GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

RAJYA SABHA

UNSTARRED QUESTION NO. 1039

TO BE ANSWERED ON TUESDAY, 28th JULY, 2026

SHRAVANA 6, 1948 (SAKA)

KERALA'S REQUEST FOR ENHANCEMENT OF STATE BORROWING CEILING

1039. Shri Haris Beeran

Will the Minister of **Finance** be pleased to state:

(a) whether Government received any memorandum from Government of Kerala, seeking enhancement of its borrowing ceiling, inclusive of power-sector borrowing, from the existing 3.5 per cent of GSDP, if so, date of receipt and details thereof;

(b) the objective criteria, fiscal indicators and methodology adopted by Government while determining the annual Net Borrowing Ceiling of States;

(c) whether any State has been granted relaxation in its borrowing ceiling during the last three financial years, if so, the State-wise details, amount permitted and grounds thereof; and

(d) the present status of examination of Kerala's request, including whether any decision has been communicated to the State Government?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) Yes. The State Government of Kerala vide memorandum dated 26.05.2026 has requested the Union Government to enhance the borrowing ceiling of the State Government by one percent of the GSDP during the current Financial Year under Article 293(3) of the Constitution of India.

(b) The Union Government applies a common yardstick while exercising the power to determine the borrowings ceiling of the State Governments under Article 293(3) of the Constitution of India. The annual Net Borrowing Ceiling (NBC) is generally determined in accordance with the fiscal limits mandated by the accepted recommendations of the Finance Commission. Accordingly, based on recommendations of the 16th Finance Commission (XVI-FC), the annual NBC of all States including Kerala has been fixed at 3 percent of the Gross State Domestic Product (GSDP) for financial year 2026-27.

(c) No State has been granted relaxation in its borrowing ceiling under Article 293(3) of the Constitution of India during the last three financial years. However, Section 94(3) of the Andhra Pradesh Reorganization Act, 2014 provides that *'the Central Government shall provide special financial support for the creation of essential facilities in the new capital of the successor State of Andhra Pradesh including the Raj Bhawan, High Court, Government Secretariat, Legislative Assembly, Legislative Council, and such other essential infrastructure for special financial support to the State Government for creation of essential facilities'*. Therefore, in fulfilment of this statutory obligation, Externally Aided Project (EAP) Loans amounting to Rs. 5,110 crore provided to the State Government of Andhra Pradesh during FY 2025-26 for development of its new capital, were kept outside the borrowing ceiling prescribed under Article 293(3) of the Constitution of India.

(d) The response to the State Government of Kerala's request received vide aforesaid memorandum dated 26.05.2026 was communicated to the State Government vide D.O. letter dated 18.06.2026 from the Union Finance Minister.

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