VII PUBLIC DEBT MANAGEMENT

As the debt manager to the central and state governments, the Reserve Bank manages their market borrowing programme adhering to the broad objectives of cost optimisation, risk mitigation and market development. During 2024-25, the government securities (G-secs) yields and the weighted average coupon on the entire outstanding debt stock decreased. The weighted average maturity (WAM) of primary issuances increased as compared to the previous year. Issuances of sovereign green bonds (SGrBs) and ultra-long securities continued during the year.

VII.1 The Internal Debt Management Department (IDMD) of the Reserve Bank is entrusted with the responsibility of managing the domestic debt of the central government by statute *vide* Sections 20 and 21 of the Reserve Bank of India (RBI) Act, 1934, and of 28 state governments and two union territories (UTs) in accordance with the respective bilateral agreements as provided in Section 21A of the RBI Act. In terms of Section 17(5) of the RBI Act, 1934, short-term credit up to three months is provided to both the central and state governments to bridge temporary mismatches in their cash flows.

VII.2 Market borrowings by the central government moderated in 2024-25 on the back of its lower gross fiscal deficit (GFD). The Reserve Bank ensured the completion of the market borrowing programme for both the central and state governments in a non-disruptive manner, keeping in mind the three broad objectives of cost optimisation, risk mitigation and market development. The weighted average yield (WAY) of market borrowings for the central government softened by 28 basis points (bps) during the year. The maturity profile of outstanding dated securities was elongated to contain the rollover risk. The Reserve Bank, in consultation with the central government, also issued SGrBs during 2024-25.

VII.3 The remainder of the chapter is arranged under three sections. Section 2 presents the implementation status in respect of the agenda for 2024-25 along with major developments during the year in the area of debt management for both the central and state governments. Section 3 covers major initiatives to be undertaken in 2025-26, followed by a summary in the last section.

2. Agenda for 2024-25

VII.4 The Department had set out the following goals for 2024-25:

- Consolidation of debt through calendar driven, auction-based switch operations along with re-issuance of securities to augment liquidity in the G-secs market (Paragraph VII.5-VII.6);
- Development of an application programming interface (API) to facilitate value free transfer (VFT) of G-secs by the depositories in a seamless manner (Paragraph VII.7);
- Review of operational guidelines for floating rate savings bonds (FRSB) and sovereign gold bond (SGB) scheme (Paragraph VII.8); and

- Further improving the user interface of the RBI 'Retail Direct' portal by providing additional payment options (Paragraph VII.9).

Implementation Status

VII.5 The Reserve Bank successfully completed the combined gross market borrowings of the central and state governments to the tune of ₹24.7 lakh crore, which was 3.0 per cent lower than the previous year. During 2024-25, there were 101 re-issuances out of 118 issuances of G-secs (85.6 per cent) as compared with 135 re-issuances out of 149 issuances (90.6 per cent) in the previous year. With an aim to ensure active debt consolidation, switches amounting to ₹1.47 lakh crore were completed during 2024-25 as against the budgeted amount of ₹1.50 lakh crore. Further, buyback of short-term securities amounting to ₹1.18 lakh crore was completed through reverse auctions.

VII.6 During 2024-25, securities ranging from 3-year to 50-year tenor (original maturity) were issued as part of the government's market borrowing programme with the objective of catering to the requirements of various investors with appetite for securities in different maturity buckets. Based on market feedback and in line with global market practice, issuance of benchmark security in 15-year tenor was introduced during the year in place of the 14-year benchmark security. SGrBs were issued for the total amount of ₹21,697 crore (₹11,697 crore in the 10-year tenor and ₹10,000 crore in the 30-year tenor) during the year.

VII.7 To facilitate the settlement of inter-depository trades executed in stock exchanges between demat account holders of different depositories, the Reserve Bank had earlier rolled out an advanced VFT module. To make the process simpler and to remove manual intervention, API has been developed connecting the systems between the Reserve Bank and the depositories, which now facilitates seamless transfer of G-secs between the depositories for settlement of inter-depository trades executed between demat account holders of different depositories.

VII.8 The Floating Rate Savings Bonds, 2020 (Taxable) [FRSB, 2020 (T)] - operational guidelines specified the roles and responsibilities of the receiving offices with respect to issue and servicing of these bonds. A comprehensive review of the operational guidelines for the FRSB has been carried out and the revised guidelines will be issued shortly.

