

The motion was adopted.

MR. DEPUTY CHAIRMAN: We shall now take up clause by clause consideration.

Clauses 2 to 4 were added to the Bill.

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

SARDAH SWARAN SINGH: Sir, I move:

"That the Bill be passed."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be passed."

SHRI JASPAT ROY KAPOOR: Sir, I would like to say that the hon. Minister has been pleased to state that executive orders when necessary and called for will be issued for issuing certificates for the purpose of export. But then under the existing rules on the subject, a certain procedure was prescribed, a form was prescribed, for applying for the certificate. A fee was also prescribed. Would not the Government consider it advisable to prescribe the form, the fee and all that even before an application is received? How can one apply unless one knows what should be the form and all that?

SARDAR SWARAN SINGH: It is a good suggestion, and I will certainly ensure that the people who are applying for certificates are not put to any inconvenience.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill Be passed."

The motion was adopted.

#### **THE RESERVE BANK OF INDIA (AMENDMENT) BILL, 1959**

MR. DEPUTY CHAIRMAN: I have to inform hon. Members that under rule 162(2) of the Rules of Procedure and Conduct of Business in the Rajya

Sabha, the Chairman has allotted one hour and thirty minutes for the consideration and return of the Reserve Bank of India (Amendment) Bill, 1959, including the consideration and passing of amendments, if any, to the said Bill.

SHRI V. PRASAD RAO (Andhra Pradesh): I rise on a point of order, Sir.

MR. DEPUTY CHAIRMAN: What is the point of order?

SHRI V. PRASAD RAO: I refer to Rule 56, Motion after introduction of Bills, and I quote the portion contained in the proviso there:

"Provided that no such motion shall be made until after copies of the Bill have been made available for the use of Members, and that any Member may object to any such motion being made unless copies of the Bill have been so made available for two days before the day on which the motion is made," etc.

Actually, Mr. Deputy Chairman, a copy of this Bill, as passed by Lok Sabha, was circulated to us only this morning. Moreover, in the business for the day actually the next item that is put is the Motion for consideration of the Report of the Commissioner for Scheduled Castes and Scheduled Tribes. So, since a copy of this Bill as passed by Lok Sabha was made available to us only this morning and since this Bill is not so simple and so innocuous as it may appear, I object to its being taken up today.

SHRI BHUPESH GUPTA (West Bengal): I would like to make a point here, Sir. Yes, the Business Advisory Committee perhaps may have discussed it . . .

MR. DEPUTY CHAIRMAN: Everybody was present.

SHRI BHUPESH GUPTA: I do not deny it, but this Bill was circulated only this morning. When such is the case, when do we have the chance to study it? We come here at half past ten in the morning and the House

meets shortly thereafter. If this is to be treated like that, I can understand it. This morning we got it. We came ready for the discussion of the Report of the Commissioner for Scheduled Castes and Scheduled Tribes, because that was the next item on the agenda. Suddenly we are told here "This will not come, but the other one will come," but the other Bill is a complicated one. I do not know how hon. Members could find the time to carefully go through the provisions of that Bill. How can we prepare ourselves when the time is so short? At least we could not prepare ourselves very much for it—it is difficult. Also, Sir, unless it is absolutely essential, such things should not be done. In the other House objection was raised with regard to the Bill as to why enough time was not given for the amendments. In our House we have not had the time even to look at it before we came. You adjourned the House for an hour and a half for lunch. Are we expected to go through it at that time? Therefore I suggest, Sir, that the Report of the Commissioner for Scheduled Castes and Scheduled Tribes should be taken up for consideration, and this is to be deferred till we are in a position to prepare, till at least we have had some chance to prepare for it and to suggest the necessary amendments. This is not so urgent; it can wait a day or two, and we can sit an extra hour if necessary. There is no urgency to get it through. Anyway this should not be done in this manner. You can do it; I know you can give a ruling and that stands. But this is not a right practice. That is what I object to. We should be given a chance at least to read these things properly. Now the Secretary may have advised you that it had been with us for a sufficient time within which to prepare ourselves. At least I could not find the time. I cannot see things ten days ahead. I would have read it to-night. Where can I get the time to read it earlier than that? I have got the proceedings and other things. Even then I cannot make out the points. Now it is not very fair and reasonable to us

if you take up this thing and I say that probably we will not participate in the discussion on this Bill.

MR. DEPUTY CHAIRMAN: Ye\*, Mr. Mulka Govinda Reddy.

SHRI JASPAT ROY KAPOOR (Uttar Pradesh): I have a point of order to raise, Sir.

MR. DEPUTY CHAIRMAN: Let him finish.

SHRI MULKA GOVINDA REDDY (Mysore): I agree with the point of order of my friend, Mr. Prasad Rao., that the Bill is of such an important character that it should be given more consideration, and it is not proper that it should have been brought before us today when it was circulated to us only this morning and when . . .

SHRI JASPAT ROY KAPOOR: The point of order that I want to raise, if allowed, would . . .

MR. DEPUTY CHAIRMAN: Just wait; let him finish.

SHRI JASPAT ROY KAPOOR: According to my point of order these remarks are out of order.

MR. DEPUTY CHAIRMAN: There cannot be a point of order on a point of order

SHRI MULKA GOVINDA REDDY: In the agenda that was circulated for today it is mentioned that the Report of the Commissioner for Scheduled Castes and Scheduled Tribes will be taken up for consideration at this stage. But a surprise has been sprung on us that this Report is not going to be taken up today, and the other Bill, an important measure that involves important considerations, has been brought before us at this stage, and it is unfair that the Rajya Sabha should be treated in this manner. I therefore urge that the Bill should be taken up tomorrow. If necessary one hour or one and a half hours may be allotted and we are prepared to cut down the time for non-official business.

