GOVERNMENT DEBT

STATUS PAPER

M A R C H 2 0 1 2

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
NEW DELHI

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Introduction

In the Budget speech for 2010-11, Hon'ble Finance Minister announced his intention to bring out a status paper giving detailed analysis of the government's debt situation and a road map for curtailing the overall public debt. He also announced that this paper would be followed by an Annual Report on the subject. Accordingly a paper on public debt was brought out by the government during 2010-11. This paper covered both the status of public debt and liabilities with detailed analysis thereof as well as a road map for reduction in debt to GDP ratio for the period 2010-2015.

Though information on government debt was available in a number of official publications, this paper on general government debt[1] helped in bringing out information in simplified and transparent manner. It also brought out uniformity in reporting of general government debt among various stakeholders.

With the same objective of improving transparency in dissemination of information related to public debt, this second annual paper on public debt has been brought out. It reinforces the commitment of Government to implement prudent debt management strategies to ensure that the public debt remains within sustainable limits and does not crowd out private borrowing. Medium-term fiscal policy of the Government is driven by the principle of gradual reduction of public debt to GDP ratio so as to further reduce debt servicing risk and create fiscal space for developmental expenditure.The overall objective of the Government debt management policy is to meet Central Government's financing need at the lowest possible long term borrowing costs and also to keep the total debt within sustainable levels. Additionally, it aims at supporting development of a well functioning and vibrant domestic bond market. In this Debt paper, for the purpose of GDP, the series for Advance Estimates 2011-12 released by CSO has been used.

One of the key public debt management reforms under implementation is the establishment of a Debt Management Office in the Ministry of Finance. It is proposed to introduce necessary legislation in this regard in the ensuing Budget session for 2012-13.

In the Medium Term Fiscal Policy Statement which was presented along with the Budget 2011-12, it was estimated that the Central Government debt and liabilities[2] would be 45.3 percent of GDP at the end of March 2011. It was further estimated at 44.2 per cent of GDP at the end of 2011-12. In the medium term, as per the MTFP Statement the Government intended to reduce the level of public debt and liabilities to 41.5 per cent of GDP by the end of financial year 2013-14.

The above intended roadmap for reduction in public debt may be seen in the context of 13th Finance Commission recommendations wherein Central Government was expected to bring down debt from 53.9 per cent of GDP in 2010-11 to 47.5 per cent at the end of 2013-14. As per the provisional accounts data for 2010-11, debt and liabilities of the Central Government as percentage of GDP has come down to 46.0 per cent at the end of 2010-11 from 48.9 per cent of GDP in 2009-10. This is a welcome reversal from the trends during the year 2008-09 (48.9 per cent of GDP) and 2009-10 (it remained at the same level of 48.9 per cent of GDP) when debt and liabilities of the government went up due to the fiscal expansionary measures undertaken to insulate Indian economy from contagion of global financial crisis.

The overall debt for Government of India includes debt and liabilities contracted in the Consolidated Fund of India (technically defined as Public Debt) as well as liabilities in Public Account[3]. Major proportion of overall debt of the Central Government at the end of March 2011 is domestic debt which is at 92.1 per cent and external debt is 7.9[4] per cent as on March 2011. While public debt accounts for 83.4 per cent of Central Government's debt and liabilities; public account constitutes the balance of 16.6 per cent at the end of March 2011. Country's reliance on domestic debt has further increased as may be seen from external debt as percentage of GDP going down from 3.9 per cent in 2009-10 to 3.6 per cent in 2010-11.

The overall debt and liabilities position of the Government of India as reported in the Receipts Budget 2011-12 along with provisional actuals for 2010-11 and also as a proportion of GDP is shown in the following tables:

[1] *It includes Central and State Governments' consolidated debt.*

[2] *This is net of NSSF and MSS liabilities not used for financing Central Governments' deficit and with External debt at current exchange rate.*

[3] *In respect of receipts into the Public Account, the Government is acting as a Banker or Trustee and refunds the money on demand after completion of the implicit contract/event.*

[4] *External debt constitutes 5.5 per cent of overall general government debt.*

Table 1.1 : Debt Position of the Central Government

(₹ crore)

COMPONENTS OF DEBT	ACTUALS 2005-06	2006-07	2007-08	2008-09	2009-10	Provisional 2010-11	Estimates RE 2010-11	BE 2011-12
A. PUBLIC DEBT (B+C)	**1484001.33**	**1647690.71**	**1911682.10**	**2142886.77**	**2462422.05**	**2824753.92**	**2860191.25**	**3281464.94**
B. INTERNAL DEBT (i+ii)	**1389758.29**	**1544975.17**	**1799651.18**	**2019841.17**	**2328338.90**	**2667114.82**	**2703844.28**	**3110617.97**
(i) Under MSS								
(a) Dated Securities	11000.00	22000.00	128317.00	79772.78	2737.00	0.00	0.00	20000.00
(b) Treasury Bills	18062.17	40973.95	42236.77	9000.00	0.00	0.00	0.00	0.00
Total (a+b)	**29062.17**	**62973.95**	**170553.77**	**88772.78**	**2737.00**	**0.00**	**0.00**	**20000.00**
(ii) Market Loans								
(a) Dated Securities	967676.32	1074604.07	1197371.61	1426501.59	1824925.95	2150340.42	2181152.24	2524152.24
(b) Treasury Bills	91489.15	112901.40	140382.23	239978.53	230209.76	237968.93	240209.76	255209.76
(c) Compensation & Other Bonds	72761.37	62095.74	71325.13	47506.38	38731.52	31005.37	39986.86	35869.38
(d) Securities issued to International Financial Institutions	25151.61	25798.49	24719.41	23085.34	24482.60	29314.81	17462.69	26171.40
(e) Securities against small savings	203617.67	206601.52	195299.03	193996.55	207252.07	218485.29	225032.73	249215.19
Total (a+b+c+d+e)	**1360696.12**	**1482001.22**	**1629097.41**	**1931068.39**	**2325601.9**	**2667114.82**	**2703844.28**	**3090617.97**
C. External Debt	**94243.04**	**102715.54**	**112030.92**	**123045.60**	**134083.15**	**157639.10**	**156346.97**	**170846.97**
D. Other Liabilities								
(a) National Small Savings Fund	413498.83	468009.62	478289.52	470140.77	521194.40	568614.40	481388.93	481483.14
(b) State Provident Fund	66262.14	71439.92	75330.22	83377.44	99433.07	111946.78	109419.67	119419.67
(c) Other Account	186920.97	220160.41	245081.15	334091.29	327457.39	304697.07	338690.19	338966.30
(d) Reserve funds & Deposit	109461.78	131295.30	127042.98	128681.74	119452.99	128761.74	141414.71	131354.99
Bearing Interest	53649.96	62704.8	73055.56	78383.87	72874.68	70421.33	74054.10	77458.04
Not bearing interest	55811.82	68590.50	53987.42	50297.87	46578.31	58340.41	67360.61	53896.95
Total (a+b+c+d)	**776143.72**	**890905.25**	**925743.87**	**1016291.24**	**1067537.85**	**1114019.99**	**1070913.50**	**1071224.10**
E. TOTAL LIABILITIES (A+D)	**2260145.05**	**2538595.96**	**2837425.97**	**3159178.01**	**3529959.90**	**3938773.91**	**3931104.75**	**4352689.04**

Table 1.2 : Components of Debt (as % of GDP)

(in % of GDP)

	ACTUALS					Provisional	Estimates RE	Estimates BE
	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2010-11**	**2011-12**
A. PUBLIC DEBT (B+C)	**40.2**	**38.4**	**38.3**	**38.1**	**38.1**	**36.8**	**36.3**	**36.5**
B. INTERNAL DEBT (i+ii)	**37.6**	**36.0**	**36.1**	**35.9**	**36.1**	**34.8**	**34.3**	**34.6**
(i) Under MSS								
(a) Dated Securities	0.3	0.5	2.6	1.4	0.0	0.0	0.0	0.2
(b) Treasury Bills	0.5	1.0	0.8	0.2	0.0	0.0	0.0	0.0
Total (a+b)	**0.8**	**1.5**	**3.4**	**1.6**	**0.0**	**0.0**	**0.0**	**0.2**
(ii) Market Loans								
(a) Dated Securities	26.2	25.0	24.0	25.3	28.3	28.0	27.7	28.1
(b) Treasury Bills	2.5	2.6	2.8	4.3	3.6	3.1	3.0	2.8
(c) Compensation & Other Bonds	2.0	1.4	1.4	0.8	0.6	0.4	0.5	0.4
(d) Securities issued to International Financial Institutions	0.7	0.6	0.5	0.4	0.4	0.4	0.2	0.3
(e) Securities against small savings	5.5	4.8	3.9	3.4	3.2	2.8	2.9	2.8
Total (a+b+c+d+e)	**36.8**	**34.5**	**32.7**	**34.3**	**36.0**	**34.8**	**34.3**	**34.4**
C. External Debt at book value	**2.6**	**2.4**	**2.2**	**2.2**	**2.1**	**2.1**	**2.0**	**1.9**
D. Other Liabilities								
(a) National Small Savings Fund	11.2	10.9	9.6	8.4	8.1	7.4	6.1	5.4
of this, (i) Securities issued by States	10.6	10.5	9.2	8.2	7.5	6.9	6.1	5.4
(b) State Provident Fund	1.8	1.7	1.5	1.5	1.5	1.5	1.4	1.3
(c) Other Account	5.1	5.1	4.9	5.9	5.1	4.0	4.3	3.8
(d) Reserve funds & Deposit	3.0	3.1	2.5	2.3	1.8	1.7	1.8	1.5
Bearing Interest	1.5	1.5	1.5	1.4	1.1	0.9	0.9	0.9
Not bearing interest	1.5	1.6	1.1	0.9	0.7	0.8	0.9	0.6
Total (a+b+c+d)	**21.0**	**20.7**	**18.6**	**18.1**	**16.5**	**14.5**	**13.6**	**11.9**
E. TOTAL LIABILITIES (A+D)	**61.2**	**59.1**	**56.9**	**56.1**	**54.7**	**51.3**	**49.9**	**48.5**
E1 TOTAL LIABILITIES (as reported in this paper)	**52.5**	**49.4**	**46.2**	**48.9**	**48.9**	**46.0**	**45.3**	**44.2**

