

- (2) The Appropriation (Vote on Account) Bill, 1984
- (3) The Appropriation Bill, 1984.
- (4) The Appropriation (No. 2) Bill, 1984.
- (5) The Appropriation (Railways) Bill, 1984.
- (6) The Appropriation (Railways) No. 2 Bill, 1984.
- (7) The Appropriation (Railways) No. 3 Bill, 1984.
- (8) The Pondicherry Appropriation (Vote on Account) Bill, 1984.
- (9) The Pondicherry Appropriation Bill, 1984.
- (10) The Punjab Appropriation (Vote on Account) Bill, 1984.
- (11) The Punjab Appropriation Bill, 1984.

— — —

12.19 hrs.

PUBLIC ACCOUNTS COMMITTEE

185th Report

SHRI SUNIL MAITRA (Calcutta North East) : Sir, I beg to present the Hundred and Eighty-fifth Report (Hindi and English versions) of the Public Accounts Committee on Action taken by Government on the recommendations contained in their Hundred and Fiftieth Report on Receipts of Union Territory of Delhi—Stamps Duties and Registration Fees—Evasion/Avoidance of Higher Rates of Stamp Duty.

— — —

12.20 hrs.

(Interruptions)

(At this stage, Shri R.N. Rakesh and Shri A. Neelalohithadasan Nadar came and sat on the floor near the Table).

12.21 hrs.

STATEMENT RE. SUSPENSION OF PAYMENTS BY THE RESERVE BANK OF INDIA ON BEHALF OF GOVERNMENT OF WEST BENGAL

MR. DEPUTY-SPEAKER : Now, statement by Minister.

—Shri Pranab Mukherjee.

THE MINISTER OF FINANCE (SHRI PRANAB MUKHERJEE) : Mr. Deputy Speaker, Sir, on March 23, 1984, in view of the persistence of unauthorised overdrafts the Reserve Bank of India suspended payments on behalf of West Bengal Government.

(Interruptions)

SHRI PRANAB MUKHERJEE : You wanted this statement. So I am making it.

(Interruptions)

PROF. MADHU DANDAVATE (Rajapur) : Sir, the hon. Member may be called after the statement.

12.22 hrs.

(At this stage, Shri R.N. Rakesh and Shri A. Neelalohithadasan Nadar went back to their seats)

MR. DEPUTY-SPEAKER : Order please. An important statement has to be made. He has some other work. I have allowed him. I request hon. Members to cooperate. Members must cooperate.

(Interruptions)

Mr. DEPUTY SPEAKER : Order please. This is not the way.

(Interruptions)

MR. DEPUTY SPEAKER : What is it, you don't understand. I said, let it be made now because it has to be done. Please follow it up.

AN HON. MEMBER : Please repeat it.

SHRI PRANAB MURHERJEE : Yes. I am reading the statement from the very beginning.

Mr. Deputy Speaker, Sir, On March 23, 1984, in view of the persistence of unauthorised overdrafts the Reserve Bank of India suspended payments on behalf of West Bengal Government. This matter was raised in the House by some Hon'ble Members, and a number of inaccurate stories has also appeared in the press regarding the circumstances leading to this action by the Reserve Bank of India. I am, therefore, taking this opportunity to present the facts of this case before the House.

2. In order to fully appreciate the situation, it is necessary to go into the details of the recent history of financial management by the State Government. It will be recalled that a statement was made by me in this House on 8.7.1982 announcing a package of measures to tackle the problem of mounting overdrafts of State Governments. In that statement, I had announced that the Overdraft Regulation Scheme introduced in 1972 and modified in 1978 would be rigidly enforced. However, in order to enable the State Governments to start with a clean slate, it was decided to grant loans amounting to Rs. 1743 crores to clear the closing deficits of States at the end of 1981-82. It was also announced that the Reserve Bank was doubling the ways and means limits of States so that they would have a larger cushion against temporary imbalances between their receipts and expenditure.