SHRI JASPAT ROY KAPOOR: Sir, my hon. friends seem to be under a misunderstanding that this measure has been thrust upon us by the Government. Obviously it is not. It is the Business Advisory Committee that met this morning and took a decision on the subject. Now even their decision is not necessarily binding on us. Now that decision was communicated to us by the Chair before we rose for lunch. It was open to us then to differ from that decision, that recommendation of the Business Advisory Committee. We not having done that, obviously we were all agreed to this procedure, namely, that this measure should be taken up now. I do not know, Sir, how now it is open to any Member to say that that decision of this very House—of course the decision being to the effect that the recommendation of the Business Advisory Committee should be accepted—that that very decision of this House should now be upset. So we had already decided that we should take up the Bill now. Of course it is another matter if we want to revise our earlier decision.

MR. DEPUTY CHAIRMAN: I shall give the ruling. The Bill as introduced . . .

SHRI V. PRASAD RAO: I have got a further submission to make, Sir. The Business Advisory Committee decides on the allocation of time for different matters, not as to priorities, as to which Bill should be taken up out of turn.

SHRI BHUPESH GUPTA: The point here is this—there should not be any misunderstanding. The Business Advisory Committee gave some advice, which you had communicated. First of all, let us be clear—there was no decision of the House that way. The decision of the House is taken only on a motion. There was no such motion and hence no decision. Now Sir, you can give a ruling—I understand it. You may say that it should be taken up now. Then we would be

in our rights to request you to" reconsider the ruling or the advice that you give on the points we have made. Here we are only asking the Chair to reconsider this directive—that this should be taken up this; afternoon, immediately after this, thing in view of the fact that most of us have not had an opportunity even to look at the Bill. This is my point. Rule 28D says:

"It shall be the function of the Committee to recommend the time that should be allocated for the discussion of the stage or stages of such Government Bills as the Chairman of the Council in consultation with the Leader of the Council may direct for being referred to the Committee."

Rule 28D says what the functions: of the Business Advisory Committee are. Now this is the position. Therefore please do not think that we are asking for the revision of a decision of the House. You may or may not consider our request, but if you want a reasonable discussion—that clause is also there that every Bill should have proper discussion and there should be a fair debate, then you will please concede our request, and if you do it now there will not be any opportunity for a fair debate for the simple reason that we have not had the chance, even the minimum chance, for preparing ourselves for the debate today. This is the position. Now it is for you to consider according to the rules . . .

MR. DEPUTY CHAIRMAN: Dr. Kunzru, you wanted to say something.

SHRI BHUPESH GUPTA: You want to hear the veteran parliamentarian.

MR. DEPUTY CHAIRMAN: Well, tie wanted to say something.

DR. H. N. KUNZRU (Uttar Pradesh): I wanted to speak only on a question of fact. I have sympathy with the point raised by my hon. Mend, but the Chairman said in the Advisory Committee this morning

that the Reserve Bank of India (Amendment) Bill might be taken up before the commencement of the discussion on the Report of the Commissioner for Scheduled Castes and Scheduled Tribes. Some of us asked him why it was necessary to do so. He said Government wanted to have the Bill passed today so that it might come into effect tomorrow. I think he said some thing like that, and the Committee agreed to it. This is the position. This is how priority has come to be given to the Reserve Bank of India (Amendment) Bill over the discussion on the Report of the Commissioner for Scheduled Castes and Scheduled Tribes.

SHRI BHUPESH GUPTA: Sir . . .

MR. DEPUTY CHAIRMAN: That will do.

SHRI BHUPESH GUPTA: No, Sir, a new point has come, that is to say, that the Business Advisory Committee was told that it must be passed today. We would like to know from the Finance Minister if that is the position. Then, Sir, . . .

MR. DEPUTY CHAIRMAN: Order, order; that will do. How many times you want to speak? For the third time you are speaking.

SHRI BHUPESH GUPTA: Some points have been made. Very well, Sir, then what will be your ruling?

MR. DEPUTY CHAIRMAN: I shall give my ruling.

DR. A. N. BOSE (West Bengal): It is a very serious matter that the Government should want this Bill to "be passed today, a Bill which was circulated only this morning.

SHRI BHUPESH GUPTA: We do not take any cognizance of the Bill before it comes to the House.

MR. DEPUTY CHAIRMAN: I will give the ruling. This Bill, as introduced in the Lok Sabha, was distributed day before yesterday. Is it so?

SHRI V. PRASAD RAO: No, Sir. It is a question of fact.

MR. DEPUTY CHAIRMAN: As passed, it has been distributed today, and there has been no amendment in the Bill . . .

SHRI BHUPESH GUPTA: We do not take any cognizance of it.

MR. DEPUTY CHAIRMAN: The Business Advisory Committee decided that priority should be given to this Bill and it was communicated to the House this morning. All the Parties were represented in the Business Advisory Committee and no objection was taken by any Party or any Member of this House when the decision was communicated. There is no point of order. We will proceed with the Bill. One and a half hours' time is allotted for this Bill.

SHRI BHUPESH GUPTA: I make a submission. As a protest against this we do not participate in the discussion.

MR. DEPUTY CHAIRMAN: You cannot protest against the ruling of the Chair.

SHRI BHUPESH GUPTA: We protest against the Government's attitude.

MR. DEPUTY CHAIRMAN: There is no Government attitude involved.

SHRI BHUPESH GUPTA: If I cannot protest against the Chair, at least I can walk out. Sir, I hope it will add to the prestige of Parliament.

*[At this stage Shri Bhupesh Gupta and some Hon. Members left the House.]*

THE MINISTER OF FINANCE (SHRI MORARJI R. DESAI): 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."

The Bill seeks to authorise the Reserve Bank of India to issue

[Shri Morarji Desai] certain denominations of special notes and the Government of India to issue a special one-rupee note, which while having all the characteristics of the corresponding notes now in circulation, will not be legal tender in India. I shall briefly explain the circumstances in which Government have found it necessary to come before Parliament for authorising this.

