

11 States granted nod to borrow additional Rs 15700 Cr

By TIOL News Service

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States namely, Andhra Pradesh, Bihar, Chhattisgarh, Haryana, Kerala, Madhya Pradesh, Manipur, Meghalaya, Nagaland, Rajasthan and Jharkhand have achieved the target set by the Ministry of Finance for the capital expenditure in the 1st Quarter of 2021-22. As an incentive, these States have been granted permission by the Department of Expenditure to borrow an additional amount of Rs. 15,721 crore. The additional open market borrowing permission granted is equivalent to 0.25 percent of their Gross State Domestic Product (GSDP). Additional financial resources thus made available will help the States in pushing their capital expenditure further. State wise amount of additional borrowing permitted is enclosed.

The capital expenditure has a high multiplier effect, enhances the future productive capacity of the economy, and results in a higher rate of economic growth. Accordingly, out of the net borrowing ceiling (NBC) of 4% of GSDP for the States for 2021-22, 0.50 percent of GSDP was earmarked for incremental capital expenditure to be incurred by the States during 2021-22. The target for incremental capital expenditure for each state to qualify for this incremental borrowing was fixed by the Department of Expenditure.

To become eligible for incremental borrowing, States were required to achieve at least 15 percent of the target set for 2021-22 by the end of 1st quarter of 2021-22, 45 percent by the end of 2nd quarter, 70 percent by the end of 3rd quarter and 100 percent by 31st March 2022.

Next review of Capital expenditure of States will be undertaken by the Department of Expenditure in December, 2021. In this round, capital expenditure achieved by the States till 30th September, 2021 will be assessed. Third review will be done in the month of March, 2022 on the basis of capital expenditure incurred by the State during the first three quarters of the year 2021-22. The capital expenditure-linked borrowing ceiling of 0.50 percent of GSDP will be allowed to those States who will achieve actual capital expenditure of at least 45 percent of the target by 30th September 2021 or 70 percent of the target by 31st December 2021.

There would be a final review of actual capital expenditure by the States in the month of June, 2022. Any shortfall/deficiency in actual capital expenditure for the year 2021-22 by the State in comparison with the targeted capital expenditure for the year 2021-22, will be adjusted from the borrowing ceiling of the State for the year 2022-23.

State wise amount of the additional borrowing permitted is as under:

Sl.No.	State	Amount (Rs in crore)
1.	Andhra Pradesh	2,655
2.	Bihar	1,699
3.	Chhattisgarh	895

4.	Haryana	2,105
5.	Kerala	2,255
6.	Madhya Pradesh	2,590
7.	Manipur	90
8.	Meghalaya	96
9.	Nagaland	89
10.	Rajasthan	2,593
11.	Uttarakhand	654