Internal Debt

Internal Debt for Government of India largely consists of fixed tenure and fixed coupon borrowings (dated securities and treasury bills) which are issued through auction. Maturity profile of existing debt could be classified into three categories, namely – short, medium and long term having maturity of less than 1 year, from one year up to 7 years and more than 7 years respectively. Government is striving to gradually increase the effective maturity of the outstanding stock of dated securities to minimise the roll over risk. The weighted average maturity of dated securities issued during the year 2010-11 was 11.62 years, up from 11.16 years during 2009-10. For the issuance during 2011-12[5], the same has increased to 12.56 years.

Most of these instruments carry fixed rate of interest; however, there is a small proportion of floating rate instruments benchmarked to treasury bill yields.

External Debt

External Debt is a small proportion of the overall public debt of the Government of India. It is largely used for financing specific projects at the Central and State levels. States are not permitted to contract external debt directly and therefore in the existing system all external debt (even those not used for financing Central Govt. projects) are first contracted in the Consolidated Fund of India and then on-lent to States[6]. Most of the external debt is from Multilateral agencies such as IDA, IBRD, ADB etc. A small proportion of existing external debt comes from bilateral agencies. All these loans are generally long term variable rate loans linked to LIBOR. While calculating effective rate of interest for these loans, impact of exchange rate variation needs to be taken into account.

Public Account Liabilities

Liabilities in Public Account can be classified into two broad categories: viz. Interest and Non-interest bearing liabilities. These liabilities consist of National Small Saving Fund (NSSF), Provident fund, Deposit and Reserve funds and other liabilities. As per the provisional actuals for 2010-11, public account liabilities[7] account for 16.6 per cent of overall liabilities of Central Government. Some of the liabilities in the public account like NSSF[8] liabilities have accrued not exactly out of the need for financing Central Government's deficit and therefore have to be netted off against matching assets while calculating the consolidated debt of the Country.

As explained in the debt paper for 2010-11, certain components of liabilities which are backed with matching assets in liquid form and have not been acquired to finance deficit or get factored in both at central and state levels, have been accounted for or netted of as per the established convention. While reporting consolidated debt, items like loans from NSSF to States, Loans from Central Government to States, liabilities on account of 14-days treasury bills and Market Stabilisation Scheme (MSS) have been dealt with separately.

Ambiguities with the earlier system of disclosure have been explained in detail in the Debt Paper for 2010-11. The same principle has been followed in arriving at the consolidated debt for the general government in the present paper for 2011-12.

The present crisis in Euro Zone regarding sovereign debt has brought into focus the importance of prudent fiscal management in running the economy. Any sustainability analysis in classical terms in the form of primary surplus and growth/interest rate differential may not be the sole tool to gauge the fiscal health of the country. Some of the important parameters for determining the stability and vulnerability level of public debt, for example, should include maturity profile, composition, carrying cost, external or domestic investor base along with savings rate, potential and realised tax to GDP ratio for that economy.

It is once again re-emphasised that public debt in India is being largely funded through domestic savings at fixed interest rate; these attributes coupled with the facility of treating Government securities with special status in the form of maintenance of pre defined Statutory Liquidity Ratio (SLR) for Banks, provide improved sustainability in the medium to long term. Also, maturity profile of existing debt puts India at different footing from some of the other economies of the world who are facing roll over risks. With the introduction of further reforms in direct and indirect tax systems, the stress test on debt servicing for India also needs to factor in the potential tax to GDP ratio which would improve the debt servicing capacity in coming years.

5 *End of December, 2011.*
6 *This would require necessary correction while computing the consolidated debt for the country to remove inter-government transactions.*
7 *Net of NSSF liabilities not used for financing Central Government deficit.*
8 *With matching assets in the form of Special Securities issued by State Governments.*

2

Public Debt

Public Debt[9] as percentage of GDP has shown steady decline from 42.1 per cent in 2005-06 to 36.9 per cent in 2007-08. This reduction in public debt as percentage of GDP is largely attributed to two factors; one, fiscal consolidation during the above mentioned period and two, high rate of growth of GDP on continuous basis in the above mentioned period.

The corrective trend however underwent a reversal during 2008-09 and in 2009-10 as the fiscal deficit went up due to the counter cyclical measures undertaken by the Government to protect Indian economy from the adverse impact of global financial crisis. These measures enabled the government to arrest the moderation in the growth of economy, and consequently Indian economy grew at 8.4 per cent in 2009-10 after witnessing a growth of 6.7 per cent in 2008-09. However, the impact of moderation in growth coupled with higher fiscal deficit led to increase in public debt. The public debt to GDP ratio deteriorated from 36.9 per cent in 2007-08 to 39.9 per cent in 2009-10. With the resumption in the process of fiscal consolidation during 2010-11, wherein fiscal deficit of the Central Government was reduced from 6.6 per cent of GDP (inclusive of bonds issued in lieu of subsidy) in 2009-10 to 4.8 per cent of GDP, Public debt as percentage of GDP declined from 39.9 per cent to 38.4 per cent. While reduction took place in overall debt as percentage of GDP, share of public debt in total debt has increased from 79.8 per cent in 2008-09 to 83.4 per cent in 2010-11. This shows larger reliance on market related instruments for deficit financing during 2010-11.

Public Debt consists of both internal and external debts of the government.

A. Internal Debt

Out of the total public debt[10] of 38.4 per cent of GDP at the end of 2010-11, internal debt of the central government stands at 34.8 of GDP amounting to 90.6 per cent of public debt. Internal Debt for Government of India largely consists of fixed tenure and fixed rate government papers (dated securities and treasury bills upto 364 days of maturity) which are issued through auction. The above two components at 31.1 per cent of GDP constituted 89.4 per cent of internal debt; 81 per cent of total public debt of 38.4 per cent of GDP and 73 per cent of total debt and liabilities of the Central Government at the end of 2010-11.

Other components of internal debt at the end of 2010-11 are securities issued towards NSSF against small savings (2.8 per cent of GDP constituting 8.0 per cent of internal debt, 7.3 per cent of Public Debt and 6.1 per cent of total debt and liabilities), securities issued to the international financial institutions (0.4 per cent of GDP constituting 1.1 per cent of internal debt, 1.0 per cent of Public Debt and 0.9 per cent of total debt and liabilities) and the balance are in the form of compensation and other bonds including floating rate bonds amounting to 0.4 per cent of GDP and constituting 1.1 per cent of internal debt, 1.0 per cent of Public Debt and 0.9 per cent of total debt and liabilities.

Trends in internal debt as percentage of GDP, both including and excluding debt raised under the Market Stabilisation Scheme, are shown below.

Details of various components of internal debt have been explained in the following sections.

Table 2.1 : Internal Debt Position of the Central Government

(in % of GDP)

	ACTUALS					Provisional	Estimates RE	Estimates BE
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
INTERNAL DEBT (i+ii)	**37.6**	**36.0**	**36.1**	**35.9**	**36.1**	**34.8**	**34.3**	**34.6**
(i) Under MSS								
(a) Dated Securities	0.3	0.5	2.6	1.4	0.0	0.0	0.0	0.2
(b) Treasury Bills	0.5	1.0	0.8	0.2	0.0	0.0	0.0	0.0
Total (a+b)	0.8	1.5	3.4	1.6	0.0	0.0	0.0	0.2
(ii) Market Loans								
(a) Dated Securities	26.2	25.0	24.0	25.3	28.3	28.0	27.7	28.1
(b) Treasury Bills	2.5	2.6	2.8	4.3	3.6	3.1	3.0	2.8
(c) Compensation & Other Bonds	2.0	1.4	1.4	0.8	0.6	0.4	0.5	0.4
(d) Securities issued to International Financial Institutions	0.7	0.6	0.5	0.4	0.4	0.4	0.2	0.3
(e) Securities against small savings	5.5	4.8	3.9	3.4	3.2	2.8	2.9	2.8
Internal Debt (a+b+c+d+e)	**36.8**	**34.5**	**32.7**	**34.3**	**36.0**	**34.8**	**34.3**	**34.4**

[9] *net of MSS (excluding liabilities in public account and including external debt at current exchange rate).*

[10] *Public Debt is the debt contracted in the Consolidated Fund of India and does not include liabilities in public account.*

a. Market Loans – Dated Securities

Dated securities, commonly known as market loans, constitute the most significant component of instruments which are used for financing the fiscal deficit of the Central Government. During 2010-11, net borrowing through this component was ₹3.25 lakh crore amounting to 4.2 per cent of GDP. This component was used to finance 87.5 per cent of the fiscal deficit during the year. It may be noted while BE 2010-11 had projected market borrowing of ₹3.45 lakh crore, the actual borrowing was restricted to ₹3.25 lakh crore (net) due to higher receipts under non tax revenues.

