

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE**

DEPARTMENT OF EXPENDITURE

LOK SABHA

STARRED QUESTION NO. *8

TO BE ANSWERED ON MONDAY 4th DECEMBER, 2023

[13 AGRAHAYANA, 1945 (SAKA)]

Borrowing Capacity of State Governments

***8. SHRI N.K. PREMACHANDRAN:**

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to relax the existing terms for borrowing capacity of the State Governments considering the financial crisis of Government of Kerala and if so, the details thereof and if not, the reasons therefor;
- (b) whether the State Government of Kerala requested to relax the terms for borrowing considering the financial crisis and if so, the details thereof and the action taken thereon;
- (c) the total borrowing capacity of the Government of Kerala and the total amount borrowed by them till date;
- (d) whether the Government proposes to introduce any alternative to overcome the present financial crisis and if so, the details thereof;
- (e) whether it has come to the notice of the Government that Kerala is facing difficulty due to financial crisis; and
- (f) if so, the details thereof and the action taken or likely to be taken by the Government to help the State Government of Kerala in overcoming the financial crisis?

ANSWER

FINANCE MINISTER

(SHRIMATI NIRMALA SITHARAMAN)

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

**Statement referred to in reply to the Lok Sabha Starred Question No. *8 for answer on
December 4th, 2023 raised by Shri N.K. Premachandran regarding ‘Borrowing Capacity of
State Governments**

(a) & (b) No Sir. Presently, there is no proposal to relax the existing terms for borrowing capacity of the State Governments including the Government of Kerala. The State Government of Kerala has requested for an additional borrowing equivalent to one percent of Gross State Domestic Product (GSDP) over and above the borrowing ceiling fixed for the Financial Year (FY) 2023-24. However, Union Government applies a common yardstick while fixing the annual borrowing limit of all the State Governments under Article 293(3) of the Constitution of India. In doing so, it is guided by the recommendations of the Finance Commission.

(c) In the FY 2023-24, the Gross Borrowing Ceiling of Kerala has been fixed at Rs. 47,762.58 crore. Out of this, Rs. 29,136.71 crore is Open Market Borrowing (OMB) while the rest is borrowing from other sources. Out of the total OMB, consent has already been issued to borrow an amount of Rs. 23,852 crore so far. Borrowing from other sources is resorted by the State Government from time to time as per its requirements.

(d) to (f) The Union Government has taken a number of measures to make sufficient financial resources available with the State Government. This includes higher normal Net Borrowing Ceiling of 4 percent of GSDP in FY 2021-22 and 3.5 percent of GSDP in FY 2022-23. Additional borrowing of Rs. 3,511 crore has also been provided to the State Government of Kerala equivalent to combined share of State and its employees' contribution under the New Pension System (NPS). Moreover, the Government of Kerala has been provided additional borrowing of Rs. 4,060 crore in FY 2021-22 and Rs. 4,263 crore in FY 2022-23 for meeting certain performance criteria in power sector. Similar facility for additional borrowing for performance in power sector is also available to the State Government in FY 2023-24. In addition, an amount of Rs. 36,231 crore has been provided to the State Government of Kerala as Revenue Deficit Grant from FY 2021-22 to 2023-24 (till November, 2023).

Additionally, to help the States in enhancing their capital expenditure and managing liquidity stress, the Government of India of India is providing 50 years interest free loan to the State Governments since FY 2020-21 under the Scheme for Special Assistance to States for Capital Expenditure / Investment. An amount of Rs. 2,141 crore has been released under the scheme to the State government of Kerala during FY 2021-22 and FY 2022-23.
