

LOK SABHA DEBATES

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LOK SABHA

Friday, December 3, 1971|Agrahayana 12,
1893 (Saka)

*The Lok Sabha met at Eleven of the
Clock.*

[MR. SPEAKER *in the Chair*]

ORAL ANSWERS TO QUESTIONS

National Policy on Overdrafts by States

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*421. SHRI S. M. BANERJEE :
SHRI S. M. KRISHNA :

Will the Minister of FINANCE be pleased to state :

- (a) whether a national policy on overdrafts by States is being evolved;
- (b) if so, the salient features thereof; and
- (c) whether the State Governments, opinions have been taken into consideration in this regard ?

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN) (a) to (c). The Government of India have been urging all States to keep their financial position under review, to contain their plan non-Plan expenditure within the available resources and to avoid recourse to overdrafts. The need for fiscal discipline on the part of States has assumed added urgency in the context of the present constraint of resources. Discussions have therefore been held recently with States having overdrafts on the Reserve Bank. The concerned States Governments have agreed to

initiate suitable measures to reduce the overdrafts, including economies in non-plan expenditure and mobilisation of additional resources.

SHRI S. M. BANERJEE : If I have understood it correctly, the situation has become so bad because of the limited financial resources with the States and the limited financial powers under the present set-up of State Governments. This is one of the reasons why they are today resorting to overdrafts knowing fully well that this is not going to pay them finally. I would like to know whether any steps have been taken to enlarge the financial powers of the States to meet their own expenses or the Centre will always keep them dependent on their mercy in this regard.

SHRI YESHWANTRAO CHAVAN : I think, the hon. Member is trying to oversimplify the problem. Really speaking, one of the major reasons why the problem of overdrafts has arisen is because enough use of the powers which already are with the State Governments is not being made. The resource mobilisation effort, or should I say the targets that they initially agreed to while the Plan was formulated, are not enough in some of the States in which the problem of overdrafts is there. Some of the States, I won't say all of them, have not made sufficient resource mobilisation effort.

Of course, the other reason for that is the addition,—justified or unjustified I won't say,—in the non-Plan expenditure.

So, these are the two main reasons for the overdrafts. Some States have even tried to expand the Plan expenditure by having recourse to overdrafts also. This I won't say is true of all the States. But, there are States, one or two, which have made recourse to this thing also. So, I say, that what he is saying is rather over simplifying the case.

Giving more power. In what sense ?

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The Centre gives to the States share in the Central Revenues through the mechanism or the mechanics of the Finance Commission every five years. In addition to that, Central assistance is given for Plan development. In addition there is the devolution of taxes, they get an increasing quantum of the taxes that are collected. For example, in the massive effort that we made in this Budget certainly the States will have an increased share in those resources. As a matter of fact, enough efforts are being made to give more financial resources to the States. It is not necessary to expand any more their financial powers as such because there are enough with them.

SHRI S. M. BANERJEE : Is it a fact that recently a decision has been taken to help those States financially more which are within the discipline—may I use the word 'discipline'—the financial discipline of not having many overdrafts but have less overdrafts and if so, what will happen to those States which, for reasons better known to them or to the Central Government, take more to this overdrafting? How is it going to be discriminated?

SHRI YESHWANTRAO CHAVAN : Those who are always disciplined, always get advantage because it is good for them. But, of course, the best way of encouraging the States which are observing discipline is to discourage those who do not observe the discipline. This is the only way I can think about. We certainly have had discussions with the Chief Ministers concerned and we are evolving a policy which will help us to contain this problem of overdrafts in a phased manner and see, at the same time, that the States also take necessary steps to observe financial discipline.

MR. SPEAKER : Mr. S. M. Krishna—absent.

SHRI K. NARAYANA RAO : The hon. Member has rightly pointed out that the States should observe financial discipline. But discipline in non-plan sector cannot be observed in certain areas without the same discipline being practised at the

centre. Take for instance the case of employees of the Central Government and with all its immense potential for economic resources so far as the Centre is concerned, the Centre is yielding to the pressure of its employees. Therefore, immediately pressure is also applied on the State Government by the State employees.

MR. SPEAKER : Please ask your question.

