VII PUBLIC DEBT MANAGEMENT

As the debt manager of the central and state governments, the mandate of the Reserve Bank is to manage the government market borrowing programme in a non-disruptive manner while keeping in mind the objective of cost optimisation, risk mitigation and market development. The Reserve Bank employed a combination of measures to maintain the evolution of the orderly market conditions. While the G-sec yields hardened during the year, the weighted average coupon on the entire outstanding debt stock decreased. The weighted average maturity of primary issuances increased to 16.99 years from 14.49 years in the previous year. During the year, a noteworthy milestone achieved was the launch of the Retail Direct Scheme - a significant step in the development of the G-sec market by offering retail investors direct access to the G-sec market.

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 RBI Act, 1934, and of 28 state governments and two union territories (UTs) in accordance with bilateral agreements as provided in Section 21A of the said Act. Further, short-term credit is provided up to three months to both central and state governments in the form of Ways and Means Advances (WMA) to bridge temporary mismatch in their cash flows, as laid down in terms of Section 17(5) of the RBI Act, 1934.

VII.2 During the past two years, financing needs of governments have been rising as countries strive to bring COVID-19 under control leading to governments' debt reaching record high levels, globally. Larger recourse to market borrowing was the common trend across countries. While the cost of borrowings declined in general, reflecting the impact of quantitative easing stance of the central banks and the low policy interest rates, significant increase in risk aversion and resultant preference for government securities (G-sec) led to a larger demand for these securities since 2020-21. In line with the global trend, Government of India (GoI) also responded to the pandemic challenges and increased government expenditure on health and social sector. At the same time, revenue receipts declined due to cliff effects of the pandemic on economic activity. Consequently, fiscal deficit widened necessitating an increase in the size of the borrowing programme significantly during 2020-21 and 2021-22 in order to render counter-cyclical fiscal policy support and provide targeted support to segments deeply hit by the pandemic. Although government borrowings contracted during 2021-22 as compared to the previous year, they remained high as compared to the pre-COVID year, *i.e.*, 2019-20. Unwinding of accommodative monetary policy by major central banks, rise in crude oil prices and inflationary expectations led to some pressure on medium to long-term yield during 2021-22. The Reserve Bank had to continuously review and adapt its debt management strategy, in view of the pressure on yield from elevated inflation and expectations of gradual withdrawal of excess liquidity, while striving to ensure that the higher market borrowing by government is conducted in a non-disruptive manner.

VII.3 Notwithstanding the global and domestic headwinds impacting the Indian G-sec market, the Reserve Bank as debt manager for the central and state governments ensured market borrowing in a non-disruptive manner with objectives of cost optimisation, risk mitigation and market development while ensuring a stable debt structure. During the year 2021-22, a noteworthy milestone achieved was the launch of the 'Retail Direct Scheme'. The Scheme is a significant step in the development of the G-sec market while offering retail investors direct access to the G-sec market.

VII.4 The remainder of the chapter is arranged in three sections. Section 2 presents the implementation status in respect of the agenda for 2021-22. Section 3 covers major initiatives to be undertaken in 2022-23, followed by a summary in the last section.

2. Agenda for 2021-22

VII.5 The Department had set out the following goals for 2021-22:

- Consolidation of debt through calendar-driven, auction-based switches and buyback operations along with re-issuances of securities to augment liquidity in GoI securities market and facilitate fresh issuance (Paragraph VII.6 - VII.9);
- Permit retail investors to open gilt securities account directly with the Reserve Bank under the 'Retail Direct Scheme' in order to encourage greater retail participation through the improvement in ease of access to the G-sec market (Paragraph VII.10);
- Improve overall liquidity in the G-sec market by enhancing the role of Primary Dealers (PDs) in market making (*Utkarsh*) [Paragraph VII.10];
- Developing a module in *e-Kuber* for capturing gilt level data to improve the existing market infrastructure for the government securities market besides enabling primary and secondary market settlement directly at the gilt account level for facilitating effective monitoring and surveillance of the market (*Utkarsh*) [Paragraph VII.11];
- Review of Subsidiary General Ledger (SGL) Account and Constituents' Subsidiary General Ledger (CSGL) guidelines for gilt module development and gilt account settlement (Paragraph VII.12);
- Review of value free transfer (VFT) guidelines (Paragraph VII.13);
- Review of operational guidelines on GoI savings bond in order to account for online subscriptions as well as incorporating better system for risk management (Paragraph VII.14);
- Continuing efforts to enhance quality of data and consolidating data on public debt (Paragraph VII.15);
- Automating monitoring of GoI's consent to states for open market borrowings (OMBs) – developing a centralised system in *e-Kuber* to record these consents for better control, monitoring and management information system (MIS) purposes (Paragraph VII.16);
- Implementation of Separate Trading of Registered Interest and Principal Securities (STRIPS)/reconstitution facility for State Development Loans (SDLs) *[Utkarsh]* (Paragraph VII.17);
- Hiving-off of servicing of compensation bonds issued in physical forms to state treasuries (*Utkarsh*) [Paragraph VII.18];

