

7. Shri V. Narayanaswamy
8. Shri Kameshwar Paswan
9. Shri Ram Ratan Ram
10. Shri S.S. Surjewala'

17.32 hrs.

FIXATION OF LIMIT ON BORROWINGS BILL - *Contd.*

[English]

SHRI K.T. VANDAYAR (Thanjavur): Mr. Chariman, Sir, I rise to speak on the Fixation of Limit on Borrowings Bill moved by Shri George Fernandes. The Bill deals with the external borrowings which would be taken by the central Government from foreign funding agencies like international Monetary Fund, World Bank, Asian Development Bank etc., and also about the internal borrowings which the Government would resort by way of floating bonds, Treasury Receipts etc.

Sir, I agree with the spirit of the Bill that the borrowings should be within the limit. But it is difficult to put a ceiling by legislation since the discretion should be left to the Executive as the Executive is responsible to manage the affairs of the State and to manage funding and financing in a prudent way which would strengthen the Indian economy and to see that it grows stronger and stronger.

Three or four years back, before our Government headed by Narasimha Raoji took over, there was a problem in the banking sector and loan repayment was not coming forward. There was also an impression that the loan taken need

not be repaid since those loans would be waived or written off. With the result, the banks were not able to recover the loaned amount adequately from the various sectors. To make the matter worse, the Janata Dal Government announced writing off of loans taken by various people from the banks which has given a jolt to the mechanism of the banking industry. This has set a wrong precedent. After our Government came to power, the Finance Minister, Dr. Manmohan Singh has inspired confidence in the banking industry and now the banking industry is doing its work well and is able to recover the loan amount also without much difficulty since it has been made clear to one and all that once the loan is taken on interest it has to be repaid and no premium will be given for the defaulters. After all, where from the money comes for the banks. It is from the borrowings and from the deposits and from the capital amount. The money is put in rotation or circulation. When the loan is sanctioned, it is natural that the money loaned should be ploughed back in due course by way of repayment. Then only, the circulation will continue. If there is a stop somewhere, then the whole mechanism fails. So, this is one of the reasons, why the banking sector was not able to recover the amount fully from the loanees. Once the money is blocked, the Government finds it difficult to make further advances or sanction loans to the various sectors. Once this system is streamlined, to some extent, the burden on internal borrowing would be reduced.

The Bill introduced by Shri George Fernandes proposes to impose a restriction of 15 per cent of GDP as the limit for borrowings by the Centre. Now, he knows very well that the Finance Minister has already cleared some of the loans taken from the IMF even before the due date. Our Government is managing the

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debt-equity ratio very well. The rate of growth of debt has sharply decelerated in the year 1993-94 and is expected to come down in the current financial year. As he has mentioned in the reply to the debate on the Finance Bill, when there had been increase in external debt at the rate of about three billion dollars in 1991-92, and 1992-93, in 1993-94, it has been less than one billion dollars. We have already made comfortable foreign exchange reserves from one billion dollars to fifteen billion dollars. So, the credit goes to the Finance Minister who has managed the whole thing in a prudent way.

Now, our position in the international banking system has come to such an extent that the international Monetary Fund and the World Bank are prepared to give loans without any difficulty. It does not mean that our Government will take loans recklessly and fritter them away.

Ours is a responsible Government and we have consolidated all the gains in the last three years. Our foreign exchange reserves are in a very comfortable position. The exports are going up. More foreign investments are coming into our country. Loan is a necessity for persons right from petty shop keepers to the giant traders. The Government also is compelled and has the necessity to borrow. The Government should stress to the nation that by borrowing, we would not become bankrupt, if we are prudent.

Therefore, the apprehension of Shri George Fernandes that one day we would go bankrupt or we would be in a very bad position and we would not be in a position to service the loans is

misplaced. So, I request that this Bill be withdrawn. Of course, we appreciate the spirit behind this Bill. But still we have to have certain amount of thinking that by borrowing we will not become impoverished.

With these words, I conclude.

MR. CHAIRMAN: The time allotted to this Bill is over.

I would like to know the sense of the House. There are six more speakers. If the House agrees, we will extend it by one hour.

SEVERAL HON. MEMBERS: Yes.

