

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1453
ANSWERED ON:16.07.2004
LOAN BURDEN OF STATES
Chouhan Shri Shivraj Singh

Will the Minister of FINANCE be pleased to state:

- (a) whether the loan burden on various States of the country is increasing enormously;
- (b) if so, the details of external and internal debts as on March 2004, State-wise;
- (c) the details of debt service in comparison to national average in regard to State Gross Domestic Product and Gross Domestic Product respectively; and
- (d) the steps taken by the Government to reduce burden of loan on States?

Answer

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

- (a) Yes, Sir. Outstanding debt of the State Governments increased from Rs. 23,959 crores in 1981 to Rs.778144 crores in 2004 (BE).
- (b) The State-wise details of internal-debt is shown in column 3 of annexed statement. States have no external debt.
- (c) Debt service to GSDP ratio for each State is given in column 4 of the statement annexed.
- (d) Government of India formulated a Debt Swap Scheme which enables the State to pre-pay high cost Government of India loans of the State Government, bearing interest rate of 13% and above amounting to Rs.1,14,000 crores as on 31.3.2002 with low coupon bearing Small Savings and Additional Open Market Borrowings. An amount of Rs.75,273 crores has been swapped so far. This scheme has helped States to reduce their interest burden. The State-wise details of high cost debt swapped is shown in column 5 of the statement annexed.

Government of India has also decided to enable the States to refinance their high cost debt under RIDF with the help of Additional Open Market Borrowings. Government of India is also operating a debt relief scheme on the recommendations of the Eleventh Finance Commission. Debt relief granted to States is shown in column 6 of the statement annexed. Â

States have been encouraged to draw up their Medium Term Fiscal Reform Programme (MTFRP) for fiscal consolidation over Medium Term. Government of India inter-alia, have fixed annual borrowing limits of each State for their annual plans upto 2004-05.