- Operationalistion of Society for Worldwide Interbank Financial Telecommunication (SWIFT) module for transactions with foreign central banks (FCBs) to smoothen the investment and disinvestment instructions from FCBs in a secured manner (*Utkarsh*) [Paragraph VII.19]; and
- Conduct capacity building programmes for sensitising the state governments about prudent practices in cash and debt management (*Utkarsh*) [Paragraph VII.20].

Implementation Status

VII.6 The Reserve Bank's role as debt manager for central and state governments is focused on ensuring completion of the market borrowing programme in a non-disruptive manner with objectives of cost optimisation, risk mitigation and developing domestic debt market while ensuring a stable debt structure. During 2021-22, the market borrowing programme was conducted following the above-mentioned principles of debt management strategy. Notwithstanding the uncertainties emanating from the COVID-19 pandemic and its effects on domestic and global economic and financial markets, the Reserve Bank successfully managed the combined gross market borrowings of the central and the state governments to the tune of ₹18,29,008 crore during the year, that was lower by 15.7 per cent as compared to the previous year.

VII.7 The Reserve Bank continued its policy of passive consolidation by way of re-issuances and active consolidation through buyback/switches that also helped in altering the maturity structure of the government debt to reduce bunching of redemptions. During 2021-22, 142 out of 154 issuances of G-sec were re-issuances (92.2 per cent) as compared with 162 re-issuances out of 178 issuances (91.0 per cent) in the previous year.

VII.8 The active form of consolidation through switching of short-term G-sec with long-term securities is generally conducted once in every month. Accordingly, 109.6 per cent of the switches budgeted for the fiscal 2021-22, amounting to ₹197,185 crore, were completed during 2021-22 as compared with ₹1,53,418 crore in the previous year.

VII.9 During 2021-22, new securities ranging from 2 to 40 years tenor (original maturity) were issued with the objective of catering to the demands of various institutional investors in different maturity buckets. Floating Rate Bonds (FRBs) of 7 year and 13 year tenor (original maturity) were also issued during the year. The share of FRBs in total issuances during 2021-22 was 7.8[1] per cent as compared with 6.5 per cent a year ago.

VII.10 A significant milestone achieved in the development of the G-sec market was the launch of the Reserve Bank of India-Retail Direct (RBI-RD) Scheme which brings G-secs within easy reach of the common man by simplifying the process of investment. The scheme provides a one-stop solution to facilitate investment in government securities by retail investors (Box VII.1). Subsequent to the launch of the scheme, a market making scheme for the PDs to support the Retail Direct Scheme was announced.

VII.11 The work related to mirroring of gilt accounts and settlement at gilt account level in *e-Kuber*, has been taken up for implementation in phases.

[1] Excludes issuance of FRBs of ₹58,057.48 crore made through switch auctions.

Box VII.1
RBI Retail Direct Scheme

The Reserve Bank, as the debt manager of the Government of India, has been proactively engaged in the development of the government securities (G-sec) market including broadening investor participation. As part of continuing efforts to increase retail participation in G-sec, 'RBI Retail Direct' facility was announced in the Statement of Developmental and Regulatory Policies on February 5, 2021 for improving the ease of access by retail investors through online access to the government securities market - both primary and secondary - along with the facility to open their gilt securities account ('Retail Direct') with the Reserve Bank.

In pursuance of this announcement, the 'RBI Retail Direct' scheme, which is a one-stop solution to facilitate investment in government securities by individual investors was issued on July 12, 2021. The RBI Retail Direct portal (https://rbiretaildirect.org.in) was launched by the Hon'ble Prime Minister in virtual mode on November 12, 2021 for operationalising the scheme. With the launch of this scheme, India could achieve a significant milestone in the development of the G-sec market and became one of the select few countries offering such a facility to the retail investors.