SHRI K. NARAYANA RAO : In view of this, as my hon friend, Mr. Banerjee correctly pointed out, in view of the limited tax entries in the Constitution so far as the States are concerned and in view of the inelastic character of the tax entries of the Centre and in view of the increasing number of welfare activities that the States have to undertake, may I ask whether it would not be desirable on the part of the Central Government to give more tax entries to the State Governments so that they can become disciplined in the way the Central Government is disciplined?

SHRI YESHWANTRAO CHAVAN : The hon. Member has certainly raised a very relevant point. One of the difficulties of the States is of the rise in the dearness allowance etc. of their employees. It is a very understandable problem. But I really do not understand the suggestion about giving more tax avenues to the States. How would it help them? They have not really used some of the tax entries which are already there particularly in the case of the agricultural sector. We have invested large amounts in the agricultural sector and we have created assets. The point that we were discussing and the point that is generally debated upon here is that we have not made sufficient efforts in taxing agricultural income. We have not been successful so far in doing that. There was a demand that we should take over the right to tax the agricultural income at the Centre. Of course, we discussed this matter with the State Governments and they have agreed in principle—not to hand over the right but—to make efforts in their own sphere. So, it is not a question of transferring more tax entries to them, because I do not think that that's likely to help in this matter.

SHRI S. R. DAMANI : The hon. Finance Minister says that he had discussed the matter with the Chief Ministers of States and given them advice. A similar advice had been given by the previous Finance Minister also, but the position is deteriorating, and the overdrafts are increasing. May I know whether the hon. Minister is going to put a ceiling on the overdrafts or has suggested or is going to suggest any such ceilings ?

SHRI YESHWANTRAO CHAVAN : I cannot behave like a schoolmaster in this particular matter. We have to deal with the States, and this relationship is a political relationship. Naturally, one will have to talk to them, argue them, persuade them and convince them and think about other things, if necessary, only in the last resort.

SHRI C. M. STEPHEN : May I know whether Government have made any attempt from time to time to analyse the financial position of the States State-wise and to find out whether and where financial indiscipline is indulged in and whether and where resources which can be mobilised are not being mobilised and whether the hon. Minister proposes to discuss with each State the picture that is emerging out of the study so that the correct line could be indicated for each State ?

SHRI YESHWANTRAO CHAVAN : At the conference of all the Chief Ministers, we discussed about the general position of resource mobilisation and whether there were specific suggestions about areas where they could make some efforts. Having done that, I discussed individually with the Chief Ministers of those States which were having the problem of overdraft and went into the different aspects of their problems and tried to evolve certain policies for them. Of course, much depends upon them. I would not like to go into the details because it would not be fair to the States, but we had gone into this matter.

Moratorium on Payment of Foreign Loans

*422. **DR. RANEN SEN :** Will the Minister of FINANCE be pleased to state :

(a) whether Government have considered the question of declaring a moratorium on repayment of foreign loans; and

(b) if so, the decision taken thereon ?

THE MINISTER OF FINANCE (SHRI YESHWANTRAO CHAVAN) : (a) and (b). Government do not consider it desirable to declare a moratorium on repayment of foreign loans.

DR. RANEN SEN : It is well known to everybody that the amount of India's foreign loans is increasing day by day so much so that every year we have to pay more than Rs. 500 crores as interest on those foreign loans. That is the figure at the present moment and it is increasing every day. In view of the present financial position inside the country and the state of economy and the difficulties that we are facing, may I know what difficulty the Government of India feel in appealing to the parties or the Governments that have given us loan to have a sort of phased moratorium.

SHRI YESHWANTRAO CHAVAN : It is not a question of any difficulty in declaring a moratorium. It is not just done like that. That is not the way we function in the international sphere. Naturally, we are repaying the loans we have taken, I must say there are two periods which are distinct from the loan point of view. In the earlier period, the terms on which had to take loans were rather hard, but lately the terms of the loans we are receiving from the international institutions are softer. Therefore, things might be easier so far as the later part of the period is concerned. We are now at a stage when we are, really speaking, trying to return the loans contracted during the earlier period when harder terms were there. Therefore, debt-servicing has, no doubt, become a problem.

I think we have reached a stage when our objective now is to depend less and less on foreign aid, foreign loans. So if this process continues, I think we will reach a stage when we will repay the loans and possibly we will not be required to depend too much on new foreign loans.