SHRI SYED SHAHABUDDIN (Kishanganj): Mr. Chairman, Sir, the Bill before us moved by the hon. Mr. George Fernandes is one of those rare Bills on which there should be a national consensus because he is doing no more than to awaken us to our obligation under the Constitution which has remained unfulfilled for the last 45 years.

Sir, the gravamen of the charge against successive Government is without such a limit, we have been borrowing recklessly and we have been frittering it away—at least a part of it—on prestigious projects and wasteful items of expenditure. I do not think anybody has the case that there should be no limit on it; that the Government of the day should be free to raise the borrowings to the sky.

I think, each one of us who has a sense of history realises that the days of colonialism might be past but they can return. Let us remember the predicament of Egypt when the British took over Egypt to pay off the debt that the Egyptian State has incurred. Let us remember our

own history when bit by bit, our territory was taken over by the British, by the Army of a foreign company operating on our soil, on the pretext of recovering the debts.

Now that we have bound ourselves hand, body and soul to the chariot wheels of GATT 1994 with all its inherent measures for cross-retaliation and what not, I can see the country falling into a predicament. It is not only our country but any country in the Third World that if once it falls into a debt trap it shall become well nigh impossible for the country to come out of the trap.

Its entire economy will be mortgaged. Its entire sovereignty will be compromised. Its entire future will be at stake once it crosses the limits of borrowing whose servicing it finds unmanageable.

What is our status today? To the best of my knowledge, subject to correction by the hon. Minister of state for Finance who is present here, the total debt burden on the country today is almost of the order of our GDP, Our GDP this year might reach the level of Rs. 700,000 crores to Rs. 8,00,000 crores and our total borrowing is around Rs. 5,00,000 crores. That is not a very happy picture. It is roughly two-thirds of the annual GDP. It is a frightening situation. Long long years ago, we crossed the safe limits of service charges. I do recall a time when I was in the Foreign Service when we were saying that we were still below 20 per cent of the total export earnings. I am speaking of that because it is considered universally, even by the World Bank to be a safe standard for external borrowing and today we have reached a position of around 35 per cent or 38 per cent.

Therefore, I feel that a time has come when the country must apply its collective mind. Let us forget who is in power and who is not and who did what and who did not do, but together save the country from this situation. Today we must save the situation collectively and save the generations to come from the beating that they are likely to receive.

Therefore, I think this is one of those rare Bills on which there should be no division in principle itself and we must all agree that a time has come when a constitutional mandate must be fulfilled and a limit set.

There is one point where I would like to make a slight distinction. There is internal borrowing and there is external borrowing. I personally feel that there should be two separate limits. Internal borrowing might be keyed to the gross domestic product. It is an internal situation. Maybe 10 per cent of the GDP for the national loan or national debt but what is more important is the limit to the foreign debt where I think we must accept the old classical standard that the debt must not exceed a limit whose servicing will cost us more than 20 per cent of our current export earnings. That is to say, roughly speaking, it should not exceed two years export earnings which is what it will come to. That is almost the safe margin that we can think of. When I speak of the export earnings, I speak about the earnings not only from exports of goods but also invisible earnings from the export of services. The total value of the two years export of goods and services should be the same limit for our foreign borrowings and when we speak of service charges, we speak of both the principal which has become due for payment and the interest that we are to pay on the rest of the debt that we have taken. This is just a refinement

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of the situation that has been projected by Mr. George Fernandes.

I also feel that the Bill should have a clause making it mandatory for the Government to take the House into confidence at least once in a year and not only present us a list of borrowings as it stands at the end of the year but to explain the rationale as to why it became necessary to incur a specific debt during a year. That sort of a statement giving brief reasons for every fresh debt incurred during the year should be presented to the House. That should be a part of this Bill. I would propose to the hon. mover to include this because that alone will give us a situational possibility of reviewing, as a Parliament, as a sovereign Body representing the nation, the progress of our debts and not leave it just to the whims and fancies of the Government in power.