For many years, Indian currency has been circulating in the Persian Gulf and is treated as legal tender by the authorities in that area. It has been customary for us to provide the necessary currency for circulation in that area and whenever the banks there have returned the notes and wanted foreign exchange, the Reserve Bank has been providing it. So long as these operations arise out of the normal trade and commercial needs of that area, the provision of this facility which is in the economic interests of the area with which we have substantial trading interests is both necessary and legitimate. But this has become a source of abuse and has been made the channel of financing the smuggling of gold and other irregular imports into the country. I might briefly mention in this connection the *modus operandi* of this. Indian currency is illegally smuggled out of this country and used for payment to people who are prepared to sell gold for subsequently being smuggled into the country. The payments thus made pass through various channels to the banks functioning in that area who have nothing to do with these smuggling transactions and who acquire these notes in the ordinary course of banking business. The suppliers of gold thus get sterling from these banks who subsequently return the notes to the Reserve Bank and get sterling in exchange. Thus, in a round-about way we have been financing the smuggling of gold by a depletion of the foreign exchange reserves of the country. This problem has been worrying Government for some time as in recent months the repatriation of Indian currency notes from

the Gulf area has been showing a large increase. Between 1948 and 1956, Indian currency notes of the value of Rs. 117.5 crores were repatriated from the Gulf area, an average of Rs. 13 crores a year. In 1957, the net imports of these notes amounted to Rs. 44.23 crores of which Rs. 32.8 crores were exchanged into sterling. During the first three quarters of 1958, the value of Indian currency notes returned was Rs. 33 crores of which Rs. 27.4 crores were exchanged into sterling. We have no doubt that the bulk of the amount exchanged represents the value of gold and goods smuggled into the country most of which represents gold.

As I mentioned earlier, Indian currency has been circulating in the Gulf area for many decades. It is not our intention to disturb this position but we have obviously to take steps to prevent the drain on our foreign exchange reserves which the existence of this area of circulation has led to. This is because we have no means of distinguishing currency circulating in that area for meeting the normal demands of trade and commerce from other similar notes circulating within the country and irregularly taken out. After carefully considering the problem we came to the conclusion that the only way of safeguarding our position, without creating any inconvenience to the people in that area now using Indian currency and without dislocation to normal trade and commerce, was to replace the notes in circulation with a distinctive type of notes and to limit our obligation to provide sterling only to the notes of the special category. We also thought, that these notes, while they should continue to be the liability of the Reserve Bank and Government in exactly the same way as other notes, should not circulate in India because if they were allowed to circulate, they would be smuggled out of the country for illegal purposes. For this reason, we have decided that these notes should not be legal tender in India, although exchangeable into Indian notes.

I should like to mention briefly the procedure we propose to adopt for replacing the notes. The Reserve Bank have been in consultation with the Bank of England and with the various banks functioning in the Gulf area. We propose to provide free facilities for exchange of the existing notes into new notes at par for a period of six weeks commencing with the 11th of Mdy. After this first exchange is over, further notes will be issued only in replacement of the new notes already issued or against tender of sterling. Once the exchange is over, Indian notes circulating in that area, which have not been exchanged and which may be returned later, will not be paid for in sterling but will be exchanged into Indian currency to be spent in India. Our future liability to redeem the notes in sterling will be limited to the notes issued in exchange in the first operation and to subsequent additional notes which may be issued against the deposit of sterling. In other words, we will not in future be having any liability in respect of Indian notes irregularly taken out of the country but which now return through the banks. We have no precise estimate of the total volume of currency now in circulation but it is estimated at between Rs. 30 to 40 crores. Whatever the figure, the important point is that we straightway limit our present liability to these notes, and that in future we shall incur no further liability because further issues of notes will be only in payment for sterling.

The proposals for the replacement of the notes were arrived at after careful discussion with the Reserve Bank of India who have also been in touch with the Bank of England. The Government of India have also been in touch with the U.K. Government and the rulers of the Gulf area have also been informed of the proposals. I may say that in all quarters there has been an understanding of the need for this step which we propose to take and an appreciation of our desire to do nothing, while safeguard-

ing our legitimate interests, tnaï would in any way dislocate or disturb the normal trade and commer--cial life of the area which depends so much on the free availability of Indian currency. I need not repeat that the new currency which we propose to introduce is in no way inferior to the currency now in use. It will be the liability of the Government of India and the Reserve Bank in exactly the same way as the ordinary currency and the fact that it will not be legal tender in India will not in any way affect this. The special Bank notes will be covered by the assets of the Issue Department exactly like other Bank and currency notes issued by the Reserve Bank. Similarly, one-rupee notes will be the Government of India's liability. The issue of the special notes has only the limited significance of enabling the Reserve Bank to distinguish these notes from notes which are at present irregularly taken out of the country to finance improper transactions like smuggling.

Before I conclude, I should like to mention that we propose to take the power sought for under the Bill to issue special notes for the use of Haj pilgrims. Pilgrims now take out Indian currency for exchange into Saudi Arabian currency during the course of pilgrimage. The notes so exchanged are returned to India and paid for in foreign exchange. We think it necessary to issue special notes for these pilgrims also as otherwise notes smuggled out of the country may be returned through Saudi Arabia instead of through the Persian Gulf as at present. It is only a complementary step designed to prevent the development of an alternative channel of escape.

Sir, I move.

MR. DEPUTY CHAIRMAN: Motion/  
moved:

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

SHRI BABUBHAI M. CHINAI (Bombay): Mr. Deputy Chairman, I wholeheartedly support the Bill which has been moved by the hon'ble the Finance Minister to control the circulation of Indian currency notes outside India. Sir, the Bill has according to me, not come too early; it ought to have come long before. The country cannot afford to allow the ruinous leakage of valuable foreign exchange resulting from gold smuggling. The smuggling of gold was going on. The *modus operandi* was very simple. The Indian currency was taken away by smuggling. Gold was also brought into this country by smuggling and we had to pay in sterling against smuggled currency in Persian Gulf-area and thereby drain our foreign exchange.

Sir, if we look to the figures as to what was the tune of smuggling, it was nearly to the tune of Rs. 25 crores to Rs. 50 crores every year. The extent of the drain on our foreign exchange resources can be gauged from the fact that while the currency legally taken out of India amounted to Rs. 3 crores in 1957 and Rs. 6 crores in 1958, the currency which was actually offered for conversion amounted to Rs. 48-25 crores in 1957 and Rs. 47-50 crores in 1958. This clearly shows that the smuggling of currencies was going on on a very large

scale and thereby we had a big drain on our foreign exchange which we

■ cannot afford. This also brings to the forefront that whatever import policies we have been evolving to save our foreign exchange were upset by this type of smuggling of our currency. Our export incentive schemes suffer-

•ed due to this smuggling. When I say this, I have in mind the export incentive schemes such as those for art

•silk piece goods.

