

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

STARRED QUESTION NO:65
ANSWERED ON:21.02.2003
DEBT SWAP SCHEME
BALBIR SINGH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) the salient features of the debt swap scheme;
- (b) the names of the States which have agreed to the proposed debt swap scheme of the Government;
- (c) the details of suggestions given by the various States for making improvement in the scheme; and
- (d) the action taken by the Union government on these suggestions?

Answer

FINANCE AND COMPANY AFFAIRS MINISTER IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI JA: SINGH)

(a) to (d): A Statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO. 65 FOR ANSWER 21ST FEBRUARY, 2003 REGARDING DEBT SWAP SCHEME.

(a) The Debt Swap Scheme aims at utilizing the current low-interest rate regime, to enable States to prepay expensive loans contracted from Government of India in the past, with current low coupon bearing small savings and Open Market Loans. In the current year, 20% of Net Small Savings Loans payable to States from September will be used to prepay past debt. This will be supplemented by Rs. 10,000 crores of Open Market Borrowings for the same purpose. In 2003-04, 30% of net small savings, complemented by Additional Market Borrowings will be used for the swap. In fiscal year 2004-05, the swap will be effected through 40% of net small savings and Additional Open Market Borrowings.

(b) All States have agreed to the proposed Debt Swap Scheme of the Government. While Maharashtra and West Bengal have decided to participate in the Debt Swap Scheme from 2003-04, all the other States have agreed to participate in the Scheme from September in the current fiscal year.

(c) & (d): In view of liquidity considerations, some States suggested that 20% of Net Small Savings Loans may not be adjusted during the current year for retiring high cost debt. The Union Government, as a result, formulated the revised Debt Swap Scheme 2002-03 in which 20% of Net Small Savings Loans payable to States from September, 2002 would be used for swapping high cost debt to Government of India.