

Gross borrowings of central government in FY24

The borrowing programme of the central government is now complete and a sum of Rs 14.08 lakh crore has been raised through the year. This is lower than the gross borrowings of Rs 14.37 lakh crore in 2022-23. There have been some interesting patterns in the raising of these funds which are highlighted in this report.

Table 1 below gives a picture of the borrowings this year compared with 2022-23.

Table 1: Borrowings for FY22 and FY23

	2022-23	2023-24
Amount Rs lkh cr	14.37	14.08
Number of issuances	177	136
Annual interest Rs lkh cr	1.05	1.01
Average cost %	7.32	7.24

Source: RBI

Interestingly there were fewer issuances this year at 136 relative to 177 securities that were issued in 2022-23. The year was quite volatile as far as market interest rates were concerned even though the repo rate remained unchanged through the year. The yields were affected largely by liquidity conditions which tended to be in deficit mode in the last few months. Besides liquidity, possible rate actions by the RBI dominated sentiment. In fact, just before the policy announcement yields tended to move down in case the preceding inflation number had shown a downward tendency. Alongside, the markets tracked what other central banks were doing and there was a tendency for Fed statements as well as signals sent by members in media interviews to have an effect on bond yields.

In general they have tended to move in the downward direction once the Fed stopped raising rates and the market was then left conjecturing when the rate cuts would begin. Inflation rates in the USA have hence had a sharp impact on the bond yields with the 10-year paper reacting positively. Simultaneously the inclusion of Indian bonds in global bond indices saw an influx of funds in the run-up to the JP Morgan index including them. This led to higher prices and fall in yields. The RBI hence had to enable the raising of these bonds keeping in mind all these sentiments. At the end of the year, based on market conditions as well as variation in the tenures of bonds, the average annualized cost for 2023-24 worked out lower to 7.24% as against 7.32% in 2022-23.

The volatile nature of the market yields can be gauged from the following. The cut-off yields of bonds in the range of less than 3 years were between 6.94%-7.28% during the year. In case of paper with maturity of 39-40 years, it was 7.14-7.54% while the spread was marginally higher at 43 bps for the 29-30 years paper. For ten year issuances the range was 6.98%-7.31%. In general the cut-offs were highest in October.

Tables 2 and 3 provide a frequency distribution of the issuances of government paper in 2022-23 and 2023-34 based on maturity. The tables show a definite preference for longer dated securities. This has an advantage of payments being pushed ahead for a longer period of time so that the bunching up of repayments in the shorter term is eschewed.

In 2022-23 for example, of the 177 papers issued around 29% were for the 30 years and 40 years tenures. In 2023-24, this ratio increased to 34.1% with 2 issuances being for 50 years. Correspondingly for securities with maturities up to 10 years had a share of 53.6% in 2022-23 which came down to 49.1% in 2023-24. Quite clearly this could be the path followed in future too.

Table 2: Maturity wise distribution of Gsec issuances in 2022-23

	Number	Amount	Share in total
Less than 2 years	22	88,000	6.1
2-5 years	25	1,95,000	13.6
6-10 years	58	4,88,000	33.9
10-15 years	26	2,57,000	17.9
29-30 years	23	2,02,000	14.1
39-40 years	23	2,07,000	14.4
<i>Total</i>	<i>177</i>	<i>14,37,000</i>	<i>100.0</i>

Source: RBI

Table 2: Maturity wise distribution of Gsec issuances in 2023-24

	Number	Amount	Share in total
Less than 3 years	12	95,000	6.7
3-5 years	21	1,58,000	11.2
5-10 years	39	4,39,000	31.2
10-15 years	21	2,36,000	16.8
29-30 years	20	2,08,000	14.8
39-40 years	21	2,52,000	17.9
49-50 years	2	20,000	1.4
<i>Total</i>	<i>136</i>	<i>14,08,000</i>	<i>100.0</i>

Source: RBI

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