

COUNCIL OF STATES

Wednesday, 26th November 1952

The Council met at a quarter to eleven of the clock, MR. CHAIRMAN in the Chair.

ORAL ANSWERS TO QUESTIONS

STERLING BALANCES

*39. DIWAN CHAMAN LALL : Will the Minister for FINANCE be pleased to state the reasons for the disparity in the figures for 1950-51 and 1951-52 relating to the balance of trade position relative to exports and imports for these respective years and the source from which the deficit for 1951-52 has been covered

THE DEPUTY MINISTER FOR FINANCE (SHRI M. C. SHAH) : The disparity between the balance of trade for 1950-51 and 1951-52 is mainly attributable to larger payments for increased imports at higher prices. The 1951-52 (exchange year) trade deficit was met partly by *net* invisible receipts, partly by drawing on the Reserve Bank's foreign assets and partly from the U. S. Food Loan and the loan from the International Bank for Reconstruction and Development.

STERLING BALANCES

*40. DIWAN CHAMAN LALL : Will the Minister for FINANCE be pleased to state :

(a) the present position in regard to Sterling Balances ; and

(b) the quantum, if any, earmarked as backing for our currency ?

THE DEPUTY MINISTER FOR FINANCE (SHRI M. C. SHAH) : (a) On the 14th of November 1952, India's Sterling Balances amounted to Rs. 694.6 crores.

(b) An amount of Rs. 413.3 crores approximately has been earmarked as backing for our currency.

SHRI B. GUPTA : Is it unavoidable that we should have any currency reserve in England ?

MR. CHAIRMAN : That is a matter of opinion.

SHRI M. C. SHAH : Section 33(2) of the Reserve Bank Act says that we should have two-fifths in gold coin or bullion for foreign currency.

SHRI KISHEN CHAND : What is the interest that we earn on this sterling balance ?

SHRI M. C. SHAH : From January to June 1952 the average interest that we have earned comes to 1.69 per cent.

PROF. G. RANGA : Are Government considering the possibility of having currency backing in other currencies also ?

SHRI M. C. SHAH : Yes, we have got gold and bullion.

PROF. G. RANGA : No, apart from gold and bullion, I was asking whether we should not have currency backing in other currencies also, in dollars and other currencies ?

SHRI M. C. SHAH : I don't know that.

PROF. G. RANGA : Why is it, Sir in spite of the fact that it is now six years since we became free, Government have not thought it fit to arrange for currency backing in other currencies also, instead of depending entirely on sterling whose value is not very stable or dependable ?

SHRI M. C. SHAH : The sterling backing is only to the extent of 413 crores out of the total of 1,112 crores currency.

TREASURY BILLS

*41. DIWAN CHAMAN LALL : Will the Minister for FINANCE be pleased to state :

(a) the reason why the offer of sale of short-term treasury bills was withheld for nearly three years ; and