the Ordinance was promulgated and the Bill is brought before the House. It was because these high denomination notes were being utilised for financing illegal transactions or for illegal purposes. It is clear that this had a limited objective.

The total number of these notes in circulation was worth Rs. 145 crores. The total number of notes in circulation in this country today is over Rs. 8,000 crores. Therefore, quite obviously this could not have ever been designed to achieve anything of the nature of trying to attack even the black money problem, etc. It had no such objective. So, it had the objective that is mentioned here.

Sir, I would like to clear up some misunderstandings. It was said that monies had been put in temples and those had, therefore, become white. Now the point is, the monies were put in temples by some people under the hope that these would be accepted but these notes ceased to be legal currency on the night of the 16th. Therefore, any notes that may be

[Shri H. M. Patel] put thereafter anywhere would have no meaning at all because they ceased to be legal currency on the night of the 16th. Thereafter, those who declared would have declared in a particular form. Even the temples would have to say how they came into possession after the 16th. Therefore, there is no such problem.

Now it was said that money was brought in from Nepal. May I say, Sir, that the only money from Nepal that was tendered in one-thousand rupee notes was worth Rs. 40,000. Therefore, none of these dangers really existed anywhere.

There is a reference to the effect that black money worth Rs. 2000 crores was circulating through banks. That again is really a misunderstanding of the functioning of the banking system. Whenever any money goes through the banking system it becomes public and therefore it cannot function as something that is not declared or that can be avoided by anybody for claiming tax exemptions, etc.—and that is what black money is for.

Sir, this Bill is simple with a limited objective which, I hope, will be accepted.

SHRI SANAT KUMAR RAHA: How far has the objective been achieved?

SHRI H. M. PATEL: The objective was one of preventing illegal transactions and that will certainly be achieved. If you mean how many notes were surrendered, the figures are as I said at that time in the very first Press conference that I held: the bulk of the notes will be found to be in banks and only a limited percentage would be out in circulation and that turned out to be true. About Rs. 70 crores were in the hands of the Reserve Bank itself and in the State Bank. The number that was tendered amounted to Rs. 59 crores so that the notes which did not come

out was of the order of Rs. 15 or Rs. 16 crores.

SHRI SANAT KUMAR RAHA: Unaccounted?

SHRI H. M. PATEL: This is the unaccounted money, worth Rs. 15 or Rs. 16 crores. Now so far as the notes which were surrendered are concerned, people had to declare and also say how they came into their possession. Some of these matters are being investigated. When I say 'some', it is in fact quite a large number and it will be pursued further by the Income-Tax Department to see whether those persons who handed over such large sums had in fact accounted for these in their tax declarations. There were some transactions which were suspected at certain bank branches, and so on. Those are being investigated and have been referred to the police or the CBI, as the case may be.

MR. DEPUTY CHAIRMAN: The question is;

"That the Bill to provide in the public interest for the demonetisation of certain high denomination bank notes and for matters connected therewith or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up clause-by-clause consideration of the Bill.

Clauses 2 to 15 and the Schedule were added to the Bill.

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

SHRI H. M. PATEL: Sir, I move:

"That the Bill be returned." *The question was proposed.* SHRI LAKSHMANA MAHAPATRO (Orissa): Sir, I have the in-

formation to the effect that many officers acted as agents to have this money tendered in fact, though the offices where they were posted.. (Interruption). Though they were not having the money with them, the big people who wanted their money to be made good money, had secretly passed it on to them and that was tendered as the money of the officers. Since he has said that each and every case inspected by the banks or other agencies is being enquired into—and ui of them may not turn out to be the cases where the money has to be accepted—my suggestion is that where the money has been tendered in the form of these high denomination notes more than two or three at one time, the case must be investigated. I am in possession of one information that on one occasion an officer had given about 400 thousand-rupee notes at one time. This is not white money but the money got from some black-marketeers who have good chums with him and he is likely to get a percentage out of it. Therefore, he has managed it this way. My suggestion is that where the number of high denomination notes tendered is more than two or three, invariably every such case should be subjected to scrutiny and examination.

SHRI H. M. PA'EL; Sir, I think he is quite right. We, in fact, have been doing precisely that. Not in the case of two or three notes, but where there is a large number of notes tendered and the reasons given are not satisfactory, *prima facie*, the case is being looked into. But since my friend has a definite information about a case where 400 notes were given by someone, I shall be glad if he sends me full facts so that if it is not already being investigated it can be investigated. (Interruptions) I will go into it.

DR. RAJAT KUMAR CHAKRABARTI (West Bengal): I have given the name.

MR. DEPUTY CHAIRMAN; You cannot take up the time of the House like this.

The question is:

"That the Bill be returned."

The motion was adopted.

REFERENCE TO THE LETTER PURPORTED TO HAVE BEEN WRITTEN BY SHRI ATAL BIHARI VAJPAYEE—contd.

SHRI BIPINPAL DAS (Assam): Sir, this morning I quoted a letter written by Shri Atal Bihari Vajpayee. For a few minutes I was away from the House. But I am told that it has been reported to the House that this letter was forged and concocted and, therefore, I should ask for an apology. Now, sir, I place before you a photostat copy of the letter and I will request the Chairman to verify the signatures and verify the typewriter. It is dated the 6th June, 1977. If it is proved to be false, I shall have no hesitation in asking for a personal apology. This is the copy of the letter, on the basis of which I made the point. Now I hand it over to you.

THE HINDUSTAN TRACTORS LIMITED (ACQUISITION AND TRANSFER OF UNDERTAKINGS) BILL, 1978

उद्योग मंत्री (श्री जार्ज फर्नंडीज) :
महोदय, मैं प्रस्ताव करता हूँ कि :

“जन साधारण की आवश्यकताओं की पूर्ति के लिए अत्यावश्यक माल का उत्पादन जारी रखना सुनिश्चित करने के प्रयोजन के लिए हिन्दुस्तान ट्रेक्टर्स लिमिटेड, विश्वामित्री, बदोदरा के उपक्रमों के अर्जन और अंतरण का तथा उससे संबंधित या उसके आनुवंशिक विषयों का उपबन्ध करने वाले विधेयक पर, जिस रूप में वह