

#### IV. STATUS ON LOAN

During Tenth Five Year Plan (2002-03 - 2006-07), the loan amount received by the U.T of Puducherry from Government of India was Rs.1643.01 crores. Out of which, Rs.1174.76 crores was repaid. During 2007-08, Rs.425.04 was received Government of India. An amount of Rs.320.91 crores was repaid. As of now, the outstanding loan is Rs.2483.86 crores, which is 30.56% of GSDP (based on 2007-08 - Quick Estimate). The outstanding loan since 2002-03 are given below :

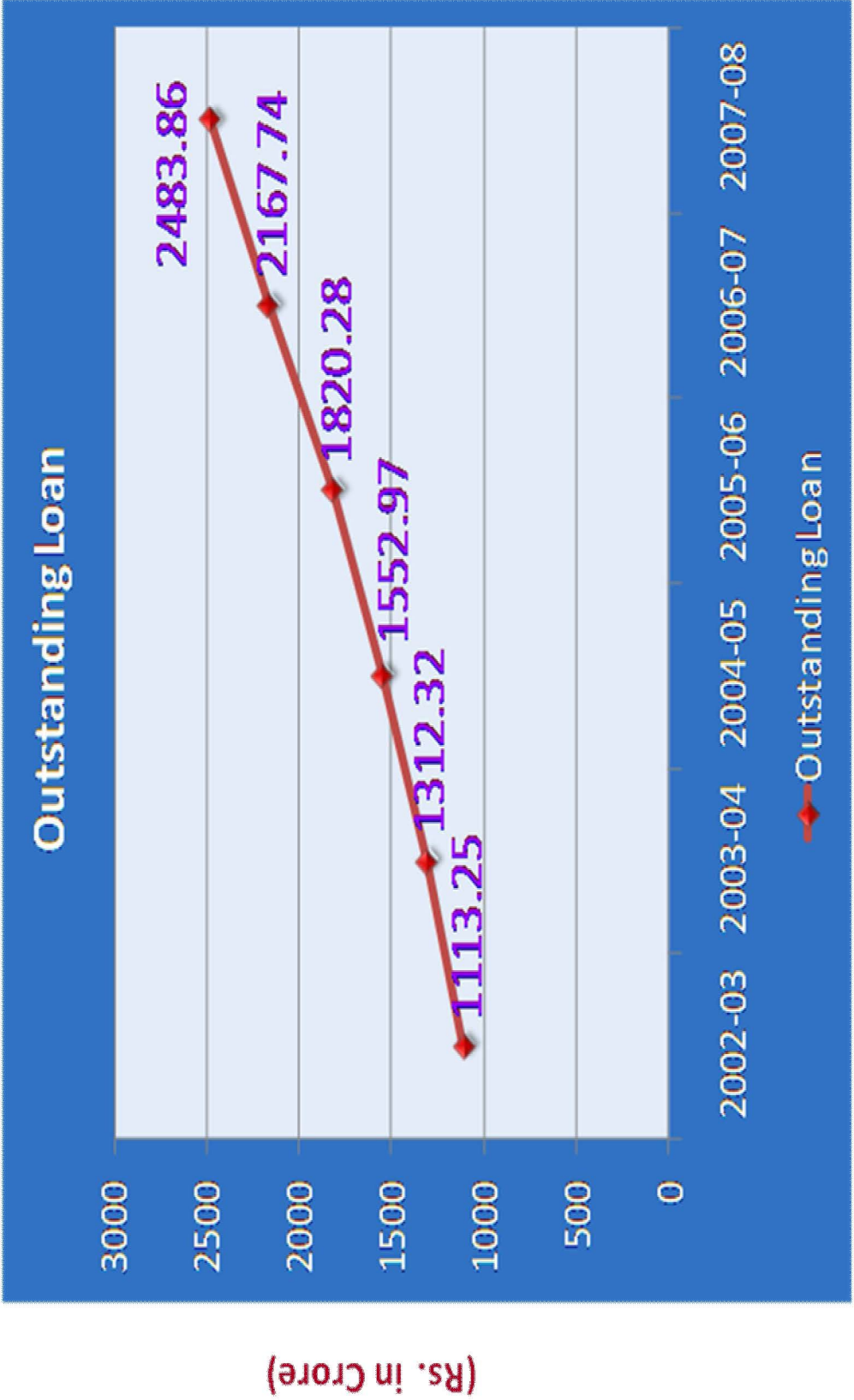
*Table-8*  
*Status on Loan*

(Rs. in crore)

