

## State Government Borrowings

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Twelve states raised a total of Rs. 18,700 crores at the auction of the state government securities or state development loans (SDLs) held today. Maharashtra accepted an additional amount of Rs.500 crores over the notified amount of the auction, while Gujarat accepted an additional amount of Rs.250 crores. The other states accepted the notified amount of the auction.

- The borrowing of the state governments so far in FY22 has been 8% less than that in the comparable period of FY21.
- Twenty-three states and one UT have raised a total of Rs. 1,78,150 crores during the period 8 April – 13 July’21 as against the Rs.1,93,776 crores in the same period of FY21.
- As per the tentative borrowing calendar, twenty-six states and one UT were to raise Rs.2,15,450 crore during the period 8 April – 13 July’21. 83% of this amount has been raised by twenty-three states and one UT.
  - As per the indicative borrowing calendar, 4 states i.e., Himachal Pradesh, Jharkhand, Madhya Pradesh, Odisha and Tripura were to cumulatively raise Rs. 7,600 crores. These states have not yet tapped the market for funds.
- The lower quantum of market borrowings by states so far in FY22 is reflective of the lower expenditure being undertaken by states relative to their income. There has however been an increase in the quantum of borrowings and the number of states raising funds from the market since May’21. This could be indicative of the fund shortfalls for states in the aftermath of the reimposition of lockdown with the second wave of the pandemic.
- States has also been increasingly availing the financial accommodation being provided by the RBI i.e., the short-term borrowing through SDF (special drawing facility) and WMA (ways and means advances). The borrowing via SDF and WMA being linked to the repo rate comes at a lower cost than the funds raised through the SDL issue. The WMA of the states as of 2 July’21 at Rs.11,251 crore was significantly higher than the Rs. 3,372 crores availed by the states in the beginning of April’21 and the Rs. 7,004 crores availed in the corresponding period of July’20.

**Table 1: Auction of State Development Loans of State Governments: 13 July’21**

	State	Notified Amount (Rs Crs)	Amount Accepted (Rs Crs)	Cut off Price (Rs) / Yield (%)	Tenure (Yrs)
1	Andhra Pradesh	1000	1000	7.12	14
		750	750	7.14	15
2	Bihar	2000	2000	6.82	7
3	Goa	100	100	6.99	10
4	Gujarat	1500	2000	6.95	10
5	Madhya Pradesh	2000	2000	7	10
6	Maharashtra	1000	1250	6.95	10
7	Rajasthan	500	500	6.29	5
		600	600	7	10
8	Tamil Nadu	1000	1000	6.98	10
		1000	1000	6.9863	Re-issue of 6.95% Tamil Nadu SDL 2031
9	Telangana	2000	2000	7.24	30
10	Uttarakhand	500	500	7	10
11	Uttar Pradesh	2500	2500	6.99	10
12	West Bengal	1500	1500	7.02	10

Source: RBI

### Cost of borrowings

- The borrowing cost for the state governments at today’s auction rose, reversing the decline witnessed at the auction last week.
- The weighted average cost of borrowing for the state governments through the auction of dated securities; across states and tenures was 6.99%, 7 bps higher than that at the auctions held a week ago.
- The cost of borrowings for the states has been ruling over 6.9% since the third week of June’21. It has risen by 24 bps since mid-June’21 and by 43 bps since the start of April’21. Concerns over the government’s (centre and state) finances and the likelihood of additional market borrowings coupled with worries over the inflation trajectory have been pressuring the yields of government securities.
- The spread between the 10 -year SDLs auctioned today and the yield of new 10- year G-Secs is 88 bps. The spreads have risen from around 50 bps in early April’21, reflective of the firming of yields of SDLs.

## State-wise Borrowings

The second wave of the pandemic led to the reimposition of lockdown across states since the start of FY22, resulting in the loss of economic output and thereby income for the government. With the loss of revenues on account of the lockdowns unlikely to be fully compensated following the unlocking of the economies and resumption of economic and business activity, state's are expected to resort to market borrowings to meet the shortfall in revenues.

- Tamil Nadu, Maharashtra, Rajasthan, Andhra Pradesh and Telangana have been the top five borrowing states so far in FY22, accounting for 60% of the total borrowings.
- For the majority of the states (15 out of 23) that have raised funds since Apr'21 from the market, their borrowings have been lower when compared with the corresponding period of year ago.
  - In case of Kerala, it is 28% lower and for Tamil Nadu it is 15% less than year ago. Borrowings by Gujarat has been 19% less than last year and that of Punjab is 14% lower.
- Karnataka has not raised funds from the market thus far in FY22. This is a notable change from year ago when the states had raised Rs.8,000 crores during April-mid July'20.

**Table 2: State-wise market borrowings**

	FY 21 (7 April- 14 July'20)	FY 22 (8 April-13 July'21)	Amount to be borrowed as per indicative borrowing calendar during Q2 FY22
Andhra Pradesh	18,000	17,750	8,000
Arunachal Pradesh	428	400	163
Assam	1,000	500	4500
Bihar		8,000	12,000
Chhattisgarh		1,000	4,000
Goa	800	500	1000
Gujarat	9,280	7,500	12000
Haryana	11,000	10,000	8,000
Himachal Pradesh			3,000
Jammu & Kashmir	2,500	2,600	1100
Jharkhand			1000
Karnataka	8,000		8,000
Kerala	12,430	9,000	8,000
Madhya Pradesh	7,000	2,000	8000
Maharashtra	28,500	27,750	25000
Manipur	600	400	347
Meghalaya	200	400	350
Mizoram	310	250	180
Nagaland	350	600	300
Odisha	3,000		
Punjab	5,450	4,700	11,500
Rajasthan	18,500	18,600	10000
Sikkim	467	500	651
Tamil Nadu	33,000	28,000	15,500
Telangana	14,461	15,500	6,000
Uttar Pradesh	6,000	7500	
Uttarakhand	1,000	1200	3000
West Bengal	11,500	13,500	18,000

Source: RBI and CARE Ratings

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