

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE  
**LOK SABHA**  
**UNSTARRED QUESTION NO. 2735**  
TO BE ANSWERED ON MONDAY, 9<sup>th</sup> MARCH, 2026  
PHALGUNA 18, 1947 (SAKA)

**BORROWING CUTS ON KERALA**

**2735. Shri E T Mohammed Basheer**

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

- (a) whether the Government is likely to restore the borrowing cuts of Rs. 6,757 crore and Rs. 3,323 crore imposed on Kerala during the Financial Year 2024–25 and 2025–26, if so, the details thereof;
- (b) whether Kerala's borrowing limit is likely to be enhanced to 3.5% of Gross State Domestic Product (GSDP), if so, the details thereof; and
- (c) whether such fiscal restrictions undermine cooperative federalism, if so, the details thereof?

**ANSWER**

MINISTER OF STATE IN THE MINISTRY OF FINANCE

**(SHRI PANKAJ CHAUDHARY)**

(a) In the borrowing consent issued to the State Government of Kerala for the remaining period of FY 2025-26 under Article 293(3) of the Constitution of India, an amount of Rs. 5,944 crore and Rs. 3,323 crore were deducted on account of Off-Budget Borrowings reported in State Finance Audit Report (SFAR) of 2023-24, published by the Comptroller and Auditor General of India (CAG) in October 2025 and the shortfall in State's contribution to Guarantee Redemption Fund (GRF), respectively. Further, based on the submissions made by the State Government regarding repayment of Off-Budget Borrowings and contribution made in GRF, amounts of ₹1,700 crore and ₹2,000 crore, respectively, have been restored against the aforesaid deductions.

(b) No Sir, at present there is no such proposal under consideration.

(c) The borrowing limit of all States including Kerala are generally fixed in line with the recommendations of the Finance Commission, which is an independent Constitutional body and plays a very important role in Fiscal federalism structure. The Commission also recommends the fiscal consolidation path for the Union and the States, keeping in view the need to maintain debt sustainability while providing adequate fiscal space for development. Based on the recommendations of 15th Finance Commission, borrowing limit of all States including Kerala during 15th Finance Commission period has been fixed as under:

<b>Year</b>	<b>Normal net borrowing ceiling</b>	<b>Additional borrowing, if any</b>
2021-22	4% of GSDP	Upto 0.5% of GSDP for power sector reforms
2022-23	3.5% of GSDP	
2023-24	3% of GSDP	
2024-25	3% of GSDP	
2025-26	3% of GSDP	

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