In fact, Sir, I would like to draw the attention of the House to the fact that as far back as 27th August 1958, the Times of India in their article had drawn the attention of the Government to the large-scale smuggling which was going on in Indian currency and I think our attention ought

I to have been drawn at that time. Anyway, it is not too late in the day that the Government has come forward with this scheme and I think that it would help to check, to a large extent, smuggling of Indian currency.

Another point to which I would like to draw the attention of the House is the desirability of utilising hoarded gold, now that we have sealed this currency smuggling. This matter had been under consideration of the Government for the last several months but no workable scheme had been drawn so far as to how the hoarded gold is going to be utilised in this country. We are in very much need of foreign exchange and this gold can very well bring the foreign exchange to us. I personally feel that the Government must evolve a scheme whereby hoarded gold can be utilised for developmental purposes of the country and if a scheme is put through, I think we will be able to utilise, to a great extent, the gold that had been hoarded.

Sir, another point which I would like to point out is that when we are thinking of utilising hoarded gold, we must think in terms of companies, corporations, etc. floating their equity capital. Can gold be tendered against this equity capital? That problem also should be examined by the Government.

Sir, finally I wonder how much illegal currency must be left in the Persian Gulf areas and that has to be converted back into sterling within the period of six weeks' time that the Government has allowed. I think that would be a great strain on the foreign exchange and I would, therefore, request the Government that if it is feasible to shorten this time, they should do it. I am very glad that the Government has taken the opportunity to introduce this Bill and to get it through by this evening so that it can become law in a day or two, so that whatever the good intentions of the Government are, can be imple-

merited and sooner this evil of smuggling of currency is stopped, the better.

With these few words, Sir, I highly commend this Bill for the acceptance of this House.

SHRI ROHIT M. DAVE (Bombay): Mr. Deputy Chairman, the Bill that is before us is in a sense very simple and in a sense very complicated and all the implications of this particular Bill cannot be worked out and cannot be foreseen at the present moment. Normally, Sir, we would have wished that we had more time to analyse the implications of the Bill and to see that we are in a position to assess more fully the various effects which this Bill is likely to have on our economy, on our sterling balances and on our trade relations—I mean with the Gulf areas. At the same time I realise that in a Bill of this type one has to hurry through if the intentions of the smugglers and the machination of those who might be forewarned as a result of the fact that the Bill becomes already known, are to be defeated. There are certain difficulties also in this particular case. I fully realise the difficulties of the Government.

The Bill, as it is before us, has been explained by the Finance Minister as a Bill which tries to do two or three things. Firstly, because of historical reasons our currencies are circulating in the Gulf areas and, if I have understood the Finance Minister correctly, he wants to continue these currencies to circulate and our Issue Department of the Reserve Bank to take upon itself the liability of seeing that the currencies which are legal tender in the Gulf areas are issued by the Department in the same sense in which the currency notes circulating in India are the responsibilities of the Issue Department and that they want to continue this particular arrangement. Secondly, it seems that the Government of India has come to the conclusion that if this particular measure is passed and if special notes are circulating in the Gulf areas, the

11 RSD—5.

notes that are not legal tender in India, it is possible that gold smuggling might be checked. From the press reports it appears that the hon. the Finance Minister realises that this may not exactly be the effect of this particular measure because if a smuggler can smuggle notes out of India, he can also smuggle notes into India and, to that extent, the gold, which will be bought as a result of the currency which will be smuggled out of India, will require some more special arrangements between the buyers and sellers of what I would call the contraband gold and the currencies will be smuggled back into the country; and those who know how to smuggle it out, I think it would not be beyond their powers to smuggle it into the country also. Thirdly, and that seems to be the crux of the whole problem, the Government of India also wants to see that no further foreign exchange liabilities are incurred as a result of this smuggling of gold and the measure, as I have understood it, intends to take steps to see that our foreign exchange liabilities do not increase as a result of this smuggling of gold into this country because, what the measure in effect means is that henceforward, if any gold is brought into the country, two things will happen. Either it will be paid for in Indian currency and that Indian currency will come back to India, again in a smuggled form or it will be paid for by the special currency. In either case . . .

SHRI J. S. BISHT: What will be the use of that Indian currency in the Persian Gulf?

SHRI ROHIT M. DAVE: It will be smuggled back into the country. If you can smuggle it outside, you can smuggle it in also. When they come back into the country, they will exert pressure on our prices as they would have exerted if they were not smuggled out. The only thing that will happen as a result of that is that



[Shri Rohit M. Dave.] as far as the demand for our goods is concerned, that demand in Indian currency will increase as a result, firstly because of the demand of our own people for those goods and secondly the demand of the Persian Gulf area people for our own goods because they can only convert this currency into goods.

SHRI J. S. BISHT (Uttar Pradesh): They smuggle the Indian currency out to the Persian Gulf and they smuggle it back here but how do they get sterling?

SHRI ROHIT M. DAVE: I never said that they will get sterling. I don't know how they smuggle because I am not in that trade. All that I say is, if the first assumption is accepted that the currency notes can be smuggled out, the second assumption logically follows, namely that the currency can be brought back. The Government of India has started on the assumption that as far as the gold smuggling is concerned, those who are selling gold to us from outside are interested in turning it into foreign exchange. It has been told in the note circulated to us that they are very anxious to convert this currency which they get when that currency is smuggled out, into sterling or dollar and we are trying to stop that. As I said, that particular objective will be achieved as a result of this particular measure. It will not be possible for those who have sold gold to turn it either into sterling or into dollars but it will be possible for them by smuggling the currency notes back into this country to buy goods in ' this country because then it will not be possible for anyone to distinguish between the notes which have come as a result of this smuggling from the notes which are already legitimately circulating in the country. The result of that would be that there will be a demand for our goods both from the consumers in our own country and from those who are in the Gulf area. It might mean that

