

(10) That page 5, line 49, *after* the words "New Delhi" the words

"with branches at the cities where the Airports are situated" be *inserted*.

(11) That at page 6, line 7, *after* the word "he" the words "or she": be *inserted*.

(12) That at page 7, line 36, *after* the word "fine" the words "upto rupees ten thousand" be *inserted*.

The amendments were negatived.

Clause 8 was added to the Bill.

Clauses 9 to 11 were added to the Bill.

Clause 1, the Enacting Formula and the Title were added to the Bill.

SHRI RAJIV PRATAP RUDI: Madam, I move :

"That the Bill be passed."

The question was put and the motion was adopted.

THE FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT BILL, 2003

THE DEPUTY CHAIRMAN : Now, we will have discussion on the Fiscal Responsibility and Budget Management Bill, 2003. Shri Jaswant Singh.

THE MINISTER OF FINANCE (SHRI JASWANT SINGH) : Madam, I move that the Bill to provide for the responsibility of the Central Government to. ensure inter-generational equity in fiscal management and long-term macro-economic stability by achieving sufficient revenue surplus and removing fiscal impediments in the effective conduct of monetary policy and prudential debt management consistent with fiscal sustainability through limits on the Central Government borrowings, debt and deficits, greater transparency in fiscal operations of the Central Government and conducting fiscal policy in a medium-term framework and for matters connected

therewith or incidental thereto, as passed by Lok Sabha, be taken into consideration.

The Fiscal Responsibility and Budget Management Bill, 2003 was introduced in the Parliament in December 2000 -- so, it has been a child of the Parliament for a very long time -- and was then, referred to the Standing Committee on Finance. After a detailed examination of the Bill, the Standing Committee, in its report, made various observations and recommendations. These were placed on the Table of the House in November, 2001. Based upon these recommendations, certain amendments in the Bill were carried out, and this Bill, along with all the proposed amendments, was passed by the Lok Sabha on the 7th of May, 2003; thereafter, it reached the other House. Before the provisions in the Bill and amendments thereon are taken up for consideration, very briefly, Madam, I would request the hon. Members to reflect on the achievements of our economy. The decade of the 1990s has witnessed robust economic growth. It has been marked by benign inflation, steady growth in foreign exchange reserves and a positive balance in current account. Whilst the macro economic parameters have been sound, there is an area that continues to cause concern, and this pertains to sound fiscal management. The Central Government's high revenue and fiscal deficits necessitate enhanced borrowings, and you would appreciate, Madam, that I am not here going into the finances of the State Governments, which we had occasion to discuss in a particular committee recently. The Central Government's high revenues and fiscal deficit necessitate enhanced borrowings, which in turn, add to the accretion of debt, and, in consequence, a higher cost of services. I may share with the hon. Members that the outstanding liabilities of the Central Government have risen steadily over the years, and as on March 31st, 2004, the total liabilities are estimated to be around Rs. Eighteen lakh crores. The interest burden on these liabilities currently stands at Rs. one lakh twenty three thousand crores, thus pre-empting almost half of our revenue receipts. This is not tenable; this is also not sustainable. We need, obviously, to break free of this cycle of high deficit - high debt and we have to work, all of us, steadily, towards a regime of surpluses. If we had been able to transform a regime and an economy of deficit in food-grains, in the manufacturing industry, in services, and in other aspects of our national economy, there is no reason whatsoever, why we should not address ourselves to this very important aspect, and move determinedly towards a regime of surpluses. That is why this legislation, Madam, is historic in the country's fiscal management. It

obliges the Central Government to ensure fiscal sustainability in the medium term by generating revenue surplus and bringing down debt stock as a ratio of the GDP. Based upon the recommendations of the Standing Committee on Finance, it has been decided that specific targets that were stipulated in the Bill will no more form a part of the legislation. They will, however, be included in the rules to be framed under the Act. And the Fiscal Responsibility and Budget Management Bill, 2003 would also enjoin the Government to table the following statements along with budgets every year Medium-Term Fiscal Policy Statement, Fiscal Policy Strategy Statement, and Macro-economic Framework Statement. This will place the budgeting exercise in a larger macro-economic framework and long-term perspective so as to ensure transparency, stability and consistency with long-term policy objective. With these words, I commend the Bill to this august House.

The question was proposed

SHRI MURLI DEORA (Maharashtra): Thank you. Madam, I rise to support the Bill moved by the hon. Finance Minister. When Shri Jaswant Singh presented his Budget, someone asked him, "What is the real theme about his Budget?" I remember that line - in the language where I come from, Rajasthan - and I quote him, he said, "गरीब के पेट में दाना, गृहिणी के बैग में आना"। 'आना'

[THE VICE-CHAIRMAN (DR. A.K. PATEL) in the Chair]

Food for the poor people and the purchasing power -- enough money -- to keep- the economy moving. I remember a similar line today, which is the very basic of this legislation. I do not know how to say it in a poetry, but what we used to say in Rajasthan is, "उतरने ही पैर पसारो जितनी कि चदर हो"। जितनी बड़ी चदर हो, उतने ही पैर पसारो। Those Governments or institutions which have exceeded their limits in spending more than what they earned, history knows what fate they went through. The Fiscal Responsibility and Budget Management Bill is an additional responsibility on the Government to achieve the discipline in a required time-frame. The Minister rightly stated just now, "The Centre's total liabilities have gone up to a whopping Rs. 18,00,000 crores and the interest liability, only the interest liability, is Rs. 1,23,000 crores every year, which is more than 50 per cent of country's annual earning. One can see that 50 per cent of the total revenue is spent on the interest we pay on the massive borrowings which we have! The Bill has proposed

to reduce fiscal and revenue deficit by 0.5 per cent - half per cent of the GDP annually -- bringing down the fiscal deficit to 2 per cent of the GDP and total elimination of revenue deficit by 2005-06. If we see what is the biggest component of our expenditure where the country's major part of the money goes, one will see the major component of expenditure is on the interest charges. High rate of interest for some years has eaten up our reserves and the Government's deficit has kept on increasing. Industries, which paid high rate of interest of 14 per cent, 15 per cent, or 16 per cent earlier, they are now heaving a sigh of relief when the interest rates are going down. I would like to quote for the hon. Minister a line of Mr. Robert McNamara, "The interest rate should be high enough to encourage savings, but not so high to discourage investment." The time had come when there was no incentive in investing in an enterprise or in an industry. People were getting more money on tax-free bonds and in the bank deposits than by putting their money in an industry. I must congratulate the hon. Minister that in the last three, four or five years, the interest rate has gone down considerably and it is going down still further. I remember, in the last Parliament Session, there was a question which was asked of the hon. Minister regarding interest rate given to the small savings. The hon. Minister replied that it was three-and-half per cent. The Reserve Bank of India's rule now gives three-and-half per cent to four per cent to small savings in banks. But, these banks are still charging the same 13 to 14 per cent interest from the industry, from the small scale sector and the private sector. That is why, banks' shares are going up today. If one sees the position during the last two weeks, why the stocks of all the banks have gone up. It is not because they have suddenly become very efficient, but because their cost of borrowing has gone down to nearly three-and-a-half to four per cent, and their cost of lending has gone down very little. So, I am sure the Government will see to this. I am sure this will help the debt service charges of the Government, which is very high. The second biggest expenditure, which the Government is incurring today, is Budgetary Support to our PSUs and FIs. And, here, I would like to draw the attention of the hon. Minister to one single instance of a financial institution, that is, Industrial Finance Corporation of India (IFCI). It is shocking to see how they have worked for all these years. I do not know whoever may be in the Government or whoever may be in the Ministry of Finance. I am reading the latest article from *The Economic Times*, "The budget provision of Rs.1573 crore made by the Government in fiscal year 2003-04 for IFCI's restructuring, will be utilised to pay - out of Rs. 1573 crores, they have to

pay Rs. 1200 crores, Mr. Minister -- to the Employees Provident Fund Organisation." They have failed, the IFCI, a PSU of the Government of India, has failed to honour their commitment to the Employees Provident Fund. They have not paid in time. They have not paid the interest now also. There are various other organisations like HMT. We remember the KMT watches. HMT has not paid their dues. They have not honoured their commitment.

SHRI VAYALAR RAVI (Kerala): Even the private sector industries are not paying their commitment.

SHRI MURLI DEORA: That does not mean that Government industries also should not pay their *dues...*(*Interruptions*)...

SHRI VAYALAR RAVI: How much money is to be paid to the banks by private industries? Private industries are also not honouring their commitment. And, IFCI is not an industry; it is only a financial institution.

SHRI MURLI DEORA: So, the financial institution does not mean that they should squander the Government's money. It is not made to squander the Government's money. And, if you do not agree with me, please speak when your turn comes, if you get a chance to speak at all. I am saying that out of the bail-out package provided in this Budget of Rs. 1573 crore to the IFCI, they are using Rs. 1200 crores to be paid to the Employees Provident Fund. I am not ridiculing the IFCI. If the hon. Member is very upset about what I said...(Interruptions)...

