

**GOVERNMENT OF INDIA
MINISTRY OF PLANNING**

**LOK SABHA
UNSTARRED QUESTION NO. 1890
TO BE ANSWERED ON 11.02.2026**

BORROWING LIMITS, FISCAL SPACE AND PLANNING SUPPORT TO KERALA

1890. DR. SHASHI THAROOR

Will the Minister of PLANNING be pleased to state:

- (a) whether the Government has taken note of the concerns expressed by the Government of Kerala regarding reductions in its Net Borrowing Ceiling for the January-March 2026 quarter and the impact of such limits on the State's ongoing development and welfare programmes and if so, the details thereof;**
- (b) whether NITI Aayog or any other central institution has undertaken an assessment of Kerala's fiscal position including its debt levels, committed expenditure and development indicators while recommending or approving borrowing limits for the State and if so, the details thereof;**
- (c) the details of the criteria currently used by the Union Government to balance fiscal discipline with State-specific development needs; and**
- (d) whether any mechanism exists to factor in unique structural challenges faced by the States such as Kerala while formulating national planning and fiscal frameworks and if so, the details thereof?**

ANSWER

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION; MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF PLANNING AND MINISTER OF STATE IN THE MINISTRY OF CULTURE

(RAO INDERJIT SINGH)

(a) Regarding deduction in borrowing consent to the State Government of Kerala (SGoK) under article 293(3) of the Constitution of India during the last quarter of financial year (FY) 2025-2026, it is mentioned that in December, 2025, while issuing borrowing consent for remaining period of FY 2025-26 (January-March 2026), it was observed that the Comptroller and Auditor General (C&AG) of India in its Audit Report on Kerala State Finances for the year 2023-24, published on 09.10.2025, reported Off-Budget Borrowings (OBBs) of SGoK amounting to Rs. 10,632.46 crore for the FY 2023-24.

However, the SGoK in the information submitted to the Department of Expenditure, Ministry of Finance has reported that the total OBBs for the FY 2023-24 are Rs. 4,687.79 crore only. Therefore, the differential amount of Rs. 5,944.67 crores, which was under-reported by the SGoK, was deducted from the eligible borrowing space of the remaining period of FY 2025-26. Subsequently, based on the clarification submitted by the State, borrowing Consent amounting to Rs. 1,700 crores has recently been restored out of the total deduction of Rs. 5,944.67 crores, as replacement borrowing for the repayment of OBBs made by the State Government.

(b) The Comptroller and Auditor General of India, in its report titled 'State Finances 2022-23', has undertaken a comprehensive assessment of the fiscal position of States, including debt levels,

committed expenditure, and other development indicators. In addition, the Reserve Bank of India, in its report titled 'State Finances: A Study of Budgets of 2025-26', has also assessed the fiscal position of all States, including the SGoK.

(c)The Department of Expenditure, Ministry of Finance, while exercising the power conferred under Article 293(3) of the Constitution of India to allow borrowings to State Governments, applies a common yardstick and generally follows the fiscal limits mandated by the accepted recommendations of the Finance Commission. Accordingly, the Net Borrowing Ceiling of the State Governments has been fixed at 3 percent of the projected GSDP of the FY 2025-26. Further, the States are eligible for additional borrowing of 0.5% of Gross State Domestic Product (GSDP) for certain performance-linked reforms in the power sector, over and above the Net Borrowing Ceiling.

Moreover, to assist the States in boosting capital expenditure, which has a higher multiplier effect and enhances the productive capacity of the economy, the Ministry of Finance has designed and implemented schemes for Special Assistance to States for Capital Investment (SASCI)/ Expenditure annually since 2020-21. Under these schemes, financial assistance in the form of 50-year interest free loan is being provided to States. An amount of Rs. 6,445 crore has been released to Kerala under SASCI from 2020-21 to 2025-26 (as on 04.02.2026). The loan provided under SASCI is over and above the borrowing ceiling of the State.

(d)Assessment of financial condition of States including own revenue, expenditure requirement and financial needs is done by the Finance Commission every five years. The Commission also recommends the quantum of devolution of central taxes & duties and grants to be made to States and the inter-se share of States in the devolution. Based on the recommendations of the Finance Commission, the Union Government has increased the tax

devolution to States from 32% in the 13th Finance Commission period to 42% in the 14th Finance Commission period. The 15th Finance Commission also maintained same level of devolution after adjusting 1% for Jammu and Kashmir. Further, some States including Kerala were also provided Revenue Deficit Grant to bridge the gap between State's expenditure and revenue.
