# GOVERNMENT OF INDIA
# PLANNING
# LOK SABHA

UNSTARRED QUESTION NO:5687
ANSWERED ON:30.04.2003
IMPLEMENTATION OF 5TH PAY COMMISSION
NARESH KUMAR PUGLIA

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

(a) whether some States have been burdened due to the implementation of the recommendations of the 5th Pay Commission;

(b) if so, the facts thereof;

(c) whether the Government have made any provision in the plan of each State to reduce the financial burden of the States arising as a result thereof;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

# Answer

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

(a) to (e): Finances of the State Governments have generally deteriorated since 1997 mainly due to the upward revision of salaries of the State Government employees. The relatively stagnant revenues of the State Governments forced them to depend more and more on borrowed funds.

The Financial Management of the States is primarily the responsibility of the StateGovernments and it is for the respective State Governments to initiate remedial action. However, in order to alleviate the mismatch in the States` cash flow, the Government of India releases plan assistance, share in central taxes and small savings loans in advance depending on the need and request of the State Government. In addition to Ways and Means support byReserve Bank of India, Central Government also provides Ways and Means advance to States.

Pursuant to the recommendations of the Eleventh Finance Commission a MediumTerm Fiscal Reform Plan (MTFRP) has been drawn up by the Government of India. Under the scheme, States have been encouraged to draw up a monitorable fiscal reforms programme aimed at improving their financial position in the medium term. Incentive funds will be made available to States periodically depending on the progress in achieving fiscal reform targets.