Government envisages to finance larger share of its fiscal deficit through dated securities without posing any systemic risk of roll over. *It is the endeavour of the Government to elongate the maturity profile of debt to reduce redemption pressure in short to medium term to aid the process of fiscal consolidation.* During the year 2010-11, the weighted average maturity of issued securities increased to 11.62 years from 11.16 years in 2009-10. However, the weighted average maturity of outstanding stock of dated securities at the end of 2010-11 decreased marginally to 9.64 years from 9.67 years as at the end of 2009-10. This marginal reduction in weighted average maturity may be seen in the the context of higher redemption during 2010-11. During 2011-12 (till the end of December 2011), the weighted average maturity of issued securities increased to 12.56 years and at the same time weighted average maturity of outstanding stock has increased to 9.66 years.

At the end of 2010-11, the proportion of debt maturing in less than one year declined to 3.4 per cent from 6.2 per cent at the end of 2009-10. While debt maturing within 1-5 years increased from 22.7 per cent at the end of 2009-10 to 25.6 per cent at the end of 2010-11, proportion of debt maturing within 5-10 years has decreased from 38.0 per cent to 34.1 per cent in last one year. Proportion of debt maturing within 10-20 years has also increased from 17.9 per cent to 21.4 per cent at the end of 2010-11 and debt maturing above 20 years at the end of 2010-11 has increased marginally from 15.2 to 15.5 per cent of total stock.

Table 2.2 :Maturity Profile of GoI Outstanding Dated Securities

Maturity Buckets	End-March 2011	End-March 2010s
1	2	3
Less than 1 year	3.4	6.2
1-5 Years	25.6	22.7
5-10 Years	34.1	38.0
10-20 Years	21.4	17.9
20 years and above	15.5	15.2

It may be seen from the above analysis that the proportion of debt maturing in less than 5 years at the end of 2010-11 remains almost at the same level of about 29 per cent as at the end of 2009-10.

After accounting for issuance during 2011-12, till 3rd February, 2012 an analysis of redemption profile in the next 5 years of government dated securities is given in the following table:

Table 2.3 :Maturity Trend of Dated Securities

	2012-13	2013-14	2014-15	2015-16	2016-17
Maturity during the year	90,616	95,009	1,68,018	1,97,244	2,31,130
Percentage of outstanding stock	3.6%	3.7%	6.6%	7.7%	9.1%
Percentage of GDP	0.9%	0.8%	1.3%	1.3%	1.4%

** Outstanding as on 6th Feb.,2012*

This shows that over the next five years, on an average, about 6 per cent of outstanding stock needs to be rolled over every year, though the pressure on redemption increases significantly during 2014-15 to 2016-17. In the present global context, when sovereign debt roll over risk is posing some uncomfortable questions to the debt managers, the average level of roll over volume at about 6 per cent of stock and about 1.1 per cent of GDP places India in a far better position with respect to the debt servicing requirement.

Notwithstanding the above, government is continuing with policy of efforts to elongate the maturity profile to curtail the roll over risk. The longest maturity paper now floated is of 30 years.

The Government of India in consultation with the RBI is determining the appropriate maturity basket for new issuances. The details of maturity profile of existing dated securities are given at Annex III.

During the fiscal consolidation period i.e. 2004-05 to 2007-08, the stock of dated securities outstanding (net of MSS) steadily declined from 26.9 per cent of GDP in 2004-05 to 24.0 per cent of GDP 2007-08. However, due to the fiscal expansion during 2008-09 and 2009-10, this has increased to 25.3 per cent in 2008-09, 28.3 per cent in 2009-10. With substantive fiscal consolidation during 2010-11, this has reduced to 28.0 per cent of GDP. It is necessary to continue the process of fiscal consolidation over the medium term to reduce the stock of dated securities.

After the presentation of Budget 2011-12, macro-economic situation has changed significantly and Indian economy is estimated to grow at 6.9 per cent as against the earlier estimate of 9 per cent. Moderation in the growth in economy has resulted in lower realisation of tax revenues for the government. This coupled with changes in other financing items[11] for the government and increase in subsidy related expenditure, have necessitated increased reliance on market borrowing through dated securities during 2011-12. After the recent revision in market borrowing programme of the Central Government, net borrowing through dated securities in 2011-12 will increase from earlier estimated level of ₹3,43,000 crore to ₹4,35,872 crore. With this increase, the end of March 2012 stock of dated securities would go up to 29 per cent of GDP.

Though increased borrowings of the Central Government during 2011-12 have been conducted without disrupting the market, this level of increase in volume of dated securities is a matter of concern. Unless this issue is addressed, it may lead to hardening of yields and may also necessitate utilisation of future revenues more for interest payment. The government is alive to this issue which is sought to be tackled appropriately.

The present level of stock of dated securities has also to be seen in the context of additional level of holding by commercial banks as against the existing floor mandated at 24 per cent of Net Demand and Time Liabilities (NDTL) as Statutory Liquidity Ratio (SLR) for these banks. As against the mandated requirement of 24 per cent of NDTL, commercial banks' holding under SLR category was 28.8 per cent at the end of March 2010. This has reduced to 27.1 per cent at the end of March 2011 and has further come down to 26.6 per cent as at the end of January 2012.

Ownership pattern of Government of India dated securities shows that the share of commercial banks in the total outstanding Government of India securities, including the holding of banks acting as Primary Dealers, has dropped from 50.9 per cent in March 2008 to 47.0 per cent in March 2011. During 2011-12, the holding by commercial banks has increased slightly to the level of 47.9 per cent as at the end of September 2011. Following table shows the variation in ownership patterns during the period March 2009 to September 2011.

Table 2.4 : Ownership Pattern of Government of India Dated Securities

Category	2009				2010				2011		
	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.	Dec.	Mar.	Jun.	Sep.
Commercial Banks	38.9	39.3	38.8	39.2	38.0	38.4	38.8	38.6	38.4	37.6	37.2
Bank-Primary Dealers	8.1	7.8	8.0	8.2	9.2	9.9	9.7	8.8	8.6	10.0	10.7
Non-Bank PDs	0.3	0.1	0.3	0.2	0.1	0.2	0.3	0.3	0.1	0.1	0.1
Insurance Companies	23.2	23.1	22.1	22.1	22.2	22.1	22.2	22.1	22.2	22.5	22.6
Mutual Funds	0.8	0.8	0.8	0.8	0.4	0.4	0.7	0.9	0.2	0.4	0.3
Co-operative Banks	2.9	3.1	3.1	3.2	3.4	3.4	3.5	3.4	3.4	3.3	3.3
Financial Institutions	0.4	0.4	0.3	0.3	0.4	0.3	0.4	0.3	0.4	0.3	0.4
Corporates	4.7	3.5	3.7	3.3	3.0	2.8	2.6	2.3	1.9	1.9	1.6
FIIs	0.2	0.3	0.5	0.6	0.6	0.6	0.6	0.6	1.0	0.9	1.0
Provident Funds	6.6	6.4	6.3	6.5	6.8	6.6	6.8	6.9	7.1	7.0	7.2
RBI	9.7	11.1	10.6	10.2	11.8	9.7	9.2	10.7	12.8	12.9	12.5
Others	4.2	4.1	5.7	5.5	4.2	5.7	5.4	5.1	3.9	3.2	3.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