VII.9 The RBI 'Retail Direct' mobile application was launched on May 28, 2024 to improve ease of access and convenience of investing in G-secs for retail investors. The mobile application offers a single sign-on facility for seamless navigation between primary market and secondary market modules of the app. To further expand the modes of payment available in the 'Retail Direct' portal/ mobile application, UPI single-block-and-single-debit facility has been introduced. This facility allows investors to pre-authorise transactions and block funds in their accounts for debits to be initiated as per the scheduled timeline in respect of bids placed in primary auctions of G-secs, state government securities (SGS) and treasury bills (T-Bills).

Major Developments

Debt Management of the Central Government

VII.10 During 2024-25, both gross and net market borrowings of the Government of India (GoI) through dated G-secs were lower by 9.2 per cent and 1.5 per cent, respectively, as compared

Table VII.1: Market Borrowings of the Central Government

(₹ crore)

Item	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5
Gross Market Borrowings through Dated Securities	11,27,382 (4.8)	14,21,000 (5.3)	15,43,000 (5.3)	14,00,697 (4.2)
Net Market Borrowings (i to iv)#	9,29,351 (3.9)	11,74,375 (4.4)	12,28,805 (4.2)	10,81,598 (3.3)
i) Dated Securities@	8,63,103	11,08,261	11,80,456	11,62,879
ii) 91-day T-Bills	45,439	-23,798	20,164	72,713
iii) 182-day T-Bills	71,252	52,426	15,982	-55,896
iv) 364-day T-Bills	-50,444	37,487	12,203	-98,098

#: After adjusting for switches/buyback, net market borrowings during 2024-25 stood at ₹9,93,233 crore, ₹12,26,101 crore in 2023-24, ₹11,71,951 crore in 2022-23 and ₹9,29,060 crore in 2021-22.
@: Without adjusting for buyback/switches.
Note: Figures in parentheses are per cent of GDP.
Source: RBI, Union Budget and MoSPI.

to the previous year. Net market borrowings through dated securities and T-Bills taken together were lower by 12.0 per cent as compared to the previous year (Table VII.1).

Debt Management Operations

VII.11 The weighted average yield of G-secs issued during the year decreased by 28 bps as compared to the previous year, while the weighted average coupon on the entire outstanding debt stock decreased by 4 bps. The weighted average maturity of primary issuances and outstanding debt increased as compared to the previous year (Table VII.2).

VII.12 There were two instances of devolvement on Primary Dealers (PDs) during 2024-25 as against no such instance in the previous year. There was one instance each of rejection of all bids for a notified amount of ₹6,000 crore, and partial acceptance of bids for ₹1,695 crore as against the notified amount of ₹6,000 crore.

Table VII.2: Market Loans of Central Government - A Profile*

(Yield in Per cent/Maturity in Years)

Years	Range of Cut Off Yield in Primary Issues			Issued during the Year^			Outstanding Stock#	
	Under 5 Years	5-10 Years	Over 10 Years	Weighted Average Yield	Range of Maturities@	Weighted Average Maturity	Weighted Average Maturity	Weighted Average Coupon
1	2	3	4	5	6	7	8	9
2018-19	6.56-8.12	6.84-8.28	7.26-8.41	7.77	1-37	14.73	10.40	7.81
2019-20	5.56-7.38	6.18-7.44	5.96-7.77	6.85	1-40	16.15	10.72	7.71
2020-21	3.79-5.87	5.15-6.53	4.46-7.19	5.79	1-40	14.49	11.31	7.27
2021-22	4.07-5.10	4.04-6.78	4.44-7.44	6.28	1-40	16.99	11.71	7.11
2022-23	5.43-7.45	5.21-7.52	5.65-7.90	7.32	1-40	16.05	11.94	7.26
2023-24	6.89-7.39	6.98-7.40	7.07-7.57	7.24	3-50	18.09	12.54	7.29
2024-25	6.61-7.25	6.69-7.19	6.78-7.34	6.96	3-50	20.66	13.24	7.25

@: Residual maturity of issuance and figures are rounded off.
*: Excluding special securities. ^: Excluding switch auction. #: Including switch auction.
Source: RBI.

