

came on a private visit. They were not invited by our Government. They met various people but it was not a meeting between the Government of India and the insurance companies.

[Translation]

SHRI DAU DAYAL JOSHI: Mr. Speaker, Sir, the comprehensive reply of the hon. Minister does not seem to clarify our doubts. I would like to ask the hon. Minister that many foreign companies have sent proposals, delegations etc. to him. From which foreign countries has he received informal proposals? In his reply, he talked of competition which means that he is going to do away with nationalisation. It may be clarified whether he wants to have a competition by inviting foreign insurance companies or by encouraging other agencies in India itself?

[English]

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, regarding insurance there are several countries who have expressed interest in coming to the Indian market. But we have not entered into negotiations with anybody. Some of them have commented on various recommendations of the Malhotra Committee but the Government — as I have emphasised — has not entered into any negotiation with any of these foreign companies.

As far as the question of future set up of this industry is concerned, as of now, this industry is entirely in the nationalised set up. But one has to recognize that there is still a lot of scope for improvement.

I would like this House to think about this particular suggestions that there is need for more competition. This competition does not, necessarily, have to be on the basis of foreign companies. There are several modalities open. Government has not taken a final view in this matter.

[Translation]

SHRI DATTA MAGHE: Mr. Speaker, Sir, I would like to ask the hon. Minister that there has been a lot of expansion in Life Insurance business and you have stated that eight crore people are related to this insurance company. There exist some consultative committees in other departments like the Railway department etc. comprising of peoples' representatives but there is no consultative committee in this sector either at the divisional level, zonal level or the Central level. I have worked in LIC for 10-15 years and I am aware that even today, policy holders face a lot of difficulties. A consultative or advisory committee should be constituted for insurance sector comprising of representatives from Lok Sabha or Rajya Sabha. Are you going to constitute these committees of such people as are familiar with the working of this sector? These companies have a turnover of crores of rupees but due to the fact that the whole business is being run by the bureaucrats no ordinary person can have an access to them. So, are you going to take the peoples' representatives in this committee?

[English]

MR. SPEAKER: Does it arise out of this question?

SHRI MANMOHAN SINGH: Mr. Speaker Sir, what the hon. Member has stated does not have any direct bearing on the main question. However, I take note of his suggestion.

[Translation]

SHRI RAJVEER SINGH: Mr. Speaker, Sir, there is a discussion on the entry of foreign companies in the insurance business. I would like to ask a specific question that in rural areas the farmers insure their cattle but the company's services are so poor that in case of death of the animal, the poor farmer has to go from one office to another with the insurance policy. In this connection, we have many a times written letters to the hon. Finance Minister. I am coming to my question. In view of such a pitiable condition of these insurance companies and their poor services, it seems that the Government is writtily bent upon eroding the efficiency of the country's insurance companies to pave way for the entry of foreign companies. Is it a fact?

[English]

SHRI MANMOHAN SINGH: Sir, with all respect, I would like to say that there is no basis for the presumption that the Government is not interested in improving the efficiency of the Life Insurance Corporation of India or of the General Insurance Corporation of India. It is certainly true that in rural areas, there are problems regarding the expansion of services both of the General Insurance Corporation and the Life Insurance Corporation. In the Budget that I have presented in this august House only a few days ago, I have made provisions for expanding the Group Life Insurance in rural areas.

With regard to the various schemes of the General Insurance Corporation, if the hon. Member brings any specific instances to my notice, I will have them looked into.

#### + External Debt

162. SHRI M.V.V.S. MURTHY:

PROF. UMMAREDDAY VENKATESWARLU:

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government have worked out the detailed projections regarding the declining trend in the external debt of the country;

(b) if so, the details thereof including India's total outstanding external debt as on date;

(c) the extent to which the outstanding external debt is likely to remain at a lower level both in absolute terms and as a percentage of GDP by 2000 AD; and

(d) the steps taken by the Government to reduce the burden of external debt?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKHARA MURTHY):  
(a) to (d). A *Statement* is laid on the Table of the House.

#### Statement

(a) and (b). Even though there has been an increase in the total external debt up to 1993-94, the rate of

increase of the debt has been declining. The total external debt was US \$83.9 billion, US\$ 85.3 billion, US\$ 89.9 billion and US \$ 90.7 billion as on 31st March of 1991, 1992, 1993 and 1994 respectively. These figures indicate that while the total debt of the country increased by US\$ 8.06 billion during 1990-91, the increase was only US\$ 1.38 billion in 1991-92, US\$ 4.65 billion in 1992-93 and US\$ 0.74 billion in 1993-94. During the six month period of 1st April to 30th September 1994, the total external debt actually declined from US\$ 90.7 billion to US\$ 90.4 billion.

