

State Government Borrowings

2 March, 2021 | Economics

Thirteen states raised a total of Rs.23,378 crores at the auction of the state government securities or state development loans (SDLs) held today. Maharashtra and Telangana accepted an additional amount of Rs.250 crores and Rs.200 crores respectively while Punjab accepted Rs.135 crores less than the notified amount of the auction.

So far in the current fiscal year (7 Apr'20 -3 Mar'21), 28 states and 2 UTs (Union Territories) have cumulatively raised a total of Rs.7.14 lakhs crores via market borrowings, 31% more than the borrowings in the corresponding period of 2019-20 (Rs. 5.45 lakh crores). The states have so far raised 87% of the scheduled market borrowings as per the indicative calendar for 2020-21.

Table 1: Auction of State Development Loans of State Governments: 2 March'21

	Notified Amount (Rs. Crs)	Amount Raised (Rs. Crs)	Cut Off Yield (%)	Tenure (Yrs)
Assam	500	500	5.47	3
	500	500	7.17	10
Haryana	1500	1500	7.02	8
Jammu & Kashmir	617	617	7.24	15
Karnataka	1000	1000	7.29	15
	1000	1000	7.29	16
	1000	1000	7.22	17
Kerala	1000	1000	7.02	7
Madhya Pradesh	100	100	4.94	2
	3000	3000	5.52	3
Maharashtra	750	1000	7.04	8
Meghalaya	96	96	7.17	10
Punjab	1500	1365	7.23	10
Rajasthan	1000	1000	7.15	10
	500	500	7.24	15
	500	500	7.2	25
Tamil Nadu	2500	2500	7.16	Reissue of 6.57% SDL 2021
Telangana	1000	1200	7.25	20
Uttar Pradesh	5000	5000	7.19	10

Source: RBI

Moderation in the cost of borrowings (weighted average) and elevated spreads

- The borrowing cost for the state governments at today's auction eased to a four-week low, reversing the surge in yields of the last two weeks.
- The weighted average cost of borrowing for state government through dated securities auctioned today; across states and tenures, at 6.92% was 27 bps lower than a week ago (7.19% on 23 Feb'21).
- The SDL yields for the longer tenure securities (viz. 10 year) continues to be elevated, having risen in tandem with the GSec yields in recent weeks. Low demand for government securities (centre and state) amid the surge in supply of these securities have been pushing up yields.
- Despite the prevalence of surplus liquidity in the banking system (at over Rs.6.4 lakh crs) and the RBI's OMO purchases government bond yields have been high, indicative of the low investor appetite for these securities.
- The (weighted average) yields of the 10-year SDLs (across states) at the auction held today at 7.18% was nearly stable at week ago levels (7.19%) and continued to be at levels seen last in mid-April'20.
- The spread between the 10-year SDLs and GSecs declined marginally by 1 bp from week ago levels of 113 bps.

State-wise Borrowings so far in 2020-21

States and UTs have been resorting to higher market borrowings to meet the shortfalls in their finances consequent to the sharp fall in their revenues due to the lockdown led disruptions in economic activity along with the increase in expenditure that is being incurred by them for controlling and mitigating the impact of the pandemic. The majority of the states have seen a notable increase in their market borrowing in the ongoing financial year as against a year ago. The year-on-year state-wise increase in market borrowings has been highlighted in table 2 below.

There has been a notable year-on-year increase in the market borrowings of large states such as Madhya Pradesh (112%), Rajasthan (57%), Maharashtra (54%), Karnataka (43%), Tamil Nadu (37%), Telangana (36%) and Andhra Pradesh (28%)

Five states that have borrowed less than the corresponding year ago period. These include Odisha (by 45%), Tripura (by 27%), Manipur (15%), Arunachal Pradesh (14% less) and Gujarat (6% less).

Tamil Nadu, Maharashtra, Uttar Pradesh, Karnataka, Rajasthan and Andhra Pradesh have been the top six borrowing states, accounting for 53% of the total borrowings so far in 2020-21.

Table 2: State-wise market borrowings (Rs. Crores)

	FY 20 (9 April- 3 March'20)	FY 21 (7 April- 2March'21)	% change
Andhra Pradesh	39,895	50,896	28
Arunachal	559	481	-14
Assam	10,957	13,900	27
Bihar	20,601	25,993	26
Chhattisgarh	7,000	11,000	57
Goa	2,256	2,854	27
Gujarat	34,900	32,780	-6
Haryana	22,181	29,500	33
Himachal	5,000	6,000	20
Jammu &	6,795	9,127	34
Jharkhand	3,000	6,400	113
Karnataka	44,100	63,000	43
Kerala	17,602	22,566	28
Madhya	18,000	38,100	112
Maharashtra	43,498	67,000	54
Manipur	1,394	1,182	-15
Meghalaya	895	1,617	81
Mizoram	540	914	69
Nagaland	1,000	1,721	72
Odisha	5,500	3,000	-45
Puducherry	800	1,050	31
Punjab	24,655	26,588	8
Rajasthan	34,082	53,411	57
Sikkim	593	1,231	108
Tamil Nadu	59,990	82,000	37
Telangana	31,124	42,234	36
Tripura	2,550	1,855	-27
Uttar Pradesh	55,000	64,500	17
Uttarakhand	3,600	4,200	17
West Bengal	47,010	49,000	4

Source: RBI and CARE Ratings

Contact:

Madan Sabnavis
Author: Kavita Chacko
Mradul Mishra

Chief Economist
Senior Economist
(Media Contact)

madan.sabnavis@careratings.com
kavita.chacko@careratings.com
mradul.mishra@careratings.com

+91-22-6837 4433
+91-22-6837 4426
+91-22-6754 3573

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Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel. : +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect :

