

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1810  
ANSWERED ON:10.12.2004  
FINANCIAL ASSISTANCE TO STATES  
Rawat Prof. Rasa Singh

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

- (a) whether many State Governments have suggested change in the procedure of providing financial assistance to States;
- (b) if so, the details thereof;
- (c) the reaction of the Union Government thereto and the names of the over drawing States; and
- (d) the States which have established financial discipline in their States, whether such States will be liberally provided grants?

**Answer**

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

(a): Yes, Sir.

(b): Suggestions include change in loan: grant ratio of Normal Central assistance, provision of more additional Open Market Borrowings for debt s wap, debt relief/ write off, charging lower rate of interest on Central Government loans, transfer of EAP grants as grants.

(c): Government of India has reduced interest rate on Central Govt. loans, allowed States to pre-pay high cost Central Government loans under debt swap Scheme, has permitted States to raise Additional Open Market Borrowings for debt swap. Government of India has also circulated a proposal for back to back transfer of external assistance. Other issues are within the jurisdiction of National Development Council and Finance Commission. The States which went in Overdraft at some point(s) in the current financial year, are Arunachal Pradesh, Assam, Goa, Himachal Pradesh, Kerala, Maharashtra, Manipur, Mizoram, Nagaland, Punjab, Uttaranchal, Uttar Pradesh and West Bengal.

(d): States are provided with incentive grants under the Fiscal Reform Facility as per MOU agreement signed with Government of India on achieving a stipulated reduction in the ratio of their revenue deficit as a percentage of revenue receipts. Similarly, States establishing financial discipline in electricity sector are being provided grant assistance under Accelerated Power Development and Reform Programme.