

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:888
ANSWERED ON:29.07.2005
INTEREST RATE ON PLAN LOANS TO TAMILNADU
Pallani Shamy Shri K.C .

Will the Minister of FINANCE be pleased to state:

- (a) Whether the Tamil Nadu Government has represented for reduction in interest rates on plan loans of Government of India; and
- (b) If so, the details and the response of the Union Government and the rate of interest on plan loans which have reduced during the last three years ?

Answer

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

(a): The State Governments including Tamil Nadu have requested from time to time for allowing swapping of high cost Government of India loans, waiver of loans, rescheduling of loans, reduction of rate of interest etc.

(b): Rate of interest on Gol loans was brought down from 12% to 11.50%, 10.50% and 9% during the years 2002-03, 2003-04 and 2004-05 respectively. Central Government has also accepted the recommendation of the Twelfth Finance Commission (TFC) to consolidate all Government of India loans given to States before March 31, 2004 and outstanding on March 31, 2005 in a new twenty year loan at 7.5% interest subject to States adopting fiscal responsibility law.