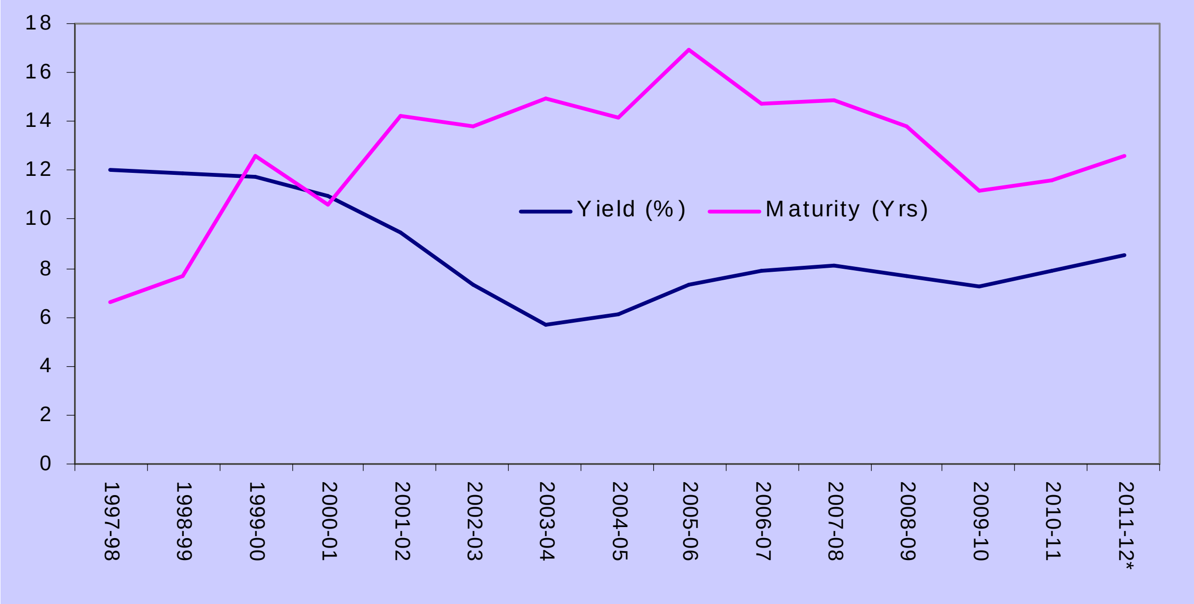
N.B.: (1) Government of India dated securities includes securities issued under the Market Stabilisation Scheme and the Special Securities like bonds issued to the Oil Marketing Companies, etc.

(2) The data is provisional in nature and subject to revisions. The information on category-wise outstanding amounts of Government Securities is disseminated on an annual basis through the Handbook of Statistics on the Indian Economy published by the Reserve Bank of India..

[11] *Small savings collection on net basis has shown significant decline from Budgeted level. In BE 2011-12, net small savings collection under NSSF was estimated at ₹65,000 crore. However, it is (-) ₹9,882 crore at the end of December, 2011. This has impacted liquidity under NSSF and in turn necessitated financing of cash mismatch under NSSF by Central Government.*

Most of these dated securities carry fixed rate of interest. However, there is small proportion of floating rate instruments (less than 3 per cent of dated securities) whose coupon is benchmarked to cut-off yield in Treasury bill auctions. The weighted average coupon of dated securities was 7.81 per cent at the end of March 2011. It has increased to 7.84 per cent at the end of December 2011. This increase is due to hardening of yields during 2011-12. The weighted average yield for issuance upto 3rd February 2012, during 2011-12, was at 8.54 per cent as against 7.9 per cent during the corresponding period of 2010-11.The trends on yield and maturity pattern of primary issuances of dated securities are shown below:

Chart 2.1 : Yield and Maturity of Primary Issuances



* *upto 31.10.2010*

The details of existing dated securities with coupon rate are given in Annex IV. Analysis of the information therein shows that at the end of March 2011, 18.9 per cent of existing dated securities have fixed coupon rate of upto 7 per cent; 42.1 per cent carry coupon rate of more than 7 per cent and upto 8 per cent; 26 per cent carry coupon rate of above 8 per cent and upto 9 per cent; and 13 per cent of total dated securities carry interest rate of more than 9 per cent and up to 12.6 per cent. Balance 3 per cent of existing dated securities are floating rate instruments. This reflects that 61 per cent of the existing dated securities carry interest rate of up to 8 per cent. *It would be the endeavour of the government to further reduce the cost of borrowings by taking further reform measures in debt management.*

The details of maturity and yield of Central Government's dated securities in the recent years are given in the following table:

Table 2.5 : Maturity and Yield of Central Government's Market Loan

Year	Issues during the year		Outstanding Stock	
	Weighted Average Yield (%)	Weighted Average Maturity (Yrs)	Weighted Average Coupon (%)	Weighted Average Maturity (Years)
2003-04	5.71	14.94	9.30	9.78
2004-05	6.11	14.13	8.79	9.63
2005-06	7.34	16.9	8.75	9.92
2006-07	7.89	14.72	8.55	9.97
2007-08	8.12	14.9	8.50	10.59
2008-09	7.69	13.81	8.23	10.45
2009-10	7.23	11.16	7.89	9.67
2010-11 2011-12	7.92	11.62	7.81	6.64
(end December 2011)	8.57	12.56	7.84	9.66

The most critical factor impacting Central Government's market borrowing is the level of fiscal deficit from year to year. Lower fiscal deficit of both Centre and States would ease the pressure on market liquidity. However, if the combined fiscal deficit remains high, there would be need to consider other sources of deficit financing, so that the private sector credit needs do not get crowded out.

a. Treasury Bills (91,182 and 364 days)

91-days, 182-days and 364-days Treasury Bills are issued under the regular auction programme of the Government. While 91-days treasury bills are normally auctioned every week; 182 and 364 days treasury bills are put to auction every fortnight. The notified amounts for the coming quarter are fixed in advance in consultation with the RBI. These instruments help the government in meeting its short term cash flow mismatch and at the same time also provide opportunities for short term investment for financial institutions. Rates of these instruments also help in establishing a benchmark for short term rates in the economy.

Apart from funding the temporary mismatches between cash inflow and outflow during a financial year, these instruments could also be used for financing desired level of cash build up at the end of financial year to take care of immediate requirement of cash in the coming quarter of next financial year.

In the recent years, with the increase in absolute size of government expenditure budget including debt redemption and devolution of Central taxes to States, the volume of treasury bill financing in absolute terms has also increased significantly.

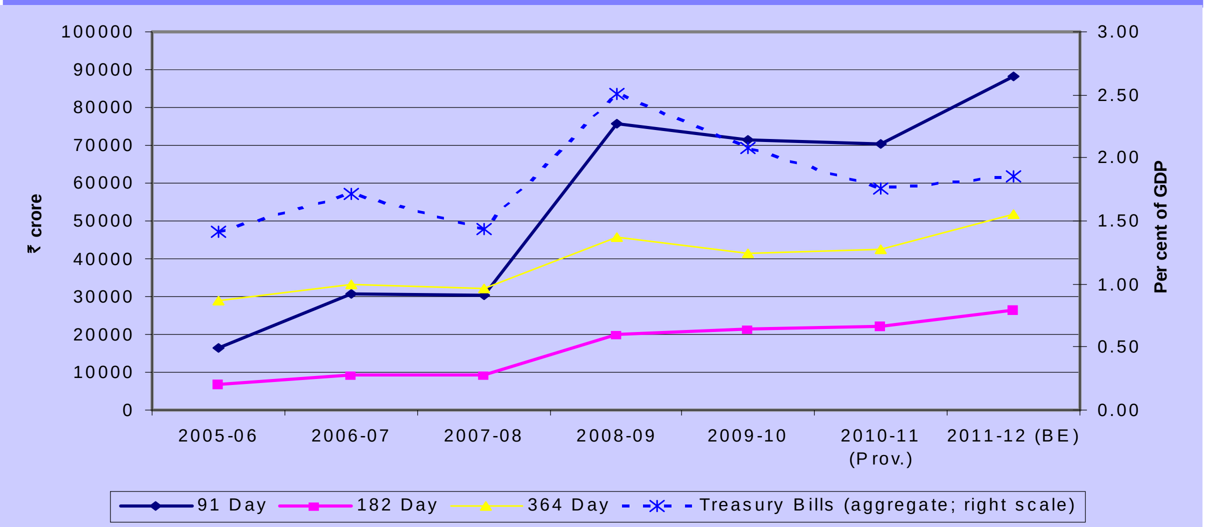
Table 2.6 : Trends in outstanding auction T-Bills

(₹ in crore)

	Actuals					Provisional	Estimates RE	Estimates BE
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
Auction								
Treasury Bills	52150	73426	71752	141316	134542	134869	151226	166226
percentage of GDP	**1.4**	**1.7**	**1.4**	**2.5**	**2.1**	**1.8**	**1.9**	**1.9**

However, as percentage of GDP, it has gradually declined from high of 2.5 per cent in 2008-09 to 2.1 per cent in 2009-10 and 1.8 per cent in 2010-11 which is 3.9 per cent of total debt and liabilities of the Central Government. In BE 2011-12 net financing of ₹15,000 crore was assumed from these instruments. However, due to shortfall in other financing items and for meeting the cash requirements[12] of the initial weeks of 2012-13, net financing from auction treasury bills during 2011-12 has been revised at ₹1,17,000 crore. With this level of financing, the estimated stock at the end of March 2012 would increase to 4.0 per cent of GDP.

