Position No. 19

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

LOK SABHA

STARRED QUESTION NO. *39

TO BE ANSWERED ON MONDAY 5th FEBRUARY, 2024

[16 MAGHA, 1945 (SAKA)]

Uniform Guarantee Ceiling for States

***39. PROF. SOUGATA RAY:**

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India Working Group has recommended for a Uniform Guarantee ceiling for States and if so, the details thereof;

(b) whether it is mandatory for all the States to publish data of guarantees and if so, the details thereof;

(c) the criteria fixed/laid down for finalization of the limit of guarantees by States; and

(d) the objective of the ceiling of State guarantees?

ANSWER

FINANCE MINISTER (SHRIMATI NIRMALA SITHARAMAN)

(a) to (d): A statement is laid on the Table of the House.

Statement referred to in reply to the Lok Sabha Starred Question No. *39 for answer on February 5th, 2024 raised by Prof. Sougata Ray regarding 'Uniform Guarantee Ceiling for States'

(a) Yes Sir. The Working Group on State Government Guarantees constituted by the Reserve Bank of India (RBI) has recommended a ceiling for incremental guarantees issued during a year at 5 per cent of Revenue Receipts or 0.5 per cent of GSDP, whichever is less.

(b) The Government of India in exercise of the powers conferred by Article 150 of the Constitution has issued a Notification in the Gazette of India on 20th December, 2010, which requires that the Financial Statements of State Governments shall disclose in the notes the details concerning class or sector of Guarantees viz. limit fixed, information regarding Guarantee Redemption Funds, details of Guarantees, etc.

(c) Government of India has fixed a ceiling of 0.5 per cent of GDP for additional guarantees to be issued during a financial year under the Fiscal Responsibility and Budget Management (FRBM) Act, 2003. On the similar line, Working Group has suggested for fixing a ceiling on the incremental guarantees given by the State Government.

(d) Guarantees, as and when invoked may lead to significant fiscal stress on the State Governments. States are expected to exercise prudence and selectivity while extending guarantees, and, therefore, may fix a ceiling on the amount of guarantees issued during the year.

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