

MR. DEPUTY SPEAKER: He has given answer. It may not be up to your satisfaction.

SHRI RAMAKRISHNA HEGDE: Sir, I have already said that investigation has been conducted and anti-dumping authority have made recommendations to the Finance Ministry.

MR. DEPUTY SPEAKER: You have already said it. That is what I was telling him.

SHRI RAMAKRISHNA HEGDE: They have recommended 30 per cent duty. The Finance Ministry has to take a decision. It is under its consideration.

[Translation]

SHRI RAJO SINGH: Mr. Deputy Speaker, Sir, I am constrained to regret on the reply which the Government have given. They have said that sub-standard newsprint is produced in the country that is why we have to import it. I would like to know from the Government the names of the countries from where the newsprint is imported and the price thereof and the names of the mills which produce sub-standard paper and what is the plan of the Government to revamp these mills and increase the production.

SHRI RAMAKRISHNA HEGDE: Mr. Deputy Speaker, Sir, I have not said that the newsprint produced in the country is sub-standard but its quality is little lower than the imported paper, its quality is not so good. The owners of the industry would themselves try to improve it.

We import the newsprint from Canada, America, Sweden and two three other nations. The Government do not import it. It is imported by the actual users and we charge 5 percent customs duty on it.

SHRI VIJAY GOEL: Mr. Deputy Speaker, Sir, it is a very serious issue and our industry is in danger. I am related to this industry and I would like to say that some other paper is being imported in the name of newsprint. I would appreciate a short reply from the Hon. Minister whether he knows about it or not. I myself own a business of paper, that is why I want an answer to this question...*(Interruptions)*

[English]

External/Domestic Debt

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*62. DR. ASIM BALA:
DR. SAROJA V.:

Will the Minister of FINANCE be pleased to state:

(a) whether the external/domestic debt of the country has increased abnormally;

(b) if so, the reasons therefor;

(c) the total amount of external/domestic debt outstanding, as on the date, country-wise and institution-wise, separately;

(d) the comparative figures of the external/domestic debt, as on December, 31,1990, December, 31,1995 and December, 31,1998, separately;

(e) the amount paid in the form of principal and interest to the external/domestic creditors during each of the last three years; and

(f) the plan of the Government to repay the debt and to avoid burden of more debt?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) to (f) A statement is laid on the Table of the House.

Statement

(a) and (b) The external debt of India, in absolute terms, increased from US\$ 83.80 billion at end-March 1991 to US\$ 95.20 billion at end-September 1998. There has been no abnormal increase in the external debt stock of the country. On the contrary external debt indicators such as debt-GDP and debt service to current receipts ratios have declined considerably.

The Government of India's domestic debt and other internal liabilities, in absolute terms, were Rs. 2,83,032 crores at end-March, 1991. According to Budget Estimates (B.E.) 1998-99, it is estimated at Rs. 8,10,912 crores at end-March 1999. The increase in Government of India's debt is due to recurring fiscal deficits which represent

the gap between total expenditure (net of repayments) and non-debt receipts, and which in turn lead to additional borrowings.

(c) The creditor category-wise classification of external debt at end-September 1998 is as under:

| Creditor Category | External Debt Outstanding (US\$ million) |
|----------------------------|--|
| 1. Multilateral | 29827 |
| 2. Bilateral | 17229 |
| 3. IMF | 480 |
| 4. Export Credit | 6970 |
| 5. Commercial Borrowings | 21091 |
| 6. NRI & FC (B&O) Deposits | 11701 |
| 7. Rupee Debt | 4366 |
| Long Term Debt (1 to 7) | 91684 |
| 8. Short-term Debt | 3531 |
| Total External Debt | 95195 |

The composition of Government of India's outstanding domestic debt and other internal liabilities at the end of March, 1999 (B.E.) is as under:

| Instruments | Domestic Debt Outstanding (Budget Estimate 1998-99) (Rs. Crore) |
|---|---|
| 1. Market Loans | 265952 |
| 2. 91 Days Treasury Bills/Treasury Bills Funded into Special Securities | 107519 |
| 3. Other Internal Debt | 63637 |
| 4. Small Saving Schemes | 142851 |
| 5. Provident Funds | 51721 |
| 6. Other Accounts | 135512 |
| 7. Reserve Funds and Deposits | 43720 |
| Total | 810912 |

(d) The comparative figures for external debt of India are as under:

| External Debt | 31.3.1991 | 31.3.1996 | 30.9.1998 |
|---------------|-----------|-----------|-----------|
| (USD million) | 83801 | 97330 | 95195 |