SHRI VAYALAR RAVI: ONGC has made profit of Rs. 10,000 crores.. (*Interruptions*)...

SHRI MURLI DEORA: Do not worry about the private sector. For that we have supported the Securitization Bill. Those companies and institutions, which do not honour their commitment to the banks and financial institutions, they are going to auction their properties and their factories. Rightly so, we have started that...(Interruptions)...Yes, after the Securitization Bill, you do not know what discipline is coming to the private sector. If nothing has been done, close all the private industries. Sir, one healthy sign we see on our foreign exchange front is that foreign exchange reserves, which were less than \$ 5 billion, have touched nearly \$ 85 billion.

This speaks very good of our country and I am sure the Finance Ministry is careful to see that these large sums of deposits are used properly so that the Government's tax burden and Government's debt servicing goes down. Subsidies and Grants-in-aid to various programmes for the vulnerable people are necessary. They must be there. I support it. But, one has to find out how much they really reach to the target people. I remember, when I became, for the first time, Member of the Planning Committee, Shri Rajiv Gandhi used to say, "Only 15 paise out of one rupee reaches to the target people." So, the Government should do something and have a proper evaluation for checking whether the money provided for this sector is reaching the people, especially the PDS, what the Minister said and FCI grain procurement target, etc. I just mentioned about the Provident Fund. Further, there is a need to have reforms in the pension sector. There are complaints that the money lying in the pension sector is not being utilized, and, I am also told that the Ministry of Labour has sent some proposal to the Ministry of Finance which they have still not cleared. It will help the Ministry of Labour to utilize the money more judiciously. I have seen the report of the Ministry of Labour, and, I will send a copy of the same to the hon. Minister, if he has not seen it.

Four years back the Government of India had a scheme called RIB, Resurgent India Bond. We borrowed foreign exchange from NRIs at a very high rate of interest, may be there were some reasons because we had just exploded atomic device at that time. I would like to draw the attention of the hon. Minister that the payment is going to be due next year. Thanks to the clause according to which the foreign exchange risk is not covered. It means that the Government of India will bear the exchange risk. This will make huge losses when we are going to make payment on Resurgent India Bonds because, at that time, when we borrowed this money, the dollar was equal Rs. 39, and, by the time, we pay next year, it will almost be equal to Rs. 47 or 48. I am told and there is some article. I will show you, Mr. Minister. You can respond to it when you speak. You have got every right to speak. I am again repeating in case you want. When the RIB was floated, when we borrowed \$ 5 billion, the US dollar was equal to Rs. 39. and. by the time the payment is made, it will be equal to Rs. 48.

Under the NRER scheme, where we borrowed the NRI money, -if the exchange risk was not on account of the Government, but on account of the depositor, we will not have to suffer there. But, because this clause

4.00 P.M.

was inserted later on, not only the high rate of interest will be paid but also the exchange loss between Rs. 39 and Rs. 47 or 48, whatever is there, will be there. I am sure about this, Mr. Minister. I will be very happy to be corrected on that.

Sir, the hon. Minister just said about the States. I come from Maharashtra, which was supposed, and, which is, may be now, the most industrially developed State. Mumbai is the financial capital of India. I am very sorry to say that the State finances all over India are in such a bad shape. Only the State of Maharashtra has issued guarantee of Rs. 87,000 crore. Can you imagine that only the Maharashtra Government has issued guarantees worth Rs. 87,000 crore. Co-operative factory, sugar factory, whoever is starting any factory, the State Government is issuing the guarantee. That time they did not know. Now, they have to pay the guarantee. Last month, the Government was not able to pay the two bonds, which the State Government had subscribed. The Government of India attached the properties of Maharashtra Government. I do not know whether you are aware. *...(Interruptions)...* Yes, I am saying about my Government. Yes, my Government. But all these problems were created by your party. But, you were not there in the party at that time. *...(Interruptbns)...* And nobody knows which party you are in *...(Interruptions)...*

SHRI EKANATH K. THAKUR (Maharashtra): It was your party, which has squandered the money. My party has created visible productive assets.

SHRI MURLI DEORA: If they had consulted you, things would have been better. You are a good banker. So, I would request the hon. Minister that a similar legislation is drafted or advised to the States. The Maharashtra State has already come out with a legislation like this. There is a need to have the guidance from the Central level. You should call a meeting of all the Chief Ministers and see that they have a similar legislation and not only have a Bill passed, but also see that they are very prudent about their collection of the money. I am talking about guarantees of the States. I do not want to raise a controversy just now here. There is an organisation in Maharashtra called Krishna Gauri Water Project, I can't

speaking that word exactly. It is a Krishna Valley River Project. It is shocking that the MTNL has given Rs. 200 crores there. Mr. Minister, why don't you get this inquiry done? First, it was Rs. 200 crores and then Rs. 250 crores. If you want me to tell you about the banking sector, what happens is those who get the deposited money with the State Government guarantee, they get six per cent as commission, एक करोड़ ले जाओ और 6 लाख दे जाओ। सच्ची बात कह रहा हूँ मैं आपको। I can bring these people to you. I am not in the habit of exploding and having some drama here. But, I know people, they told me in Mumbai that if they get deposit with State Government guarantee, they get six per cent commission in cash. This is what happens. You are requested to please do one small inquiry into it. You are sitting on the exchequer of the public fund. How this Rs. 200 crores or 250 crores from MTNL was paid to that junket organisation, when they knew very well that money is not going to come, when they knew very well that contractors are not paid in time, when they knew very well that those who deposited money under the fix deposit, they have never been returned back? I am not blaming any political party. Even though my party is a party to it, I will criticise them, whoever they are. There may be Congressmen or NCP, whoever may be they are. But why should the Government give Rs. 250 crores suddenly? I am sure, there are better avenues. You can advise them for depositing money at better places. So, I hope when we are talking about transparency and all this big, the manner in which you drafted this Bill will be good for the generations -- no deficit, zero revenue deficit, etc. -- these things are good. But what is happening on practical side also you have to see, Mr. Minister. I am sure the Minister will do this.

The second point which is really eating up the State resources and, to some extent, the Central resources also is the working of the Central Electricity Boards. I do not want to speak about the State Electricity Boards. You can speak for hours on it. It is well known all over, my friend from Orissa is here, I am talking about the distribution. The T&D losses are the highest in our State Electricity Boards. The plant load factor is the lowest. Some States have experienced this. Like Delhi, the Tata and BSES are doing the power distribution in Delhi. I do not say they have corrected everything, but, at least, their collection is more and spending is less. The distribution losses have come down, but not totally eliminated. So, such reforms are very, very important. Such reforms will help you, like the NTPC and the Central Government's power plants and also the States because their electricity is in big trouble. Now, especially when the Government has

rightly passed the Electricity Bill, this should not come in the way, because various problems which were coming in the State Electricity Bill, were corrected.

Mr. Minister, only last month you announced, I think, at the Conference of Income Tax Commissioners that no raids and friendly-approach to the tax-payers. I can tell you and it has been proved throughout that wherever the rate of income tax was lower, the collections were higher. Today, there is no incentive for somebody to make black money. I can tell you this. I am a businessman and I am telling you there is no incentive for anybody to make black money, because our tax rate is very stable, 30 or 35 per cent is good. There is no problem in 2-3 per cent here and there. So, keep that rate of interest lower. But don't envy if somebody is earning more, if he is earning one crore or two crore or five crore, don't impose 90 per cent income tax, as has been done during Morarji Desai's time. Who will pay that? Nobody will pay. So, keep the income tax rate down and have a friendly- approach to the tax-payers. This will enable you to expand the tax base of the country which is very badly needed. ...*(Interruptions)*... Sir, during Mrs. Margaret Thatcher's time in London,--the hon. Minister may kindly remember--the British Government made the general public participate in profit-making PSUs. They diluted some part of their shares, not the strategic shares. They diluted only some part of their shares in the British Airways, British Gears, British Telecom, and British Steel. These good, blue chip companies in Britain did not dilute 49 per cent or 51 per cent. They diluted only five per cent, ten per cent, not to one per cent. They were giving their shares, they were distributing them, through the capital market. They helped tremendously the British capital market. They helped people to have a sense of participation, in these public sector undertakings. This is what you should do. You have done it in one or two areas. In Maruti, you have done just now. It has created a good atmosphere. Maruti is not owned by a private company. Good. Similarly, if you are allowing the blue chip PSUs like Indian Oil, ONGC, State Bank, to dilute their shares for public holding--not to one per cent, but 20 per cent, 30 per cent- but through the capital market, it will bring you extra revenue, it will help the capital market and it will help you to reduce your deficit, which is the prime target of this Bill.