3. Out of the loan assistance of Rs. 1743 crores provided in July 1982, the highest loan of Rs. 340 crores was

paid to West Bengal. As a result of the increase in the ways and means limit, the State's permissible ways and means limit went up to Rs. 43.81 crores.

4. Even with such assistance to clear the carry over deficit, West Bengal was in financial difficulties for implementing their plan for 1982-83. Both in 1980-81 and 1981-82, the State Government's expenditure on plan was far less than the level approved by the Planning Commission, in spite of the high overdraft availed of from the R.B.I. Against this background, the Centre had to give special consideration to the State Government in the matter of Central assistance for plan also. The Centre agreed that, in addition to the Central assistance of Rs. 146 crores due to the State, advance plan assistance of Rs. 141 crores would also be given so that the State could finance a plan outlay of Rs. 490 crores in 1982-83 without again running into overdraft. The State Government agreed to contribute Rs. 200 crores by way of budgetary and State public sector contribution and borrowings from the open market, L.I.C. etc.

5. However, even this very special arrangement did not prompt the West Bengal Government to take corrective measures and consequently they again failed to contribute their share of Rs. 200 crores towards State plan 1982-83. Overdrafts also reappeared and continued. The State Government closed the year 1982-83 with a fresh deficit of Rs. 82 crores.

6. In order to prevent the recurrence of this situation, from the very beginning of 1983-84, the Finance Ministry has been having regular discussions with the State Government, both at the official level and at the Minister's level. In the meanwhile, discussions were also being held with some other State Governments which had the problem of closing deficits of 1982-83 and overdrafts in 1983-84. Those State Governments agreed to work out methods to improve their finances but no such assurance was forthcoming from the West Bengal Government.

7. After a discussion with the State Finance Minister in June 1983, I addressed the Chief Minister, West Bengal, in July 1983, comprehensively reviewing the financial position of the State Government during the first three years of the current plan period. I pointed out the specific areas where the State's own contribution to plan suffered shortfalls unparalleled in any other State. Pointing out the special help provided by the Centre to the State Government I stated clearly that unless the State Government responded positively, and took action to clear the overdraft there will be no alternative to the Reserve Bank of India suspending payments on West Bengal Government's account.

8. Even then, the State Government did not take adequate action to improve the ways and means position. On October 28, 1983 I again sent a message to the Chief Minister inviting his attention to the State Government's overdraft of Rs. 192 crores and requesting for a plan of action to clear that overdraft. As no such plan of action was received, on the 8th November 1983 a reminder message was sent by Ministry of Finance to the Chief Secretary, West Bengal. None of this, however, had any perceptible effect on the State Government's management of their ways and means position.

9. Around this time, the official level discussions for assessing resources for next year's plan were held. It was found that in respect of a few States, closing deficits of 1983-84 would create a serious problem in determining reasonable Plan outlays for next year. The States were, therefore, allowed to carry forward the deficit upto their permissible ways and means limit without adjustment. In cases where the projected overdraft above the ways and means limit was very high, I discussed the problem with the Chief Ministers. In these discussions, Chief Ministers agreed to limit their closing overdraft to jointly agreed levels and I agreed to provide assistance towards meeting that overdraft. The State Governments accordingly prepared plans of action and sent them to the Finance

Ministry. In respect of West Bengal, the projected closing deficit for the year 1983-84 was Rs. 222 crores, out of which the overdraft element was Rs. 178 crores. During the discussions held on 24-1-1984, I suggested to the Chief Minister that the State Government should reduce this overdraft by half, i.e. Rs. 90 crores. I also made it clear that if the State Government agreed to do that, the Centre would provide assistance to meet the remaining half of the projected overdraft, i.e. nearly Rs. 90 crores.

