

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:435
ANSWERED ON:20.11.2009
FINANCIAL ASSISTANCE TO STATES
Deshmukh Shri K. D.

Will the Minister of FINANCE be pleased to state:

(a) whether the Union Government has received requests from various State Governments for financial assistance to tide over their financial crisis during the recent times; and

(b) if so, the details thereof and action taken by the Government thereon, State-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) and (b): Yes Sir. State Governments have, inter-alia, requested debt relief including consolidation and rescheduling of loans given by financial institutions to state governments, relaxation of fiscal deficit targets without losing benefits under the Debt Consolidation and Relief Facility (DCRF), as also financial assistance to share the burden arising out of increased pay scales.

Under the DCRF scheme, consolidation of Central loans contracted till 31.3.2004 and outstanding as on 31.3.2005 has been done, leading to interest relief. Debt waiver is granted to States based on their fiscal performance.

Government of India has relaxed the Fiscal Deficit target for 2009-10 from 3% to 4% of States' respective Gross State Domestic Product (GSDP) to enable States to borrow upto 4% of their respective GSDP as projected under DCRF guidelines to undertake capital expenditure. States have been communicated their respective revised borrowing ceilings for 2009-10. Since granting of higher pay scales to State Government employees falls entirely within the purview of the State Governments, it is for the State Governments to decide whether or not and the extent to which to adopt the recommendations of the 6th Central Pay Commission or relevant State pay commissions.