

**GOVERNMENT OF INDIA  
PLANNING  
LOK SABHA**

UNSTARRED QUESTION NO:2221

ANSWERED ON:05.03.2003

REDUCTION OF DEBT BURDEN ON STATES

AVTAR SINGH BHADANA;RAM RAGHUNATH CHAUDHARY;VSM (RETD.) COL. CHOUDHARY

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

- (a) whether the Union Government have examined the suggestions received regarding reducing the burden of debts on the States and making the ratio of loan and grants to 50:50 instead of the present 70:30 ratio;
- (b) if so, the reaction of the Government thereto;
- (c) whether the Union Government have chalked out any schemes to reduce the burden of debts on the states;
- (d) if so, the details thereof; and
- (e) by when these schemes are likely to be implemented?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF STATISTICS & PROGRAM IMPLEMENTATION, MINISTER OF STATE IN THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE DEPARTMENTS OF ATOMIC ENERGY AND SPACE (SHRI MOOKHERJEE)

(a) : Yes Sir. As a part of the States' suggestion for a revision in the Gadgil Formula and in the subsequent discussions in the 49th meeting of the National Development Council (NDC) held on 1st September, 2001, several non special category States have inter-alia, proposed liberalizing the existing loan-grant ratio for Central Plan Assistance.

(b) : The existing Grant : Loan ratio of Plan assistance to States is based on the Gadgil Formula as approved by the National Development Council (NDC) in December, 1991. Any change in the Formula requires the approval of the NDC. Moreover, a change in the existing ratio has implications on Centre's revenue and capital receipts and thereby on the Plan assistance to States. Hence, any decision on this subject would be based on the overall resource position of the Centre and the decision of the NDC in this regard.

(c) to (e) : Yes Sir. As a follow-up of the recommendations of the Eleventh Finance Commission (EFC), Ministry of Finance has drawn up a scheme of Medium Term Fiscal Reform Plan (MTFRP) (2000-1 to 2004-5) for the States which, inter-alia, aims at restoring their financial health and thereby a reduction in their debt burden.