

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2412
ANSWERED ON:25.07.2014
ASSISTANCE TO DEBT RIDDEN STATES
Meinya Dr. Thokchom

Will the Minister of FINANCE be pleased to state:

- (a) whether some of the States are having huge debts and on the brink of financial crisis;
- (b) if so, the details thereof;
- (c) whether the Government is contemplating any assistance to those debt-ridden states; and
- (d) if so, the details thereof?

Answer

THE MINISTER OF STATE FOR FINANCE (SMT. NIRMALA SITHARAMAN)

(a) to (d): The Thirteenth Finance Commission (FC – XIII) has inter- alia prescribed annual debt to Gross State Domestic Product (GSDP) targets for each State to be maintained during its award period 2010-15 so as all States in aggregate reach a debt target of 24.3% of Gross Domestic Product (GDP) by 2014-15 from a level of 27% of GDP in 2008-09. The States are required to monitor their liabilities under their respective Fiscal Responsibility and Budget Management Acts (FRBMAs), enacted/amended by all States in line with recommendations of FC – XIII. As gleaned from Budget Estimates of States for 2013-14, States in aggregate have Debt/GDP of 21.1%, ahead of FC XIII target of 24.8%. State-wise outstanding debt & liabilities and its ratio to GSDP is given at Annexure.

Debt relief measures are extended to the States as per the recommendations of the Finance Commissions. Under the Debt Consolidation and Relief Facility (DCRF) recommended by Twelfth Finance Commission (TFC), Central loans amounting to Rs.1,22,604 crore from Ministry of Finance (MoF) contracted by the States up to 31.3.2004 was consolidated for a fresh tenure of 20 years at an interest rate of 7.5% per annum, and debt waiver to the extent of Rs.19,726 crore was extended to eligible States from 2005-06 to 2009-10. As recommended by the FC XIII, DCRF is not continued any further to any state.

As recommended by FC-XIII for its award period (2010-15), loans extended to States through Ministries other than MoF under Centrally Sponsored Schemes/ Central Plan Schemes and outstanding at the end of 2009-10, have also been written off to the extent of Rs. 2335 crore. FC XIII has also recommended reset of interest rates on loans from National Small Savings Fund, contracted up to 2006-07 and out- standing at the end of the year preceding the year of enactment/amendment of the States' FRBMAs, at a common rate of 9% per annum. As estimated by FC XIII, interest relief of Rs.13,517 crore is expected to accrue to States on this account, during 2010-15 subject to fulfillment of conditions prescribed. The benefit continuing beyond the award period of FC-XIII has been estimated to reach Rs.28,360 crore by the maturity of the last loan coming under purview.

Further Fourteenth Finance Commission has been constituted and its Terms of the Reference, inter- alia require the Commission to have regard, among other considerations, to the resources of the State Governments, including impact of debt levels on resource availability in debt stressed States, for five years commencing 1st April, 2015 on the basis of taxation and non-tax revenues likely to be reached during 2014-15.