Chart 2.2 : Trends on details of outstanding Treasury Bills



[12] *In the first 5 weeks of 2012-13, redemption of ₹59,000 crore of dated securities is scheduled.*

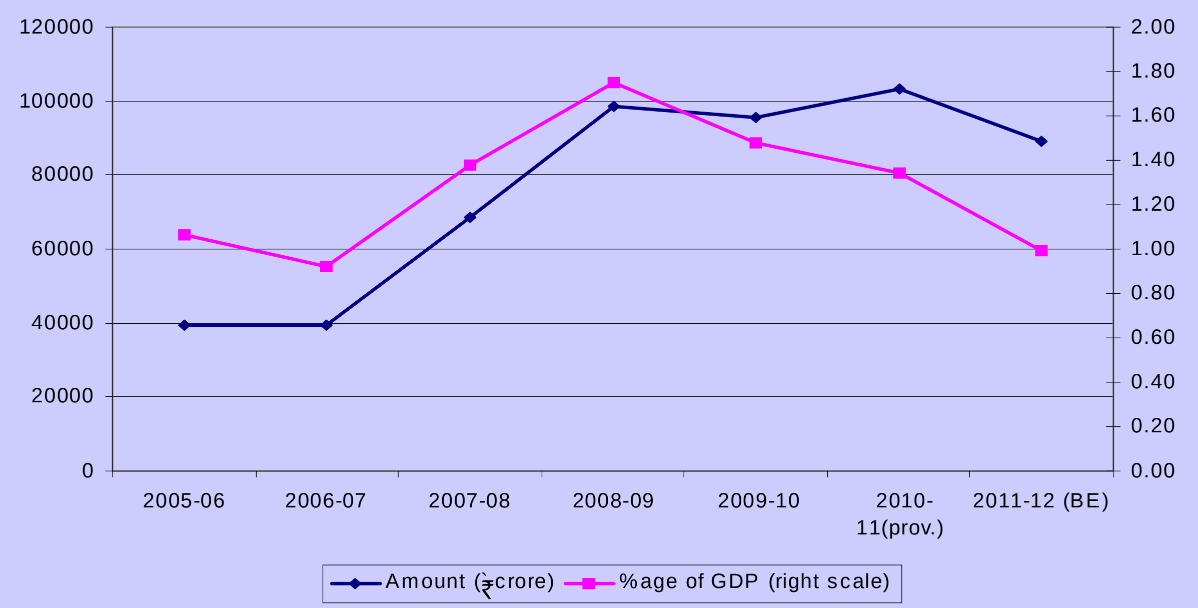
Depending on the evolving macro-economic situation and interest rate scenario, government decides on the mix of dated securities and treasury bills for deficit financing. In the event of high inflation, it may be prudent to raise more short term debt with due consideration on roll over risk so as to avoid contracting long term debt at higher interest rates.

c. 14 Days Treasury Bills

14-days Intermediate Treasury Bills are used by Central Government for deployment of short term cash surpluses available with State Governments[13] at the end of their daily transactions. The rate of interest for this instrument had been at five[14] per cent per annum.

Liquidity at the state level has improved significantly during the last 6-7 years resulting in significant increase in surplus cash balances of States. States are now less dependent on Ways and Means advances from the RBI. The surplus cash balances of State Governments have increased steadily from ₹7,184 crore at the end of March 2004 to ₹1,03,100 crore in March 2011 amounting to 1.3 per cent of GDP for 2010-11. Trends in recent years on outstanding 14 days Treasury Bills are shown below:

Chart 2.3 : 14 Days Treasury Bills



Although this instrument was for deployment of temporary cash surpluses of States; over the years, accumulation under this instrument has assumed a more durable nature. Central Government has practically no control over the accumulation of this component of debt. *Over the medium term, this component of investment which is a kind of reverse flow from State Governments to Centre needs to be reduced. This investment in 14-days Treasury Bills beyond the temporary cash surplus results in negative return for States. It would be a desired step for States to factor in this resource while finalising their borrowing plan for financing the fiscal deficit in coming years.*

Huge accumulations in 14-days Treasury Bills pose a risk for the Central Government due to its unpredictable nature. In the scenario of State Governments suddenly drawing down on these investments, the Central Government has to quickly refinance this cash outgo from new borrowings.

While consolidating the general government debt, this component of 14-days Treasury Bills needs to be netted out from State Governments' debt as this is in the form of inter-government transaction.

d. Cash Management Bills

During 2009-10 the Government of India, in consultation with the Reserve Bank of India, has introduced a new short-term instrument, known as Cash Management Bills (CMBs), to meet the temporary cash flow mismatches of the Government. The Cash Management Bills are non-standard, discounted instruments issued for maturities less than 91 days. These instruments

[13] *Apart from State Governments, Union Territory of Pondicherry also invests surplus cash in 14-days Treasury Bills.*
[14] *Interest rate is fixed as 100 basis points (1%) lower than the Bank Rate of RBI.*

have the generic character of Treasury Bills. However, the Non-Competitive Bidding Scheme for Treasury Bills is not extended to the Cash Management Bills. The tenure, notified amount and date of issue of this instrument depend upon the temporary cash requirement of the Government arising from sudden or unanticipated developments.

During 2011-12, government had to actively use this instrument for meeting the mismatch in cash flow due to higher direct tax refunds in the beginning of the financial year and shortfall in small savings collection during the year. Gross amount of ₹93,000 crore was raised through this instrument during the financial year 2011-12 on 14 occasions. There is no outstanding amount of CMB left at the end of December 2011.

e. Special Securities - Special Securities converted into Marketable Securities

Upto 1997, the Government of India used to issue ad hoc treasury bills to the RBI for financing of deficit[15]. Periodically, the accumulated ad hoc treasury bills were converted as special securities at a fixed interest rate of 4.6 per cent. These rates were not determined through market auction. To correct this anomaly, the special securities were gradually converted to marketable securities carrying coupon rate in line with prevailing secondary market rate for matching maturity. Government of India has completed the conversion of existing special securities during 2003-04. The outstanding stock of these securities at the end of March 2011 is ₹76,817.95 crore amounting to 1.0 per cent of GDP. The weighted average coupon rate and maturity for these securities are 6.33 per cent and 10.07 years respectively.

The Government of India has also completed the conversion of Recapitalisation Bonds with the Nationalised Banks into marketable securities during the year 2007-08. The outstanding stock under this category at the end of March 2011 is ₹20,808.75 crore amounting to 0.3 per cent of GDP. The weighted average coupon rate and maturity for these securities are 8.25 per cent and 16.2 years respectively.

f. Securities issued to International Financial Institutions

These securities are issued to the International Monetary Fund, International Bank for Reconstruction and Development, International Development Association, Asian Development Bank, African Development Fund & Bank and International Fund for Agricultural Development. These special securities are issued primarily towards

i. India's subscriptions/contributions to these institutions;

ii. Special Drawing Rights (SDRs) for subscribing to India's quota increase in the IMF;

iii. maintenance of value obligations to IMF, and

iv. purchase transactions under the Financial Transaction Plan.

These liabilities are non-interest bearing in nature. The total outstanding value of these rupee securities issued to International Financial Institutions as at the end of March 2011 is ₹29,314.81 crore amounting to 0.4 per cent of GDP.

g. Compensation and other Bonds

Various types of interest carrying bonds were issued in the past by the Government of India. Some of these bonds were also open for retail subscription. These bonds carry fixed rate of interest depending on the prevailing interest rate; however, these rates were not determined through market auction. This component of liability has been reduced from ₹72,760.38 crore in 2005-06 amounting to 2.0 per cent of GDP to ₹30,692.90 crore at the end of March 2011 and it amounts to 0.4 per cent of GDP.

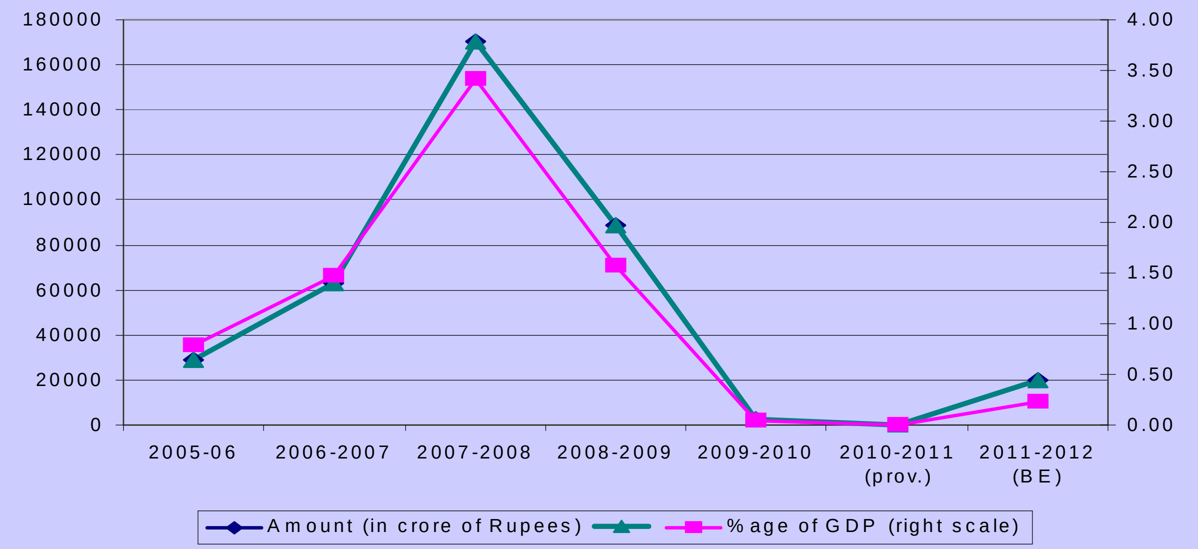
h. Market Stabilisation Scheme (MSS)