The third point that I would like to make is that many debts that we are incurring are earmarked for specific States. Debts are incurred on the guarantees of the Central Government, if not by the Central Government itself and yet they are earmarked - particularly those debts which we take from the international financial institutions - for a specific project in a part of the country. That is causing a certain amount of heart-bruening; that is also causing a certain amount of disparity in the level of development in different States of our country. Therefore, I feel that actually whether it is for a field like education, roads, environment, infrastructure, modernisation of transport or whatever it be whatever we receive from the outside apart from whatever we can spare all that should go into a common kitty and that should be available for the entire country on

some equitable basis. It should not be such that the marginal areas, the peripheral areas of our country be left out. I think, if the foreign loan is being incurred in the name of the entire country, is being spent only for some selected, for some favoured States. It is a matter of management in order that they may help the Government of the day to explain to the people that it has become necessary to take the foreign debt for a specific purpose whose benefits are going to flow to the entire country.

I am not against taking loan as a matter of principle. There is no ideology involved in it. If we are creditworthy, we must use our credit also to the extent as we can within the safe limits for the development of our country. But this must be done in a proper manner; the entire country must be taken into confidence and the people must be told of the scheme, the benefits that arise from it. For any specific national purpose that covers the entire nation, let us have our own inputs, let us estimate what are the things that are necessary what needs to be taken from outside; let all that go into a common pool and let there be a scheme for its equitable utilisation for the entire country, and not for specific States.

I would like to mention one more thing. I was in Vancouver at the time of the Commonwealth Prime Minister's Conference. I was not a member of the delegation. I just happened to be there. That afternoon, there arrived two Prime Ministers. The Prime Minister of India arrived in a specially chartered Air India plane. I was told that he arrived not in one plane but there were two planes and one was kept at the airport for meeting any emergencies. Mr. Chairman, you would be surprised to know that the British Prime Minister flew in in a com-

mercial flight. It is amazing to me. Why is it that we consider that living in lavish style, matching the standards of comfort and the living standards of the foreign nation which are much more powerful, much wealthier than us, is a matter of glory for us? The world is judging us. The world continues to judge us by our poverty, by our inadequate infrastructure, by our backwardness, by our illiteracy and by the fact that you name any disease, we have the largest number of patients in our country - whether it is cancer, TB, blindness or whatever we have it. Somehow we cut a very happy figure in the world if we travel in style in a separate plane, if we live in style, if we entertain in a style. I do not know how many crores of rupees we have spent on the recent tamasha which was called the G-15 summit which was not attended by a majority of delegates. But be that as it may. Over the years I have seen a deliberate move towards a lavish style of living. I have seen in this very town of Delhi - as a student - Pandit ji going around in an Ambassador car not followed by any entourage, one man sitting beside the driver, he alone in the back reading a newspaper. That is what impressed us and that is what would impress any foreign observer of the Indian scene in the Indian situation one cannot possibly contemplate a show of lavishness or a show of glory merely for the purpose of show off.

We will be judged on the basis of austerity, on the basis of how much of our expenditure is for the people, for the direct benefit of the people, how much of it goes to the grass-root level. That is how, I think, we have to make a slight mental adjustment, a slight psychological adjustment having brought this out, I would say that we have developed an elite culture. Permit me to say, the elite of the world have no nationality. I would

go to the extent of saying that the elite of any country, almost, lack patriotism. They form a class and a nationality by themselves. The way we are moving, the way we are managing our economy, we speak of 150 million people who form a market towards which the entire world is looking with greedy eyes. That is, behind all this globalisation, that is behind all this foreign investment. This market of 150 million people. And look, how right was Lohia! He spoke of 15 versus 85 and these 150 million or so are 15 per cent people of India. It is these 15 per cent people of India who are today benefiting from the political culture, the administrative culture from the financial culture, the development culture that we have developed in our country to the detriment and to the deprivation of the rest of the people. They are not content with anything less than global standards. Even the life that they lead in India is of the standard that somebody would have lived at a comparable level of society, in London or in Washington or in Paris. Their life-style is exactly the same. I would suggest that there should be a national effort to curb this element, not to cater to the fancies, to the desires, to the aspirations to what I would call, the anti-patriotic, anti-people, anti-national aspirations of this class to whose benefit we are mortgaging the entire future of our country.

