

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:2496
ANSWERED ON:07.03.2003
LOAN REPAYMENT SCHEDULE TO UNION GOVERNMENT
JYOTIRADITYA MADHAVRAO SCINDIA;RENUKA CHOWDHURY

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether some State Governments viz. Andhra Pradesh, Madhya Pradesh, Rajasthan, Bihar and Uttar Pradesh have sought relaxation in loan repayment schedule and relief in debt liability due to the Union Government;
- (b) if so, the details in this regard; and
- (c) the Government's response thereto ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL:)

(a) & (b): Yes, Sir. State Governments have sought moratorium on debt, rescheduling of debt and reducing the interest burden on debt.

(c) The Eleventh Finance Commission (EFC) has recommended a Scheme of General Debt Relief as part of its report. In 2001-02, an amount of Rs.4.24 crore was written off in accordance with this Scheme. The recommendations of EFC have since been accepted by Government of India. There is no provision for selective reopening of debt relief beyond the recommendations of EFC.

For streamlining the borrowing programme of States in tune with the fiscal reform scenario, the Government of India has decided that the Medium Term Fiscal Reform Programme (MTFRP) will be the basis for working out the limits of maximum prudential debt on a year to year basis for conveying to the Planning Commission. No further upward revision beyond the ceiling limit should thereafter be permitted by the Planning Commission. The Debt Swap Scheme, formulated recently, aims at enabling States to prepay expensive loans contracted in the past with current low coupon bearing Small Savings and Open Market Loans. In the current year, 20% of Net Small Savings Loans payable to States from September will be used to prepay past debt. This will be supplemented by Rs.10,000 crore of Open Market Borrowings for the same purpose.