

Scheme of Debt Relief Related to Improvement in Fiscal Performance on Revenue Account

1. The proposed scheme of general debt relief with respect to central loans relates debt relief to improvement in the ratio of revenue receipts of a State to its total revenue expenditure. Revenue receipts include devolution and grants from the Centre on revenue account. Relief is calculated by reference to repayments of central loans falling due during the period 1995-2000.

2. Relief for 1996-97 will be determined in 1995-96. In this year, actuals will be available for 1993-94. For this year, revenue receipts as a percentage of revenue expenditure (r) may be calculated for each State. For three years preceding that year, i.e. 1992-93, 1991-92 and 1990-91, similar ratios will be calculated and the average of these three ratios (r^*) will be computed. From this, the percentage relief (R) is calculated as $2(r - r^*)$. The relief would be in the form of writing off of R per cent of repayment of principal on account of instalments falling due in 1995-96 with respect to fresh central loans to a State given during 1989-95 and as outstanding on March 31, 1995.

3. Thus, if the performance of a State improves by 2.5 percentage points, i.e. $(r - r^*) = 2.5$, the State Government will become entitled to a relief equivalent to 5 per cent, i.e. $R = 5$. The minimum and maximum limits of R have been prescribed as zero and 10 per cent.

4. Values of R will be calculated in a corresponding manner for each year during 1995-2000. As such, the relief pertaining to repayments due in 1999-2000 will be given in the next financial

year. If in any year, the Ministry of Finance finds an increase in revenue receipts or revenue expenditure of a State on account of an unusual or abnormal item, it may take cognizance of this and make suitable adjustments.

5. It may be noted that for the calculation of relief in any one year, a reference to 6 years becomes relevant. Thus, for relief in 1996-97, we refer to the following years:

| | |
|--|-----------------------------|
| Year in which relief is given | : 1996-97 |
| Year in which relief is determined (repayments due will relate to this year) | : 1995-96 |
| Year for which latest actuals are available (r is calculated for this year) | : 1993-94 |
| Years from which (r^*) is calculated | : 1992-93, 1991-92, 1990-91 |

6. The Ministry of Finance may prepare necessary guidelines for the implementation of the scheme and circulate these to the States as soon as possible.

7. In the accompanying Table, the magnitude of relief with respect to two illustrative figures of percentage relief, viz. 5 per cent and 10 per cent are given. The latter figure indicates maximum possible relief that the States may get under the Scheme.

8. The relief under this scheme is in addition to any other debt relief provided to a State on other considerations in Chapter XII.

Debt Relief (Incentive Scheme) to States on Repayment of Central Loans during 1995-2000

(Rs. lakhs)

| States | Repayments during 1995-2000 | Stipulated relief under general incentive scheme at | |
|-------------------|-----------------------------|---|-----------------|
| | | 5% | 10% |
| | 1. | 2. | 3. |
| Andhra Pradesh | 85888 | 4294.4 | 8588.8 |
| Arunachal Pradesh | 6328 | 316.4 | 632.8 |
| Assam | 28912 | 1445.6 | 2891.2 |
| Bihar | 89077 | 4453.9 | 8907.7 |
| Goa | 8119 | 406.0 | 811.9 |
| Gujarat | 104014 | 5200.7 | 10401.4 |
| Haryana | 24168 | 1208.4 | 2416.8 |
| Himachal Pradesh | 11876 | 593.8 | 1187.6 |
| Jammu & Kashmir | 23414 | 1170.7 | 2341.4 |
| Karnataka | 56768 | 2838.4 | 5676.8 |
| Kerala | 46313 | 2315.7 | 4631.3 |
| Madhya Pradesh | 50006 | 2500.3 | 5000.6 |
| Maharashtra | 112470 | 5623.5 | 11247.0 |
| Manipur | 2511 | 125.6 | 251.1 |
| Meghalaya | 2013 | 100.7 | 201.3 |
| Mizoram | 3140 | 157.0 | 314.0 |
| Nagaland | 2666 | 133.3 | 266.6 |
| Orissa | 34996 | 1749.8 | 3499.6 |
| Punjab | 22851 | 1142.6 | 2285.1 |
| Rajasthan | 53128 | 2656.4 | 5312.8 |
| Sikkim | 1559 | 78.0 | 155.9 |
| Tamil Nadu | 62342 | 3117.1 | 6234.2 |
| Tripura | 5831 | 291.6 | 583.1 |
| Uttar Pradesh | 208661 | 10433.1 | 20866.1 |
| West Bengal | 84782 | 4239.1 | 8478.2 |
| | 1131833 | 56591.7 | 113183.3 |

1. Repayment amounts in column 1 relate to outstanding loans taken during the period 1989-94. However, the proposed scheme would also cover loans taken during 1994-95 on account of which repayments may fall due in 1995-2000.