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States close FY21 with borrowing 3% less than notified Rs 8.24 trillion

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MUMBAI: The states and Union Territories have collectively borrowed Rs 7.98 lakh crore from the markets in 2020-21 ending March which is Rs 25,393 crore or around 3 per cent less than the indicated debt for the fiscal.

The states and UTs drew down Rs 20,641 crore at the last securities auction of the year on Tuesday.

The states had indicated to the RBI that they would borrow Rs 8.24 lakh crore this fiscal to meet the massive revenue gap due to the lockdowns imposed due to the Covid-19 pandemic.

In FY21, 28 states and two Union Territories have cumulatively raised Rs 7.98 lakh crore from markets which is 26 per cent more than Rs 6.35 lakh crore in FY20. However, this is Rs 25,393 crore less than the borrowings of Rs 8.24 lakh crore they planned to raise this fiscal, according to a note by Care Ratings.

On an average, the states have drawn down 97 per cent of the borrowings target in FY21.

The borrowing cost for the states spiked at the last auction with the weighted average cost across states and tenures soaring by 39 bps over the past week to 6.60 per cent.

At the March 23 auction they had paid only 6.21 per cent. But this is much lower than they had paid in the early days of the fiscal with Kerala paying 8.96 per cent for a 5-year money worth Rs 6,000 crore at the first auction of the year in April.

Today, Bengal paid the highest at 6.99 per cent for a Rs 4,680 crore.

The cost for the harried states jumped despite a 4 bps decline in the 10-year benchmark yields to 6.76 per cent from last week. The spread between the 10-year state debt and the GSecs too declined to 59 bps.

States have been borrowing heavily to meet the shortfalls in their finance's consequent to the drop in revenue due to the pandemic.

The majority of the states have seen a notable increase in their market borrowing in FY21 over the past year.

There has been a notable year-on-year increase in the market borrowings of large states such as Madhya Pradesh (104 per cent), Kerala (58 per cent), Rajasthan (47 per cent), Karnataka (42 per cent), Maharashtra (42 per cent), Tamil Nadu (41 per cent) and Andhra (21 per cent), according to the data from the agency.

However, five states --Arunachal (down 65 per cent), Odisha (less than 60 per cent), Tripura (down 35 per cent), Manipur (down 26 per cent), and Himachal (9 per cent less)-- borrowed less than last year. But these states together accounted for just 1.6 per cent of the total states' borrowing in FY21.

Tamil Nadu, UP, Maharashtra, Karnataka, Bengal and Rajasthan have been the top seven borrowing states, accounting for 52

per cent of the total borrowings.

On an average, states have raised 97 per cent of the market borrowings as per the indicative borrowing calendar for FY21.

Twelve states and two UTs have raised more than the indicated debt in the borrowing calendar. On the other hand, major states like Maharashtra, despite the sizeable borrowings have only raised 61 per cent of the quantum of the indicative borrowings. Uttarakhand and Odisha have raised the least at 50 per cent and 35 per cent respectively.