

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2012

ANSWERED ON:02.12.2011

DEBT BURDEN OF STATES

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Will the Minister of FINANCE be pleased to state:

- (a) the details of States burdened with heavy debt as on date;
- (b) whether suggestions have been received from various quarters,including Finance Commission to bailout such States;
- (c) if so,the details thereof and action taken by the Union Government thereto; and
- (d) the details of bailout package extended or proposed be extended,State-wise?

Answer

MINISTER OF FINANCE FOR STATE (SHRI NAMO NARAIN MEENA)

(a): Details of outstanding debt of the States, as reflected in their Finance Accounts for the years 2007-08 to 2009-10, and in their budget estimates for 2010-11, are given in the annexed table.

(b) to (d): The Twelfth Finance Commission (TFC), had recommended a Debt Consolidation and Relief Facility (DCRF) for States, subject to compliance with certain conditions, during its award period, 2005-2010. This facility involved (i) consolidation of loans from Ministry of Finance, contracted till 31.03.2004 and outstanding as on 31.03.2005, for a fresh tenure of 20 years at an interest rate of 7.5% per annum and (ii) debt waiver to States based on their fiscal performance. Under the scheme, loans amounting to Rs.1,13,601 crore were consolidated and debt waiver of Rs.20,567 crore was provided to eligible States.

Sikkim and West Bengal did not receive the benefit of this debt consolidation, not having met the condition of enacting fiscal responsibility legislation. The Thirteenth Finance Commission (FC-XIII) recommended that the facility of debt consolidation be extended to these States, subject to their enacting fiscal responsibility legislation as prescribed. FC-XIII also recommended that upon meeting this condition, the loans contracted by these States till 31 March 2004 and outstanding as the end of the year preceding the year in which the legislation is enacted, might be consolidated as per the same terms and conditions as recommended by TFC. Accordingly, the loans of the States of West Bengal and Sikkim from Ministry of Finance have been consolidated.

FC-XIII has further, inter alia, recommended that (i) loans given to States and administered by Ministries other than Ministry of Finance, outstanding at the end of 2009-10, be written off, and (ii) interest rates on small saving loans be reset, subject to prescribed conditions. Government of India has accepted these recommendations, in principle.