(c) Government is conscious about the country's external debt liability and keeps a constant watch on the level of country's indebtedness and likely burden of debt servicing. Permission to contract foreign loans is given to ensure that total new commitment stay within prudent limits keeping in view the objective that the debt servicing liability of the country should not exceed the capacity of the economy to service such loans. Even though, it is not possible to estimate precisely the external debt burden in absolute terms and as a percentage of GDP by 2000 AD, Government policy is geared toward moving to non-debt creating capital inflows and thereby further reduce the total debt stock. The increase/decrease in external debt and growth of GDP would depend on a number of factors in both the current and capital account of our balance of payment including the growth of exports, foreign exchange earning, fresh debt to be incurred, debt servicing to be made etc.

(d) The Government has already taken a number of steps to bring about improvements in revenue receipts, to eliminate inessential and low priority expenditure, to boost exports, to increase invisible earnings, to ensure efficient import substitution, to increase non-debt creating inflow of foreign funds, and to reduce dependence on borrowed funds for financing expenditure.

[English]

SHRI M.V. CHANDRASHEKHARA MURTHY: With your permission, I submit that there is a slight correction in the statement. In line 4 of the statement, the figure '83.5 billion US dollars' may be read as '85.3 billion US dollars'.

PROF. UMMAREDDY VENKATESWARLU: Mr. Speaker Sir, the debt position of the country is very alarming. As can be seen from the statement that has been laid on the Table by the hon. Minister, external debt has been increasing constantly. Whether it be at a slow pace or a higher pace, the volume of debt, in absolute terms, has been increasing. Looking at the trends, there is a possibility that by March, 1995, it is likely to go up to 97 or 98 billion US dollars.

During 1995 itself it may even cross the level of US \$ 100 billion.

Sir, though it has been claimed that only 0.74 billion dollars has been increased over 1994-95, yet the internal debt has tremendously increased during these years. The internal debt during 1990-91 was only Rs. 1,54,004 crore which has shot up to Rs. 2,77,561 crore by 1994-95. So, both put together it has gone beyond Rupees five lakh crore and it is nearing even Rupees six lakh crore.

Sir, I would like to know from the hon. Minister as to what would be the debt servicing charges and its percentage to the total revenue receipts; and how the country is going to face the challenge of keeping the debt servicing charges below the fiscal deficit. This is part I of my question.

Sir, part II of my supplementary is...

MR. SPEAKER: Part I itself is quite big!

PROF. UMMAREDDY VENKATESWARLU: Sir, the question is very specific.

MR. SPEAKER: That is why, let it be replied.

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): Mr. Speaker, Sir, all the items from (a) to (d) deal with the question of external debt. If the hon. Member wants to know about internal debt, I need a separate notice to answer that question.

With regard to the external debt, I would like to point out to this House that our Government has taken credible measures to slow down the increase in debt. On 31st March, 1991, the total external debt of this country was about 84 billion dollars. In these four years the debt has increased to about 90 billion dollars. When you compare this with the improvement in our reserves—from one billion dollar we have added to India's reserves to over 20 billion dollars—if you make allowance for both of these factors, I think, any impartial observer of the Indian economic scene would have to conclude that this Government has taken effective measures to reduce the burden of indebtedness as has never happened in the last 20—30 years.

PROF. UMMAREDDY VENKATESWARLU: Sir, my second supplementary is, the overseas rate of interest has also gone up very high. During 1989-90, the rate of interest on the external debt was hardly 9.7 per cent. Now it has gone up to 13 per cent. So, there is a tremendous increase. The tendency is that the borrowings cover the fiscal deficit. But in the coming year it fell short because of the interest payment on outstanding public debt of the Central Government.

Sir normally some of these countries are negotiating with the external funding agencies to reduce the rate of interest and also the total burden of the debt. I would like to know whether this Government has made any attempt to negotiate with such funding agencies with regard to the reduction in the rate of interest and also reducing the debt burden.

Sir, another small part of my supplementary is, besides the Union Government, public sector agencies like ICICI, IDBI, IFCI and other agencies have also been approaching the foreign agencies and they have been getting the loan. I would like to know whether there is any monitoring system to exercise the powers of the Union Government to keep that debt level also at a check so that it is maintained at a particular level as otherwise the total debt burden of this country—whether it is on the Government or on other agencies—is going to be very high.

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, there is no single rate of interest on external loan. It varies depending upon which source we borrow. When we borrow

from the World Bank, it has one set of rates and other multilateral agencies have different sets of rates. When we borrow from other Governments they have different rates of interest. I cannot say that we are borrowing at nine percent. The average rate of interest, I think, in effect will be much lower. When we compare ourselves with the other developing countries, we are in that fortunate position that nearly 47-50 per cent of our debt is medium and long term debt. Our short term debt, which is a source of instability for any Government, was over 10.3 per cent when we came into Office. Today, it is no more than three per cent. So, that element of instability is not there.