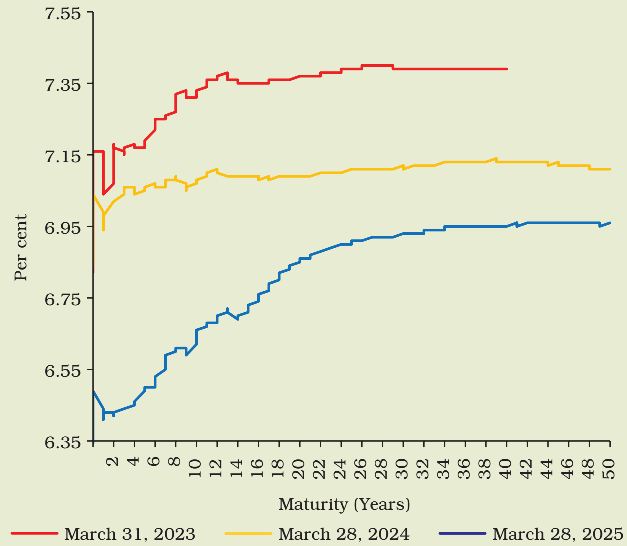
VII.13 G-secs yields softened during the year driven by various factors, *viz.*, decline in inflation, expectation of monetary policy easing, continuation of fiscal consolidation, the Reserve Bank's liquidity injection measures, increased FPI investments aided by inclusion of G-secs in global bond indices, fall in crude oil prices and start of monetary easing by major central banks (see Section 5 of Chapter II). Overall, the 10-year yield softened by 45 bps in 2024-25 (Chart VII.1).

VII.14 During 2024-25, about 55.3 per cent of the market borrowing was through issuance of dated securities, with a residual maturity of 10 years and above as compared with 52.1 per cent in the previous year (Table VII.3).

Treasury Bills (T-Bills)

VII.15 Short-term cash requirements of the central government are met through issuance of auction treasury bills (ATBs). During 2024-25, the net short-term issuance of ATBs (91,182 and 364 days) declined to ₹(-)81,281 crore as against ₹48,349 crore in the previous year.

Chart VII.1: FBIL Semi Annualised Par Yield Curve



Source: FBIL.

Ownership of Securities

VII.16 Commercial banks remained the largest holders of G-secs (including T-Bills and SGS) accounting for 36.4 per cent as at end-March 2025, followed by insurance companies (24.3 per cent), provident funds (10.6 per cent) and the Reserve Bank (8.1 per cent). The share of foreign portfolio investors was 1.9 per cent. The other holders of G-secs (including T-Bills and SGS) include mutual funds, state governments, financial institutions, corporates and others.

Table VII.3: Issuance of Government of India Dated Securities – Maturity Pattern

(Amount in ₹ lakh crore)

Residual Maturity	2022-23		2023-24		2024-25	
	Amount Raised	Percentage to Total	Amount Raised	Percentage to Total	Amount Raised	Percentage to Total
1	2	3	4	5	6	7
Less than 5 Years	2.7	19.0	2.5	16.5	1.9	13.4
5 - 9.99 Years	4.6	32.1	4.8	31.4	4.4	31.3
10 -14.99 Years	2.9	20.1	2.8	17.8	2.1	15.5
15 Years & Above	4.1	28.8	5.3	34.3	5.6	39.8
Total	**14.2**	**100.0**	**15.4**	**100.0**	**14.0**	**100.0**

Note: Figures in the columns might not add up to the total due to rounding off of numbers.
Source: RBI.

Primary Dealers (PDs)

VII.17 The number of PDs stood at 21 [14 bank-PDs and 7 standalone PDs (SPDs)]. The PDs have the mandate to underwrite primary auctions of dated G-secs, while they have a target of achieving bidding commitment and success ratio in respect of primary auctions of T-Bills/cash management bills (CMBs). PDs achieved an average success ratio of 66.7 per cent in H1:2024-25 and 64.2 per cent in H2:2024-25. The share of amount allotted to PDs in auctions of T-Bills was 74.8 per cent during 2024-25 as compared with 69.4 per cent in the previous year. The commission paid to PDs, including GST, for underwriting primary auctions of dated G-secs during 2024-25 was ₹15.8 crore as compared with ₹48.5 crore during 2023-24.

Floating Rate Savings Bond, 2020 (Taxable) [FRSB, 2020 (T)] Scheme

VII.18 During the year, ₹5,503 crore was raised through issuance of the FRSB, 2020 (T), of which, ₹346 crore was raised through the Reserve Bank's 'Retail Direct'.

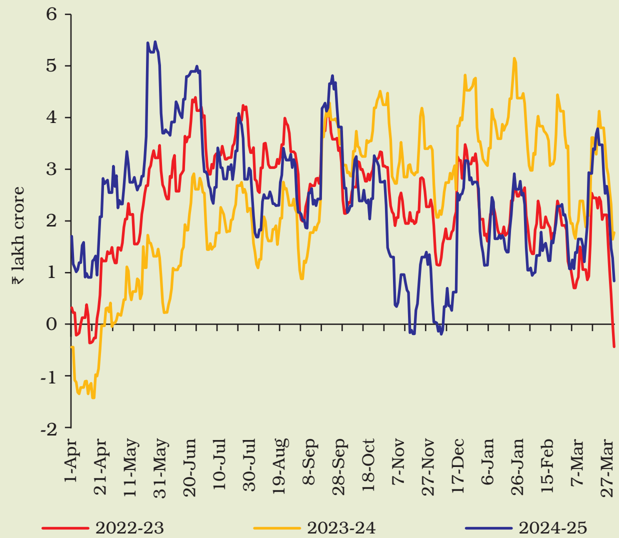
Cash Management of the Central Government