The comparative figures for domestic debt (and other internal liabilities) of the Government of India are as under:

| Domestic Debt | 31.3.1991 | 31.3.1996 | 31.3.1999 (B.E.) |
|---------------|-----------|-----------|------------------|
| (Rs. crore) | 283032 | 554983 | 810912 |

(e) The amount paid as principal and interest on external debt during the last three years are as under:

| External Debt Service (USD million) | 1995-96 | 1996-97 | 1997-98 |
|-------------------------------------|--------------|--------------|--------------|
| Repayment of Principal | 7694 | 7672 | 6735 |
| Interest Payments | 4344 | 4010 | 4465 |
| Total | 12038 | 11682 | 11200 |

The amount paid as principal and interest on domestic debt and other internal liabilities during the last three years are as under:

| Domestic Debt Service (Rs. crore) | 1995-96 | 1996-97 | 1997-98 |
|-----------------------------------|---------------|---------------|---------------|
| Repayment of Principal* | 66888 | 65444 | 74885 |
| Interest Payments | 45631 | 55255 | 61550 |
| Total | 112519 | 120699 | 136435 |

*Repayment of principal excludes discharge of 91 day/14 day TBs, Ways and Means and Advances, Reserve Funds and advance not bearing interest and suspense transactions.

(f) Government is following a prudent external debt management policy, the main planks of which are sustaining the growth of exports, keeping the maturity structure as well as the total amount of commercial debt under manageable limits and encouraging non-debt creating inflows. As a result, there has been steady improvement in external indebtedness indicators over time. The debt service ratio declined from 35.3 per cent in 1990-91 to 19.5 per cent in 1997-98. The debt-GDP ratio

also declined from the high of 37.7 per cent in 1991-92 to 23.8 per cent in 1997-98.

For management of domestic debt the Government's endeavour has been to contain fiscal deficit by maximising non-debt receipts and containing expenditure over time.

DR. ASIM BALA: Sir, higher imports and marginal exports at constant price have resulted in negative balance of payment in the recent years which increases the foreign debt. I want to know whether this will lead our country into a debt trap like Mexico.

SHRI YASHWANT SINHA: Sir, the answer is no. I have already, in reply which I have laid on the Table of the House, indicated how debt service burden has been coming down, especially the external debt service burden has been coming down over the years. Therefore, there is absolutely no danger of India going the Mexican way.

DR. ASIM BALA: Sir, the debt rate of inflow i.e., rate of increase in a year, was three billion dollars during 1997-98. This led to outstanding debt. I want to know how the Government is going to resist outstanding debt that is going to increase year after year.

SHRI YASHWANT SINHA: Sir, I have already indicated that the over all trend in external debt is one of decline. But if in one particular year it has gone up marginally that is because of a number of factors and that is not a matter of concern. It is because when we are looking at the external debt, we are looking at various indices, debt-GDP ratio and debt-current account ratio and all that. When we look at these indices, we find that there is no reason for undue concern.

SHRI MURLI DEORA: Sir, the hon. Minister replied that it is not a matter of great concern on the external debt issue. But in the same question there is a comparative statement of external debt and domestic debt. While the external debt has increased from US\$ 83 billion to US\$ 95 billion from 1991 to 1998, the domestic debt has increased from Rs. 2,83,000 crore to Rs. 8,18,000 crore. As against 15 per cent increase in the external debt, there is a 300 per cent increase in domestic debt. If you see the break up of Rs. 3,10,000 crore of domestic debt, Rs. 2,65,952 crore is coming under the market loans. I wonder whether the Minister will consider to redeem these loans prematurely under the PSUs by the bank and convert them into equity. This will save the outgoing interest as well as it will save them from the problem of disinvestment of PSU shares. You convert the loans into equity by redeeming them prematurely.

SHRI YASHWANT SINHA: Sir, the hon. Member is absolutely right in drawing the attention of the House to a very significant increase over the years as far as the internal debt is concerned. The internal debt is definitely a matter of serious concern. This increase in internal debt is reflective of the fiscal profligacy over the years. I have repeatedly said in this House and outside that we have been borrowing beyond sustainable limits and that there is a need to put a control on these deficits and borrowings.

But the suggestion which the hon. Member has made about converting all the PSU debts into equity...

SHRI MURLI DEORA : It is not only for PSU debts but also other debts.

SHRI YASHWANT SINHA: This is a suggestion for action. But I do not know how it will be possible...(Interruptions)

SHRI MURLI DEORA : You may implement it tomorrow.

