

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:24  
ANSWERED ON:01.03.2002  
FINANCIAL CRISIS FACED BY STATES  
ASHOK NAMDEORAO MOHOL;PUTTASWAMY GOWDA

**Will the Minister of FINANCE be pleased to state:**

- (a) whether several State Governments are facing financial crisis;
- (b) If so, the details thereof;
- (c) Whether any specific proposals have been received from States to bail out the States from financial crisis;
- (d) If so, the details thereof, State-wise and the Government's response thereto;
- (e) Whether the Government have formulated a special package for revival of financial position of the State Governments which have nearly reached a state of bankruptcy; and
- (f) If so, the details thereof?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (f): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO.24 FOR ANSWER C 1ST MARCH,2002 REGARDING FINANCIAL CRISIS FACED BY STATES.

(a) and (b): some States are facing financial problems because of mismatches in receipts and committed expenditure.

(c) & (d) : State Governments periodically request Government of India to bail them out of their financial crises. Government of India has been releasing, where feasible, the monthly entitlements of the States in advance, apart from ways and means advances to improve their liquidity position.

(e) & (f) : In pursuance of Eleventh Finance Commission's recommendations, a Fiscal Reform Facility with an Incentive Fund of Rs. 10607.72 crore, has been created by the Government of India. The Medium Term Fiscal Reform Programme (MTFRP) of twelve States has been approved so far under this Facility and Rs. 1284.89 crore has been released to these States from the Fund. It is up to all States, to draw up sustainable Fiscal Reforms Programmes, as a solution to their financial crises.