Under the Scheme, retail individual investors are permitted to open a Retail Direct Gilt (RDG) Account with the Reserve Bank, using an online portal (https://rbiretaildirect.org.in). Investments can be made using the following routes:

(i) *Primary Issuance of Government Securities* : Investors can place their bids as per the non-competitive scheme for participation in primary auction of central government securities (including Treasury Bills) and state government securities. Investors can also subscribe to Sovereign Gold Bonds; and

(ii) *Secondary Market* : Investors can buy and sell government securities on NDS-OM[2] ('Odd Lot' and 'Request for Quote' segments).

Payments for transactions (both primary and secondary market transactions) can be done conveniently using savings bank account through internet-banking or Unified Payments Interface (UPI). Investor support facility is available through telephone, email as well as online portal. Investor services include provisions for transaction and balance statements, nomination facility, pledge or *lien* of securities and gift transactions. No fees are charged for facilities provided under the Scheme. The Scheme aims to provide a safe, simple, direct and secured platform for retail investors.

Source: RBI.

VII.12 SGL account and CSGL account guidelines were revised on September 22, 2021 to bring uniformity in definition of VFT across guidelines and to streamline the operational procedures including reporting requirements.

VII.13 VFT guidelines were revised to bring clarity in definition of VFT transactions and for streamlining the reporting requirements. The revised guidelines were issued on October 5, 2021.

VII.14 The review of the operational guidelines on savings bonds to account for online subscriptions as well as incorporating better system of risk management is currently under examination.

VII.15 Steps have been initiated to effectively consolidate the public debt data from different sources and bring the same under one single point access.

VII.16 Development of the module for automating monitoring of GoI's consent to states for OMBs is in progress and is expected to be operationalised by Q1:2022-23.

VII.17 Financial Benchmarks of India Limited (FBIL) is developing the Zero Coupon Yield Curve (ZCYC) essential for implementation of STRIPS.

[2] Negotiated Dealing System - Order Matching.

VII.18 A proposal regarding handing over the future servicing of compensation bonds[3] through their treasuries was put forth to the state governments issuing these bonds. Two state governments, *viz.*, Uttar Pradesh and Karnataka have provided their concurrence for taking over the servicing of compensation bonds.

VII.19 Operationalisation of SWIFT module for transactions with FCBs to smoothen the investment and disinvestment instructions from FCBs in a secured manner is under development.

VII.20 Capacity building programmes for sensitising state governments about the prudent measures of cash and debt management were conducted for seven states during the year, *viz.*, Kerala, Maharashtra, West Bengal, Tamil Nadu, Madhya Pradesh, Meghalaya and Bihar. The Department also handled training sessions for the middle level State Finance Officers from the Government of Chhattisgarh during a programme organised by the Chhattisgarh Academy of Administration.

Major Developments

Debt Management of the Central Government

VII.21 During 2021-22, the gross market borrowings of GoI through dated G-secs was lower by 17.7 per cent as compared with the previous year. Net market borrowings through dated G-secs decreased by 24.5 per cent as compared with that of previous year. Net market borrowings through dated G-secs financed 54.2 per cent of the central government's revised gross fiscal deficit (GFD) as against 62.9 per cent in the previous year. The net market borrowings through dated securities and Treasury Bills (T-Bills) taken together decreased by 32.4 per cent as compared with that of the previous year (Table VII.1).

Table VII.1: Net Market Borrowings of the Central Government

(₹ crore)

Item	2018-19	2019-20	2020-21	2021-22
1	2	3	4	5
Net Market Borrowings (i to iv)	4,58,337	5,11,500	13,75,654	9,29,351
i) Dated Securities@	4,22,737	4,73,972	11,43,114	8,63,103
ii) 91-day T-Bills	-46,542	-9,600	10,713	45,439
iii) 182-day T-Bills	32,931	38,354	-18,743	71,252
iv) 364-day T-Bills	49,211	8,774	2,40,570	-50,444

@: Without adjusting for buyback/switches. After adjusting for buyback/switches, net market borrowings during 2021-22 stood at ₹9,29,060 crore, ₹11,46,739 crore in 2020-21, ₹4,73,990 crore in 2019-20 and ₹4,23,269 crore in 2018-19.

