

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3446

ANSWERED ON:20.08.2004

INTEREST RATE ON DEBTS

Kanodia Shri Mahesh Kumar;Thakkar Smt. Jayaben B.

Will the Minister of FINANCE be pleased to state:

- (a) whether the State Government of Gujarat is taking steps to improve its public finances by reduction of average interest rate on debts;
- (b) whether State Government has made any proposal to the Union Government in this regard; and
- (c) if so, the decision of the Union Government thereon?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): Yes, Sir.

(b)& (c): Yes, Sir. Union Government has agreed to allow States to refinance their high cost debts from institutions, including NABARD, with cheaper loans in the form of additional open market borrowings (AOMB)/new institutional loans. States are also proposed to be given an option to take AOMB for financing loan component of Normal Central Assistance in place of Government of India loans. Interest rates of loans to States have been brought down from 10.5% to 9% effective from 1.4.2004. Government of Gujarat is also participating in the debt swap scheme of the Government of India.