Apr 12 2016 : The Economic Times (Delhi)
States Must Step Up Capex, Invest More in Rural Areas: Fin Secy

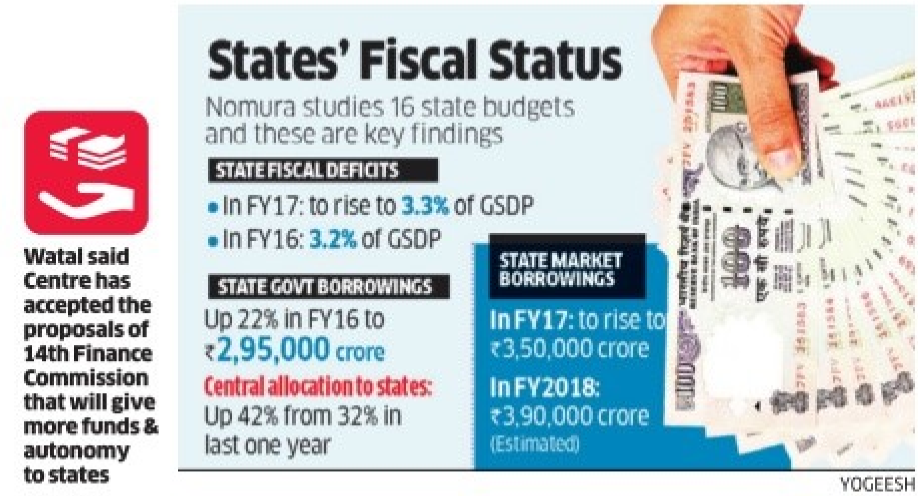
New Delhi :
Our Bureau

The Centre has nudged states to enhance capital expenditure and invest more in rural areas and infrastructure. "States are requested to align their focus to the thrust provided in the Union Budget to promote investment and growth in the rural sector...It is imperative to step up capital expenditure at state level also'.

Main Points made by Finance secretary while addressing the second conference of state finance secretaries in Delhi

1. The Centre has accepted the recommendations of 14th Finance Commission and that will give more funds and greater autonomy to states.
2. "Total transfers to states including grants in aid from Centre to states are estimated to be ₹ 9.47 lakh crore in 2016-17 as compared to ₹8.36 lakh crore during 2015 16, which is a hike of 12% of revised estimates of 2015-16'.
3. The Centre has also approved an additional fiscal deficit to eligible states during the remaining period of the award from 2016-17, to borrow more under the two flexibility options.
4. The union government has allowed states with sound finances to borrow an additional 0.5% of their GDP over and above the 3% prescribed by the 14th Finance Commission, to facilitate developmental needs.
5. Prudent expenditure management by exploring the possibility of rationalising subsidies, certain state subsidies and grants can help states maintain revenue balance so that capex can be increased.
6. Have decided to give additional resources of ₹ 31,300 crore through issuance of bonds, by CPSEs (central public sector enterprises) and ministries like (those of) power, renewable energy, shipping, agriculture.

7. To ensure macroeconomic stability and prudent fiscal management, the Centre has stuck to the fiscal deficit target of 3.5% in 2016-17.
8. The global economy may take some time to stabilise. Economic shocks elsewhere in the world are felt in the domestic markets.
9. Despite the sluggish scenario, the Indian economy has shown steady improvements in the recent periods. Rating agencies globally have estimated that India will be the engine of global growth.



Apr 14 2016 : The Economic Times (Delhi)

Financial Health of States to Worsen this Fiscal: Nomura

Mumbai:
Our Bureau

Brokerage says fiscal deficits to rise to 3.3% of GSDP in FY17; State borrowings up 22% in FY16

The financial condition of state governments in India will worsen this fiscal burdened by slow tax revenue, higher salaries to state government employees due to the Sixth Pay Commission and other payments like interest on Uday bonds, Japanese brokerage Nomura Securities said in a note.

Main Points from Nomura's study of 16 state budgets for the last and current fiscal year:

1. It predicts state fiscal deficits will rise to 3.3% of the gross state domestic product (GSDP) in fiscal 2017, up from 3.2% in fiscal 2016, and much higher than the 2.8% budgeted by the state government.
2. State government borrowings have risen 22% in fiscal 2016 to ₹ 2,95,000 crore.
3. Higher state borrowing from the market means state government borrowings now stand at 33% of the total borrowings from the market, up from 12% in fiscal 2007.
4. The rise has been despite the central government increasing allocation from central taxes to state governments to 42% from 32% in the last one year.
5. State market borrowings will rise to ₹ 350,000 crore in FY17 and further to ₹ 390,000 crore in fiscal 2018.
6. The redemption profile, UDAY-related interest burden and the implementation of the recommendations of the seventh pay commission in most states by FY18 will push state government borrowings higher in FY18 .
7. Higher borrowings from state governments will ensure that the difference between state bond yields and the 10-year benchmark central government security will remain elevated at 70 basis points. One basis point is 0.01 percentage point.