

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

**LOK SABHA**

**UNSTARRED QUESTION NO. 549**

**TO BE ANSWERED ON MONDAY, 6<sup>th</sup> FEBRUARY, 2023**

**17 MAGHA, 1944 (SAKA)**

**Borrowing Limits of States**

**549. SHRI V.K. SREEKANDAN:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government's decision to bring down the borrowing limit of States had systematically stymied the raising of funds for infrastructure development and undermined welfare programmes, including pensions of the State Government's employees in Kerala and if so, the details thereof and the reaction of the Government thereto;
- (b) whether the Government had set Kerala's borrowing limit for the 2022-23 fiscal at 3.5 per cent of the Gross State Domestic Product which is estimated at Rs. 32,439 crore and if so, the details thereof;
- (c) whether the Government is aware that a more realistic standard is required to fix the net borrowing limit for States and if so, the details thereof and the reaction of the Government thereto;
- (d) whether the Government has received any representation from the Government of Kerala to allow for more borrowing; and
- (e) if so, the details thereof and the steps taken by the Government in this regard?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE**

**(SHRI PANKAJ CHAUDHARY)**

**(a) to (c):** Based on the recommendation of the 15th Finance Commission (XV-FC), the normal Net Borrowing Ceiling (NBC) of the States including Kerala have been fixed at 3.5 percent of the Gross State Domestic Product (GSDP) for the financial year 2022-23. GSDP for this purpose has been calculated based on the methodology prescribed by the XV-FC and data published by

National Statistical Office (NSO). Accordingly, the normal NBC of the State of Kerala has been fixed at Rs. 32,439 crore for the financial year 2022-23. In addition, extra borrowing ceiling of Rs. 1,700 crore has been allowed to State of Kerala equivalent to estimated combined share of State and its employees' contribution pertaining to the financial year 2022-23 to be actually deposited with the designated authority as per the guidelines of National Pension System (NPS). In addition, States are also eligible to avail additional borrowing of up to 0.50% of GSDP based on certain performance criteria in power sector. Further, in order to boost capital expenditure by the States, fifty year interest free loan of Rs. 1,072.44 crore have already been released to the State of Kerala during FY 2022-23 so far (upto 31.01.2023) under Scheme for Special Assistance to States for Capital Investment for 2022-23". This amount is over and above, the normal net borrowing ceiling.

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.

**(d) and (e):** State of Kerala, inter-alia, requested to exclude the borrowings of State Government entities and public account liabilities of States in determining the Net Borrowing Ceiling of the States. The State of Kerala also requested to consider off-budget borrowing on a net borrowing basis rather than gross borrowing basis and accordingly, allow replacement borrowing for repayment of such borrowings.

In view of magnitude of off-budget borrowings and difficulties expressed by some States, the adjustment for such off-budget borrowing done by the States in 2021-22 was spread across upto four remaining financial years of 15<sup>th</sup> Finance Commission award period (2022-23 to 2025-26). Further, replacement borrowing for repayment of off-budget borrowing which has been raised on or after 01.04.2021 has also been allowed to the State of Kerala.

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