The hon. Member has asked, what is being done to monitor the external debt. The Government of India monitors the debt profile very regularly and the total debt of India that I have mentioned includes debt raised by ICICI and other financial institutions. This is kept under continuous review. We have well defined internal guidelines as to how much debt we will allow to increase. The country can rest assure that we have been vigilant and we will remain vigilant on this score.

SHRI SANDIPAN BHAGWAN THORAT: Mr. Speaker, Sir, through you I would like to know from the hon. Minister whether any portion of the external debt has been demarcated for the welfare of the Scheduled Castes and Scheduled Tribes of the country.

MR. SPEAKER: This question does not arise out of the main question.

SHRI SANDIPAN BHAGWAN THORAT: Mr. Speaker, Sir, I would specifically like to know whether NHFDC has approached the Government for raising the debt.

MR. SPEAKER: Let us have some relevance to the question.

Please take your seat. I am disallowing it.

SHRI CHETAN P.S. CHAUHAN: It is a fact that external debts are rising to alarming proportion. The external debt which used to be just about Rs. 10,000-20,000 crore in the Eighties, has shot up to 19.7 US billion dollars. Sir, through you I would like to ask from the Hon. Minister whether, keeping in view the way our external debt is increasing, he is thinking of having any limit; if so, whether this increase is within the limit and it will not create problem for us. Has he kept anything in mind as to whether this will be related to the foreign reserves that we have? The Hon. Minister is boasting about 23 billion dollar reserves. Out of these 23 billion dollar reserves also, a large portion of the money is not permanent because that is either the borrowed money or it belongs to NRIs which can go at any time from the country. So, is he considering any kind of proportion to the foreign reserve and the external debt and will there be any kind of control so that this does not increase to unlimited position?

SHRI MANMOHAN SINGH: Mr. Speaker, Sir, I would like to clarify that when I mentioned the figure of external debt that included the debt that we owe to the Non-Resident Indians. The deposits that they hold in our banks are included in India's external debt.

The second thing that I do want to say is that our

Government seeks to moderate the growth of debt. I cannot say that the debt will not grow because when the economy is expanding, when our exports are expanding almost everything will grow. The proper comparison would be what would happen to the debt as a proportion of our GDP. What is happening to our debt-service ratio? In all these areas, there is a distinct improvement. For example, in 1991-92 the total external debt of India was equal to 41 per cent of India's Gross Domestic Product. In 1992-93, we brought it down to 40 per cent. In 1993-94 we brought it down to 36 per cent. Similarly, there has been improvement with regard to the debt-service ratio. We are gradually bringing it down. I have no magic formula to bring down the debt drastically. In the long run this country can reduce its debt only if it has a strong export surplus.

Today we are in a better situation than we were four-five years ago. In the Eighties, only about 60 per cent of our imports were being covered by our export earnings and 40 per cent of our imports were being covered by borrowings of one type or another. Today 90 per cent of our imports are being covered by our exports. To that extent we have reduced the need for foreign borrowings. India's exports should grow fast so that in due course of time we will have an export surplus. That is the only way in which we will be able to repay our debt.

SHRI E. AHAMED: Mr. Speaker, Sir our foreign debt is now to the tune of 90.4 billion US dollars. In view of this, I would like to know from the hon., Minister whether he has any specific proposals to gear up to moving towards non-debt creating capital inflows by 2000 AD.

MR. SPEAKER: I think that question has already been replied to!

SHRI MANMOHAN SINGH: Our effort is to see that as far as possible growth of debt is moderated. That is why we have encouraged direct foreign investment which is not as much risky as debt. Therefore, in the last three-four years we have liberalised the regime for foreign direct investment that would enable us to increase the proportion of non-debt creating inflows as against the debt type of inflows.

[Translation]

SHRI MOHAN SINGH (DEORIA): Mr. Speaker, Sir, the hon. Minister admitted during his reply that there was an external debt burden of \$84 billions on India in 1991. According to my information, there was a two time devaluation of Indian rupee in comparison to the US dollar during that year. In his terminology, there was a readjustment in July. I would like to know from the hon. Minister that according to readjustment of Indian currency in June, July of 1991 in comparison to foreign currency, without availing any debt, how much was our foreign debt in Indian currency and how much it increased as a result of readjustment? Secondly, we take loans from the financial institutions and the Governments. I would like to know whether the Government of India makes an assessment of the loans taken from the financing agencies and that taken from the Governments? What is the ratio of the two? With

this, I would like to know the efforts being made to minimise this debt. According to my information, a large amount of loan is taken by the State Governments and other agencies functioning in India on the guarantee of the Government of India but after taking loans, they do not accomplish the stipulated work. I would like to know whether you have compiled any figures showing the percentage of the foreign loan utilised in India and that left unutilised.