10. By 21.1.1984, the State's overdraft was Rs. 187 crores, higher than what the State Government had estimated for the year-end. It, therefore, became necessary to ensure that the overdraft did not increase further. Immediately after the discussions on 24-1-1984, I wrote to the Chief Minister requesting him for a plan of action to reduce the year-end overdraft by Rs. 90 crores and informing him that the Reserve Bank will have to stop payments if the overdraft exceeded the existing level of Rs. 187 crores for more than seven days. The Reserve Bank was also advised accordingly. This was also stated in the answer to an unstarred question in this House on 24.2.1984.

11. So far, the State Government has not found it feasible to indicate their plan of action in spite of reminders at the official level. For some time after the discussions of January 1984, there was improvement in the State Government's ways and means position. But in March 1984, the position deteriorated again. After reviewing the position on 9.3.1984, I requested the Chief Minister, West Bengal, by a letter and a wireless message to take necessary action and alerted him once again about the possibility of suspension of payments. On 13th March, the overdraft crossed the limit of Rs. 187 crores. Even on 14th March, the Reserve Bank of India clearly informed the State Government that payments would be suspended if the overdraft persisted above Rs. 187 crores for more than seven days. The Reserve Bank of India also sent message every day to the State Government to reduce the overdraft. In spite

of all these cautions, the overdraft continued to be higher than the level of Rs. 187 crores for eight consecutive working days. Hence the Reserve Bank of India suspended the payments as on 23.3.1984. On that day, the State had continuously been in overdraft for 217 days as against the permissible time limit of seven days. As the receipts of that day resulted in reduction of overdraft below the limit of Rs 187 crores, the Reserve Bank of India resumed payments on 24.3.1984.

12. In spite of the State Government's failure to indicate a plan of action to reduce the year-end overdraft by half, on my part, I have decided to release a medium-term loan of Rs. 73 crores to West Bengal towards the other half. However, if the State Government's own efforts do not result in an improvement of Rs. 90 crores by the year-end, the loan will be recovered next year itself.

13. It is clear from the above record that despite repeated reminders and discussions at the Ministerial level, the West Bengal Government has not taken steps to reduce recourse to huge unauthorised overdraft continuously for long periods. It has been the largest recipient of special assistance by the Centre to meet deficits, but has not been able to keep to its commitments of contributions to the Plan. The West Bengal Government was informed as early as July 1983 that the deterioration in its financial position should be arrested and that if no corrective measures were taken, there would be no option but to stop payments. On 24th January 1984, the State Government was informed that, pending corrective measures, overdraft should not exceed the existing level of Rs. 187 crores. The State Government was again alerted on 9th March 1984. But they failed to take effective action and the overdraft crossed even this high figure. Notices were given by the Reserve Bank of India every day; but the overdraft did not go below Rs. 187 crores. This brought about the situation when Reserve Bank of India was left with no alternative but to suspend payments.

(Interruptions)

SHRI INDRAJIT GUPTA (Basirhat) :
 We want to have a discussion this.

(Interruptions)

MR. DEPUTY-SPEAKER : Hon. Members, with regard to this, the Speaker has already said that if you want to have a discussion on this, we can have it. He has already given an assurance; it can be taken up in the Business Advisory Committee; we will have a discussion..... (Interruptions). You are going to have a discussion.

SHRI SUNIL MAITRA (Calcutta North East) : Sir, I would like to put it before the House. The Government of India and the different Central public sector institutions own more than Rs. 100 crores to the West Bengal Government, which they have not paid. Because of these things, the Government of India and the Finance Minister are twisting the arms of the West Bengal State Government, and this is nothing but declaration of war against a State Government.... (Interruptions)

SHRI PRANAB MUKHERJEE : In the discussion, you can bring all these questions and I will answer each and every point(Interruptions).

MR. DEPUTY SPEAKER : Mr. Sunil Maitra, there is going to be a discussion, as has been assured by the Speaker. Then you can raise all these points.

Now Shri K. P. Singh Deo. After that I will call you,

PROF. MADHU DANDAVATE (Rajapur) : That discussion should not be in that Chamber, but in this Chamber.

MR. DEPUTY SPEAKER ; Even that, as you like, Now Mr. Singh Deo,