The Market Stabilization Scheme to assist Reserve Bank of India for sterilisation of its exchange market intervention was started in 2004-05. This scheme is governed by the Memorandum of Understanding between the Central Government and RBI. The MoU provides for borrowings in addition to the normal borrowings of the Centre to finance its deficit. The borrowings under this

[15] *It may be noted that section 5 sub section (1) read with sub section (3) of the FRBM Act prescribes that the Central Government shall not borrow from the RBI with effect from 1st April 2006. This means that the RBI can't subscribe to the primary issues of the Central Government securities.*

scheme are conducted with the intention of absorbing excess liquidity from the system arising on account of large inflow of foreign exchange. The proceeds so realised from these borrowings are sequestered in a separate cash account with RBI and are not used for purpose other than redemption of dated securities or treasury bills raised under this scheme. However the interest payments are met by the Government. Trends in recent years on outstanding liabilities under this scheme are shown below:

Chart 2.4 : Trend in MSS Debt



The above trend shows that outstanding liabilities under MSS increased sharply to 3.4 per cent of GDP in 2007-08. This in turn increased the reported debt and liabilities of GoI to that extent and negated the impact of fiscal consolidation which actually reduced the debt to GDP ratio for the period 2004-05 to 2007-08.

There are no outstanding liabilities under this scheme at the end of March 2011. The estimated MSS borrowing in BE 2011-12 is ₹20,000 crore; however, there is no utilisation under this scheme during 2011-12.

Liabilities on this account are difficult to predict in medium term and consideration of this as a normal debt would destabilise the targeted reduction of debt over GDP under fiscal consolidation. While reporting the general government debt and liabilities, this component has to be dealt with separately for the following reasons:

i. This is not used for financing the deficit of GoI;

ii. Proceeds from these borrowings are sequestered in a separate cash account with RBI and the government has no access to use this cash;

iii. Whenever a decision on de-sequestering of certain amount takes place and cash is transferred from the MSS cash account to normal cash account of the Government, an equivalent amount of securities issued under MSS would form part of the normal debt of the government.

a. Securities against small savings (National Small Saving Fund)

All deposits under small savings schemes[16] are credited to the "National Small Savings Fund" (NSSF), established in the Public Account of India with effect from 1.4.1999. All withdrawals by the depositors are made out of the accumulations in this Fund. The balance in the Fund is invested in special Government securities of States and Centre as per norms decided from time to time by the Central Government.

[16] *See Box 2.1 for small saving schemes and prevailing interest rates.*

Box 2.1 : National Small Savings Fund

Instrument	Current Rate (%) during 2011-12	Revised Rate (%) With effect from 1.12.2011
Savings Deposit	3.50	4.0
1 year Time Deposit	6.25	7.7
2 year Time Deposit	6.50	7.8
3 year Time Deposit	7.25	8.0
5 year Time Deposit	7.50	8.3
5 year Recurring Deposit	7.50	8.0
5-year SCSS	9.00	9.0
5 year MIS	8.00 (6 year MIS)	8.2
5 year NSC	8.00 (6 year NSC)	8.4
10 year NSC	New Instrument	8.7
PPF	8.00	8.6

The liability of outstanding balances under various small savings schemes at the close of 31st March, 1999 was borne by the Central Government by treating the same as investment of NSSF in special Central Government securities. During 1999-2000 to 2001-2002, 80% and 20% of the net collections (gross collections minus withdrawals by depositors) were invested by National Small Savings Fund in special securities issued by the State and Central Governments respectively. However, during 2002-03 to 2006-07, 100 per cent of net collections were invested in special securities issued by the various State/UT governments.

Small savings collections (net) are shared between the States and the Centre in the ratio of 80:20 with the option to the States to take upto 100 per cent of their net collections from 1st April, 2007. This sharing pattern would undergo a change from 1st April 2012 in pursuance of Government's acceptance of the recommendations of the Committee for comprehensive review of NSSF.

NSSF administration and guidelines have undergone major reforms during 2011-12. A synopsis of this reform measure is shown in Box 2.2.

Box 2.2 : Reform measures in NSSF administration

The Thirteenth Finance Commission in its Report had, inter alia, recommended that all aspects of the design and administration of the NSSF be examined with the aim of bringing transparency, market linked rates and other much needed reforms to the scheme. As a follow up of this recommendation, the Government had constituted a Committee on 8th July, 2010, headed by Smt. Shyamala Gopinath, the then Deputy Governor, Reserve Bank of India for comprehensive review of NSSF. The terms of reference of the Committee included review of the existing parameters for the small saving schemes in operation and recommend mechanisms to make them more flexible and market linked; review of the existing terms of the loans extended from the NSSF to the Centre and States and recommend on the changes required in the arrangement of lending the net collection of small savings to Centre and States; review of other possible investment opportunities for the net collections from small savings and the repayment proceeds of NSSF loans extended to States and Centre; review of the administrative arrangement including the cost of operation; and review of the incentives offered on the small savings investments by the States.

The recommendations of the Committee were considered in detail. Following are certain decisions which would change the administration of NSSF in coming years:-

1. Interest Rates on Small Savings Instruments

a) Interest rate on Post Office Savings Account has been revised from 3.5 per cent to 4 per cent with effect from 1.4.2011.

b) The rate of interest on all other small savings schemes will be aligned with G-Sec rates of similar maturity, with a spread of 25 basis points (bps) with two exceptions. The spread on 10 year NSC (new instrument) will be 50 bps and on Senior Citizens Savings Scheme 100 bps.

c) The interest rates for every financial year will be notified before 1st April of that year.

2. Investments from NSSF

a) The minimum share of States in net small savings collections in a year, for investment in State Governments Securities, will be reduced from 80% to 50%. The remaining amount will be invested in Central Government securities or lent to other willing States or in securities issued by infrastructure companies/agencies, wholly owned by Central Government.

b) Yearly repayment of NSSF loans made by Centre and States will be reinvested in Central and State Government securities in the ratio of 50:50.

c) The period of repayment of NSSF loans by Centre and States will be reduced from 25 years with 5 years moratorium to 10 years, with no moratorium.

d) Interest rate on existing investments from NSSF in Central Government securities till 2006-07 will be re-set at 9% and on those from 2007-08 till 2010-11 will be re-set at 9.5%. This is in line with the recommendations of the 13th Finance Commission for NSSF investments in State Government securities. This re-setting would result in additional interest payment by Central Government to the extent of ₹1,000 crore every year.

e) Half yearly payment of interest by the Centre and the States will be introduced.

3. Operational Issues of NSSF

A Monitoring Group drawn from Ministry of Finance, Reserve Bank of India, Department of Posts, State Bank of India, other select banks and select State Governments will be set up to resolve various operational issues like reducing the time lag between collection and investment, etc.

4. Certain features of various small savings instruments regarding maturity period, investment limits and liquidity were rationalized.

5. Commission rates to small savings agents were also rationalized.

A copy of the office memorandum issued by the Government in this regard is at Annex I.

The sums received in NSSF on redemption of special securities are continued to be reinvested in special Central Government securities, depending on the cash requirement of NSSF during the year. The special Central Government securities issued to NSSF constitute a part of the internal debt of the Government of India under the consolidated fund. At the end of March 2011, the outstanding liabilities in the form of special Central government securities is ₹2,18,485 crore amounting to 2.8 per cent of GDP and 6.2 per cent of total debt and liabilities of Central Government.

There are three kinds of the Central Government Special Securities issued under NSSF:

1) Against outstanding balance as on 31st March, 1999 subsequent to the creation of NSSF in Public Account:

These are the liabilities contracted when the government decided to shift small savings liabilities from the Consolidated Fund of India to the Public Account of India with effect from 1st April, 1999. These liabilities amounted to ₹1,76,221 crore. However, from time to time, some of these liabilities have been prepaid. Till the end of March 2011, prepayment to the extent of ₹1,02,652 crore has been done. The outstanding balance as on 31st March 2011 under this liability is ₹73,569 crore amounting to 1 per cent of GDP. This liability is in the nature of perpetual bonds carrying interest rate of 10.5 per cent. Based on the decision taken on the recommendations of the Shyamala Gopinath Committee, interest rate on these instruments are now being re-set at 9 per cent. Details of existing securities are shown in the Annex II.

2) Against net collections during the year based on the existing sharing pattern between Central and State Governments as decided from time to time:

Pursuant to the recommendations of the sub-committee of the National Development Council (NDC), the sharing pattern of net small savings collections was revised with effect from 1st April, 2007. During 2011-12 also it is continued to be shared between the States and the Centre in the ratio of 80:20 (vis-a-vis the earlier arrangement of 100 per cent transfer of collections to the State Governments) with the option to the States to take upto 100 per cent of their collections.

