

it depends upon the general economic situation. If it becomes necessary at an appropriate time in future, possibly the Reserve Bank will have to reconsider it.

SHRI BABUBHAI M. CHINAI : May I know from the hon. Finance Minister whether it is not a fact that when the bank rate was increased the situation in the commercial banking world was that the banks were giving money at a lower rate of interest than what the people were paying to the Multanis and others? In the light of the bank rate prevailing in the country unofficially, the Reserve Bank had no other alternative but to increase the bank rate just to see that the commercial banks also got the benefit of the rate of interest which others were paying unofficially to some banking institutions.

SHRI Y. B. CHAVAN : It is quite possible that it may be one aspect of it.

SHRI BALACHANDRA MENON : I want to know whether the Government are aware that the credit squeeze has only squeezed out the honest industries and the new industries that have come up and that the money which they are advancing is only to speculators. I can bring to the notice of the Government that a number of industries and industrial co-operatives which wanted money were not helped by the banks, and the credit squeeze really ended up in smothering the small industries.

SHRI Y. B. CHAVAN : I will certainly take interest in this aspect because the idea is not to affect the most important sector of the industrial economy, viz., the small-scale industry. If the hon. Member has any specific cases, I am prepared to look into them. I do not think, so far as my information goes, that it is true, but still I am prepared to look into it again.

SHRI M. K. MOHTA : The statement placed on the Table by the hon. Minister only gives one side of the picture. The hon. Minister was pleased to say that the credit squeeze and the hike in the bank rate was to curb speculative activities, but a direct result of the increase in the bank rate and the consequent credit curb applied by the banking sector is that the cost of production of industrial

goods has been pushed up. There is a cost-push inflation in the country as a direct result of this step. May I know whether it has come to the notice of the Government that the textile industry is being made to pay 12 to 13 per cent interest on its bank loans? May I know whether this has been brought to the notice of the Government and whether any study has been made of the adverse effect on the cost structure of the economy and the extra cost to the consumer as a result of it?

SHRI Y. B. CHAVAN : I have not gone into this particular aspect, but naturally the Reserve Bank is expected to go into this aspect also. I will personally look into this.

*36. [*The questioner (Shri B. C. Pattanayak) was absent. For answer, vide col. 32 infra.*]

*37. [*Transferred to the 1st April, 1971.*]

INCREASE IN PRICES OF ESSENTIAL COMMODITIES

*38. **SHRI ARJUN ARORA :**†

✓ **SHRI JAGDISH PRASAD MATHUR :**

✓ **SHRI RAJENDRA PRATAP SINHA :**

✓ **SHRI S. B. BOBDEY :**

✓ **SHRI A. G. KULKARNI :**

✓ **SHRI N. P. CHAUDHARI :**

✓ **SHRI T. G. DESHMUKH :**

✓ **SHRI B. S. SAVNEKAR :**

✓ **DR. SALIG RAM :**

✓ **SHRI KRISHAN KANT :**

✓ **SHRI LOKANATH MISRA :**

✓ **SHRI DEV DATT PURI :**

Will the Minister of FINANCE be pleased to state :

(a) whether Government are aware of the all round increase in prices of domestic consumption articles and commodities; if so, to what extent the index has risen as compared to the years 1969 and 1970; and

(b) what steps Government have taken and propose to take to arrest the price rise, particularly in commodities of daily consumption?

†The question was actually asked on the floor of the House by Shri Arjun Arora.

THE MINISTER OF FINANCE (SHRI Y. B. CHAVAN) : (a) and (b) A statement is laid on the Table of the House.

STATEMENT

The index numbers of wholesale prices (1961—62=100) of important consumer goods for the weeks ended March 6, 1971, March 7, 1970 and March 8, 1969 together with the order of variations over the periods covered are set out in the attached Table. [See Appendix LXXV, Annexure No. 3]. As compared to March 8, 1969, the general price index has risen by 10.1 per cent and the price index for food articles by 8.2 per cent. In the case of cereals, the increase has been modest. Gur prices have fallen by 11.9 per cent over the past two years. Amongst the other food articles, the sub-group price indices for fruits and vegetables, milk and milk-products, edible oils and other food items (condiments and spices, tea, coffee, salt and processed food) have recorded comparatively large increases. As regards non-food consumer articles, while the price rise in respect of kerosene and soap has been of the order of 2.7 per cent and 5.0 per cent respectively, prices of some other articles like cloth and glass manufactures have witnessed larger increases.