[Translation]

SHRI MOHAN SINGH: Mr. Deputy Speaker, Sir, the measures suggested by the Hon. Finance Minister to solve the problem of internal and external debt are promoting export and efforts are going on to maintain financial discipline. If we keep in mind the economic survey of this country which has been presented we find that World Trade deficit is continuously increasing and considering the way DA has been increased during last one year due to pricerise and the losses incurred by the Government and semi Government Institutions due to recession, the Government have taken only one decision and that they have decreased the rate of interest on public money. What measures are the Government planning to initiate to control the administrative expenditure of the Central Government and especially that of the State Governments which is increasing due to responsible manners so that we could lessen the amount of internal debt.

SHRI YASHWANT SINHA: Mr. Deputy Speaker, Sir, tomorrow I will speak about it.

SHRI MOHAN SINGH: Mr. Deputy Speaker, Sir, so many things already have leaked out, it will be no harm if one or two things more are leaked out.

MR. DEPUTY SPEAKER: Please wait till tomorrow.

SHRIMATI SUMITRA MAHAJAN: Mr. Deputy Speaker, Sir, I have not been able to understand one thing is the economic survey of the country which has been presented, so I would like to know from the Hon. Minister when the concessional debts of the Government are gradually decreasing and the non-concessional debts

among the non Government borrowings are side by side increasing then what type of effect it will have on the economy. It is essential to calculate it. Apart from this, since we have been talking about globalization for many years, and for that private sector might take borrowings from abroad. I would like to know whether the Government have made any arrangement to monitor their borrowings to keep them under check because after all, they will take loans from other countries and that too will affect the economic policies of our country. Have the Government considered all these points.

SHRI YASHWANT SINHA: Mr. Deputy Speaker, Sir, if the data which I have presented have in my statement is studied carefully then you will find that out of 95 billion dollar of external debt, there is a longterm debt of 91.6 billion dollar and a short term debt of only 3.5 billion dollar. I would like to assure the hon. Member and the House that be it Government debt or private external debt, Government keeps an eye on it and we continuously monitor it so that it does not go out of hand and if India is not in the grip of globalization crisis it is just because of the Government which is so alert.

[English]

SHRI T.R. BAALU: Mr. Speaker, Sir, in the coming years and particularly in the next year, the Government has got an obligation of redemption of Rs. 16,353 crores by way of retaining security with 364 days period for treasury bill which is worth about Rs. 10,000 crores alongwith a likely borrowing of about Rs. 75,000 crore. All put together there will be a borrowing of about Rs. 1,00,000 crore. Fifty per cent of the revenue receipt is being utilised for the purpose of serving interest.

The borrowings are increasingly utilised for the purpose of current expenditure and the Capital Expenditure is decreasing day by day to the level of 22 per cent. Before this Government is declared run out by the captain, suppose he may bring some spin bowlers from Hyderabad! We do not know about it. Before that, I want to know whether the hon. Minister proposes or inclined to propose to utilise the funds borrowed to increase the Capital Expenditure...*(Interruptions)*

SHRI YASHWANT SINHA: He is asking a query and I am repeating his own words that we are going to run out...*(Interruptions)*

SHRI T.R. BAALU: You are on a slippery ground. You are on a slippery wicket...*(Interruptions)*

SHRI YASHWANT SINHA: He is asking a batsman who is running whether he is going to run out. What a question!

SHRI T.R. BAALU: Rather, you will be declared run out.

SHRI YASHWANT SINHA: In regard to the question what will be the Capital Expenditure and its ratio to the Revenue Expenditure in the Budget for next year, why do we all not wait for a little while? I cannot answer that question as yet. But by this time tomorrow, I will be answering those questions...*(Interruptions)*

[Translation]

DR. SHAKEEL AHMAD: Mr. Deputy Speaker, Sir, let there be question hour tomorrow and let him leave today. In response to every question, he is saying that he will speak tomorrow, then why has he been allotted this date? Let him leave today. Tomorrow we will ask him after the budget.

[English]

MR. DEPUTY SPEAKER: Please resume your seat.

SHRI P. CHIDAMBARAM: Sir, the hon. Finance Minister is absolutely right in saying that it is the domestic borrowing which is more worrying than the external borrowing. Nevertheless, I want to draw his attention to some aspects of the external borrowing.