The growth in revenue deficit--I am talking about the revenue deficit for one minute--as a percentage of GDP was one per cent in 1980-85,

which went up to 3.3 per cent in 1996-01. From one per cent to 3.3 per cent? Why? Due to the growth of interest payments as a percentage of GDP, which went up from two per cent to four-and-a-half per cent! What I am trying to make is, again, the same point, that the interest rate was a major component of the revenue deficit and the fiscal deficit, especially the revenue deficit. The measures which the Government has taken have brought the results. I am complimenting you on that. But they can further help you if the banks are more prudent in the banks' administrative cost. They spend what they get. borrowing at four per cent? Ramachandraiah Saheb, you may kindly remember, we have discussed it once in the Finance Committee; they borrowed at four per cent and are lending at 12 per cent, 13 per cent! If they do not make profit, then who will make profit? Anybody else will make profit! And there is no improvement in their efficiency. So, I am sure, the hon. Minister will be interested to do that. The principal target of this Bill should be the containment of the growth of interest payments. Somebody has said, "A Government which governs the least is the best Government." And I am sure, the hon. Finance Minister believes in this dictum, and there is no use expanding various territories of the Government यह भी काम हम करेंगे, कोका कोला भी हम बनाएंगे, मॉडर्न ब्रैड भी हम बनाएंगे, रोड का काम भी हम करेंगे, उससे काम चलने वाला नहीं है। I allow them to tap the energies and enthusiasm and the resources of our common people, whether it is the private sector or the public sector or any other sector. That will help the economy, that will help to reduce the deficit and that will help you to be a prudent manager of our economy. Thank you, Sir.

श्री ललितभाई मेहता (गुजरात) : उपसभाध्यक्ष महोदय, राजवित्तीय उत्तरदायित्व और बजट प्रबंध विधेयक, 2003 का समर्थन करने के लिए मैं खड़ा हुआ हूँ। जैसाकि वित्त मंत्री जी ने बताया कि केन्द्र सरकार की ऋण की परिस्थिति भयावह होती जा रही है और राज्यों की भी यही परिस्थिति है। कोई 4-5 साल पहले राज्यों का जो ऋण था वह तकरीबन एक लाख अस्सी हजार करोड़ रुपये था, आज 6 लाख 71 हजार करोड़ हो गया। उसी प्रकार केन्द्र सरकार का ऋण भी बढ़कर 18 लाख करोड़ के पास पहुंचने की संभावना है। अगर इसको ध्यान में रखते हुए मंत्री जी यह बिल यहां पर लाए है कि बिल में जो प्रावधान किए गए हैं इसके कारण आज केन्द्र और राज्यों के आर्थिक संचालन में एक स्थायित्व और उत्तरदायित्व आए, ऐसी परिस्थिति का निर्माण होगा। स्टेबिलिटी और एकाउंटेबिलिटी, ये दोनों बातें आज हमारे अर्थ संचालन के लिए बहुत आवश्यक हैं। हमारे संविधानकर्त्ताओं ने यह बात सोची थी और उसी कारण जब हमारा संविधान बना था तो उस समय डा. अम्बेडकर ने कहा था कि “अगर हमने अपने देश की आजादी के पश्चात समय रहते सरकार की उधार लेने की क्षमता पर अंकुश नहीं लगाया तो हमारी आने वाली पीढ़ियां ऋण के भार में फंसती चली जाएगी।” यह डा. अम्बेडकर जी का विधान है। उस वक्त जो हमारी कांस्टीट्यूट असेम्बली बनी थी, वही प्रावधान हमारे संविधान की धारा 292 में लाया गया है। मैं इसे उद्धृत करना चाहूंगा :

"The borrowing power of the Executive shall be subjected to such limitations as the Parliament may, by law, prescribe. If Parliament does not make law, it is certainly the fault of Parliament and I should have thought it very difficult to imagine any Parliament which will not pay sufficient or serious attention to this matter and enact a law.

Parliament will take this matter very seriously and keep enacting laws so as to limit the borrowing authority of the Union.

I not only hope but expect that Parliament will discharge its duty under this article."

हमारे संविधान का यह प्रावधान पचपन सालों तक हमारे पास रहा। पिछली कई सरकारें आईं लेकिन एक भी सरकार ने इस बात पर गंभीरता से ध्यान नहीं दिया। आज मैं हमारे वित्त मंत्री जी का अभिनन्दन करना चाहूंगा कि ये इस बात को सोचकर यह विधेयक यहां पर लाए हैं। हमारे देश में जो परिस्थिति है, अगर उसको ध्यान में रखते हुए यह बिल यहां पर मर्यादा लगाने का एक प्रावधान हो रहा है। साथ ही साथ इस बिल में जो प्रावधान है इसके कारण आने वाले चार — पांच सालों में - 2005, 2006 की बात बताई है, 2008 तक — हमारा राजस्व घाटा संपूर्णतः समाप्त करने की बात भी इसमें कही गई है। यह भी आवश्यक कार्य है। हमारा जो राजवित्तीय घाटा है, फिस्कल डेफिसिट है उसको भी जी.डी.पी. का दो प्रतिशत तक मर्यादित करने की बात इसमें कही गई है। सरकारें रिजर्व बैंक से किसी प्रकार का ऋण नहीं लेगी। पिछले पचपन सालों में हमारे देश में जितनी भी केन्द्र में सरकारें बनीं, इन सरकारों ने जो भी खर्च किए, ये खर्च इसलिए किए ताकि हमारे यहां सामाजिक विकास का काम हो, आर्थिक विकास का काम हो, सामाजिक समरसता का निर्माण हो लेकिन जो भी खर्च किया गया अगर वह देखे तो यह सकल घरेलू उत्पाद का 1.2 प्रतिशत से लेकर 1.4 प्रतिशत से ज्यादा खर्च हमारी सरकारों ने कभी भी नहीं किया। आधारभूत संरचनाओं, इन्फ्रास्ट्रक्चर में भी इतना खर्च नहीं किया फिर भी देनदारियां बढ़ती गईं, ऋण बढ़ता गया। आज केन्द्र सरकार के जो कुल खर्च है उसमें से 66% खर्च हमारे ऐसे हेड्स में जाता है। इस साल के बजट में 65,300 करोड़ रुपये का प्रावधान सब्सिडीज देने के लिए किया गया है। इस साल के बजट में 49,00 करोड़ रुपये का प्रावधान सब्सिडीज देने के लिए किया गया है। केन्द्र सरकार के कर्मचारियों के वेतन-भत्ते का खर्च 31,941 करोड़ रुपये है और सरकारी कर्मचारियों की पेंशन का 15,107 करोड़ रुपये का खर्च यानी नॉन-प्लान एक्सपेंडीचर जिसको हम कहेंगे, ऐसे खर्च इतने हैं कि जिनके कारण यह संभव नहीं हो पाता कि हम सामाजिक क्षेत्र के लिए, सामाजिक विकास के लिए कुछ राशि प्रदान कर सकें और खर्च कर सकें। आज यह बिल लाया गया है और इसके कारण सरकार के खर्च की मर्यादा अगर बननी है तो उसका अर्थ यह नहीं निकलना चाहिए कि हमारे देश में सामाजिक क्षेत्र में विकास के लिए, शैक्षणिक विकास के लिए, वैधकीय सहायता के लिए, ऐसे खर्च को मर्यादित