There is much talk of the international economic order. We are contributing in our own way. We are hailing the new prophets and we are singing hallelujah to the new regime, the global regime. Let us put in something there for the deprived and the wretched of the earth. Let us today insist that in that world economic order, every country whose per-capita income is more than the average per capita income of the world shall pay a tax to a world fund,

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to a world fund, to a world development fund. This is not a new idea. It has been broached. But it depends for its realisation on the collective international wisdom and collective international political will of the people of the world, if the world is indeed indivisible. If peace is indivisible, if prosperity is indivisible, if economy is indivisible, if world resources as the common heritage of all mankind are indivisible if science and technology knows no frontiers, if capital, technology and skills must move freely across the world and if we dream of a bravely world in which everything shall be equalised then just as within a municipal society, within a national society, the fortunate few are asked to pay a part of their income for the development of the rest of the society, similarly, those nations which are affluent today and those which are demanding many things from us, should be made to pay a World Tax for the World Development Fund. Let it be only one per cent of the GDP, if nothing more.

I would suggest one thing more. Let these international financial institutions also come to an understanding. I was very happy to know today when the Finance Minister, in the course of the debate informed us that the Reserve Bank of India had sent out a circular saying that once the total interest paid on a given loan equals the principal amount, then there should be no zabardasti. I wish he had said that he would remit the loan. But be it as it may, I would say on the basis of what is happening in South America where I happened to serve as a representative of India, where the Andean countries, the Andeno Group demanded that the moment the total interest paid by a country on a loan, on a foreign loan equalled the

principal, then after that the chapter should be closed.

I think this also requires an initiative by a Government of India in the Group of 77, in the Comity of the Third World, in the United Nations and in the Non-Aligned Movement, if this foreign debt is not going to swallow us. Therefore Sir, on the one hand I would make these suggestions to the Minister and at the same time, with the refinements that I have suggested, I support the Bill placed before this House by hon. Shri George Fernandes.

I thank you very much for giving me an opportunity to speak.

[*Translation*]

SHRI SANTOSH KUMAR GANGWAR (Bareilly): Mr. Chairman, Sir. I rise to support the Bill moved by a senior hon. Member Shri Fernandes. He has already pointed out many things in this context and I also agree that the prevalent situation in our country is not a result of our policies of recent past. If we look from the beginning, the planning process had started in the 50's. The Government of that period had presented a model before the countrymen which showed the direction towards which we would be proceeding.

I consider it appropriate to say that the rulers of our country, immediately after independence, forgot those issues which made this country slave. What were the reasons because of which we tolerated the slavery of English for so many years? It was an English Company which established its roots in our economy and made us slave. We have already borne the brunt of that slavery and the present situation is before all of

us. If we go to a village and tell the people that we are reeling under debt burden, they would not be able to understand. The policies of the last forty years show that our rulers have considered the principle of 'Charvak' worth emulating. His motto was – 'borrow money and eat'. Similarly, these people were of the view that they will take the loans and let the posterity bear the brunt of it.

Mr. Chairman, Sir, it is alright that globalisation is taking place in our country but as the hon. Member Shri George Fernandes has said this process is not limited to present only. We should have followed the principles of our pre-independence era. It is unfortunate that we have ignored the theory of indigenisation propounded by Dr. Lohia, Pt. Deen Dyal and Mahatma Gandhi. On this issue, their objective and thinking was very clear. They had a vision to make India an ideal country. It was realised when many big industries were set up but due to faulty economic policies of the Government, these were not successful. Many big projects were launched but they could not be completed. Today, we have the example of Tehri project before us. If we see the targets fixed for its

completion, we find that this project is proving very expensive. The money spent on it so far has gone waste. We do not know its fate. In spite of all this, the people sitting in power have not cared to ponder over it.

Pt. Deen Dyal Upadhyaya had made two things very clear that unless we irrigate every field and find job for every person, the things will not work. He had also said that the limit of income should also be fixed which mean that there should be a limit for the maximum as well as the minimum income.

[English]

MR. CHAIRMAN: Mr. Gangwar, you may continue your speech next time. The House stands adjourned to meet again on Monday, May 9, 1994.

18.00 hrs.

*The Lok Sabha then adjourned till  
Eleven of the Clock on Monday,  
May 9, 1994/Vaisakha 19, 1916  
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