Source: RBI.

Debt Management Operations

VII.22 The weighted average yield (WAY) of G-sec issuances during the year increased by 49 basis points (bps) as compared to the WAY of the previous year. The weighted average coupon on the entire outstanding debt stock, however, decreased by 16 bps. The weighted average maturity (WAM) of primary issuances (excludes issuances under switch auction) increased to 16.99 years from 14.49 years in the previous year. The WAM of the outstanding debt increased from 11.31 years to 11.71 years (Table VII.2).

VII.23 Partial devolvement on PDs took place on seventeen instances amounting to ₹97,938 crore during 2021-22 as compared with fifteen instances for ₹1,30,562 crore in 2020-21. No bid was accepted on nine instances for a total notified amount of ₹99,000 crore due to the market

[3] The compensation bonds are issued by various state governments for *Zamindari a*bolition and land reforms schemes.

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
2015-16	-	7.54-8.10	7.59-8.27	7.88	6-40	16.03	10.50	8.08
2016-17	6.85-7.46	6.13-7.61	6.46-7.87	7.15	5-38	14.76	10.65	7.99
2017-18	7.23-7.27	6.42-7.48	6.68-7.67	6.97	5-38	14.13	10.62	7.76
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

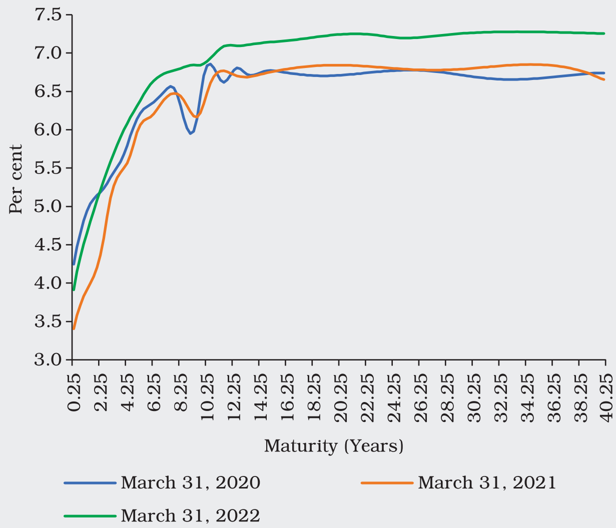
-: Not applicable. @: Residual maturity of issuances and figures are rounded off.
*: Excluding special securities. ^: Excluding switch auction. #: Including switch auction.
Source: RBI.

conditions prevailing then as compared with four instances for a total notified amount of ₹39,000 crore in the previous year.

VII.24 The G-sec yields hardened during the year largely due to expectations of monetary policy normalisation measures by major central banks, rise in crude oil prices and changes in the Reserve Bank's liquidity measures aiming at rebalancing systemic liquidity. The 10-year bond yield hardened by 66 bps from 6.18 per cent as at end-March 2021 to 6.84 per cent as at end-March 2022. In the first two months of Q1:2021-22, yields declined due to the G-sec acquisition programme (G-SAP) and open market operations (OMOs) conducted by the Reserve Bank. However, the decline in yields was partly offset in June 2021 tracking the release of higher than expected CPI inflation figures for May and increase in crude oil prices. The 10-year yield softened by 13 bps in Q1. In Q2:2021-22, the G-sec yields initially softened due to lower than expected CPI inflation for June and July. However, the yields gained after the announcement of variable rate reverse repo (VRRR) auctions for liquidity rebalancing. The 10-year yield rose by 17 bps in Q2. Further hardening of the yields was witnessed in Q3:2021-22 with the 10-year yield increasing by 23 bps, mainly driven by rise in crude oil prices, higher cut-offs at VRRR auctions and rise in government bond yields in major economies. In Q4:2021-22, announcement of higher than expected market borrowing by the central government in the Union Budget for 2022-23, the geopolitical uncertainties arising out of Russia-Ukraine conflict leading to a sharp rise in crude oil and other commodity prices and rise in yields in major economies in the wake of policy normalisation measures by major central banks led to further firming up of the 10-year yield by 39 bps (Chart VII.1).