किया जाए। यह नितांत आवश्यक है। आज जो खर्च हो रहे हैं उसमें सिर्फ 32 प्रतिशत खर्च ऐसा हो रहा है कि जिसको हम कैपिटल एक्सपेंडीचर कहेंगे, बाकी का जो खर्च है उस रेवेन्यू एक्सपेंडीचर के तहत भी ऐसे खर्च हो रहे हैं जिनके ऊपर मर्यादा बनानी आवश्यक थी। पिछले 55 सालों में यह परिस्थिति रहने के कारण आज जो 2001 को सेसेस हुआ और उसमें जो आंकड़े आए हैं वे आंकड़े अभी इंडिया टुडे के इस अंक में प्रकाशित हुए हैं उसमें बताया गया है कि देश में कुल 192 मिलियन हाउसेज हैं और उनमें से 44 प्रतिशत घरों में बिजली है ही नहीं और 38 प्रतिशत घरों में पीने के पानी की कोई व्यवस्था नहीं है। आज भी 55 सालों के बाद 53 प्रतिशत घरों में फॉयर वुड से भोजन पकाया जाता है। आज भी देश में 150 मिलियन नागरिक ऐसे हैं जिनको कि प्राथमिक आरोग्य की सुविधा उपलब्ध नहीं है। यह परिस्थिति होने के कारण यह बात कही न सोची जाए कि सामाजिक विकास के इस क्षेत्र को, आज जो परिस्थिति है उस परिस्थिति से रहना पड़े। इस पर खर्च आवश्यक है और सरकार को इस खर्च के लिए व्यवस्था करनी होगी। जो भी खर्च सरकार करती है, जो भी ऋण लेती है वह खर्च उत्पादकीय हेतु हो रहा है या नहीं, इसे सरकार को सोचना होगा। जो भी उत्पादन हमारे यहां हो रहा है, वह उत्पादन और बढ़े, जिस चीज का उत्पादन हो रहा है, उसकी उत्पादकता कैसे बढ़े, यह बात अगर ध्यान में रख करके ऋण लिया जाता है और ऋण के माध्यम से, ऋण का उपयोग इसी हेतु किया जाता है तो वैसा ऋण लेना और ऐसा खर्च करना लाभकारी रहेगा। दूसरी बात, जो भी खर्च हो रहा है उसमें हम "पूड्रेस इन स्पेडिंग" जिसको कहते हैं, वह सरकार के ध्यान में रहनी चाहिए। राजनाथ सिंह जी यहां बैठे हैं। मुझे याद आ रहा है कि उत्तर प्रदेश के कोई मुख्य मंत्री दिल्ली आए थे। उनका विमान दिल्ली के एअरपोर्ट पर आ गया और उनको पता चला कि उनका कुर्ता और पायजामा वही रह गया है तो वह विमान यहां से फिर वहां चला गया और फिर यहां आया। ऐसा स्पेडिंग अगर सरकार के द्वारा होता है तो निस्संदेह हमारे लिए यह शोचनीय बात है और इस कारण हम यह ध्यान में रखेंगे। एक और बात भी हमारे ध्यान में रहनी चाहिए कि हमारे देश में जितनी भी कुदरती संसाधन हैं, उनका श्रेष्ठ उपयोग हम कैसे कर सकें। हमारे देश में 28 करोड़ का पशुधन है। एक अभ्यास जिन लोगों ने किया है, उन्होंने यह बताया है कि अगर ड्राउट एनीमलज का भी उपयोग हम सही मायने में करते हैं तो उसमें से हम करीब पौने दो लाख करोड़ रुपये की रेवेन्यू जेनरेट कर सकते हैं। हमारे देश में जो 42 हजार मिलियन क्यूबिक फीट से ज्यादा पानी समुद्र में बहता है, उसका अगर हम सही उपयोग करते हैं तो 4 लाख करोड़ रुपये की एग्रीकल्चरल इन्कम हम उसमें से जेनरेट कर सकते हैं। देश में चार करोड़ हेक्टेयर जमीन ऐसी है जिसका खेती के लिए हम उपयोग कर सकते हैं, लेकिन वह आज नहीं हो रहा है। हमें अपने कुदरती संसाधनों का सदुपयोग करना चाहिए। इसके लिए राज्य सरकारें और केन्द्र सरकार, दोनों साथ में मिल करके अगर इन बातों पर ध्यान में रखनी चाहिए। आज केन्द्र सरकार के दो सौ से भी ज्यादा प्रोजेक्ट ऐसे हैं जो कोस्ट-ओवररन हैं और टाइम-ओवर रन हैं। उपसभाध्यक्ष जी, आप गुजरात से हैं, आपको भी पता है कि गुजरात में हमारा नर्मदा बांध जो बनना था, उस वक्त उसकी कोस्ट 6000 करोड़ रुपये रखी गई थी, लेकिन आज 13,000 करोड़ रुपये खर्च होने के बाद भी नर्मदा बांध का काम पूरा नहीं हुआ। आज तक जो इस पर खर्च हुआ है, उसके कारण प्रतिवर्ष गुजरात सरकार को 1,000 करोड़ रुपये का प्याज का नुकसान हो रहा है। तब यह हुआ था कि 30 जून, 2003 तक नर्मदा बांध की ऊंचाई 110 मीटर तक ले आएंगे, लेकिन केन्द्र सरकार की जो व्यवस्था है उसके कारण और अन्य राज्य सरकारें, जिनकी

हिस्सेदारी है उनकी व्यवस्था के कारण नर्मदा बांध का काम जो 12 साल पहले पूरा हो जाना चाहिए था, उसे आज तक भी उस बांध की ऊंचाई 110 मीटर तक भी हम नहीं ले जा पाए हैं। केन्द्र सरकार के कोस्ट-ओवर रन के कारण और टाइम-ओवर रन के कारण इसमें 20,000 करोड़ रुपए अधिक लगाना पड़े हैं। तो यह बात भी केन्द्र सरकार को ध्यान में रखनी होगी।

उपसभाध्यक्ष महोदय, एक बात और हमें ध्यान में रखनी है कि हमारी जो गवर्नेन्स है, वह गवर्नेन्स ऐसी रहे, जिसके कारण हमें आर्थिक दृष्टि से नुकसान न उठाना पड़े। आज यहां पर एक बात बताई गई थी कि हमारे यहां बिजली के क्षेत्र में 33,000 करोड़ रुपए का घाटा प्रतिवर्ष देश के सभी इलेक्ट्रिसिटी बोर्ड को भुगतना पड़ता है और जिसके लिए सबसिडी देनी पड़ती है। इसमें बताया गया कि 40 प्रतिशत से ज्यादा लोसेस जो है, यह बिजली के क्षेत्र में बिजली बोर्डों के आते हैं। इसको देखना होगा कि इन लोसेस को कैसे घटाया जाए ताकि यह 10-12 प्रतिशत से ज्यादा नहीं होने चाहिए। एक तो बिजली की चोरी होती है, जिसके कारण आप बताते हैं कि हमारे यह लोसेस हैं। तो इसको कैसे रोका जाए क्योंकि इसके कारण यह नुकसान भुगतना पड़ता है। इससे कैसे बचा जा सके, इस बात को भी अगर हम ध्यान में रखेंगे तो मुझे लगता है कि आज जिस हेतु से, जिस दृष्टि से यह बिल लाया गया है, इस बिल के प्रावधानों को अच्छी तरह से लागू किया जा सकेगा और केन्द्र सरकार के द्वारा जो भी बातें इसमें आती हैं, वे राज्य सरकारों को भी लागू किया जा सकेगा और केन्द्र सरकार के द्वारा जो भी बातें इसमें आती हैं, वे राज्य सरकारों को भी लागू करने के लिए नीति-मर्यादा तय करने का प्रावधान अगर हम करेंगे तो मुझे लगता है कि हम आगे आने वाले समय में बहुत सफलतापूर्वक अपनी आर्थिक नीति का संचालन कर सकेंगे। आभार। धन्यवाद।

SHRI C. RAMACHANDRAIAH (Andhra Pradesh): Sir, this Bill has already been passed by the Lok Sabha on 7th May, and our party, the TDP, supported this Bill there and we support this Bill here also.

Sir, there has been a growing concern about the increasing debt of the Central and State Governments, especially after '80s, particularly with regard to the borrowings by the States and the guarantees that are being given by the States to fulfill the umpteen number of obligations to execute infrastructural projects, especially, in the power sector and in the road sector. And, this is, eventually, increasing the fiscal deficit. Sir, in a growing economy like India, I don't find fault with the growing fiscal deficit. It is natural because of the precarious financial position in which India is placed, and when 85-90 per cent of the revenues are being pre-empted to meet the salaries, pensions and other establishment expenditure. Naturally, Governments have to borrow. But the most part of the fiscal deficit essentially represents the borrowings. Fiscal deficit is nothing but, in simple terms, borrowing that is being made. The unfortunate thing is that those borrowings are not being used to create capital assets. They are being

used only to meet the revenue deficit. As I said, India is a developing country. I do not consider fiscal deficit in India has ever been a problem *per se*. I never consider it as a problem *per se*, because up till 1980, we had surpluses. Most States were having surpluses. The Centre was having surpluses. So, whatever borrowings had been made, were being used for creation of capital assets of enduring nature that generated both revenue and employment. This was the case till 1980 especially after the advent of the regionalisation - I should be very frank -- the national parties had failed to discharge their duties in meeting the aspirations of the people and in satisfying the local aspirations, thanks to populist measures that are being adopted by so many Governments, political populism in this country has taken a heavy toll on the economy of this country, especially of the finances of The States and the Central Government. To be frank, this has become the order of the day, whether one accepts it or not.

Sir, I had the opportunity earlier also of pointing out this aspect of level of imprudence in accepting the Fifth Pay Commission Report by the Government of India; it was virtually thrust on the State Governments. The Central Government alone had to spend Rs.36,000 crores. And an equal amount was spent by the States. This has totally shattered the economies of the States. Until now, the States have not been able to come out of that shock. They had to borrow. It is like borrowing to lead a luxurious life; you borrow at a high rate of interest to lead a luxurious life. We cannot afford it at this juncture. Sir, this report was implemented in 1997. Five years prior to that, that is, in 1992, almost all the State Governments and the Central Government, were suffering from huge revenue and financial deficits. And this additional burden at that time -- and not only at that time; but even now -- had adversely affected the already vulnerable financial position of the States and the Centre. The implementation of this Report has pushed up, both the revenue and the fiscal deficits, as I said, to around Rs. 70-80,000 crores, at an aggregate level, that is, both for the Centre and the States. Had there been some prudence, as we are now trying to bring in, this would not have occurred.