However, during the current fiscal year, and particularly in the last few weeks, the pressure on prices has abated. Over the past year, the increase in the general price index amounts to 3.4 per cent; the price index for food articles has risen by only 1.0 per cent. Food-grains prices have, in fact, declined by 6.5 per cent, and the price index for pulses has gone down by as much as 8.2 per cent. Prices of groundnut oil have also come down, and the price index for vanaspati is now below the level of a year ago. In contrast, prices of milk and milk-products have shown further increases during the current year.

The Government has been fully alive to the situation and has been taking various steps to check the price rise. In addition to various programmes for increasing internal production, imports of commodities in short supply are being arranged. During both 1969 and 1970, imports of soyabean oil amounted to more than 1 lakh tonnes as

against 68,000 tonnes in 1968. Arrangements for the import of about 75,000 tonnes of rapeseed have been made. Mutton tallow is also being obtained from abroad to help the soap industry. Raw cotton imports during the 1969-70 season were about 9 lakhs bales as against 4 lakh bales in 1968-69; for the current year, allocations have been made for still larger quantities (about 11 lakh bales including staple fibre). Another item currently in short supply is steel, imports of which are planned at the level of around 6 lakh tonnes (as against normal imports of 4.5 lakh tonnes) for the year; this will help in stabilising prices of durable consumer goods using steel as a raw material.

Recourse is also taken to price and distribution controls in order to hold the price line. In December 1969, price control was imposed on synthetic rubber, and during 1970 prices of drugs and medicines were statutorily controlled and other supplementary measures initiated. Recently, Government has acquired powers to fix the prices of electric wires and cables. Prices of synthetic yarn and rayon tyre cord have been reduced, while tyre manufacturers have been persuaded to reduce the price of truck tyres.

In December 1970, when the prices of raw cotton showed sharp increases, futures trading in kapas was suspended and the period of non-transferable contracts in cotton was reduced from 6 months to 3 months, while non-transferable specific delivery contracts for the sale or purchase of cotton in excess of 1 thousand bales were required to be registered. As a general deflationary measure, in January, 1971, the bank rate was raised from 5 per cent to 6 per cent, while the net liquidity ratio was raised from 33 per cent to 34 per cent. Moreover, the availability of bank credit against oil-seeds, vegetable oils and vanaspati was curtailed.

These measures have resulted in importing a degree of stability to the price level over the past few months.

SHRI ARJUN ARORA : I am sorry to say that this statement reveals next to nothing.

SHRI A. P. JAIN : It is a good statement.

SHRI BHUPISH GUPTA : At least it reveals nothing.

MR. CHAIRMAN : Now, please put your question.

SHRI ARJUN ARORA : The question relates to all-round increase in the prices of articles of domestic consumption. The Minister has in his statement generously given a consolidated table of index numbers of wholesale prices, and somebody in the Ministry has cleverly evaded placing before the House the index number of consumer prices, retail prices. What we are concerned with is the consumer price index and not the whole-sale price index. May I request you that this question be postponed to the next week when the Minister should place on the Table a consolidated statement of consumer Price index because that is what we are concerned with. That is what the question relates to. I hope the Minister will agree and you will please permit it.

SOME HON. MEMBERS : Next week.

SHRI Y. B. CHAVAN : Shri Arora has raised this question many times. When we consider the question of prices he has always said that the consumer price index will have to be taken into consideration.

SHRI ARJUN ARORA : Because I consume a great deal

SHRI Y. B. CHAVAN : I know. I am glad you get enough to consume also. I would suggest to him this. I have not got the figures here at the present moment. I am not sure whether I will be able to get the necessary figures again in a week's time because I am not sure about the availability of those figures from all centres. They also differ from place to place. I am not sure whether they will give us a clear picture on this particular point. But if he puts me another question some time, I will also try to give him that information. Do not put it to the next week. You can put another question. I will try to collect that information.

SHRI ARJUN ARORA : The questioners have very great handicaps now because there is the ballot, and if my question does not come among the first seven or eight, next time I will have no luck. So I again request you to

consider my suggestion. I gave a notice calling attention. That was not admitted.

SHRI BHUPESH GUPTA : Half-an-hour Discussion.

SHRI ARJUN ARORA : I suggest that we may not put supplementaries just now. You may please permit a Half-an-hour Discussion next week.

MR. CHAIRMAN : You write to me and I shall consider.

SHRI ARJUN ARORA : The Finance Minister is agreeable.