The debt against these special securities is for a period of 25 years. These have to be repaid in 20 equal annual instalments after 5 years of moratorium. These instruments carry interest rate notified from time to time. Interest at the rate of 9.50 per cent per annum is being paid on the special securities issued against net collections since 1st April, 2003[17]. At the end of March 2011, the outstanding liabilities under this category are ₹34,562 crore amounting to 0.45 per cent of GDP. The details of existing special securities are shown in the Annex.II

With effect from 2012-13, based on the decision taken on the recommendations of the Shyamala Gopinath Committee, the minimum share of States in net small savings collections in a year, for investment in State Governments Securities, will be reduced from 80% to 50%. The remaining amount will be invested in Central Government securities or lent to other willing States or in securities issued by infrastructure companies/agencies, wholly owned by Central Government.

Further, these securities will be issued with a maturity period of 10 years for both Centre and States with no moratorium. These instruments will carry interest rate notified from time to time. Interest rate on existing investments from NSSF in Central Government securities till 2006-07 will be re-set at 9% and on those from 2007-08 till 2010-11 will be re-set at 9.5%.

3) Against sums received on redemption of special securities of Central and State Governments

The sums received in NSSF during the financial year on redemption of special securities issued by Central and State Governments are reinvested in special Central Government securities with a maturity period of 20 years. These securities are issued at market rate of interest of matching maturity in the secondary market for the relevant financial years. During the period 2002-03 to 2004-05, the proceeds received from prepayment of liabilities in the category (1) above were also reinvested in this category at market determined rate of interest.

At the end of March 2011, the outstanding liability under this category is ₹1,10,354 crore amounting to 1.4 per cent of GDP. The details of existing special securities with applicable interest rates are shown in the Annex II

With effect from 2012-13, based on the decision taken on the recommendations of the Shyamala Gopinath Committee, yearly repayment of NSSF loans made by Centre and States, will be reinvested in Central and State Government securities in the ratio of 50:50. The period of repayment of these securities by Centre and States will be reduced to 10 years, with no moratorium. For 2011-12, the prevailing interest rate of 9.5% will continue. From 1st April, 2012 revised interest rate will be notified.

B. External Debt

The Central Government is mandated under the Article 292 of the Constitution of India to borrow upon the security of the Consolidated Fund of India within such limits, if any, as may from time to time be fixed by Parliament by law. This provides the authority to the Central Government to borrow from within as well as outside the territory of the Country[18]. The Central Government receives external loans largely from multilateral agencies and to some extent from friendly foreign countries also.

The total outstanding external debt as on 31st March 2011 for the Central Government has increased to ₹2,78,877 crore from ₹ 2,49,306 crore (US $ 55.27 billion) as at the end of March 2010. This is calculated on the prevailing exchange rate as on 31.3.2011 (₹44.70 per US $). External debt as at the end of March 2011 has declined to 3.6 per cent of GDP from 3.9 per cent of GDP as at the end of March 2010. This amounts to 7.8 per cent of Central Government's debt and liabilities and 5.9 per cent of General Governments' overall debt and liabilities. The trends in external debt at book value and current exchange rate are shown in the following table.

[17] The 13th Finance Commission has recommended to reduce the interest rate to 9 per cent for NSSF loans to States contracted upto 2006-07 and outstanding as on 31st March 2010. The Government has accepted this recommendation in principle.

[18] Executive power of State Governments extends only to borrow within the territory of India as per the Article 293 of the Constitution.

Table 2.7 : Trends in External Debt

	Actuals					Provisional
	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
1. External Debt						
(at Book Value)	94243	102716	112031	123046	134083	157639
percentage of GDP	**2.6**	**2.4**	**2.2**	**2.2**	**2.1**	**2.1**
2. External Debt						
*(at current Value)**	*194070*	*201199*	*210086*	*264062*	*249306*	*278877*
percentage of GDP	**5.3**	**4.7**	**4.2**	**4.7**	**3.9**	**3.6**

**Exchange rate as on 31st March of respective years*

It may be seen from the above that external debt (at current exchange rate) as percentage of GDP has consistently declined during the period 2005-06 to 2010-11, except for the period 2008-09. There is continued less reliance on external debt for financing of deficit. This attribute of Indian debt has augured well in the context of present world wide discussion on sustainability of sovereign debt. Lower level of external debt coupled with the nature of outstanding external debt, which is largely on concessional terms from Multilateral Institutions and friendly countries, puts India at relatively comfortable level compared to equally indebted countries. Out of this external debt, about 66.3 per cent is from Multilateral Institutions[19] which are largely on concessional terms with long maturity.

Apart from the Multilateral Institutions, external debt has also come from friendly countries for development projects. As per the extant policy on Bilateral Development Cooperation, Bilateral Development Assistance which inter alia includes loans is presently being accepted only from all G-8 countries[20] as well as the European Commission. The details on agency wise outstanding external loans as on 31.3.2010 are shown in the Annex VII.

Over the years, proportion of external debt in the overall general government debt has declined consistently.

Table 2.8: Trends in external debt as proportion of government debt

External Debt	Actuals					Provisional
	2005-06	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**
percentage of Central Government debt	**10.0%**	**9.5%**	**9.1%**	**9.6%**	**7.9%**	**7.9%**
percentage of General Government debt	**6.7%**	**6.3%**	**6.1%**	**6.6%**	**5.5%**	**5.5%**

Proportion of external debt in the Central Government debt has declined from 10% in 2005-06 to 7.9% in 2010-11 and the same has declined from 6.7% to 5.5% as proportion of general government debt. With gradual decline in net inflow from Multilateral Institutions in the coming years (in view of their exposure norms), government would have the option of exploring other sources of external debt to maintain a reasonable mix of domestic and external debt in its portfolio.

[19] *IDA, IBRD, ADB*
[20] *USA, UK, Japan, Germany, France, Italy, Canada and Russian Federation.*

3

Public Account Liabilities

According to Article 266(2) of the Constitution of India, all Public Money received by or on behalf of the Government of India, other than those which are for credit to the Consolidated Fund of India, shall be credited to the Public Account of India. The receipts into the Public Account and disbursements out of it are generally not subject to vote by the Parliament. In respect of receipts into the Public Account, the Government is acting as a Banker or Trustee and refunds the money on demand after completion of the implicit contract/event.

Receipts under public account mainly come from the sale of small savings instruments[21] which form part of the NSSF liabilities, contribution into General Provident Fund by government employees, Security and other Deposits received by the Government including special securities issued in lieu of subsidies to oil marketing companies, fertiliser companies, Food Corporation of India etc. and proceeds into other Funds and Reserves maintained in the Public Account. Some of the liabilities in the public account are interest bearing as government uses this resource for deficit financing and accordingly the Government has to credit interest from the Consolidated Fund of India at the pre defined rates on the amount outstanding in the Public Account.

The Public Account also includes various suspense and remittance heads which are used for temporary transaction and to settle payments on account of inter governmental transactions. Public Account is broadly divided into six sub-divisions which are explained in this chapter.

I. Small Savings, Provident Funds, Insurance and Pension Funds, Special Deposits and Accounts etc.

This largely consists of liabilities under

- National Small Savings Fund (NSSF);
- State Provident Funds consisting of General Provident Fund, Defence Services Officers and Personnel Provident Funds, State Railways Provident Fund etc.;
- Postal Insurance and Life Annuity Fund, Employees' Group insurance Scheme;
- Special Deposits by Provident, Superannuation and Gratuity Funds; and
- Special securities issued to various organizations like Oil Marketing Companies, Fertiliser companies, Food Corporation of India, Unit Trust of India, IDBI etc.

Except for the NSSF liabilities, details of which are explained in the following section, all the above components are interest bearing liabilities for the Government of India. Interest rates for provident funds are fixed from time to time[22] by the Government of India whereas interest rates for special securities are fixed at the time of issuance. Liabilities on account of securities issued in lieu of subsidies had increased significantly during 2005-06 to 2008-09. From 2009-10, Government has paid the subsidy commitments in cash, except for roll over liabilities on petroleum subsidy for 2008-09 in 2009-10.

State Provident Funds

The trends in the above liabilities from 2005-06 are shown below:

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[21] *Refer Box 2.1 for various instruments*

[22] *Presently interest rate on General Provident fund is 8 per cent per annum*

Table 3.1: State Provident Funds

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 BE
1. State Provident Funds	**66262**	**71440**	**75336**	**83377**	**99433**	**111947**	**119420**
Percentage of GDP	***1.8***	***1.7***	***1.5***	***1.5***	***1.5***	***1.5***	***1.3***

Over the years, this component has been at around 1.5 per cent of GDP. Interest rate of this liability is administered by the Central Government which is 8 per cent for the year 2010-11.

