Position No. 10

GOVERNMENT OF INDIA
MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

LOK SABHA

STARRED QUESTION NO. *50

TO BE ANSWERED ON MONDAY 24th JULY, 2023

[2 SRAVANA, 1945 (SAKA)]

Additional Borrowings by States

***50. SHRIMATI KAVITHA MALOTHU:**
SHRI VENKATESH NETHA BORLAKUNTA:

Will the Minister of FINANCE be pleased to state:

(a) the details of rules prescribed by the Government for additional borrowings by States during 2023-24;

(b) whether the Government has changed the above rules and dis-incentivising States which are switching over to the Old Pension Scheme (OPS);

(c) if so, the reasons for linking borrowings with pension scheme;

(d) whether it is not discrimination being shown by the Government towards States which are thinking of social security for their employees, if so, the details thereof and the reaction of the Government thereto; and

(e) whether the Government proposes to reverse its decision and allow States reverting to OPS to borrow in 2023-24 on the same lines as other States are borrowing, if so, the details thereof?

ANSWER

FINANCE MINISTER (SHRIMATI NIRMALA SITHARAMAN)

(a) to (e): A statement is laid on the Table of the House.

Statement referred to in reply to Lok Sabha Starred Question No. *50 for answer on July 24, 2023 raised by Shrimati Kavitha Malothu: Shri Venkatesh Netha Borlakunta: regarding 'Additional Borrowings by States'

(a) Based on the recommendation of the 15th Finance Commission (XV-FC), the normal Net Borrowing Ceiling (NBC) of the States has been fixed at 3 percent of the Gross State Domestic Product (GSDP) for the financial year 2023-24. In addition, extra borrowing ceiling has been allowed to State Governments equivalent to estimated combined share of State and its employees' contribution pertaining to the financial year 2023-24 to be actually deposited with the designated authority as per the guidelines of National Pension System (NPS). Further, States are also eligible to avail additional borrowing of up to 0.50% of GSDP based on certain performance criteria in power sector.

(b) No Sir, aforesaid provisions for additional borrowing has been introduced to facilitate a proper and common yardstick for all the States in method of handling pension obligations by providing incentives to the States who are making due contribution under National Pension System (NPS) and to incentivize the States to implement specified reforms in power sector.

(c) It had come to the notice that there is an increasing divergence of practices between different State Governments regarding the method of handling pension obligations for the Government staff recruited after 2004. Some of the States either decided or indicated a decision to follow a system of pay-as-you-go with defined benefits, others have issued orders adopting the National Pension System (NPS) but have not made due contributions, while the majority of States have adopted NPS and are making due contributions under NPS. States, who are on pay-as-you-go system or have now indicated a shift to such system and those who have not made the NPS contributions may give a notion of a lower fiscal deficit but the fiscal deficit of such States does not reflect the contributions towards future liabilities for payment of pension. Therefore, to facilitate a proper and common yardstick for all the States, the net borrowing ceiling of each State has been augmented by the amount of pension contributions actually paid to the NPS by the State Government and its employees. This amount represents an approximate proxy for the unfunded liabilities being carried by other States without reflection in the fiscal deficit, though the true unfunded liabilities of those States are likely to be higher in view of the residual liability of the State for payment of pension under the old system.

(d) & (e) No Sir, the net borrowing ceiling of States as recommended by the 15th Finance Commission has not been reduced for any of the States. Only in case of States contributing to NPS, the borrowing ceiling has been augmented by the amount of pension contribution actually paid to the NPS, as an incentive, to ensure a proper and common yardstick for all the States in the method of handling pension obligations. Presently, there is no proposal to amend the borrowing guidelines for the States for 2023-24 issued by the Department of Expenditure on 27.03.2023.

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