

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
PLAN FINANCE-I DIVISION

LOK SABHA
UNSTARRED QUESTION NO. 3402

TO BE ANSWERED ON FRIDAY THE 18th DECEMBER 2015/27 AGRAHAYANA, 1937 (SAKA)

DEBTS OF STATE

3402. SHRI RAVNEET SINGH:
SHRI PRAHLAD SINGH PATEL:
SHRI NANA PATOLE:
SHRI C.R. CHAUDHARY:
SHRI C.S. PUTTA RAJU:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Union Government is aware that many Indian States are in debt due to aggressive borrowing and fund development without any financial discipline/self-restraint and if so, the details thereof;
- (b) the ratio of aggregate liabilities of Gross Domestic Product (GDP) of various States along with the reasons for high ratio, State/UT-wise including Maharashtra, Punjab and Rajasthan;
- (c) whether the Union Government has taken any step or issued a regular/periodic cautionary guidelines to rectify or reduce the debt level of the States and constituted any committee to look into financial health of States and if so, the details thereof;
- (d) whether any request from such States have been received for financial assistance to meet their expenditure and if so, the details thereof including Maharashtra, Rajasthan and Punjab; and
- (e) the number of States which have stabilised their debt burden during the last three years and the current year?

ANSWER

MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a) to (c): As gleaned from the States' Finance Accounts and Budget/Revised Estimates, Debt to GSDP ratios of States including Maharashtra, Punjab and Rajasthan for the year 2012-13 (FA) to 2014-15 (RE) as against Thirteenth Finance Commission (FC-XIII) targets are shown at **Annex**. It may be seen that as per latest available States' Finance Accounts 2013-14, all States except J&K and Nagaland have achieved the annual Debt to GSDP ratios prescribed by FC-XIII for each State.

The comprehensive debt restructuring exercise was undertaken under the award of the Twelfth Finance Commission (TFC). To ameliorate the debt position of the States, TFC had recommended a Debt Consolidation and Relief Facility (DCRF) to be extended to the States during its award period of 2005-10. This involved (i) consolidation of central loans from Ministry of Finance for a fresh tenure of 20 years at an interest rate of 7.5% p.a. and (ii) waiver of repayment due against consolidated debt based on fiscal performance of States each year. Similarly, FC-XIII had recommended write-off of central loans extended to States by Ministries other than Ministry of Finance (MoF), interest reset on the loan from National Small Savings Fund (NSSF) extended to the States and consolidation of loans extended through MoF to the two States (West Bengal and Sikkim) that had not enacted their Fiscal Responsibility and Budget Management Act (FRBMAs) during TFC award period. All the States have FRBMAs in place and the Debt and Interest relief benefits, as recommended by TFC and FC-XIII, have been extended to the eligible States.

Further, the FFC for its award period 2015-20 has made observations about the limited scope for rescheduling of debt. However, it has taken into account interest payments of States in full for the purpose of determining the fiscal needs of the States and making its recommendations on devolution of taxes and revenue deficit grants to the States. FFC has prescribed fiscal roadmap for the States and inter-alia recommended that borrowing ceiling be anchored to 3% of respective State's GSDP. Accordingly, the Net Borrowing Ceiling for 2015-16 has been fixed by Ministry of Finance. The States' borrowings are regulated under Article 293 of the Constitution of India and so far during 2015-16 no State has breached its borrowing space.

(d): Post FFC, Some of the State Governments requested for providing financial assistance to meet their expenditure. Such requests received from States are normally dealt within the ambit of recommendations of the Finance Commissions and within the available Gross Budgetary Support.

(e): As gleaned from the revised budget estimates of the States for 2014-15, the debt/GSDP ratio of respective States are within the Debt/GSDP targets prescribed by FC-XIII except Kerala, Himachal Pradesh, J&K and Nagaland, which have marginally exceeded the prescribed Debt/GSDP targets, as shown in the **Annex**. However, the combined Debt/GSDP ratio for all the State has been estimated to be 24.9% in 2014-15 as against the FC-XIII Debt/GSDP target of 30.3%.

Annex referred to in reply to part (a) to (c) & (e) of Lok Sabha Unstarred Question
No. 3402 for answer on 18.12.2015

Debt to GSDP ratio of States							
S. No.	State	FC-XIII Target			As per State Finance Accounts/ Revised Estimates		
		2012-13	2013-14	2014-15	2012-13 FA	2013-14 FA	2014-15 RE
1	Andhra Pradesh*	28.9	28.2	27.6	22.8	21.4	20.2
2	Arunachal Pradesh	55.2	52.5	50.1	43.6	40.1	NA
3	Assam	28.4	28.4	28.5	25.4	24.0	21.6
4	Bihar	44.4	43.0	41.6	29.0	27.7	25.6
5	Chhattisgarh	23.0	23.5	23.9	11.7	14.5	15.1
6	Goa	30.8	29.9	29.1	24.8	26.3	NA
7	Gujarat	28.1	27.6	27.1	24.8	23.6	22.2
8	Haryana	22.7	22.8	22.9	19.2	18.8	19.6
9	Himachal Pradesh	44.4	42.1	40.1	45.2	41.5	40.2
10	Jammu & Kashmir	53.6	51.6	49.3	68.0	56.5	51.3
11	Jharkhand	27.8	27.3	26.9	25.0	22.0	20.0
12	Karnataka	25.7	25.4	25.2	22.4	22.5	22.6
13	Kerala	31.7	30.7	29.8	30.0	30.0	30.7
14	Madhya Pradesh	36.8	36.0	35.3	26.8	24.7	23.4
15	Maharashtra	25.8	25.5	25.3	20.0	18.0	NA
16	Manipur	60.1	57.0	54.3	60.0	53.8	48.4
17	Meghalaya	32.3	32.0	31.7	27.3	31.7	31.0
18	Mizoram	82.9	79.2	74.8	69.5	65.9	59.1
19	Nagaland	54.9	53.5	52.3	56.9	58.4	52.7
20	Odisha	30.2	29.8	29.5	18.4	15.6	16.8
21	Punjab	41.0	39.8	38.7	33.7	33.1	30.8
22	Rajasthan	38.3	37.3	36.5	31.3	28.4	25.8
23	Sikkim	62.1	58.8	55.9	39.5	29.5	27.4
24	Tamil Nadu	24.8	25.0	25.2	21.3	20.6	20.4
25	Telangana						23.6
26	Tripura	44.6	44.2	43.8	37.8	37.5	33.4
27	Uttar Pradesh	45.1	43.4	41.9	35.6	32.9	27.8
28	Uttarakhand	40.0	38.5	37.2	26.0	23.8	23.7
29	West Bengal	37.7	35.9	34.3	38.3	35.9	33.5

*: For 2012-13 and 2013-14, figures are for united Andhra Pradesh. NA: Not Available