Now, I come to the inability of the Government to control the deficit. It is a circle. We can easily make very good suggestions, but, the point is, to what extent that can be achieved in actual practice? And far from controlling the deficits, we have been adding to it every year, year after year. I quote some figures that the hon. Finance Minister has given in the

synopsis. For the year 2001-02, the revenue deficit constituted Rs. 1,00,162 crores, out of the fiscal deficit of Rs. 1,40,955 crores. This means that, if there was a revenue deficit at all, as was the case in the 1980s, the entire Rs.1,40,955 crores would have been used for the creation of assets. So, this fiscal deficit that we have made, which virtually represents borrowing, has been used to wipe out the revenue deficit, and very little amount of, say, around Rs.40,000 crores, was there to create capital assets. This is the way the growth is taking place in this country. Its very premise and very dreaming that we can achieve that growth rate of 8 per cent, if such a state of economy continues, is wrong. But what actually happens is this. Out of Rs.1,40,955 crores, a sum of Rs. 1,00,162 crores was actually used for meeting the revenue deficit, leaving a very paltry amount for the development of this country, and that was lower than 11 per cent of the Budget. And the situation is not very different from the one that prevailed in 2002-2003. The Government was constrained to upgrade to Rs.1,04,700 crores in the Revised Estimates the revenue deficit which was budgeted at Rs.95,377 crores. Even for the current year, the revenue deficit has been budgeted at Rs. 1,12,292 crores. Sir, I now quote the figures from the Economic Survey published by the Government. The total outstanding liabilities are budgeted at Rs. 15,04,183 crores in the year 2002-03, reaching a level of 61.4 per cent of the GDP. The outstanding liabilities constitute more than 60 per cent of the GDP. You can see. how precarious our financial position is. And according to a recently circulated paper - because I happen to be a Member of the Consultative Committee of the Ministry of Finance -- the total borrowing of the State Governments, up to March, 2003, constitutes 29.8 per cent, that is, around 30 per cent of the GDP, while the guarantees account for 7 per cent; guarantees are virtually nothing but a contingent liability. So, 37 per cent of the GDP is what the States have got the outstanding liability towards the borrowings and guarantees. Take the interest payments. Just now, the hon. Finance Minister has mentioned that the interest payments of the Central Government as on March, 2003, stood at Rs. 1,23,323 crores - the estimated figure - and they constitute a whopping 48 per cent. The Finance Minister says that it is around 50 per cent of the total revenue receipts of Rs.2,53,935 crores. Why I am giving all this data is to substantiate my apprehension as to how the Government will come out of this precarious situation. This total liability, for your information, Mr. Minister, is 600 per cent of the total annual revenue receipts of the Central Government. The outstanding liabilities are about 600 per cent of the total annual revenue receipts of the Government of India. This gives an

idea as to how deteriorated the financial position has become, especially during the last 15 years. And because of this deterioration, the Government is unable to step up public investment as per the Plans. It is resulting in lower GDP growth rates than what they are being targeted. So, my advice to the Government is this. We have been claiming that we can reduce the non-Plan expenditure, which we cannot do and which we are unable to do because of various compulsions. You cannot reduce the interest expenditure, because you have given a swap to the State Governments; so, the interest burden to some extent has been reduced. And the deficit has to be contained. You cannot reduce the Defence expenditure. You cannot reduce the interest component. You cannot reduce the salaries and pensions. You tell me how you are going to reduce the deficit. I want to make one suggestion. You step up the investments in the public sector. It has been proved beyond doubt, at global level, in developing countries, there is a strong complementarity between the public investment and the private investment. So, you step up investment. That is the only solution. Even if there is an increase in the fiscal deficit, nothing is alarming. Your target should not be for fiscal deficit. The target should be for growth rate. Your target should be growth rate, not fiscal deficit. Eight per cent growth rate has to be achieved. So, what is the investment that is needed? What is the investment required in the public sector and private sector? What are the areas on which you should concentrate? You have been adopting lopsided policies with misplaced priorities. I am not mentioning only about this Government. This is happening over a period of time, with so many Governments. So, have correct priorities, and step up your investment, and automatically there is a complementarity which has been accepted. It has been said in the report that there is a strong complementarity. So, there will be a tremendous growth rate in the country. The incomes will be augmented; the wealth will be generated. You should ensure that the incomes are disbursed throughout the country. It should not be confined to a particular group or group of industries, and do not try to create 'islands of prosperity' because we are in amiss ocean of poverty. So, you should be very careful in this regard. Step up the investment. That is the only solution. increase the wealth, then, automatically your deficit will be reduced.

Sir, I quote here an example, why China has succeeded in this. Sir, when China faced 3.5 per cent fall in prices, in the second half of 1988 --this was quoted in the World Bank Report - and a reduction in the aggregate demand for various goods -- the first it had ever experienced in

decades -- the Chinese Government did not think twice for stepping up the investment. It had increased the governmental expenditure. There is a wrong notion that the increase in expenditure will lead to inflation. In a developing economy, inflation is a must. We cannot avoid it. The first priority, in spite of all these things, is development. Improve the growth rate. In various infrastructural projects like irrigation, power and industries, they had stepped up the investments. They had pumped in 1.2 trillion U.S. dollars in infrastructural projects, and in just six months' time, they issued treasury bills worth \$ 30 billion. In six months' time, they issued \$ 30 billion worth of treasury bills to undertake additional projects in infrastructure! The result is, it has yielded very good dividends. Investments in fixed assets rose by 22.7 per cent, in the first quarter of 1999. The investments were made in the end of 1997, the results came in 1999. The fixed assets rose by 22.7 per cent in the first quarter of 1999, over the same period of the previous year. The sharpest rise was in agriculture. It was almost unbelievable. The growth rate in agriculture was 122 per cent, which was almost unbelievable. It was followed by transport and telecommunications - 46 per cent, and housing by 36 per cent. You see the phenomenal growth that has been achieved by China.

[MR. CHAIRMAN in the Chair]

We have been reading about it in so many newspapers. People are visiting China to see how phenomenal economic development they have achieved. Their GDP growth rate touched 8.3 per cent, according to the official statistics, in the first quarter of 1998-99, and the industrial production, we understand, has gone beyond 10 per cent in the first quarter itself. Therefore, my suggestion to the Government is, our management of economics need not or should not be ritualistic. I see really no great wisdom in fixing a cap of five or six per cent on fiscal deficit. As long as it does not exceed a percentage of revenue deficit, we can go ahead. Sir, here I make a suggestion because you have announced a number of voluntary disclosure schemes. The people have criticised it by saying that it is a premium paid for the defaulters of taxation. But you can promote infrastructure bonds, and don't question the source. Give the minimum rate of 6%. I can assure you that you can get a minimum of Rs. 5 lakh crores. You can spend that money in infrastructural projects. There is no dearth of funds, Banks are flooded with funds. They are searching for good borrowers. They are unable to lend properly. Because of the fear that has

been created among the bankers, thanks to the Vigilance Commissioner and other agencies, more than 75% of the advances are being done at the level of General Manager and above. Not even 20% is being advanced at the General Manager- level. That is the situation prevailing. So, banks are flooded with funds, and funds are not a constraint. Select the correct priorities, and go for the infrastructural projects.

My suggestion is, in this process, you have to be very careful so that the income is disbursed throughout the country. Then only would there be an aggregate demand for goods. That will kick-start our economy.

We fully support this Bill. But, what purpose is it going to serve? You simply have stipulated that by 2008, the deficit has to be reduced to zero per cent. How to do it? There is no provision. There is no alternative method that you have suggested. The Bill has to be supported. But what purpose is it going to serve? Have concrete measures and have pragmatism; step up investment. Then you can achieve the development. Eight per cent growth rate is a highly stupendous task, 'because last year it was 4.4%, because of bad monsoon. This year, you can achieve a maximum of 5%. Next three years, we can add 10% of this year's performance, and you can't achieve 8% growth rate. With these comments, I support the Bill.

SHRI K. CHANDRAN PILLAI (Kerala): Respected Mr. Chairman, Sir, and hon. Members of the House, on this Bill, I basically want to make some observations, thereby expressing certain apprehensions of mine. I am not in agreement with this Bill, because I am afraid of the consequences and the possible results of this enactment.

In a way, while putting certain targets for the fiscal deficit as well as revenue deficit for the coming years, this Government is taking the authority of the future Governments also, thereby creating an element of undemocratic politics here.

