

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE**

**LOK SABHA  
UNSTARRED QUESTION NO. 5263  
TO BE ANSWERED ON MONDAY, 3<sup>rd</sup> APRIL, 2023  
13 CHAITRA, 1945 (SAKA)**

**Off-Budget Borrowing**

**5263. SHRI MANNE SRINIVAS REDDY:**

**SHRI KOMATI REDDY VENKAT REDDY:**

**SHRI Y.S. AVINASH REDDY:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has taken note of the fact that some States have resorted to off-budget borrowings to complete various developmental projects and if so, the details thereof and the reaction of the Government thereto;
- (b) whether the Government has imposed any limit on the borrowings by the State Governments and if so, the details thereof and the reasons therefor; and
- (c) whether the said imposed limit on the borrowings goes against the spirit of federalism as the off-budget borrowings are loans obtained by government entities such as PSUs or special purpose vehicles on behalf of the State Governments to finance their respective expenditure and if so, the details thereof and the reaction of the Government thereto?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE  
**(SHRI PANKAJ CHAUDHARY)**

(a) to (c) All States have enacted their Fiscal Responsibility and Budget Management (FRBM) Act. Compliance to the State FRBM Act is monitored by the respective State Legislatures. Department of Expenditure, Ministry of Finance generally follows the fiscal limits mandated by

the accepted recommendations of the Finance Commission while exercising the powers to approve borrowings by States under Article 293 (3) of the Constitution of India.

Instances of borrowings by certain State Public Sector companies, Special Purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be serviced out of the State Budgets, had come to the notice of the Ministry of Finance. Considering the effect of bypassing the Net Borrowing Ceiling (NBC) through such borrowings by some States, as pointed out by the Comptroller & Auditor General, it was decided and communicated to the States in March 2022 that borrowings by State Public Sector companies/corporations, Special purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be serviced out of the State Budgets and/or by assignment of taxes/cess or any other State's revenue, shall be considered as Borrowings made by the State itself for the purpose of issuing the consent under Article 293(3) of the Constitution of India.

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