

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
LOK SABHA

UNSTARRED QUESTION NO. 2569

TO BE ANSWERED ON MONDAY, 9th MARCH, 2026
PHALGUNA 18, 1947 (SAKA)

KERALA FISCAL CAPACITY

2569. Shri K C Venugopal

Will the Minister of **Finance** be pleased to state:

- (a) whether the Government has reduced Kerala's borrowing limit, if so, the details thereof, including reasons for retrospective cuts since 2021-22;
- (b) the status of Kerala's requests for a 'Special Fiscal Correction Package';
- (c) whether similar fiscal curbs have been imposed on other States since 2020, if so, the details thereof, State-wise; and
- (d) the steps being taken by the Government to address Kerala's grievances on declining tax share under the 15th Finance Commission and GST 2.0 revenue losses;

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) to (c) The Union Government applies a common yardstick and generally follows the fiscal limits mandated by the accepted recommendations of the Finance Commission while exercising the power to approve borrowings by State Governments under Article 293(3) of the Constitution of India. Based on recommendations of the 15th Finance Commission (XV-FC), the annual Net Borrowing Ceiling (NBC) of all States including Kerala has been fixed at 3 percent of the Gross State Domestic Product (GSDP) for financial year 2025-26. Accordingly, the request of the Government of Kerala received vide memorandum dated 09.10.2025 could not be considered.

Adjustments for the over-borrowing by States during previous year, if any, are made in the borrowing ceiling of subsequent year. To prevent circumvention of debt limits and promote transparency in reporting fiscal deficit, from the financial year 2021-22 onwards, the

off-budget borrowings (OBBs) raised by States through the States Owned Entities are also treated as borrowings of the State Governments while granting consent for borrowing under Article 293(3) of the Constitution of India. The State-wise details of deduction made from the borrowing ceiling on account of over-utilization of borrowing space and OBBs from FY 2021-22 to 2025-26 is given in the **Annexure**.

(d) The inter se share of States in tax devolution is recommended by the Finance Commission based on criteria such as population, income distance, area and demographic performance, with weights assigned to each parameter. Accordingly, the share of individual States may vary across different Finance Commission periods. Regarding GST 2.0 revenue losses, no assessment of losses has been made by the Government so far.

Annexure referred to in the answer of part (a) to (c) Lok Sabha Unstarred question no. 2569 for reply on 09.03.2026

State-wise details of deduction made from the borrowing ceiling on account of over-utilization of borrowing space and Off-Budget Borrowings from FY 2021-22 to 2025-26

(Rs. in crore)

Sl. No.	State	Deduction made for over-utilization of borrowing space	Deduction under OBBs
1	Andhra Pradesh	28,037	8,877
2	Arunachal Pradesh	25	-
3	Assam	-	2,735
4	Bihar	3,302	1,260
5	Chhattisgarh	-	3,625
6	Goa	-	77
7	Gujarat	-	-
8	Haryana	-	43
9	Himachal Pradesh	1,110	-
10	Jharkhand	-	-
11	Karnataka	-	11,817
12	Kerala	26,531	31,114
13	Madhya Pradesh	6,493	3,732
14	Maharashtra	-	52,830
15	Manipur	451	640
16	Meghalaya	1,254	92
17	Mizoram	-	-
18	Nagaland	-	39
19	Odisha	-	-
20	Punjab	2,625	3,206
21	Rajasthan	20,475	8,043
22	Sikkim	324	575
23	Tamil Nadu	3,093	3,812
24	Telangana	9,950	48,375
25	Tripura	1,706	-
26	Uttar Pradesh	-	7,439
27	Uttarakhand	-	70
28	West Bengal	-	1,089
	Total amount	1,05,376	1,89,490
