

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2582
ANSWERED ON:12.03.2010
OUTSTANDING LOANS
Chowdhury Shri Adhir Ranjan

Will the Minister of FINANCE be pleased to state:

- (a) the details of amount of loan given by Union Government outstanding against each State alongwith interest as on date, State-wise;
- (b) the details of the loans written off by the Union Government, State-wise;
- (c) whether any special scheme is being formulated by the Government to bring about improvement in fiscal management in future; and
- (d) if so, the details thereof and if not, the reasons therefor ?

Answer

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

(a) and (b): A statement showing amounts of loan and interest outstanding as on 28-02-2010 against each State, and loans written off from 2005-06 to 2009-10, on account of loans advanced by Ministry of Finance, is annexed.

(c) and (d): At present, the Debt Consolidation and Relief Facility (DCRF), based on the recommendations of the Twelfth Finance Commission (TFC), is in place to improve the States' fiscal position. This facility has two components -

- (i) consolidation of central loans (from Ministry of Finance) contracted till 31.3.2004 and outstanding as on 31-03-2005, and
- (ii) provision of interest relief and grant of debt waiver to States based on their fiscal performance. Under the first component, outstanding loans were consolidated for a period of twenty years, and the interest was reset at 7.5% p.a. Debt waiver is granted to States based on their fiscal performance, for which an assessment is made annually. Benefits under DCRF helped States by easing debt and interest pressures, and also incentivized States to follow the path of fiscal correction.

The Thirteenth Finance Commission has recommended, inter-alia, that during its award period 2010-2015, the States are required to eliminate Revenue Deficit and achieve Fiscal Deficit of 3% of their respective Gross State Domestic Product in stages, in a manner that all States would eliminate Revenue Deficit and achieve Fiscal Deficit of 3% of GSDP latest by 2014-15. The Commission has also recommended that the borrowing limits of the States should be fixed by the Centre in line with these targets. The Government has accepted these recommendations in principle.

The Thirteenth Finance Commission has also recommended resetting of interest rate loans from National Small Savings Fund to the States, contracted till the end of 2006-07 and outstanding as at the end of 2009-10 at a lower rate of 9%. The Government has accepted this in principle.

The Commission has also recommended write-off of the Central loans to States administered by ministries other than Ministry of Finance, extension of the debt consolidation scheme recommended by the Twelfth Finance Commission to States that did not avail the benefit till now and has laid down conditions for availing these benefits. The Government has accepted the recommendations of the Commission.