MR. CHAIRMAN : The Minister says that he will take time to collect the figures.

SHRI ARJUN ARORA : He is agreeable to a Half-an-hour Discussion. Why don't you agree ?

MR. CHAIRMAN : Mr. Minister, what have you to say ?

SHRI Y. B. CHAVAN : If you can find time, why should I say "no" ? If the House wants it, it is your pleasure.

SHRI ARJUN ARORA : The Finance Ministry is very well organised. They have all the figures. Only they know what to give and what not to give.

SHRI Y. B. CHAVAN : That is a matter of wisdom also.

MR. CHAIRMAN : Please put your question. The question Hour will be over.

SHRI ARJUN ARORA : This is my plight. I came prepared for consumer prices, and today I am supplied with wholesale prices. I am not a trader nor a wholesale dealer. I never plead for them. I am a consumer. I plead for consumers.

SHRI D. THENGARI : So for the very basis of compilation of the index has been the wholesale prices. What we are interested in knowing is whether henceforth in compiling the index number the retail prices instead of wholesale prices will be taken as the basis. The hon. Minister may enlighten us on the

subject whether henceforth retail prices instead of wholesale prices will be accepted as the basis for the compilation of the consumer index number. He can answer that.

✓ **SHRI A. P. JAIN** : The Finance Minister said he is prepared to have a Half-an-hour Discussion.

MR. CHAIRMAN : He has not said that.

SHRI Y. B. CHAVAN : If you can find time in the next week, I am prepared to have it.

MR. CHAIRMAN : If the Government is agreeable, I have no objection. ✓

CIRCULATION OF MONEY

*39. **SHRI RAJENDRA PRATAP SINHA** :

✓ **SHRI KRISHAN KANT** : †

✓ **DR. SALIG RAM** :

✓ **SHRI ARJUN ARORA** :

Will the Minister of **FINANCE** be pleased to state :

(a) what was the amount of money in circulation in the country during the last three years upto December 31, 1970 ; and

(b) what was the percentage of increase in circulation, yearwise, during the above period ?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI VIDYA CHARAN SHUKLA) : (a) and (b) Money supply with the public amounted to Rs. 6,791 crores as on the last Friday of December 1970 as against Rs. 6,036 crores as on the last Friday of December 1969, Rs. 5,389 crores as on the last Friday of December 1968 and Rs. 5,102 crores as on the last Friday of December, 1967. Money supply expanded by 5.6 per cent between end-December, 1967 and end-December, 1968, by 12 per cent between end-December 1968 and end-December 1969, and by 12.5 per cent between end-December 1969 and end-December 1970.

SHRI KRISHAN KANT : May I know from the hon. Minister what was the proposed

†The question was actually asked on the floor of the House by Shri Krishan Kant.

expansion in the Fourth Plan, what was the amount of deficit financing provided for the Fourth Plan and what percentage of that has already been utilised ?

SHRI VIDYA CHARAN SHUKLA : As the hon. Member knows, in the formulation of the Five Year Plans, assumptions are made regarding the order of growth of money supply which could be compatible with price stability. In broad terms, it can be stated that in so far as the money supply is concerned, it increases more or less at the same rate at which the national output expands. And in the Fourth Plan, the assumption that was made was Rs. 850 crores on account of deficit financing. The assumption was that this order of deficit financing would be compatible with the growth of money supply required to match the increase in the national output envisaged during the Fourth Plan.

SHRI KRISHAN KANT : Sir, I asked whether it was compatible with the growth. Secondly, is there any shortfall in investment ? Has it any relationship with the money supply or not ? And if so, how are you going to meet it for the whole period ?

SHRI VIDYA CHARAN SHUKLA : I have indicated that this was the assumption that was made in the Fourth Plan. The Fourth Plan has not yet been gone through fully, and I am not in a position to say whether our assumptions have yet proved right because the review of the Plan and the effects of it on the money supply and price position would be undertaken shortly. And I am sure, with that we will be able to find out exactly whether our assumptions have proved correct or not.

SHRI ARJUN ARORA : May I refer the Minister to the statement that he has laid on the Table today in reply to Starred Question No. 35 ? That reveals how the money supply is increasing.

SHRI VIDYA CHARAN SHUKLA : I have also indicated the reasons.

SHRI ARJUN ARORA : And it is the action of the Reserve Bank because that statement says that borrowing from the Reserve Bank are constantly on the increase. May I know why they do not ask the Reserve Bank to