I am grateful to him for acknowledging that in the past eight years, the Governments have followed a very prudent external debt management policy. Having acknowledged that, will he please explain to us why he went for the Resurgent India Bond? If it was a preemptive action in order to forestall a possible run down of reserves - he has not said that so far in any forum, to my knowledge - then he must give reasons why he anticipated that there will be a run down in the reserves. According to the Economic Survey presented a couple of days ago, the external debt this year, at the end of 1999, will, perhaps, rise to about \$ 99 billion. Most of this is accounted for by the RIB. Despite reserves being at \$ 26 billion by the end of last year, at the end of this year, the reserves will be only about \$27.5 billion. It is the cash reserve, which means that despite a borrowing of \$4.2 billion, reserves are not rising to the extent of \$4.2 billion. The inference is quite clear. Reserves were run down, reserves would have run down and that is why he has borrowed. What I would like to know is this. Is borrowing a part of the present Government's prudent external debt management policy? Is it not correct that the effective interest rates including the exchange rate depreciation is about 14.8 per cent? Is it his case that borrowing at 14.8 per cent, adding to the external debt is the prudent debt management policy of this

Government? I would call it imprudent. I would contrast it with the prudent debt management policy of the last eight years.

SHRI YASHWANT SINHA: Here, we are up against a question of one's character. I have complimented the previous Governments, as Shri Chidambaram has pointed out, for prudent management of the debt profile. This is something which I have said in this House. This is something which I have said in fora within this country and this is something which I have said in fora outside the country.

I have said this because this is a national task which all Governments have performed with diligence. So, I have no hesitation in accepting every Government's contribution to this national task.

Now, I have figures here which we have quoted in the Economic Survey. This is a page out of the Economic Survey. I am reading out some indicators. The debt to GDP in 1997-98, when Shri Chidambaram was the Finance Minister, was 23.8 per cent. In 1998-99, during my year, it has come down to 22.9 per cent. Short-term debt to total debt was 5.4 per cent in 1997-98. It has come down to 3.7 per cent during 1998-99. Concessional debt to total debt was 39.3 per cent, which is the only higher figure, in 1997-98. It has come down marginally to 37.7 per cent. Debt service to current receipts which was 19.5 per cent in 1997-98 has come down to 18.3 per cent in 1998-99.

After having put all these figures before this august House, I will come to the second part of his question about prudent management of the debt profile, the RIB. The Resurgent India Bonds, as I had mentioned in my Budget speech last year, was a scheme that we have devised in response to the enthusiastic support of the Non-Resident Indians to the nuclear tests. They approached us repeatedly and said that they wanted to do something for their motherland. We gave them an opportunity to respond to the Resurgent India Bonds. This bond which was floated by the State Bank of India was kept open, as is well-known to this House, for only about 14 working days in the month of August, 1998 and it was able to collect over four billion dollars. That was the response of the Non-Resident Indians to India.

Now, the question is whether it was prudent. I have not brought those figures here. But I have put it before this House on an earlier occasion that at the time when we went to the international market, to the NRIs, with a certain rate of interest on the RIB, that was the time when other emerging markets were also in the international market with their loans and I will say it with

all the confidence at my command that the rate of interest at which we have raised the Resurgent India Bonds not only compares very favourable with the interest rate at which other emerging markets have raised loans, but it is, perhaps, the lowest interest rate at which any country has raised loans during that period.

So, the short answer to Shri Chidambaram's question is that the prudent management of India's external debt stock continues and we are as acutely aware of this responsibility as he was or his predecessors were.

SHRI P. SANKARAN: Mr. Deputy Speaker, Sir, I would like to know the percentage of the total debt of the country, both domestic and external, to the GDP as also the annual interest burden.

SHRI YASHWANT SINHA: Sir, I have just mentioned that as far as the external debt indicators are concerned, the debt to GDP is 22.9 per cent. As far as the internal debt is concerned, the figure is around 49 per cent.

As far as the interest that we pay on these debts is concerned, according to this year's Budget Estimates, it was Rs. 75,000 crore.

Revenue Collection

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*63. **SHRI KHARABELA SWAIN:**
SHRI K.S. RAO:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government foresee substantial reduction in revenue collection during 1998-99 in comparison to the projected figure;

(b) if so, the details thereof;

(c) the expected figure of fiscal deficit the Government expect now by the end of this year; and

(d) the measures the Government intend to take in future to rein in the fiscal deficit?

THE MINISTER OF FINANCE (SHRI YASHWANT SINHA): (a) and (b) Sir, as against the Budget Estimate of Rs. 153,973 crores towards collection of Excise duty, customs duty, Corporation tax, Income tax and Interest tax during the year 1998-99, the actual collection upto January, 1999 is Rs. 104,231 crores. The extent of actual shortfall, if any in the overall collection will be known at the end of the financial year.

(c) and (d) General Budget-1999-2000 will contain the information sought for.