Loans raised by State Government as Extra Budgetary Resources

1810. SHRI KANAKAMEDALA RAVINDRA KUMAR:

Will the Minister of FINANCE be pleased to state:

(a) whether Government has taken note of the fact that the State Government of Andhra Pradesh stands as ‘Guarantor’ for availing loans by Government companies, corporations, societies from the market/bank/financial institutes under the guise of programmes/projects funded as Extra Budgetary Resources (EBR);
(b) if so, the details thereof;
(c) whether Government has also taken note of the fact that such borrowed amounts ultimately turn out to be liabilities to the State Government; and
(d) if so, the details thereof and actions/steps taken by Government to rein in the State Government for entering into such financial transactions?

ANSWER

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

(a) to (d) All States including Andhra Pradesh have enacted their Fiscal Responsibility and Budget Management (FRBM) Act. Compliance to the State FRBM Act is monitored by the respective State legislatures. 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.
State of Andhra Pradesh has declared borrowings of Rs. 22,549.50 crore during 2020-21, Rs. 6,287.74 crore during 2021-22 and Rs. 500 crore (estimated) during 2022-23 by State Public Sector companies/corporations, Special purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be serviced out of the State Budgets and/or by assignment of taxes/cess or any other State’s revenue. This information was submitted by the State Government along with their request for obtaining consent of Government of India for borrowings of 2022-23 under Article 293(3) of the Constitution of India.

Considering the effect of bypassing the NBC through such borrowings by some States including Andhra Pradesh, it was decided and communicated to the States in March 2022 that borrowings by State Public Sector companies/corporations, Special purpose vehicles (SPVs) and other equivalent instruments, where principal and/or interest are to be serviced out of the State Budgets and/or by assignment of taxes/cess or any other State’s revenue, shall be considered as Borrowings made by the State itself for the purpose of issuing the consent under Article 293(3) of the Constitution of India.