

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1422  
ANSWERED ON:02.03.2001  
FISCAL REFORMS  
GOWDAR MALLIKARJUNAPPA

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

- (a) whether 13 States have entered into Memorandum of Understanding with his Ministry to get on with fiscal reforms;
- (b) if so, whether the Union Government have warned of a debt trap arising out of the fact that 63 percent of the borrowings are being used for current consumption;
- (c) whether his Ministry has pointed out to the Planning Commission that this would lead to an emergent situation of debt unsustainability of States; and
- (d) if so, the reaction of States on this issue?

**Answer**

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

- (a) Yes, Sir.
- (b) and (c) The Eleventh Finance Commission has also noted the high Revenue Deficit and the fiscal stress being faced by the States. As per available data 63% of the Gross Fiscal Deficit is made up by the Revenue Deficit, for all the States in aggregate.
- (d) The 13 States which have signed Memoranda of Understanding are taking steps to attain fiscal balance.