we are exporting those particular goods but we are not really exporting because of the fact that we will not get any foreign exchange for the goods that will be exported as a result of that. Because that will be paid for by the Indian currency. Now if that was not so, then what would have happened is that if the people from the Gulf area would have bought certain goods in India, they would have to pay for it in the foreign currency supposing our currency was not circulating there. Therefore though our liability does not increase, to a certain extent, our foreign exchange resources are likely to be affected, not again because of the fact that this particular currency was circulating in this country and is also circulating in the Gulf area. But supposing, if the original contention of the Government of India that we should undertake the responsibility of supplying the Gulf area with the currency, were not there and if the smuggled gold came as a result of the currency which is going out and again as a result of the currency which is coming in, then the whole question would have only boiled down to the question of the smuggled gold and any goods that we might have to pay as a result of smuggled gold, again assuming that the currency is being smuggled into the country. Therefore, my submission is that the Government of India should consider the question whether it is desirable that we should undertake this responsibility of supplying the Gulf area with the Indian currency.

Again I realize that if suddenly we say that we are not going to supply this currency or undertake this responsibility, perhaps the demand on our foreign exchange may be much greater because as far as this measure is concerned, what is sought to be done is only that our Indian currency will be transformed into special currency and the special currency will go on circulating. To the extent that Indian currency is transformed or changed into special currency,

there will be no immediate demand on our sterling exchange. I realize that and perhaps that is the idea as to why they don't want to immediately abandon this responsibility. But in course of time it will be desirable to free ourselves from this responsibility for two reasons. One is that it should not be the responsibility of our Issue Department to see that the currency is supplied to the Gulf area and second and more important reason is that in course of time the question of parity will arise. As long as Indian currency was freely circulating both in India and in the Gulf area, the question of parity was not there. Now that there will be a special currency which will be circulating in the Gulf area and Indian currency which will be circulating in India and because of the fact that it is only under special circumstances that exchange will take place, after the original change is completed within the weeks which have been mentioned by the hon. Finance Minister, after that, the question of parity will arise because henceforward the Issue Department will be able to put only as much money into circulation in that area as that area is able to supply to the Issue Department with sterling. It will not be in a position to put any more currency into circulation, in that area. Now as far as the Indian currency is concerned, that liability is not there. In India we can expand and contract currency according to our own requirements. Now normally one would expect that the same logic would apply to the Gulf area also and there also the expansion and contraction of those special notes should have relevance, not so much with the sterling available but to the needs of that particular area. Why should we take the responsibility of supplying that area with the needs when we are not in a position to control the trade, industry and income of that particular area? That problem will become on some day serious and therefore we should absolve ourselves as far as possible and as early as possible from the responsibility of supplying this

currency. Thank you.

SHRI MULKA GOVINDA REDDY (Mysore): Mr. Deputy Chairman, while welcoming this Bill, I would like to make some observations. First of all I am not satisfied as to why we should continue to supply currency for this area. This liability should be, as far as possible, done away with at the earliest time. Secondly, I feel that the time that is now being allowed for the exchange of the currency that is now prevalent in the Gulf area for the new currency is too long and I feel that it will give rise to smuggling of the Indian currency to that area and consequently the responsibility for providing foreign exchange in sterling will be much more.

Sir, I would like to take this opportunity to make some observations regarding currency reforms. It would have been better if the Finance Minister had brought forward a Bill for the reform of currency in India. Today, the value of the rupee has gone down and the purchasing power of the rupee has gone down.

AN HON. MEMBER: What has that to do with this Bill?

SHRI MULKA GOVINDA REDDY: I would urge that the purchasing power of the rupee when it is in the hands of the poorer sections should be more, and when in the hands of the richer sections it should be less. This should have been brought about by exchanging the present currency under different slabs with different values. For example, rupees in the hands of the poorer sections should get in exchange an equal amount and rupees or amounts in the hands of the richer people should get lesser amounts. This is the only way to bring down the inflationary prices of articles and to check other inflationary tendencies. This may look strange to some of the hon. Members here. But this sort of currency reform has been

[Shri Mulka Govinda Reddy.] undertaken by some progressive countries and in India such reforms are absolutely necessary if you really mean to see that the poorer sections of the people do get benefit and help.

SHRI SONUSING DHANSING PATIL (Bombay): Mr. Deputy Chairman, while welcoming the provisions of this Bill which is very vital at this juncture when our country's foreign exchange position is very critical, I have, however, to make a few observations.

The Bill seeks to control the circulation of the Reserve Bank of India notes of the Government of India— one rupee notes— without India or outside India. This note that is circulated to us by the Ministry of Finance, Economic Affairs, gives us a clear-cut idea as to how this process will go on. In short, the Bill tries to issue special notes through the Reserve Bank of India, notes of the denominations of 5, 10 and 100 rupees, and one rupee special notes for the Government of India which will be legal tender outside India, not in India. One of the results of this measure will, no doubt, be that it will put a stop to the smuggling of gold. But the fear is anticipated whether this process will also encourage the smuggling of these special notes outside India and again those notes may come back for corresponding payment.

SHRI MORARJI R. DESAI: How?

SHRI N. M. LINGAM (Madras): They are not legal tender in India.

SHRI SONUSING DHANSING PATIL: They are not legal tender in India and so naturally no Indian will like to have them.

SHRI N. M. LINGAM: They will not be in circulation in the country.

SHRI SONUSING DHANSING PATIL: If they are not at all to be in circulation in the country, then

the desired objective will be achieved. But how far their circulation outside India also will be limited is a matter for serious consideration. If the circulation will amount to Rs. 30 or 40 crores and if we stopped at that, then there will be naturally no trade relations encouraged afterwards and the currency will be at a stagnant point.