<b>Year</b>	<b>Loan Received</b>	<b>Principal Repaid</b>	<b>Interest Paid</b>	<b>Total</b>	<b>Outstanding</b>
<b>2002-03</b>	229.97	61.47	115.59	177.06	1,113.25
<b>2003-04</b>	268.40	69.33	134.51	203.84	1,312.32
<b>2004-05</b>	347.54	106.89	152.81	259.70	1,552.97
<b>2005-06</b>	353.33	86.01	171.39	257.40	1,820.28
<b>2006-07</b>	443.77	96.31	180.45	276.76	2,167.74
<b>2007-08</b>	425.04	108.92	211.99	320.91	2,483.86

We may see from the above that year after year loan is increasing leading further increase in the outstanding loan to the extent of Rs.2483.86 crores as on 01.04.2008. The payment of interest, which was Rs.115.59 crores in 2002-03 increased to Rs.211.99 crores in 2007-08.

The increase in the outstanding loan coupled with change in the pattern of Plan funding (since 2005-06) has affected the UT of Puducherry.



Year

It is stated that till 2004-05, Government of India was giving Central Assistance to fund the Plan programmes in the ratio of 65% as grant and 35% as loan as shown below :

**Table-9**

(Rs. in crore)

Year	Plan		
	Grant	Loan	Total
<b>1997-98</b>	79.20	42.65	121.85
<b>1998-99</b>	107.00	57.61	164.61
<b>1999-00</b>	120.03	64.63	184.66
<b>2000-01</b>	117.53	63.29	180.82
<b>2001-02</b>	118.95	64.05	183.00
<b>2002-03</b>	136.02	65.30	201.32
<b>2003-04</b>	124.00	62.00	186.00
<b>2004-05</b>	133.00	62.00	195.00

Based on the recommendations of the Twelfth Finance Commission (TFC), the funding pattern has been changed and the Central Assistance is presently provided in the ratio of 30% grant and 70% loan as indicated below:

**Table-10**

(Rs. in crore)

Year	Plan		
	Grant	Loan (UT's Own Resources)	Total
<b>2005-06</b>	295.50 @	629.50	925.00
<b>2006-07</b>	246.85 \$	796.60	1043.45
<b>2007-08</b>	257.49 #	832.61	1090.10
<b>2008-09 (BE)</b>	148.21 *	1601.79	1750.00

@ Includes Rs.100.00 crore for Tsunami Reconstruction Programme

\$ Includes Rs.170.00 crore for Tsunami Reconstruction Programmes

# Includes Rs.130.00 crore for Tsunami Reconstruction Programmes and Rs.50.11 crore for JNNURM

\* Includes Rs.20.00 crore for Tsunami Reconstruction Programmes and Rs.26.52 crore for JNNURM

After the change in the pattern of plan funding, the U.T Act 1963 has been amended and the Lt. Governor is vested with powers to borrow and give with guarantees upon the securities of the Consolidated Fund of the U.T. A separate Public Account has been created with effect from 17.12.2007 and the cash balance of the U.T is monitored on day-to-day basis by Reserve Bank of India. By this, the U.T is treated on par with States in respect of Public Accounts, Open Market Borrowings, etc, whereas, in respect of devolution of funds, U.T of Puducherry is not considered by any Finance Commission as in the case of States. Hence, the U.T of Puducherry may be considered for enhanced Central Plan Assistance. A minimum of Rs.200.00 crore Normal Central Assistance may be allowed as Central Grant for the Annual Plan 2009-10. It may be noted that the Central Grant for the Annual Plan 2005-06 for this UT was Rs.195.50 crore (see table 7). If this is done, this will correspondingly reduce the U.T's borrowing and save our interest commitments.

Also stated that while delegating powers to Lt. Governor of this Union Territory, the following conditions were laid down by the Ministry of Home Affairs to borrow funds from financial institutions:

- (a) At the time of plan projection for any one year, the Government of Puducherry will have to exercise diligence that Plan loans + Open market Borrowings + Small Savings Loans + Negotiated loans less prepayments do not result in a debt stock twice its anticipated level of revenue.
- (b) The consolidated debt of the Government of Puducherry,, including the outstanding guarantees, should not exceed 20% of GSDP (Gross State Domestic Product) of Puducherry.
- (c) The guarantees shall not be given for financially unviable ventures, which may result in a financial loss to the Central Government.
- (d) The total level of outstanding guarantees shall be in no case exceed the monetary limits as may be specified by the Central Government from time to time as per the recommendations made by the Technical Committee on State Guarantees set up by the Reserve Bank of India; and
- (e) A statement of guarantees will be prepared and included in the Annual Budget of the Government of the Union Territory of Puducherry.