

FINANCE MINISTRY ALLOWS STATES TO BORROW RS 3.20 LAKH CRORE FROM MARKET

Relevant for: Indian Economy | Topic: Issues relating to Planning & Economic Reforms

NEW DELHI: The [Finance Ministry](#) has allowed all states to borrow a cumulative Rs 3.20 lakh crore from market between April-December.

The move comes amid states' demand for higher funds from the Centre to meet the expenses in dealing with COVID-19 pandemic.

In a letter to the RBI, the ministry said that the Centre has decided to permit states to raise open market borrowing on the basis of 50 per cent the Net Borrowing Ceiling fixed for the year 2020-21 for financing the states's annual plan for the fiscal.

As per the letter by the [Department](#) of [Expenditure](#) to the RBI, 28 states have been allowed to borrow a cumulative Rs 3,20,481 crore from markets on an ad-hoc basis for the first nine months of the current fiscal.

Accordingly, West Bengal can borrow Rs 20,362 crore, [Maharashtra](#) (Rs 46,182 crore), Uttar Pradesh (Rs 29,108 crore), [Karnataka](#) (Rs 27,054 crore), Gujarat (Rs 26,112 crore) and Rajasthan (Rs 16,387 crore).

"RBI is requested to make necessary arrangement in consultation with state government to raise the open market borrowing," the letter said.

It also said that further consent for raising open market borrowing during April-December will be processed after receiving complete information from states.

The [Reserve Bank of India](#) (RBI) on Tuesday permitted state governments and Union territories (UTs) greater flexibility for availing overdraft facilities with immediate effect till September 30. The facility will now be available for 21 days as against the earlier 14 days.

NEW DELHI: The [Finance Ministry](#) has allowed all states to borrow a cumulative Rs 3.20 lakh crore from market between April-December.

The move comes amid states' demand for higher funds from the Centre to meet the expenses in dealing with COVID-19 pandemic.

In a letter to the RBI, the ministry said that the Centre has decided to permit states to raise open market borrowing on the basis of 50 per cent the Net Borrowing Ceiling fixed for the year 2020-21 for financing the states's annual plan for the fiscal.

As per the letter by the [Department](#) of [Expenditure](#) to the RBI, 28 states have been allowed to borrow a cumulative Rs 3,20,481 crore from markets on an ad-hoc basis for the first nine months of the current fiscal.

Accordingly, West Bengal can borrow Rs 20,362 crore, [Maharashtra](#) (Rs 46,182 crore), Uttar Pradesh (Rs 29,108 crore), [Karnataka](#) (Rs 27,054 crore), Gujarat (Rs 26,112 crore) and Rajasthan (Rs 16,387 crore).

"RBI is requested to make necessary arrangement in consultation with state government to raise

the open market borrowing," the letter said.

It also said that further consent for raising open market borrowing during April-December will be processed after receiving complete information from states.

The [Reserve Bank of India](#) (RBI) on Tuesday permitted state governments and Union territories (UTs) greater flexibility for availing overdraft facilities with immediate effect till September 30. The facility will now be available for 21 days as against the earlier 14 days.

END

Downloaded from [crackIAS.com](#)

© **Zuccess App** by crackIAS.com

CrackIAS.com