The other point which I am not able to follow—I am not a student of economics—is that in spite of the large amounts of gold that are smuggled into India, the price of gold is still going up. Why should it go up? What is the particular reason for that? That has not been clarified. It is late in the day and a vigilant department like the Finance Department should have noticed that since 1948 this evil is on the increase and nearly Rs. 150 crores are taken away from our country and to that extent our foreign exchange resources are depleted. In spite of that, why does the price of gold rise? Is it because of any gold hoarding tendency with us, or is it a phenomenon which is usual when this smuggling goes on? If that point is clarified, I think it will give us a clear-cut idea as to how there is an encouragement to smuggling of gold in India even when the prices are going up. When the price goes up, the number of buyers will be less. The common man used to purchase gold formerly when there was a good season and when there was a boom for his products, when there was a good harvest. He then used to buy some gold. But now there is no such tendency in him and even for marriages gold is not available. So, that point is not clear. Of course, there is this smuggling and it is necessary to remove this evil and by that the Government will be saving a lot. But if these points that I have mentioned are cleared up, I think many of the misunderstandings in the country that the Government probably is not able to control the price of gold may be removed. That misunderstanding gives rise to a distant suspicion in the public mind whether the Government is going to maintain

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its own stand in the sense that a rupee will have its present value. Of course, it is far too remote a foreboding. Anyhow, the rise in the price of gold does not ward off or brush aside this suspicion.

With these remarks, Sir, I support this Bill.

SHRI N. M. LINGAM: Mr. Deputy Chairman, there cannot be two opinions about the need for a measure of this kind. As the hon. the Finance Minister has lucidly put it, the sole objective is to see that there is no unnecessary drain on our foreign exchange through this loophole. But then, if I speak a few words now, it is to seek clarification of certain things, although the main purpose of the Bill is clear.

In the note circulated to us by the Finance Ministry, it is said:

"By custom, the Government of India and the Reserve Bank have been providing the currency for this circulation."

It is true that no additional liability is incurred by the issue of the new series of notes. But still it is a fact that there is a liability on the Reserve Bank to the extent of the circulation of the currency in this area. And the Government of India itself does not know the exact quantity or value of the notes in circulation, though it is anticipated that it will be in the neighbourhood of Rs. 30 to Rs. 40 crores. When they announce the exchange for the new series of notes, probably they will get an indication of the actual amount in circulation and it may indicate a larger amount of liability or a smaller one. Anyway, that is a thing which we cannot escape from. But is it only a negative step of preventing this foreign exchange leakage that is aimed at or has the continuance of the supply of currency to this area any larger objective and is it in the larger interests of the country? Larger aspects, of course, we cannot envisage. But at the same time, I do realise

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that we are only regularising the existing position. There is no getting out of it, because our currency is there in circulation and we are only seeing that there is no abuse of that currency. This arrangement in this area is also done in concurrence with the local rulers and the Bank of England which probably operates in most places in this region.

4 P.M.

I am presuming that the rates of exchange are the same as those entered into between the Bank of England and India with regard to the value of the rupee and of the sterling. If it is not so, I think the hon. Minister will kindly explain to us. What will happen if these Sheikhdoms or the local authorities come into the United Arab Republic or some other sovereign power which will have its own currency and its own policy towards what we are doing now? Have Government thought of a contingency like that and how it will affect our own position? I also feel that the six weeks' time given is rather too long for conversion of the notes in circulation into new notes proposed to be issued. If it were in India, probably we would have issued an ordinance but since we have no control over the other people—this is the first occasion when notes are not legal tender here but will be legal tender outside the country—probably Government have taken into account the feasibility of the whole business and has fixed six weeks. That is a matter for expert advice but I do feel that it is rather long.

I feel, Sir, that the measure as far as it goes is sound and is a definite step towards preventing smuggling in gold. We cannot claim that it is foolproof; probably the working of the new measure will show us how exactly we can tackle the problem but as far as it goes, it is the best that we can do in the circumstances. I would only request the hon. Minister to throw more light on some of

L<sup>nn</sup> N. M. J.,ingam.J the points which are not clear to me at any rate.

SHRI J. S. BISHT: Mr. Deputy Chairman, I welcome the Bill. In fact, we welcome any measure that is likely to stop the smuggling of gold into India which is a drain on our foreign exchange resources. There is only one point to which I wish to draw the attention of the hon. Minister. The State from which I come, Uttar Pradesh, right from the Kumaon Hills to Gorakhpur adjoins Nepal which again adjoins Tibet. This law is for purposes of controlling the bank notes in circulation without India. Nepal, of course, is without India. Is this new currency to be issued only for the Persian Gulf or will it also include Nepal? In the trade with Nepal Indian currency is used regularly. This is not the case only with Nepal but Indian currency used to be current even in Tibet. AH the Bhotias of Kumaon numbering about 40,000 or 50,000 carry on a brisk trade with Tibet. They go away in April or May for trade in Tibet and come back with Tibetan goods. All these things are done through our Indian currency. I should like to have this point clarified whether this particular type of notes will be issued on this side also or not.

SHRI MORARJI R. DESAI: Not to Nepal.

SHRI J. S. BISHT: Thank you, Sir, That is all.

SHRI MORARJI R. DESAI: Sir, at the outset, I must say that this is not claimed as a foolproof measure. In any case, nothing is foolproof in this world but we do think, after a good deal of consideration, that this is a measure which is likely to be effective to a substantial degree in decreasing the drain on foreign exchange on account of the smuggling of gold and such other things from that area or other areas where this can be utilised. But, Sir, I do not understand the fears of my hon. friend, Shri Dave,

as regards the smuggling of the Indian currency there and again smuggling it back here. I cannot understand myself how that fear arose in his mind. A simple thing is made more complicated only by imagination. That is what I think. What good will it do if this currency smuggled there cannot be exchanged into sterling? If the gold cannot be paid for and if it cannot be paid to the people from whom gold is bought, then the currency comes back again. What is the advantage? If they have to purchase gold here and they get paid for that, then it is not smuggling and I do not see anything wrong in that. There is no disadvantage in that; I do not think there is any disadvantage in that and that would not be a bad proposition at all.

SHRI ROHIT M. DAVE: Is it the reading of the Government of India that the smuggling of gold takes place only because of the currency being turned into sterling or is it taking place because of the price disparity between the two areas?

