

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3067

ANSWERED ON:22.03.2002

RBI STUDY ON STATE FINANCE

BASUDEB ACHARIA;RAM CHANDRA DOME;SAMIK LAHIRI;SWADESH CHAKRABORTTY

**Will the Minister of FINANCE be pleased to state:**

(a) whether RBI has pointed out in his study 'State Finance a study of Budgets of 2001-02' that expenditure reduction has been a major constraining problem for States as high proportion of it is expenditure is committed in nature - salaries, pension payments and interest payments; and

(b) if so, the reaction of the Government there for?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI GINGEE N. RAMACHANDRAN) :

(a) Yes, Sir.

(b) State Governments are autonomous under the Constitution of India and financial management of the States is primarily the responsibility of the State Governments. State Governments take measures of their preference from time to time to improve their financial status. Government of India, in pursuance of the recommendation of the Eleventh Finance Commission has created a 'Fiscal Reforms Facility (2000-01 to 2005-06)' with an incentive fund of Rs. 10,608 crore. Under this facility, States have been invited to draw their Medium Term Fiscal Reforms Programmes aimed at, inter alia, fiscal consolidation. Fiscal measures adopted by the State Governments include improving tax and non-tax receipts, reprioritisation of expenditures, targeting and phasing out non-merit subsidies. If the trend of improvement suggested for the States continues, the State sector as a whole is expected to come into a revenue balance by 2005-06.