English

MR. SPEAKER: Lot of statistics have to be given.

SHRI MANMOHAN SINGH: Sir, the figures that I have given are for debt outstanding and debt disbursed. So, these are the figures of the amount outstanding and the amount which has been disbursed. Coming to the second part of the hon. Member's question, Sir, I deliberately avoided giving figures in Indian rupees as I would have been accused of comparing the likes with the unlikes because exchange rate has changed. But, for the information of the House, I can give the end period figures of external debt in terms of thousands of crores of rupees. The figure in 1990-91 was 163.31, in 1991-92 it was 253.03, in 1992-93 it was 280.63, in 1993-94 it was 284.20 and by the end of September 1994, it was 278.90.

[Translation]

SHRI MOHAN SINGH: That means it doubled.

#### Modernisation of NTC mills.

\*163. SHRI INDRAJIT GUPTA

SHRI TARIT BARAN TOPDAR:

Will the Minister of TEXTILES be pleased to state:

(a) whether Rs. 2005 crore project for modernisation of NTC mills is still pending with the Union Government for approval;

(b) if so, the details thereof and the reasons for delay in giving clearance to the project; and

(c) the time by which this modernisation project is likely to be implemented?

THE MINISTER OF TEXTILES (SHRI G. VENKAT SWAMY):

(a) to (c) A : Statement laid on the Table of the House.

#### STATEMENT

(a) to (c) The Textile Research Associations had prepared a plan for modernisation of 79 mills at an investment of Rs. 2005.72 crores. The modernisation plan inter-alia envisages restructuring of 36 unviable mills into 18 viable mills. The Labour Ministry's Special Tripartite Committee on the NTC had recommended that the NTC mills as well as its taken over mills can be made viable by modernisation as proposed by the Textile Research Association.

A Turn Around Plan for the NTC is under consideration in the Government. Since the cases of 8 subsidiaries of NTC stand referred to the BIFR, any scheme that may finally emerge would also require the concurrence of the BIFR before implementation.

[English]

SHRI INDRAJIT GUPTA: Sir, the Statement which the hon. Minister had laid does not make it at all clear as to how long it will take to complete the consideration of this modernisation plan. In the Statement it is said that:

"Since the cases of 8 subsidiaries of NTC stand referred to the BIFR, any scheme that may finally emerge would also require the concurrence of the BIFR before implementation."

But I want in this particular case of textile mills — some of them may be supposed to be sick and all that — are referred to the BIFR but in spite of that, it was decided by the Government in agreement with the Trade Unions that this modernisation would cover 79 mills and the investment and all that had been calculated. So, does this overall plan of modernisation not cover any of these 79 mills and overrule the question of any particular small or a few mills out of these 79 being under consideration of the BIFR? That can wait until this is carried out. It is because modernisation is the part of the plan for revival of these mills.

[Translation]

SHRI G. VENKAT SWAMY: As far the modernisation of 120 NTC mills, the hon. Members know it very well that all textile mills are operating with obsolete machinery. The Government has taken keen interest in this regard. It referred its modernisation plan to the Textiles Research Association for consideration. But later on so many legal issues got involved in it. They also are to be taken into consideration.

SHRI INDRAJIT GUPTA: What are the legal problems?

SHRI SAIFUDDIN CHOUDHURY: They are doing all illegal work. None of their work is legal.

SHRI G. VENKAT SWAMY: Mr. Speaker, Sir, would the hon. Member give me an opportunity to speak here. Out of 105 mills, there are 15 taken-over mills in which legal problems have cropped up. Those who were nationalised earlier do not have any legal problem. But both kinds of mills the nationalised and the taken-over mills can be combined and then modernised. That is why it is getting delayed. The BIFR has prescribed 11th April as the last date. We are endeavouring for modernisation as per the recommendations made by the Textiles Research Association and we will take decision before the 11th April and continue our modernisation programme.

SHRI INDRAJIT GUPTA: 15 mills have already been nationalised. It was proposed to merge the 18 sick mills with other healthy mills. I do not know the developments in this regard. The hon. Minister should throw light on it. A news item had appeared in last February.

[English]

"The package should be supplied, the Government feels, only to mills which could be nursed back to health."

[Translation]

It means they will first be nursed back to health and thereafter it will be seen whether the package is supplied or not.