VII.25 During 2021-22, about 58.2 per cent of the market borrowings was raised through issuance of dated securities with a residual maturity of 10 years and above as compared with 49.0 per cent in the previous year. Further, the 30-year and 40-year tenor securities were

Chart VII.1: FBIL Semi Annualised Par Yield Curve



Source: FBIL.

issued/re-issued during the year with the objective of catering to the demand from long-term investors such as insurance companies and pension funds (Table VII.3).

Treasury Bills

VII.26 Short-term cash requirements of the central government are met through issuance of T-Bills. The net short-term market borrowings of the government through T-Bills (91, 182 and 364 days) decreased to ₹66,248 crore during 2021- 22 from ₹2,32,540 crore in the previous year.

Ownership of Securities

VII.27 Commercial banks remained the largest holders of government securities (including T-Bills and SDLs) accounting for 37.4 per cent share as at end-March 2022, followed by insurance companies (25.6 per cent), the Reserve Bank (10.6 per cent) and provident funds (9.6 per cent). The share of the foreign portfolio investors (FPIs) was 1.0 per cent. The other holders of government securities (including T-Bills and SDLs) include mutual funds, state governments, financial institutions (FIs) and corporates.

Primary Dealers (PDs)

VII.28 The number of PDs stood at 21 [14 Bank-PDs and 7 Standalone PDs (SPDs)] at end-March 2022. The PDs have the mandate to underwrite primary auctions of dated G-sec while they have a target of achieving bidding commitment and success ratio in respect of primary auctions of T-Bills/cash management bills (CMBs). The PDs individually achieved the stipulated

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

(Amount in ₹ crore)

Residual Maturity	2019-20		2020-21		2021-22	
	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	1,46,000	20.6	3,91,990	28.6	2,29,255	20.3
5 - 9.99 Years	1,79,000	25.2	3,07,405	22.4	2,41,865	21.5
10 -14.99 Years	1,37,000	19.3	3,76,766	27.5	3,20,639	28.4
15 -19.99 Years	15,000	2.1	-	-	-	-
20 Years & Above	2,33,000	32.8	2,94,162	21.5	3,35,621	29.8
Total	**7,10,000**	**100.0**	**13,70,324**	**100.0**	**11,27,382**	**100.0**

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

minimum success ratio of 40 per cent in primary auctions of T-Bills with an average success ratio of 62.5 per cent in H1:2021-22 and 62.3 per cent in H2:2021-22. The share of PDs in auctions of T-Bills/CMBs was 71.4 per cent during 2021-22 as compared with 68.9 per cent in the previous year. The commission paid to PDs, excluding GST, for underwriting primary auctions of dated G-sec during 2021-22 was ₹412.67 crore as compared with ₹454.64 crore in the previous year.

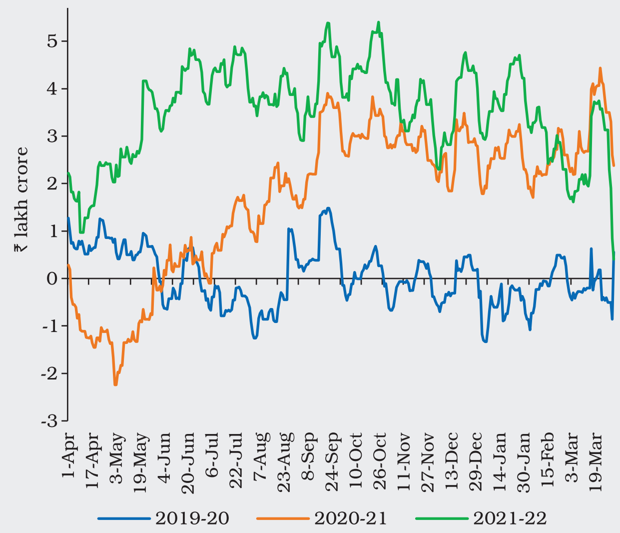
Sovereign Gold Bond (SGB) Scheme

VII.29 The Reserve Bank, in consultation with the GoI, issued ten tranches of SGBs during 2021-22 for an aggregate amount of ₹12,991 crore (27 tonnes). A total of ₹38,693 crore (90 tonnes) has been raised through the scheme since its inception in November 2015.