Another thing is, there is a possibility of further reduction in the Government investments in almost all the three major sectors-industry, agriculture and service sectors. From our Finance Minister, I actually want to know one thing, -that is with regard to the resource mobilisation. We have not still explored the possibility of untapped areas of Indian economy to mobilise our resources further. One point I want to cite is the Non-

Performing Assets. After the enactment of the Securitisation Act, though the Act is powerful enough to seize assets, it is, practically, a non-starter. I want the real account of that matter so far after the enactment.

Another thing is, if you look at our last ten years' experience, we can see a gradual reduction in the customs duty, which has actually resulted in a drain of our resources. Likewise, the question of tax evasion and the question of black money, we are not touching. Further, recently, a rapid measure is taken by the Government to privatise our public sector assets and that too for a song. Regarding resource mobilisation, I would like to say that it is working in the reverse direction and it has resulted in a kind of monopolisation. Even public sector assets are going to the private companies. While going in for a Bill of this nature, I want an assurance from the Minister that expenditure from the Government on the vital sectors of economy is increased. Actually, our economy is now facing a kind of demand -recession, an aggregate demand recession as a result of that there is a stagnation in our economy. This being the situation, the Finance Minister while moving the Bill here, referred to the States and their financial position now. One thing is very important. The result of reduction by the Government in the service sector or industrial sector or agricultural sector is that basically the ultimate suffer is the States. They are in a very difficult situation. They are in a shambles. There is no consideration of that vital element also. Further, the Government is withdrawing from various sectors. The present unemployment situation is at a very serious stage. The unemployment is going to be multiplied. Really, it is going to multiply. Even urban employment is going to be affected because of non-reservation of items for the small-scale industry. As a result of that measure, a large number of small-scale industries is now facing difficulties in the country. These industries are not operating now. The experiences of the last two or three years show that the Government is withdrawing subsidy. That again has very much affected our agricultural sector. I think, this kind of a Bill actually is being derived by the international monopoly capital. Fiscal deficit is a problem and discipline should be there in this area. But I would like to submit that even surplus in the fiscal area alone is not going to save our economy. The 1997 experience of South Korea and other South Asian countries has well established that fact. The real question is how to generate wealth and how the Government can invest in the various sectors of the economy. That point has not been addressed by this Bill. I have apprehension regarding the possible outcome of this and that is why I am

opposing this Bill as such. If we strictly analyse our industrial sector, still there is untapped potential and there is under-utilisation of the present capacity. The question is how to enhance that capacity and how to take the advantage of the installed capacity. That demands further economic uplift or we can say that the present recession has to be avoided. With regard to that sector, nothing has been mentioned in this Bill. With regard to our public sector banks, I would submit that the Government is proposing certain Bills for the financial sector. But according to me, that will lead to a kind of de-Indianisation of private sector banks and it is going to privatise the public sector banks, which are there at present in the country. Our banks have sufficient funds. But these are not taken by the Government. Appropriate schemes can be evolved by the Government in order to take advantage of these reserved funds and invest them in the various sectors. But no measure is coming up in that regard. That is also a point to be taken care of while enacting a Bill for bringing in fiscal discipline. Last year there was a reduction in the Customs duty. Actually, certain price stabilisation funds were allotted in the last Budget. What is our experience? Even after such a measure, our tea, our coffee, our rubber and other such agricultural products could not be saved as a result of that. The drastic step in reducing the customs duty flooded the market of India with these goods, and, now, our peasantry is in great difficulty. So, these measures that have been taken by the Government are affecting the economy and, according to me, are not in the right direction. And the results are irreparable and with immeasurable negative impact on us. So, without considering such aspects if we pass this Bill, I do not think that the present unemployment question can be solved or reduce its potential substantially or we can overcome the investment shortage. There are such limitations. So, basically, looking at all these things, I think, this Bill is to be reviewed.

Another point I would like to mention is about the States. Now, all the States are competing with each other. A new scenario has developed in the country. Now, the States are permitted to take loan from outside agencies. In the present global scenario, to take the maximum advantage of the situation, the States are, actually, running on the diktats of these institutions. By compromising on so many vital interests of the State, the competition between the States reached a stage where a healthy competition has become an unhealthy competition. This unhealthy competition is affecting the federal fabric of this country. Again, our States

are, facing an acute shortage of funds and are in debt trap. So, a major intervention in the economic situation of the States is required. Of course, in the last Budget, we allowed something to the States and Union Territories. But, when you take into account the inflation rate, one can say, practically, there is no increase at all. Not only on this issue but also on various other issues the Government of India is withdrawing itself from various other services such as health, etc. But, the States cannot, overnight, withdraw as has been done by the Central Government. They have to continue, depending upon the socio-economic and historical pattern of various States. That being the situation, the States are compelled to continue or constrained to continue with those measures. While continuing that, all the States are burdened with more needs of finances, resulting in a financial crisis. I think this aspect is also to be looked into.

MR. CHAIRMAN: Now, you will have to finish your speech in one minute.

SHRI K. CHANDRAN PILLAI: Sir, another point I would like to make is, while we are going for this measure, we have to look at our agricultural scenario. Basically, as has been said by the hon. Finance Minister, security of the economy is the prime intention of the Government. But, what about the security of the masses in this country? Or, what about the food security? Sir, the food security is very well affected by this kind of a measure -- a drastic reduction of two per cent of fiscal deficit. The Government is withdrawing its investment from the agricultural sector. That means the fertilizer price would go up. Even now, it has been jacked up like anything. So, considering all these aspects, I ask the hon. Minister to give us detailed accounts, which have already been mentioned here, and before going in for such a Bill, all the aspects regarding economy are to be considered seriously. Thank you.

SHRI ASHWANI KUMAR (Punjab): Thank you Mr. Chairman, Sir, for giving me this opportunity to speak on a legislative measure of historic importance. I rise, principally, in support of the Bill in the spirit of a responsible and constructive opposition promised by our leader, Smt. Sonia Gandhi.

5.00 P.M.

Sir, we do support this Bill because we do believe that if implemented in its right spirit and if implemented effectively, it is, in fact, a charter for the renewal of the nation-State, a charter for the renewal of the capacity of the Government to intervene and impact positively to justify its *raison d'être*, namely to intervene in aid of social sectors, in aid of the poorest of the poor so that the State justifies its existence. Sir, that is only possible if we manage our economy, if we manage our finances in a prudent and in an efficient manner. This seems to me to be the essential burden of this Bill. I do not intend to take very long time, but I would like to make a few pointed remarks to underscore why this Bill is a national imperative. If we were to look at the genesis of this Bill, the context in which it is being brought to debate, we would go back to as early as the Constituent Assembly debates, where Dr. Ambedkar, piloting the then Article 268, which is now article 292, did include in the Constitution a power by Parliament to limit the Executive's power to borrow. The basis of that limitation, proposed as early as the time of the framing of the Constitution, was that there might come a time when democratic Governments, unable to resist populist pressures, might be tempted to throw fiscal prudence to the winds. It was that caution which was repeated, from time to time, in the form of the recommendations of the Estimates Committee, in the form of the recommendations and the reports of the Comptroller and Auditor General, and so on and so forth. But for some reason, we have so far been unable to bring this crucial piece of legislation. At last, a time came when there was no other way that we could manage an economy on a sustainable basis. I think, the trigger for this also came from the winds of globalization, when it became a national imperative to ensure the competitiveness of our economy. If one were to summarize the logic of this Bill, it is only this that we have somehow to get out of the non-virtuous cycle of an inflationary spiral, which is the direct consequence of high-debt servicing cost, which, in turn, is the consequence of the burgeoning revenue deficit and fiscal deficit. Sir, we are told on the authority of the hon. Finance Minister that the combined deficit of the Union and the States is almost 10 per cent of the GDP, which is about 18 lakh crores of rupees. The debt servicing alone, every year, is Rs. 1,23,000 crores, which is almost 50 per cent of the total revenue receipts in a year. There is no way that we could break out of this cycle without imposing voluntary fetters on our own power to borrow; and,

that is precisely what this Bill seeks to do. I think, what is most important about this Bill is..(*Interruptions*)...

MR. CHAIRMAN: Hon. Members, it is 5 p.m., now. If the House agrees, we may sit up to 5.30 p.m. and complete this discussion as much as we can, and, then, adjourn.

SOME HON. MEMBERS: Agreed, Sir.

MR. CHAIRMAN: Okay.