VII.19 The ways and means advances (WMA) limit of the central government was fixed at ₹1.5 lakh crore and ₹0.5 lakh crore for H1 and H2 of 2024-25, respectively. The cash balance of the central government remained in surplus during most part of the year. The central government resorted to WMA for 8 days during 2024-25 as compared with 24 days in the previous year (Chart VII.2).

Investments under Foreign Central Bank (FCB) Scheme

VII.20 Under the FCB scheme, the Reserve Bank invests in Indian G-secs on behalf of select FCBs and multilateral development institutions in the secondary G-sec market. Total volume transacted on behalf of these institutions stood at ₹730 crore (face value) during 2024-25 as compared to ₹920 crore (face value) in the previous year.

Chart VII.2: GoI Cash Balance Position



Source: RBI.

Debt Management of State Governments

VII.21 Following the recommendations of the 14th Finance Commission to exclude most of the states from the National Small Savings Fund (NSSF) financing facility, market borrowings of states have increased over the last few years. The share of market borrowings in financing the gross fiscal deficit of states rose to 79 per cent in 2024-25 (BE) from 75.5 per cent in 2023-24 (RE).

VII.22 The gross market borrowings of states in 2024-25 stood at 81.9 per cent of the amount indicated in the quarterly indicative calendar. There were 835 issuances in 2024-25, of which, 100 were re-issuances (782 issuances in 2023-24, of which, 49 were re-issuances) [Table VII.4].

VII.23 The weighted average cut-off yield of SGS issuances during 2024-25 fell to 7.20 per cent from

Table VII.4: Market Borrowings of States through SGS

(Amount in ₹ crore)

Item	2021-22	2022-23	2023-24	2024-25
1	2	3	4	5
Gross Sanctions under Article 293(3)	8,95,166	8,80,779	11,29,295	11,73,714
Gross Amount Raised during the Year	7,01,626	7,58,392	10,07,058	10,73,310
Redemptions during the Year	2,09,143	2,39,562	2,89,918	3,19,965
Net Amount Raised during the Year	4,92,483	5,18,830	7,17,140	7,53,345
Amount Raised during the Year to Gross Sanctions (per cent)	78.4	86.1	89.2	91.4
Outstanding (at the end of period)#	44,10,254	49,29,083	56,46,222	63,99,567

#: Including *Ujjwal* DISCOM Assurance *Yojana* (UDAY) bonds and other special securities.
Source: RBI.

7.52 per cent in the previous year. The weighted average spread (WAS) of SGS issuances over comparable maturity of the central government securities was 30 bps in 2024-25 as compared to 31 bps in the previous year. In 2024-25, 25 states and two UTs issued dated securities of tenors other than 10 years, ranging from 2 to 35 years. The average inter-state spread on securities of 10-year tenor (fresh issuances) was 4 bps in 2024-25, as compared to 3 bps in 2023-24.

VII.24 During 2024-25, 16 states/UTs availed special drawing facility (SDF), 13 states/UTs resorted to WMA and 9 states/UTs availed OD.

VII.25 The limits for financial accommodation provided by the Reserve Bank to state governments/UTs through SDF and WMA were reviewed based on the recommendations of the Working Group on Consolidated Sinking Fund (CSF) and Guarantee Redemption Fund (GRF); and the Group on Review of Ways and Means Advances to the State Governments, respectively (Box VII.1). The revised SDF/WMA limits were made effective from July 1, 2024.

Box VII.1

Review of Financial Accommodation Facilities for the State Governments

In terms of Section 17(5) of the Reserve Bank of India Act, 1934, the Reserve Bank provides short-term financial accommodation facilities, not exceeding three months from the date of making of the advance, to the states to tide over temporary mismatches in their cash flows.

Presently, financial accommodation facilities to the states from the Reserve Bank are available in the form of SDF, WMA and OD. SDF is a collateralised facility available to the states at concessional rates[1] against their investment in CSF/GRF/auction treasury bills (ATBs). WMA and OD are uncollateralised facilities available at rates higher[2] than that applicable for SDF. The financial accommodation facilities available to the state governments can be availed in order of first SDF followed by WMA and OD.

(Contd.)

