

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

**LOK SABHA
UNSTARRED QUESTION NO. 366
TO BE ANSWERED ON MONDAY, 5th FEBRUARY, 2024
16 Magha, 1945 (SAKA)**

Financial Crisis in Kerala

366. SHRI N.K. PREMACHANDRAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has considered the request of Kerala for enhancing the borrowing limit so as to overcome the existing financial crisis and if so, the details thereof and the action taken thereon;
- (b) whether the Government has analysed the reasons for the financial crisis in Kerala and if so, the details thereof;
- (c) the total debt of Kerala as on this date as per the accounts along with the total debt of Kerala during April 2016;
- (d) the details of hike in borrowal of Kerala from 2016 to 2023, year-wise;
- (e) whether the Government of Kerala borrowed money as per the existing criteria and if so, the details thereof; and
- (f) whether the Government proposes to extend financial assistance to Kerala to overcome the present crisis and if so, the details thereof?

ANSWER

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

- (a) and (b) Based on the recommendation of the 15th Finance Commission (XV-FC), the normal Net Borrowing Ceiling (NBC) of all States including Kerala has been fixed at 3 percent of the Gross State Domestic Product (GSDP) for the financial year 2023-24. Accordingly, the

normal NBC of the State of Kerala has been arrived at Rs. 32,442 crore for the Financial Year (FY) 2023-24. Besides this, extra borrowing ceiling of Rs. 1,787.38 crore has been allowed to the State Government of Kerala 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). In addition, the State Government of Kerala are also eligible to avail additional borrowing of up to 0.50% of GSDP amounting to Rs. 5,407 crore based on certain performance criteria in power sector.

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. Presently, there is no proposal to increase the borrowing limit of Kerala.

(c), (d) and (e) As per Reserve Bank of India's report titled 'State finances: A study of budgets of 2023-24', the State-wise details of total outstanding liabilities of the State Government of Kerala at the end of March 2016 to March 2024 (BE) are as follows:

Year	Amount (Rs. In crore)	Year wise increase in Outstanding Liabilities
2016 (Actuals)	1,62,271.5	-
2017 (Actuals)	1,91,622.9	18%
2018 (Actuals)	2,16,499.4	13%
2019 (Actuals)	2,43,745.7	13%
2020 (Actuals)	2,67,585.4	10%
2021 (Actuals)	3,10,856.2	16%
2022 (Actuals)	3,60,036.9	16%
2023 (RE)	3,89,312.3	8%
2024 (BE)	4,29,270.6	10%
Overall Increase during the period of 2016 to 2024		165%

RE: Revised Estimates. BE: Budget Estimates.

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.

All States have enacted their Fiscal Responsibility and Budget Management (FRBM) Act. Compliance to the State FRBM Act is monitored by the respective State Legislatures.

(f) In addition to extra borrowing ceiling for pension funding adjustment and additional borrowing for power sector reforms, 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. 2,223 crore has been released under the scheme to the State Government of Kerala from FY 2020-21 to 2023-24 (as on 01.02.2024).