SHRI MORARJI R. DESAI: Price disparity is one of the main reasons no doubt and the desire of the people in this country to have more gold. That is true but what is the means of doing it? The means of doing it was this currency. Otherwise, how do they get paid for the smuggled gold? If it cannot be paid for, even if the price disparity is very great, it cannot be smuggled. This is the means which will stabilise this thing and which is likely to stop it. Any gold bought from any country, even in Europe, cannot be paid for by smuggled Indian currency unless that Indian currency can be transferred or can be exchanged for sterling or that foreign currency. All this was gravitating into the Gulf area somehow through the banks and then got paid. That is how the smuggled gold got paid and it is that which we are trying to stop and we hope that we will stop it. Of course, there may be some smuggling still going on but it

will not be of the order which is obtaining today. Smugglers have their own ingenuity, not that they ; have not, and they are famous the ! world over for that. There may be ! some smuggling but that cannot be to I the extent to which it is going on | today. It is not possible to smuggle Indian currency there and then smuggle it back here. That is not possible and that is why we have said that this currency will not be circulated here. It will circulate only in the Persian Gulf area; it will not be valid tender in this country. Therefore, if the special currency is smuggled from that country to this country, it is of no value to India therefore that danger is not to worry anybody.

Then, Sir, a question was raised as | to why we should not cut off this I connection altogether. It is a very '< strange thing that we should make that proposal. I do not understand how it hurts us; on the contrary, it ' gives us an importance and I do not know why any national of the country wants to lose his importance that is given to us by friendly countries not by any pressure or anything but by long connections. They want it, j they like it and if tomorrow they do | not want to have our currency, we ■ cannot tell them, "Have our cur- j rency" but if they do want to have our currency, it is a very strange ! thing that I hear that our own people should say, "No, no. Stop it". I can- i not understand it. If we had wanted, j perhaps we could have taken this step and could have satisfied them that we have had to take this step in order to protect ourselves but that we did not I do. We went on discussing this mat- | ter with the Bank of England, the Sheiks and with the Banks concerned so that we could make this review in an agreed manner and so that we do not lose our importance, the currency does not lose its importance, they do not get upset over the trade and commerce and our connections with them for all these years are not upset. That is why this has been done and I am grateful to those people that they

have agreed to this. That is all that I have got to say but I was surprised that such a suggestion could be made by our own people.

I quite hope, Sir, that this Bill when it comes into effect will help us substantially in stopping the smuggling of gold and such other things which have taken place on a large scale during the recent years.

I would like to clarify one point about the short time given to this hon. House. I can never force or hustle this hon. House into anything. Far be it from me to do so and far be it from Government to do it but this is a matter which had to be kept secret as otherwise it would have involved a lot of further loss. It is said that six weeks is a long period and we should have shortened it. If I could have shortened it to a day, I should have been very happy. That would have solved many things. Here, we have got to deal with people who have been dealing with this currency for such a long time. Suddenly if you say, now we will not exchange it—you give them two days or eight days—and then they have no currency for payment—I do not think that it will be a fair proposition. We had to make it a six weeks period in consultation with the people concerned and we had to take their requirements also into consideration. Even if it has involved a little further loss or a little further smuggling, for a little time I think it is better to bear that loss in order to carry out our obligations which we had undertaken voluntarily. There was no question of any forced obligation in this matter. Therefore, the period has been fixed. But we had to make these arrangements so long without letting anybody know, without letting them know who smuggle our currency. Therefore, we had to keep it a secret. Therefore it is that we have had to bring this measure suddenly. We have to make this arrangement from the 11th, because this is going to come into force from the 11th. We could not presume before legislation is passed by

[Shri Morarji R. Desai.]

both the Houses that we could print the notes and send them out. Otherwise, we could have done that at anytime. But we have to make all arrangements in the meantime. Therefore it was that it was thought necessary that it should be passed here as soon as possible. Tomorrow is non-official day and you are having non-official business. Then comes Saturday. After that the next working day is Monday. The delay is prolonged. It would have created more difficulties and it would have created further loss to this country, if this is prolonged further. Therefore it was that the request was made and the Business Advisory Committee was kind enough to accept that. And the House also was kind enough, when this was conveyed, to accept it. Therefore, I think it is very unfair on the part of my hon. friends opposite, who have chosen to go out, to say that the Government is hustling or Government is trying to do something which is not proper. Far be it from the Government to do this at any time.

SHRI N. M. LINGAM: Sir, may I seek a clarification? What is the rate of exchange at which the Reserve Bank of India is accepting sterling in exchange?

SHRI MORARJI R. DESAI: There will be no difference in the rate.

MH. DEPUTY CHAIRMAN: 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.

MR. DEPUTY CHAIRMAN: We shall now take up clause by clause consideration of the Bill. There are *no* amendments.

Clause 2 was added to the Bill.

Clause 1, the Enacting formula and the title were added to the Bill.

SHRI MORARJI R. DESAI: Sir, I beg to move:

"That the Bill be returned."

MR. DEPUTY CHAIRMAN: Motion moved:

"That the Bill be returned."

SHRI ROHIT M. DAVE: Sir, I would like to say a few words regarding the remark of the hon. Finance Minister that he was surprised that a suggestion, came from an Indian that Indian currency should not circulate outside India. In the first place, I would like to make it clear that Indian currency is circulating in the Gulf area because of historical reasons and I am not very proud of that period of our history which has supplied these particular reasons. Secondly, I was not suggesting this just in order to make a debating point. As I have said, my fears are that the Issue Department of the Reserve Bank of India is likely to be burdened with a responsibility which under normal circumstances it should not undertake. It is all right for us to say that as far as the Issue Department is concerned, its liability regarding our own currency and regarding the special currency which will now circulate in the Gulf area will be the same. But that exactly is the point which we will have to consider one day or the other. Now, the currency which will be circulating in the Gulf area will not be legal tender in India and, therefore, normally there will not be any movement of the special currency in India and the Indian currency in the Gulf area, excepting, as I said, for clandestine purposes. The question of parity will come one day or the other. We had Is. 6d. for a long time between the Indian rupee and the Pakistan rupee. I do not know if the Burmese rupee also had the same parity. Then, also, the question of parity of the Indian rupee with Pakistan rupee had become a serious question with us. Now, we undertake the responsibility of issuing this currency in the Gulf area. Shall we not have to take also

into consideration this particular responsibility of supplying enough currency in order to maintain the prices in the Gulf area? Secondly, . . .