SHRI ASHWANI KUMAR: Sir, I was pointing out that the most crucial aspect of the Bill, which I am glad to say has been recognized in the Bill itself, is that it aims to correct inter-generational equities. When I talk of inter-generational equities, I am reminded of what has been stated in the Statement of Objects and Reasons. Out of every three rupees that the Government spends, two rupees are spent out of its own resources, and one rupee is spent out of the borrowings. This really means, Sir, that it is the succeeding generations that will bear the cost of the debt that we now assume. This inter-generational equity argument is an argument that must appeal to every right-minded citizen. Therefore, I wholeheartedly support the underline premise of this Bill. I, Sir, would like to make a point. The point is that history is testimony to the fact that mere legislation, mere law, has seldom achieved the laudable goals that it sets out to accomplish. When we talk of fiscal prudence, we cannot escape the argument of responsible governance. And, Sir, why. is it that I talk responsible governance in the context of this Bill? Sir, we are told that 40 per cent of the power that we consume is not metered, which means that 40 per cent of the power is by way of theft, which means, it is not metered, it does not pay for its use. Thirty per cent of the water that we store for generating electricity is not used for electricity generation. Thirty per cent of the scarce water resource in our irrigation system, in our dam facilities, is destroyed or is wasted. Rupees Sixteen Thousand crores was the cost overrun of only .200 projects in the central sector. Rupees Sixteen Thousand crores cost overrun in only 200 projects, Sir! Coupled with this, we are further told that, at least, 17 per cent electricity is lost by way of transmission losses, in addition to the 40 per cent loss due to theft. Sir, all in all, is this going to be our argument that because we need to reduce fiscal deficit, we must rationalize subsidies? Do rationalize subsidies, but when we come to food

subsidies, my respectful submission would be, first try and plug the loopholes, plug the wastage which is the direct consequence of inefficient governance. I will only take one or two minutes, Sir. I am seeing your indication and I would wrap up. I would only hasten to submit in conclusion that, ultimately, this nation and its destiny are in trust not only with the Government of the day but with each succeeding generation. And the logic, and the discipline of democratic governance is that it should never be seen to be insensitive to the prime needs of the nation. And, that is why, my Party has not taken a partisan view and has taken a holistic view, a nationalist view, and it is in that spirit that I rise on behalf of my Party to support the central premise of this Bill. With these words, I thank you for giving me this opportunity.

श्री सभापति : श्री एकनाथ के० ठाकुर । अब बोलने वाले माननीय सदस्य सदन से बाहर नहीं जाएंगे जब तक आज की कार्यवाही पूरी समाप्त नहीं हो जाती ।

SHRI EKANATH K. THAKUR : Mr. Chairman, Sir, I thank you for giving me this opportunity. Sir, I rise to support the Bill on behalf of my Party, the Shiv Sena. Sir, fiscal responsibility is not a new phrase for India. The founding fathers of our Constitution, as my illustrious predecessors have pointed out, had set out our responsibilities in the Constitution and it was the duty of all succeeding Governments to ensure that we follow that financial prudence and that credo in letter and spirit. Some how this has not been done. I am a Member of the Consultative Committee on Finance, and only the other day we had the opportunity to look at the size of the State Government guarantees which have made the State finances unsustainable. There are provisions in the Constitution which allow the Central Government to restrain the State Government from giving such guarantees. But Government after Government, for the last 50 years, found every kind of stratagem to circumvent the provisions which were created by the makers of the Constitution. So, if we look back at our past, it is a history of failure. But as they say in good English, "Saints have their past and sinners have their future". And, therefore, in this new century, in the 21st Century, we are making a new statement, a new affirmation, a new resolve that we stand by the duty not to be cross prudence in matters of finance. And, therefore, this Bill has to be welcomed on all hands. Sir, the objectives that have been set out in the Bill are unexceptionable - reducing fiscal deficit, eliminating revenue deficit, restoring balance between the revenue receipt and revenue expenditure, and using capital receipts only for

creation of productive assets. These goals and have to be pursued with all the vigour and the spirit at the command of this nation. But, Sir, this will definitely call for as my friends on the Left and the Right side have pointed out, some sacrifices, for certain compromises, for certain restraints and for weighing the priorities which have to be done very wisely and very percipiently. Who is going to do that and how we are going to do and achieve that, is the precise question today when 'we discuss this Bill. Sir, before the liberalisation programme began, the LPG, that is, liberalisation, privatisation and globalisation, the thinkers of this country used to write about India in two ways. They say, there are two Indias. There is one India of the middle classes and the higher middle classes, and there is other India- Hindustan of the poor. The official statistics say that 26 per cent of our population is below Poverty Line. But, Sir, if we accept the international definition, that is, the income definition - and I am not talking of the nutrition definition - which is, by and large, common in all developing countries - but if you take the income

[THE VICE-CHAIRMAN (SHRI SURESH PACHOURI) IN THE CHAIR]

definition, Sir, internationally, those people whose income is below or less than a dollar are considered poor. If that definition is adopted for India, even today, 50 per cent of our population is Below Poverty Line. Now, on the one hand, you have this task of ensuring fiscal responsibility; on the other, you have the Himalayan, Gargantuan, Herculean task of ensuring that we do not neglect that Hindustan, of 50 per cent of our poor, of our underprivileged people, of our disadvantaged people. Now, restoring this balance is more important than not disturbing the balance between the revenue receipt and revenue expenditure. We have to understand that the Government is for the people and the people are not for the Government. If we lose that focus, we are going to have a problem. Therefore, Sir, we have to have certain answers, and I am sure, our Hon. Finance Minister will be giving these answers to us during the course of his reply. Sir, the question that I would raise is that India has committed itself to Millenium Goals which have been set out by the United Nations. And, there is a certain timeframe; there is a certain schedule for these Millenium goals, (a) Do we have an assurance that after this Bill is accepted, those Millenium goals will be achieved as per the said target? Sir, second thing is about our priorities. I think, there are several priorities, but to my own mind, I would consider food security as priority number one. Defence as priority number two.

Food security for growing population is going to be a challenge. Though today, of course, we may have a food surplus and we may have unused stocks, but since our entire food production is dependent on monsoons and most of the areas -- about 65 per cent -- are rainfed, we have to be careful about the Food Security Front. Sir, that is one challenge before the Finance Ministry. Sir, investment in agriculture -- public investment in agriculture -- is continuously going down and how this objective- in terms of the conflict of much needed public investment in certain of these sectors and the fiscal responsibility on the other side - is going to be achieved has to be seen. The third and the fourth priorities will be on Defence I have spoken on Defence, particularly, because even now the capital assets for defence are not purchased on time. Now, during the first quarter of this year, almost no defence purchases have been made. I do not know whether it is for want of finance, or, for want of scrutiny. Last year, the Defence Ministry had to forego a certain amount of funds. So, this is about defence preparedness. Then, there is food security and need for public investment in agriculture. Sir, the Amartya Sen's priorities are education, health, and, finally, Sir, the creation of employment. Our young people have nowhere to go today. A whole generation of youth are languishing in today's India. There are about ten crore young people who are on the streets today seeking one or the other kind of work, and my Party demands that these priorities -- the Shiv Sena Party demands -- these 5-6 priorities, namely, the Millennium goals, our defence preparedness, public investment in agriculture, public investment in education, public investment in health, and public investment for creation of employment are not given a go-by under any circumstances. I do know the responsible Government of Vajpayeeji - the NDA Government will have this in mind. But when the hon. Finance Minister replies to this debate, I would like to know how these priorities are exactly going to be reconciled. I am conscious of the fact that he has taken several salutary measures like reviewing the size of the Government and Government statutory responsibilities, then, it is the right time to review the cost of public debt, and so many other things. Sir, since my predecessors have spoken of many aspects, I will only touch upon one or two aspects, and I will conclude my speech. Sir, the first thing is, we have to allow the growth sectors to grow. I do not think, we, as a nation, have a policy about growth. Growth is not only about setting targets but growth is about identifying those sectors by screening and scanning the entire economic spectrum and identifying those sectors which can grow and support those sectors. Unfortunately, Sir, most of our newer growth sectors, like

technology sectors are today sectors which are involved with a lot of litigation, and, therefore, that aspect has to be accounted for. The second thing, Sir, is that though we missed the industrial revolution, we have luckily not missed the knowledge revolution. And knowledge revolution demands that we support ideas, and, in this country, there is no capital, there is no finance to support ideas, new ideas, new ventures, new entrepreneurs; they are not being supported, and we are being denied the growth prospect from these areas. Sir, I am from a banking field. I spent 35 years of my life in teaching and practising banking, and let me tell you, Sir, with all the authenticity at my command that bankers in India are doing money lending, not banking. Even today, our bankers are doing money-lending and they are not doing banking, and we have to look at very carefully at our banking industry. Sir, everybody is saying that banks are flushed with funds, and there are no opportunities. While on the other hand, there are a number of sectors which are crying for banking funds, and banking funds are not being made available. The Government has set a target that 18 per cent of the priority sectors' fund should go to agriculture, and even the State Bank of India which was converted, at the instance of the Rural Credit Survey Committee, from IBI into SBI in 1955, which was created for rural credit and was funded by the Reserve Bank of India. Now, from 1955 to 2003, even the State Bank of India has not achieved that percentage of 18 per cent though it has about 9000 branches and 5000 branches of associate banks. Sir, therefore, there are sectors which are demanding funds, and they are not receiving funds. ...*(Time-bell)*... Sir, I would like to make one or two more points. You have always given me concession. Tax evasion is rampant. All our five star hotels are having birthday parties of young men and millions of rupees are being spent on the hotels and we find that those people who come to the hotels, do not pay a single rupee in tax. I would like to make the third and last point -- I have several points to make, but I shall make only one point with your permission, Sir; you have been gracious enough to give me some more time. I am not from a proper economic field. I am from the banking field. Mr. Vice-Chairman Sir, you are not looking at me. It gives me a doubt as to whether my speech is acceptable or not. During my entire speech, you have not even looked at me once from the Chair. Sir, the point is, people ask me in certain debates, what is the most important problem facing India? Is it population? Is it poverty? Is it unemployment? Sir, my answer is - none of these is a problem for India. Population can be treated as a wealth, poverty and unemployment are being attended to. The real problem, the real cancer that has affected our polity is

corruption. And Sir, unless you put your foot down on corruption, and stamp it out, your revenues are not likely to go up. According to one estimate conducted by a Pune organization, corruption to the tune of Rs. one lakh thirty crores takes place in the Civil Engineering, in civil works alone in this country. And the total amount involved in corruption per year that has been worked out by NGOs, is something like Rs. five lakh crores of rupees, which is 25 per cent of our GDP, that also includes about Rs. 5000 crores on pilferages from our oil wells ...

