

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

**LOK SABHA
UNSTARRED QUESTION NO. 5972
TO BE ANSWERED ON MONDAY, 30th March, 2026
09 CHAITRA, 1948 (SAKA)**

GROWING FISCAL DEFICIT OF STATE GOVERNMENTS

5972. **DR. K SUDHAKAR:**

Will the Minister of FINANCE be pleased to state:

(a) the details of the manner in which the Union Government plan to address the growing fiscal deficits of various State Governments including that of Karnataka;

(b) whether the Union Government has taken note of the fact that the total liabilities of the State Government of Karnataka are projected to reach a staggering Rs. 8.24 lakh crore by the end of 2026-27 and the manner in which this “debt trap” is expected to impact the State’s credit rating and future borrowing costs, if so, the details thereof;

(c) whether it is a fact that the debt repayment of the State Government of Karnataka has grown by around 33.4 per cent in the current year, significantly outpacing the growth of actual debt, if so, the details thereof; and

(d) the specific measures being taken by the Union Government to ensure that borrowed funds by the State Government of Karnataka are not diverted to non-performing populist schemes?

ANSWER

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

(a) to (d) All States including Karnataka have enacted their Fiscal Responsibility and Budget Management (FRBM) Act which makes the State Government responsible to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, reduction in fiscal deficit, prudent debt management consistent with fiscal sustainability and greater transparency in fiscal operations of the government. Compliance to the State FRBM Act is monitored by the respective State Legislatures.

As per the State Budget of Karnataka for FY 2026-27, total outstanding liabilities of State Government of Karnataka at end of FY 2026-27 are estimated to be Rs. 8,24,389 crore. As per details provided by the State Government, repayment of public debt in FY 2025-26 (Budget Estimates) has grown by 5.95% as compared to FY 2024-25.

Department of Expenditure, Ministry of Finance, usually considers the fiscal limits as per the accepted recommendations of the Finance Commission while granting consent for borrowings by States under Article 293(3) of the Constitution of India. 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.
