

Government sticks to FY22 target; to borrow Rs 5.03 lakh crore in H2

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NEW DELHI: Buoyed by sharp increase in tax collection and savings through expenditure cuts, the government has stuck to its gross borrowing target of Rs 12.05 lakh crore in 2021-22 as it announced its borrowing plan for the second half of the year.

Announcing its borrowing plan for the second half, the government informed in a statement that the effective borrowing in the first half of 2021-22 was Rs 7.02 lakh crore and the government now plans to borrow the balance Rs 5.03 lakh crore in the second half-year.

The government's second-half borrowing amounting to Rs 5.03 lakh crore is likely to be conducted in 21 weekly tranches of Rs 23,000-24,000 crore each. Borrowing will be spread under 2, 5, 10, 14, 30 and 40 year-securities with 10-year bonds accounting for 28.4% of the total borrowing followed by 40-year bonds at 15.1% and 30-year papers at 13.9%. Around 9% of the amount will be borrowed via floating rate bonds.

To take care of temporary mismatches in the government account, the Reserve Bank of India has fixed the Ways and Mean Advance (WMA) limit for the second half at Rs 50,000 crore. The estimated `5.03 lakh crore gross borrowing also include requirements for the release of the balance amount to states on account of back-to-back loan facility in lieu of GST compensation during the year.

In the first half of the financial year, the government borrowed at a weighted average yield at 6.19 % and weighted average maturity at 16.69 years. Commenting on the government’s borrowing plan, chief economist of CARE Ratings Madan Sabnavis told The New Indian Express that the government may not require higher borrowing unless the disinvestment slips badly. He says that the government might use proceeds from small savings or drawdown of cash balances in case of fiscal deficit slips more due to lower realisation from disinvestment or relief given to the telecom sector.

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