

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

**LOK SABHA**

**UNSTARRED QUESTION NO. †2892**

**TO BE ANSWERED ON MONDAY, 7<sup>th</sup> AUGUST, 2023**

**16 SRAVANA, 1945 (SAKA)**

**Worsening Fiscal Condition of States**

**†2892. SHRI VINOD L. CHAVDA:**

**SHRIMATI HARSIMRAT KAUR BADAL:**

Will the Minister of FINANCE be pleased to state:

- (a) the total outstanding debt of the Government of Punjab;
- (b) whether going by the current trend the public debt of Punjab is likely to cross Rs. 5 lakh crores in ten years and if so, the details thereof;
- (c) whether the Government has taken note of worsening fiscal conditions of States due to increasing burden of debt and excessive and injudicious distribution of freebies by some States;
- (d) if so, whether the Government is bringing fiscal prudence in the finances of the States for safeguarding interests of the people as well as the national interests, if so, the details thereof and if not, the reasons therefor;
- (e) whether the Government allows the debt-ridden States to splurge public funds by offering freebies thus making the people of the State heavily indebted and if so, the details thereof and the Government's policy in this regard; and
- (f) whether the borrowings can be made to spend on unnecessary unscheduled expenditure and if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

**(SHRI PANKAJ CHAUDHARY)**

- (a) As per the Reserve Bank of India's report titled 'State finances: A study of budgets of 2022-23', the details of total outstanding liabilities of State Government of Punjab at the end of March 2021, March 2022 (RE) and March 2023 (BE) are as follows:

**(Rs. In crore)**

<b>Year (As at end- March)</b>	<b>Total Outstanding Liabilities of the State of Punjab</b>
2021 (Actual)	2,59,266
2022 (RE)	2,82,456
2023 (BE)	3,05,047

(b) to (f) State Government of Punjab has enacted the Fiscal Responsibility and Budget Management (FRBM) Act which makes the State Government responsible to ensure inter-generational equity in fiscal management and long term financial stability by achieving sufficient revenue surplus, containing fiscal deficit, prudential debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the government. Compliance to the Fiscal Responsibility and Budget Management (FRBM) Act is monitored by the State Legislature of the State of Punjab.

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. Adjustments for the over-borrowing by States during previous years, if any, are made in the borrowing limits of subsequent years.

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) of the States by such borrowings, 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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