1 SDF against investment in CSF/ GRF is available at repo rate *minus* 200 bps, while SDF against investment in ATBs is available at repo rate *minus* 100 bps.

2 WMA up to its pre-fixed limits but outstanding up to 3 months from date of making advance is available at the prevailing repo rate, while WMA outstanding beyond 3 months from date of making advance is available at repo rate *plus* 100 bps. The OD beyond the WMA limits is available at the prevailing repo rate *plus* 200 bps and at the prevailing repo rate *plus* 500 bps if OD exceeds 100 per cent of WMA limits.

During the 33rd Conference of the State Finance Secretaries held on July 6, 2023, members requested for a revision in the WMA limits on account of rise in expenditure post pandemic. Accordingly, the Reserve Bank constituted a Group of select State Finance Secretaries to review the WMA limits of the states based on the latest expenditure data. The Group analysed the expenditure data for the three-year period from 2019-20 to 2021-22 and based on the methodology adopted by the Sudhir Shrivastava Committee[3], recommended an increase in aggregate WMA limit for states to ₹60,118 crore from the extant limit of ₹47,010 crore. Accepting the recommendations of the Group, the Reserve Bank revised the WMA limits of the states/UTs. Further, based on the recommendation of the Working Group[4] on CSF and GRF, the methodology to determine the SDF limits of the state governments against their investment in CSF/GRF/ATBs has also been revised. The revised maximum limit of SDF that can be availed by the states/UTs against the investments held under CSF/GRF shall be 50 per cent of the lower of (i) outstanding balance of the funds as on the last date of the second preceding quarter, and (ii) the current balance held in CSF/GRF. For investments held in ATBs, the maximum limit of SDF shall be 50 per cent of the lower of (i) outstanding balance in ATBs (91/182/364 days) as on the last date of the second preceding quarter, and (ii) the current ATB balance.

Source: RBI.

VII.26 The day end surplus cash balance above the minimum required to be maintained by any state/UTs gets auto-invested in 14 days intermediate treasury bills (ITBs). States/UTs are also permitted to invest in ATBs through primary auctions under the non-competitive bidding facility. The outstanding investments in ITBs moderated during the year 2024-25 (Table VII.5).

VII.27 Capacity building programmes (CBPs) on cash and debt management were conducted for five states. In addition, a two-day CBP was also conducted at the Reserve Bank's College of Agricultural Banking, Pune, in January 2025 which was attended by officials from 14 states.

Investments in Consolidated Sinking Fund (CSF)/ Guarantee Redemption Fund (GRF) and Budget Stabilisation Fund (BSF)

VII.28 The Reserve Bank manages two reserve fund schemes on behalf of states – the CSF and the GRF. Currently, 25 states and two UTs have set up CSF, while 21 states and one UT have set up GRF. Besides CSF/GRF, the Reserve Bank also

Table VII.5: Investments in ITBs and ATBs by State Governments/UTs

(₹ crore)

Item	Outstanding as on March 31				
	2021	2022	2023	2024	2025
1	2	3	4	5	6
14-Day (ITBs)	2,05,230	2,16,272	2,12,758	2,66,805	1,88,072
ATBs	41,293	87,400	58,913	51,258	88,781
Total	**2,46,523**	**3,03,672**	**2,71,671**	**3,18,063**	**2,76,853**

Source: RBI.

3 Advisory Committee (Chairman: Shri Sudhir Shrivastava) on Ways and Means Advances to State Governments submitted the Report to the Reserve Bank on March 24, 2021.

4 The Working Group to review the CSF/GRF was constituted during the 32nd Conference of State Finance Secretaries held on July 7, 2022.

maintains BSF for the state government of Odisha. Outstanding investments by member states in the CSF and GRF as at end-March 2025 stood at ₹2,40,348 crore and ₹16,019 crore, respectively, as against ₹2,06,441 crore and ₹12,259 crore, respectively, as at end-March, 2024.

3. Agenda for 2025-26

VII.29 During 2025-26, the market borrowing programme is proposed to be conducted with the following strategic milestones to achieve the overall goals of debt management:

- Expanding the bidding and payment options available to retail investors under the RBI 'Retail Direct' portal/application; and
- Extending API facility for seamless transfer of G-secs between demat accounts and Retail Direct Gilt (RDG) accounts.

4. Conclusion

VII.30 During the year, the market borrowings of the central and state governments were completed successfully amidst global financial volatility and geopolitical tensions. The market borrowing programme for 2025-26 will be managed in an orderly manner taking into account the government's fiscal deficit goals and evolving market conditions. The Reserve Bank would continue to ensure smooth conduct of the market borrowing programme based on the guiding principles of cost optimisation, risk mitigation and market development.