



PHD Research Bureau
PHD Chamber of Commerce and Industry



7 States meet the target for capital expenditure upto Q-2 of 2021-22

Seven States namely, Chhattisgarh, Kerala, Madhya Pradesh, Meghalaya, Punjab, Rajasthan and Telangana have achieved the target set by the Ministry of Finance for the capital expenditure upto 2nd Quarter of 2021-22. As an incentive, these States have been granted permission by the Department of Expenditure on Friday to borrow an additional amount of Rs.16,691 crore. The additional open market borrowing permission issued is equivalent to 0.5% of 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 as under:

Sl.No.	State	Amount (Rs in crore)
1.	Chhattisgarh	895
2.	Kerala	2,256
3.	Madhya Pradesh	2,590
4.	Meghalaya	96
5.	Punjab	2,869
6.	Rajasthan	2,593
7.	Telangana	5,392

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, borrowings upto 0.50 percent of GSDP were 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.

Earlier, after the 1st round of review undertaken in September 2021, additional borrowing permission of Rs. 15,721 crore were issued to 11 States for meeting the target for capital expenditure set for the 1st quarter of 2021-22. Thus, after two rounds of review of capital expenditure, total additional borrowing permission of Rs. 32,412 crore has been issued to States.

In this round of review of Capital expenditure of States, capital expenditure achieved by the States till 30th September, 2021 has been assessed in respect of 22 States, for which data of actual capital

expenditure is available. Eligibility of remaining 6 States will be assessed on availability of data from the Comptroller and Auditor General of India (CAG).

A third round of review will be undertaken 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 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.

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Warm Regards,

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