DR. H. N. KUNZRU (Uttar Pradesh): How will that responsibility fall on the Government of India?

SHRI ROHIT M. DAVE: For the simple reason that the Government of India's currency is circulating in that area. Just as the Reserve Bank currency is circulating in India, and therefore the Reserve Bank's Issue Department has to apply its mind week after week to find out how much currency will be there and look to the price structure of our currency, what I am suggesting is, will there not be pressure from the Government of the Gulf area that there shall be enough currency circulating?

SHRI MORARJI R. DESAI: May I say that they will have to give sterling for it and then it will be given to them?

SHRI ROHIT M. DAVE: That is the whole point. Are we getting sterling for expansion of Indian currency? We are expanding Indian currency because of the requirements of our own economy. If our economy demands that the currency should be expanded, we are expanding the currency. When we find that our economy demands that the currency should be contracted, we are contracting that currency. So, the problem of sterling does not arise. But the Government of India has stipulated that as far as the expansion of the currency in the Gulf area is concerned, the Gulf area will have to find out enough sterling exchange in order that expansion can take place. If the Gulf area is not in a position to find that sterling, then there will not be currency expansion in that area. Therefore, whether we like it or not, I am happy that in a short time our currency will not circulate in that area at all. Either they will take on to sterling or they will have some other currency which they will issue under their own authority, because no area . . .

SHRI MORARJI R. DESAI: Is that your suggestion to them?

SHRI ROHIT M. DAVE: I am not suggesting anything to them. All that I was suggesting is that as far as our Issue Department is concerned, I will be happy if it is absolved of the responsibility as early as possible, because no area in the world today can have cent per cent backing of the sterling for the expansion of their own currency.

SHRI MORARJI R. DESAI: Sir, I have nothing much to say except that this special currency, these special notes, will not be valid here. They can be exchanged for Indian notes for use here. Therefore, they do not lose their value in any way. Therefore, all these fears are unfounded. Of course, if at any time the Persian Gulf authorities do not want our currency, there is no question of our telling them, "Have this currency". But as long as they want it—whatever may be the historical connection or reason for it—I do not see why we should be worried about it today. Today it is a voluntary association and a voluntary requirement, and we ought to be glad and we ought to be proud of that fact that they trust us and they have a value for this currency. I think we ought to be happy about it, not worried about it on account of the fears about the future or on account of future events arising which we need not also put into the minds of the people.

PANDIT S. S. N. TANKHA (Uttar Pradesh): May I ask him a question? The hon. Minister just stated that it will be possible for a man possessing the new notes to exchange them in India.

SHRI MORARJI R. DESAI: Not with private banks, with the Reserve Bank.

PANDIT S. S. N. TANKHA: Yes, with the Reserve Bank.

Then, how will it stop the smuggling of gold as is desired by the Finance Minister? Suppose a person brings gold from the Persian Gulf area



[Pandit S. S. N. Tankha.] and takes Indian money and later wants to get that exchanged into the new Persian Gulf money, the new coins or new notes, will that be allowed? How then will you prevent smuggling?

SHRI MORARJI R. DESAI: We do not give any sterling for it.

PANDIT S. S. N. TANKHA: Not sterling.

SHRI MORARJI R. DESAI: Then the whole thing is ended.

PANDIT S. S. N. TANKHA: What my difficulty is that I cannot realise . . .

SHRI MORARJI R. DESAI: I will explain it to him if he comes to me.

MR. DEPUTY CHAIRMAN: The question is:

"That the Bill be returned."

The motion was adopted.

#### REPORT OF THE COMMISSIONER FOR SCHEDULED CASTES AND SCHEDULED TRIBES FOR THE YEAR 1957-58

THE DEPUTY MINISTER OF HOME  
AFFAIRS (SHRIMATI VIOLET ALVA): | Mr.  
Deputy Chairman, Sir, I move: i

"That the Report of the Commissioner for Scheduled Castes and Scheduled Tribes for the year 1957-58, laid on the Table of the Rajya Sabha on the 9th December, 1958, be taken into consideration."

This is the seventh Report of the Commissioner for Scheduled Castes and Scheduled Tribes. It deals with almost the same subjects, the same plans and schemes. But it states—and clearly states—that the tempo of the work and expansion, both, has increased. Sir, the subject comes once a year before this House. The problem is vast; the problem is as vast as human life and therefore it touches us and the society and the country and the Governmental agencies in their

planning at all points, be it social, economic, religious or political. Therefore, I shall touch only some of the points so that hon. Members may have more time to give their valued suggestions and as usual lay the sins of omission and commission at our doors.

As I have always been saying, we have tried our utmost to do whatever we can from the Governmental side. We have laid it down as a policy—a flexible policy—where we are open to suggestions, we are open to concrete and constructive suggestions. If they come from the hon. Members, we change our plans, our ceilings, and we shift the areas from one to the other if by that way we could bring a better degree of amelioration and welfare to these people.

Sir, we are in the field of Human Rights and there will be some hon. Members who will strike a note of pessimism. But I do not think one could do so, because if consciousness is to be taken to these people, we have done it very well. If it is money that matters, then we have indeed laid aside Rs. 91 crores in the Second Five Year Plan as against Rs. 39 crores in the First Five Year Plan. There will of course be loopholes; there will be wastage here and there and there will be other kinds of lags and deficiencies to which we are not completely blind. It is no use telling you that the picture has been rosy all along. It is not so. But, by and large, things are improving, conditions are improving, for the Scheduled Castes and the Scheduled Tribes. For the Scheduled Tribes a little more has to be done than for the Scheduled Castes and a little more still has to be done for the De-Notified Tribes where boys and girls are coming up only by ones and twos and where maybe that further relaxations for their education and employment have to be made. Prof. Wadia is not here just now, but he discussed with me that the De-Notified Tribes should have a better deal and relaxations as far as their education, scholarships and recruitment go. We are alive to that issue, and certainly all these suggestions will be very carefully examined.