Cash Management of the Central Government

VII.30 The central government started the year 2021-22 with a cash balance of ₹2,37,572 crore. The Ways and Means Advances (WMA) limit of the centre was fixed at ₹1,20,000 crore for the first half and ₹50,000 crore for the second half of 2021-22. The central government did not resort to WMA/Overdraft (OD) during 2021-22 *vis-à-vis* 63 days WMA and 9 days OD in the previous year. Notwithstanding the ongoing uncertainties relating to COVID-19 pandemic, the cash balance of the central government has remained comfortable throughout the year (Chart VII.2).

Chart VII.2: GoI Cash Balance Position



Source: RBI.

Investments under Foreign Central Bank Scheme

VII.31 Under the Foreign Central Bank (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 volumes transacted on behalf of these institutions stood at ₹3,285 crore (face value) during 2021-22 as compared to ₹3,120 crore in the previous year.

Debt Management of State Governments

VII.32 Following the recommendation of the 14th Finance Commission (FC) to exclude states from the National Small Savings Fund (NSSF) financing facility (barring Delhi, Madhya Pradesh, Kerala and Arunachal Pradesh), market borrowings of states have been increasing over the last few years. The share of market borrowings in financing GFD of states consequently rose to 85.1 per cent in 2021-22 (BE) from 77.8 per cent in 2020-21 (RE).

VII.33 Notwithstanding the impact of the second wave of the COVID-19 pandemic on the state government finances, the gross and net market borrowings of states were lower than the previous year. The gross market borrowings of states in 2021-22 stood at 78 per cent of the amount indicated in the quarterly indicative calendar for market borrowings by the state governments.

Table VII.4: Market Borrowings of States through SDLs

(Amount in ₹ crore)

Item	2018-19	2019-20	2020-21	2021-22
1	2	3	4	5
Maturities during the Year	1,29,680	1,47,067	1,47,039	2,09,143
Gross Sanctions under Article 293(3)	5,50,071	7,12,744	9,69,525	8,95,166
Gross Amount Raised during the Year	4,78,323	6,34,521	7,98,816	7,01,626
Net Amount Raised during the Year	3,48,643	4,87,454	6,51,777	4,92,483
Amount Raised during the Year to Total Sanctions (per cent)	87.0	89.0	82.4	78.4
Outstanding Liabilities (at the end of period) #	27,78,536	32,65,989	39,25,555	44,29,957

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

There were 608 issuances in 2021-22, of which 60 were re-issuances (742 issuances in 2020-21, of which 56 were re-issuances) [Table VII.4].

VII.34 The weighted average cut-off yield (WAY) of SDL issuances during 2021-22 was higher at 6.98 per cent than 6.55 per cent in the previous year. The weighted average spread (WAS) of SDL issuances over comparable central government securities was lower at 40.95 bps in 2021-22 as compared with 52.72 bps in the previous year. In 2021-22, twenty one states and two union territories issued dated securities of tenors other than 10 year, ranging from 2 to 35 year. Seven states and one UT rejected all bids in one or more of the auctions. The average inter-state spread on securities of 10-year tenor (fresh issuances) was 4 bps in 2021-22 as compared with 10 bps in 2020-21.

Cash Management of State Governments

VII.35 In order to provide greater comfort to state governments in undertaking COVID-19 containment and mitigation measures, and also to enable states to plan their market borrowings, as an interim measure, the Reserve Bank had announced an increase in WMA limit of the states/UTs by 60 per cent over and above the level as on March 31, 2020, which remained valid till March 31, 2021. Based on the recommendations of the Advisory Committee on WMA to state governments (Chairman: Shri Sudhir Shrivastava), the Reserve Bank decided to retain the interim limit of WMA (at ₹51,560 crore for all States/UTs) till September 30, 2021 and later extended it till March 31, 2022. Relaxations in the overdraft (OD) scheme were also given by the Reserve Bank to state governments/UTs to tide over mismatches in cash flows by increasing the number of days, for which a state/UT can be in OD continuously to 21 working days from 14 working days, and in a quarter to 50 working days from 36 working days, which are valid till March 31, 2022. Seventeen states/UTs availed the special drawing facility (SDF)[4], fourteen states/UTs resorted to WMA and nine states/UTs availed OD in 2021-22.

VII.36 Over the years, states have been accumulating a sizeable cash surplus in the form of intermediate treasury bills (ITBs). The outstanding investments of states in ITBs and auction treasury

[4] Please see paragraph VII.37 for explanation on SDF.