THE VICE-CHAIRMAN (SHRI SURESH PACHOURI) : Please, conclude.

SHRI EKANATH K. THAKUR : Rs. 5000 crores from the Food Corporation of India, Rs. 20,000 crores in theft in electricity sector. We have to take steps to see and ensure that the cancer of corruption is curbed. Only then, our revenues will go up and we will be able to meet the challenges. Once again, I congratulate our hon. Finance Minister for bringing forth this legislation before the House, so that we stop this profligacy and lead a prudent and responsible way in managing our finances. Thank you, Sir.

SHRI B. J. PANDA (Orissa) : Thank you, Sir. I rise to support this historic Bill and congratulate the hon. Minister for bringing forward this very, very important piece of legislation. It is important for us to note in this august House that this takes a great deal of courage and vision to bring this about for the simple reason that what he is asking us to do is, shackle him. He is asking Parliament to put the Government in a straight jacket within which they can operate so that the profligacy of the past can be corrected. Sir, there are many laudable points in this legislation, but I would like to limit myself to only one and that is the focus of this Bill to gradually remove the deficits that have been built up - both the fiscal and revenue deficits. The basic principles of managing budgets are common since ones which are common to Budgets of any size, whether they are a nation, whether they are an enterprise - small or large - or whether it is a family household budget. But the essential difference is that when it comes to running a family on a budget, the housewife does not have certain options, which a Government has. The housewife does not have the option of printing her own money, a Government does. A housewife does not have the option of virtually unlimited lines of credit, a Government does. But just because a

Government has these options, and has been indiscriminately exercising those options, does not mean that it is good.

Fiscal deficit leads to all kinds of ills down the road. If more money is printed, if more loans are taken, it leads to inflation. Or, by way of more money chasing the same goods and services, it leads to inflation. Also, when loans are taken indiscriminately and the country is not able to repay them, when a certain large portion of our revenue itself goes in repaying debts, there is no developmental work which really takes place. We are talking about one-third of the national revenue going towards repaying debt. The situation in the States is much worse and I would touch upon that in a minute. But the fiscal deficit in the whole country has been deteriorating since mid-80s; since the country's economy has been expanding based on loans -- mostly external loans, but also internal loans. Although there was a brief period of mid-90s when the deficit showed signs of improvement. Since then, again it has gone further worse. The Twelfth Finance Commission was given a mandate to suggest changes to improve this situation. The analysis of April to December last year shows that the Centre was comparatively a little better off at Rs.86,000 crores deficit versus earlier at Rs.89,000 crores deficit. But the problem with the States is far greater. If you compare last year with the previous five years, the combined deficit of the Centre and the States has deteriorated from 8.5 per cent to 11 per cent. This has been commented upon not just in this country but internationally as a sign of India's failure to come to grips with large-scale economic growth. The projected fiscal deficit for 2002-03 was supposed to be better at 9.3 per cent. I do not have the latest figures, but I assume that it is going to be a struggle to actually reach those targets. The Reserve Bank of India has studied the States profligacy and has pointed out - the study has pointed out -- that the debt to GDP ratio of the States, leaving aside the Centre, has deteriorated far more seriously. Five years ago from the last year, the debt to GDP ratio of States was 17.8 per cent to begin with and this has deteriorated to 23.9 per cent. Internationally, these ratios are supposed to be in single digits or in low double digits. Once they start approaching the 20 or 25 per cent figure, alarm bells are supposed to go off. The alarm bells are going off but there are many States which have gone far beyond the point of alarm bells. Let me just read out a few statistics. Sir, this is important. If you look at the percentage of own resources of States to their aggregate expenditure, they have deteriorated dramatically from the period of 1990-95 to 1995-2000. With only a few

exceptions, almost every State has deteriorated. I am not blaming any individual State, but it is a national malaise. If you look at Andhra Pradesh, it has gone down from 49.8 per cent to 45 per cent. If you look at Gujarat, it has gone down from 59.2 per cent to 58 per cent. In Haryana, it has gone down from 69.4 per cent to 62 per cent. In my own State, Orissa, it has down gone from 28.7 per cent to 27.3 per cent. It is a tale that is common across the States. States are less and less able to have the resources to meet their expenditure. Sometimes, this is blamed on a few isolated policies such as the Fifth Pay Commission's Report. But we must take a more mature and a more broad view. Let us be honest and admit that when we implemented the Fifth Pay Commission's Report, we only implemented the soft objects; we implemented the pay hikes, but we didn't implement the other side of the coin. There were other recommendations to streamline Government's expenditure and to downsize the Government. So, it is no use blaming any individual policy. We have to recognize that profligacy has become a fact of life in our country, both at the Central level and across the States, not just recently, but for years and years and years and this has to be corrected. Sir, banks often compound the State's profligacy because the State-guaranteed bonds qualify for the Statutory Liquidity Ratio requirements of banks. So, banks find it convenient and easy to invest heavily in that instrument and that has led to very large-scale defaults. Based on this, last year the Reserve Bank of India has issued a circular saying that 'State Government guarantees may not be taken as a substitute for satisfactory credit appraisal.' This is a stinging comment on the maturity with which the State Government guarantees are given. This has already been referred to by my eminent colleague, Shri Thakur. Sir, this kind of profligacy is normal in a democracy when there are many competing pressures; when there are many competing populist demands and populist requirements. But, the measure of a democracy in its ability to manage the scale of growth and the scale of expenditure is to balance the immediate needs versus long-term benefits. And, we, in India, are not the only ones to face such problems. Just to cite one example, 20 years ago, in the 80s, the largest economy in the world, the United States, also had, year after year, very serious Budget deficits. And, their solution was precisely this. Because of those years of deficits, they too passed a Fiscal Responsibility Bill, and in a matter of a very few years, turned around their economy, which led to a period of unprecedented growth and prosperity during the 90s. Their Budgets were again turned around to have surpluses rather than deficits, which are simply nothing less than common sense management.

The sign of a matured democracy is not to reject populist pressures, but to balance them. I agree with many of my eminent colleagues who said that there are great deal of requirements for the Government to have expenditures on, such as food security, increased expenditure as a share of the GDP in primary health, primary education, etc. I do not disagree with any of this. So, the answer is to improve the Government's efficiency. The answer is not to ignore the needs of the under privileged, but rather to ruthlessly eliminate wastefulness. And, this is what hon. Minister is proposing in this Bill so that we lay down the guidelines by an Act of Parliament to limit the Government from conducting any profligate policies, I will conclude, Sir, with just one comment. I would like to share with the House one insight which i had the privilege of gaining last year when I travelled abroad with a group of MPs and had an interaction with a firm called Standard and Poor's which is the world's leading firm for credit ratings. This firm, in fact, rates countries' credit ratings, including India. And, India's credit ratings have taken a beating in recent years. And, our discussion centred around why India's credit ratings are not improving. Because if they improve, the economy will directly benefit; the population of the country will directly benefit and the answer in a nutshell was simple. The single largest contributor to our sovereign credit rating not improving is the state of our fiscal deficit. All our discussions centered on the reasonably good rate of economic growth that we have had, the huge successes that we have had in IT, for instance, and in telecom and other areas. They are all discounted by this single issue of high fiscal deficit. So, we must curb it. I have just focused on this one extremely laudable part of this Bill and with that I thank the hon. Minister again and I support it.

THE' VICE-CHAIRMAN (SHRI SURESH PACHOURI): Further consideration of the Bill will continue tomorrow. The House now stands adjourned till 11 a.m. tomorrow, the 29th July, 2003.

The House then adjourned at twenty-eight minutes past five of the clock till eleven of the clock on Tuesday, the 29th July. 2003.