

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE

LOK SABHA

UNSTARRED QUESTION NO. 1320

TO BE ANSWERED ON MONDAY, 11th DECEMBER, 2023

20 AGRAHAYANA, 1945 (SAKA)

Regulation of Market Borrowings of State Governments

1320. SHRI P.V. MIDHUN REDDY:

Will the Minister of FINANCE be pleased to state:

- (a) the procedure and criteria followed by the Government when granting consent under Article 293(3);
- (b) the details of Government orders and rules that guide the procedure related to managing or regulating market borrowings of State Governments;
- (c) whether the Government is considering placing conditions under Article 293(4) to regulate borrowings of States; and
- (d) if so, the details thereof and the reasons therefor?

ANSWER

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

(a) and (b) The Department of Expenditure, Ministry of Finance generally follows the fiscal limits contained in the accepted recommendations of the Finance Commission while exercising the powers to regulate borrowings by the State Governments under Article 293 (3) of the Constitution of India. The normal Net Borrowing Ceiling (NBC) of each State is fixed by the Union Government in the beginning of each financial year based on the methodology prescribed by the Finance Commission.

After considering estimated repayment of liabilities, liabilities arising from other sources and adjustment on account of over-borrowing of previous years, consent of the Government of India under Article 293(3) of Constitution of India is issued to the States for raising Open Market Borrowing (OMB) and for availing Negotiated Loan from Central Financial Institutions during a financial year.

The guidelines relating to fixation of NBC are communicated in the beginning of each financial year. For the financial year 2023-24, the borrowing guidelines were communicated to the State Governments by letter no. 40(1)/PF-S/2023-24 dated 27.03.2023.

(c) and (d) Presently, there is no proposal under consideration of the Ministry of Finance for placing conditions under Article 293(4) to regulate borrowings of States.