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

(₹ crore)

Item	Outstanding as on March 31				
	2017-18	2018-19	2019-20	2020-21	2021-22
1	2	3	4	5	6
14-Day (ITBs)	1,50,871	1,22,084	1,54,757	2,05,230	2,16,272
ATBs	62,108	73,927	33,504	41,293	87,400
Total	**2,12,979**	**1,96,011**	**1,88,261**	**2,46,523**	**3,03,672**

Source: RBI.

bills (ATBs) increased during the year 2021-22 (Table VII.5).

Investments in Consolidated Sinking Fund (CSF)/ Guarantee Redemption Fund (GRF)

VII.37 The Reserve Bank manages two reserve fund schemes on behalf of state governments - the consolidated sinking fund (CSF) and the guarantee redemption fund (GRF). So far, 24 states and one union territory, *i.e.*, Puducherry have set up CSF. Currently, 18 states are members of the GRF. States can also avail of a SDF at a discounted rate from the Reserve Bank against their incremental annual investment in CSF and GRF. Outstanding investment by states in the CSF and GRF as at end-March 2022 was ₹1,54,255 crore and ₹9,399 crore, respectively, as against ₹1,27,208 crore and ₹8,405 crore at end-March 2021.

3. Agenda for 2022-23

VII.38 In the Union Budget 2022-23, the gross market borrowings through dated securities for 2022-23 are budgeted at ₹14,95,000 crore as compared with ₹10,46,500 crore in 2021-22(RE). Taking into account the switch operations conducted just before the Union Budget 2022-23 in which securities worth ₹63,648 crore maturing in the year 2022-23 were switched, the gross market borrowings through dated securities for the year stand revised at ₹14,31,352 crore. Net market borrowings (including short-term debt and repayment of Post Office Life Insurance Fund) are budgeted at ₹11,58,719 crore, financing 69.75 per cent of GFD in 2022-23.

VII.39 During the year 2022-23, the focus will remain on smooth conduct of the market borrowing programme. The following strategic milestones are targeted to be achieved in support of efficient conduct of debt management:

- Consolidation of debt through calendar driven, auction-based switches and buyback operations along with re-issuance of securities to augment liquidity in G-sec market and facilitate fresh issuances;

- The consolidated operational guidelines for PDs issued in 2005 are updated from time to time. The guidelines relating to basic eligibility criteria, *viz.*, net owned funds (NOF) requirement and targets, however, remain largely unchanged. It is proposed to undertake a comprehensive review of the extant operational guidelines for PDs;

- Taking appropriate measures for further popularisation of the 'RBI Retail Direct Scheme' for improving its overall reach for suitable retail investors across the country (*Utkarsh*);

- The Hon'ble Finance Minister in her budget speech on February 1, 2022 announced that the government will issue Sovereign Green Bonds in the domestic market as a part of its overall market borrowing programme for the next financial year and the proceeds will be deployed in public-sector green projects. Accordingly, the

Reserve Bank, as the debt manager for GoI, is providing necessary support to the GoI for formulation of the framework for issuance of Sovereign Green Bonds in line with the international standards. The issuance of Sovereign Green Bonds will be taken up during the year after the preparatory work is completed;

- Review of Medium-Term Debt Management Strategy (MTDS) for management of public debt of GoI with an objective to mobilise market borrowings at low cost over medium to long-term, with prudent levels of risk and a stable debt structure, while also developing a liquid and well-functioning domestic debt market;
- Around one-third of general government debt pertains to sub-national governments. However, a document outlining the strategy of debt management for efficient and effective management at sub-national government is lacking. Therefore, a pilot MTDS for a few states is proposed to be drafted reflecting the state governments' plan for financing their activities, while taking due account of constraints and potential risks (*Utkarsh*); and
- Conduct capacity building programmes for sensitising the state governments about prudent practices in cash and debt management.

4. Conclusion

VII.40 During 2021-22, the combined gross market borrowings of centre and states were conducted successfully. The Reserve Bank also announced a number of measures to manage the stress on the finances of both central and state governments in the wake of uncertainties relating to COVID-19 pandemic. Going forward, the key areas of focus of the Reserve Bank for the year 2022-23 will be smooth completion of the government borrowing programme in line with the guiding principles of debt management, while ensuring a stable debt structure and proactively taking appropriate policy actions, if necessary.