Special Securities issued in lieu of Subsidies

Certain payments on account of various subsidies were made in the form of bonds in the past. This policy has been changed from 2009-10 and all payments related to subsidies are made in cash. Liabilities on account of bonds issued in lieu of subsidies are part of public account liability as special deposits from respective public sector undertakings/ private companies/autonomous bodies. These liabilities carry fixed interest rate, which are market linked as per their issuance period. Trends in these liabilities are shown in table 3.2 below:

Table 3.2: Special Securities issued in lieu of Subsidies

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 BE
Special securities (in lieu of subsidy payment)	*26611*	*66934*	*94988*	*177587*	*187887*	*182124*	*171124*
Percentage of GDP	0.7	1.6	1.9	3.2	2.9	2.4	2.0
Of this, Oil Marketing companies (Petroleum Bonds)	26611	50734	71288	133887	144187	144187	140187
Percentage of GDP	0.7	1.2	1.4	2.4	2.2	1.9	1.6
Food Corporation of India	0	16200	16200	16200	16200	16200	16200
Percentage of GDP	0.0	0.4	0.3	0.3	0.3	0.2	0.2
Fertilizer companies	0	0	7500	27500	27500	21737	14737
Percentage of GDP	***0.0***	***0.0***	***0.2***	***0.5***	***0.4***	***0.3***	***0.2***

Box 3.1: Issuance of Securities against Postal Life Insurance Schemes

As a reform measure to reduce administered rate instruments in the public account of India, Government has decided to freeze the corpus of Post Office Life Insurance Fund (POLIF) and Rural Post Office Life Insurance Fund (RPOLIF) lying in public account with effect from 31.10.2009 and convert them into dated securities over a period of three years starting from 2010-11 in consultation with RBI. Interest accrued upto 31st October 2009 had been credited in the fund in Public Account and further interest accrued after this date on the frozen corpus is being paid in cash.

During 2010-11, liabilities of ` 7,000 crore were converted into Special Securities and this forms part of the internal debt of the Central Government. The liabilities in public account have been reduced accordingly.

Box 3.2: Buy-back of Fertilizer Bonds

At the beginning of 2010-11, ` 27,500 crore was the outstanding amount of fertilizer bonds which were issued in 2007-08 and 2008-09. During 2010-11 and 2011-12, ` 14,000 crore of fertilizer bonds were considered for buy-back in two tranches of ` 7,000 crore each. On 31st March, 2011 in the first tranche, bonds with face value of ` 5762.98 crore and on 26th July, 2011 bonds with face value of ` 6,032.30 crore were bought back. This helped in reducing the government liability by ` 11,795.28 crore in public account, as one off receipt from 3G and BWA spectrum auction in 2010-11 were utilized to redeem this debt.

Refer Box 2.1 for PPF interest rate reform

National Small Savings Fund (NSSF)

NSSF was established in the Public Account of India with effect from 1st April, 1999 and all deposits under small saving schemes are credited to this fund. All withdrawals by the depositors are made out of the accumulations in this Fund. The balance in the Fund is invested in special State and Central Government securities as per norms decided from time to time by the Central Government.

Interest payment on Special Central and State Government securities is an income of the Fund while the cost of the interest paid to the subscribers and cost of management of small savings schemes are expenditure of the Fund. The special Central Government securities issued to NSSF constitute a part of the internal debt of the Government of India. This has been explained in detail in Chapter II.

After factoring in liabilities from NSSF included in the Internal Debt of the Government of India, the balance liabilities of NSSF are presently shown as liabilities in the Public Account of India. However, as explained in the Chapters II and IV of this paper, these outstanding liabilities in the Public Account under NSSF are not used for financing the deficit of Central Government. At the same time, these liabilities are matched with assets held as securities issued by State Governments towards NSSF. Therefore these liabilities are not included as part of the Central Government liabilities for analysis in this paper.

II. Reserve Funds

Reserve Funds in Public Account are constituted by the Central and State Governments under statutory provisions or otherwise. These funds are created with the objective of expending money accumulated under the funds on the specific and particular purposes for which they have been constituted.

Reserves or Reserve Funds may be classified under the following three categories according to the sources from which they are funded:-

(i) Funds accumulated from grants made by another Government and at times aided by public subscriptions (examples are relief funds etc.),

(ii) Funds accumulated from sums set aside by the Central or State Governments from the Consolidated Fund of India or the Consolidated Fund of the State, as the case may be, to provide reserves for expenditure to be incurred by themselves on particular purposes, (for example, the various Depreciation or Renewal Reserve Funds created in respect of commercial departments and undertakings);

(iii) Funds accumulated from contributions made by outside agencies to the Union or State Governments (examples are autonomous bodies like ICAR etc.)

Where reserves are created (either part or in full) out of money set aside by the Government from the Consolidated Fund of India, the transfers to and the expenditure from the reserves are required to be voted by the Parliament. This procedure may not apply to certain Reserve Funds which are governed by special arrangements.

Reserve Funds are classified into two categories according to requirement of interest payment. They are

(a) Reserve Funds bearing interest and

(b) Reserve Funds not bearing interest.

Reserve Funds bearing interest

The major components of reserve funds bearing interest are pertaining to Railway, Government Commercial Departments and Undertakings. The total outstanding liabilities under this component have shown substantial reduction due to draw down from Railways. While the outstanding amount under this category was ` 15,627 crore at the end of March 2009, the net outstanding is ` 474 crore at the end of March 2011. Reserve funds related to railways namely, Railway Depreciation Reserve, Railway Development Fund and Railway Capital Fund are showing negative balance amounting to ` 2,899 crore at the end of March 2011, which needs to be reversed by recouping the additional draw-down from past by transferring necessary funds from current revenue.

The trends of outstanding liabilities in this category are shown in Table 3.3 below.

Table 3.3: Reserve Funds – Bearing Interest

(` in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Reserve Funds-Bearing interest	12749	16602	22348	15627	4848	474
Percentage of GDP	***0.3***	***0.4***	***0.4***	***0.3***	***0.1***	***0.0***

Reserve Funds not bearing interest

Total outstanding liabilities at the end of March 2011 under this category has increased to ` 21,143 crore from ` 15,822 crore at the end of March 2010.This increase is mainly on account of higher transfer made under the Farmers Debt Waiver and Debt Relief Scheme to Farmers Debt Relief Fund[23] to take care of committed expenditure in 2011-12. Some of the other major components with their outstanding liabilities at the end of March 2011 are shown in Table 3.4 below:

Table 3.4: Major Components of Non-interest Bearing Reserve Funds

(` in crore)

Sr. No.	Major Components	Outstanding Liabilities (as on 31.3.2011)
1.	Central Road Fund	3,803
2.	Railway Safety Fund[24]	3,076
3.	Guarantee Redemption Fund	1,630
4.	National Calamity Contingency Fund	1,485

The trends in liabilities under this component in the recent years are shown below.

Table 3.5: Reserve Funds – Not Bearing Interest

(` in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Reserve Funds- Not Bearing interest	10094	17850	22497	18621	15822	21143
Percentage of GDP	***0.3***	***0.4***	***0.5***	***0.3***	***0.2***	***0.3***

III. Deposits and Advances

In the Public Account certain sums of money are received to be held as deposits with Government. This flow of money as deposit comes by virtue of certain statutory provision or general or special orders of Government. Some of these deposits are interest bearing. The total outstanding liabilities under Deposits bearing interest at the end of March 2011 has increased to ` 69,948 crore from ` 68,027 crore at the end of March 2010. This amounts to 0.9 per cent of GDP.

Of this, ` 51,315 crore is on account of Employees Family Pension Scheme, 1971; ` 6,723 crore is under Field Deposits; ` 5,847 crore is under Miscellaneous Deposits and ` 2,947 crore is under Coal Mines Family Pension and Insurance linked scheme. These components account for 95.5 per cent for interest bearing deposits presently.

The total outstanding liabilities under Deposits not bearing interest at the end of March 2011 has increased to ` 37,197 crore from ` 30,757 crore at the end of March 2010. This amounts to 0.5 per cent of GDP. These deposit accounts largely consist of Civil Deposits like Security Deposits, Civil Court Deposits, Public Works Deposits, Deposits for purchase abroad, Defence Deposits, Railway Deposits, Postal Deposit, Telecommunication Deposits and balance account of Union Territories.

The trends in outstanding liabilities for Deposits are shown in Table 3.6 below.

[23] Balance under this Fund was ` 4,660 crore at the end of March 2011
[24] Including Special Railway Safety Fund

Table 3.6: Deposits – Interest Bearing and Not Bearing Interest

(` in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Deposits	86619	96844	81941	94435	98783	107145
Percentage of GDP	*2.3*	*2.3*	*1.6*	*1.7*	*1.5*	*1.4*
Bearing interest	40901	46104	50715	62757	68027	69948
Percentage of GDP	**1.1**	**1.1**	**1.0**	**1.1**	**1.1**	**0.9**
Not bearing interest	45717	50741	31226	31677	30757	37197
Percentage of GDP	***1.2***	***1.2***	***0.6***	***0.6***	***0.5***	***0.5***

Advances

Government occasionally makes loans and advances to public and quasi-public bodies and to individuals, some under special laws and others for special reasons or as a matter of recognized policy. The monitoring of the conditions of repayment of a loan or advance is done and a close watch over repayment of principal and realization of interest, if any, is maintained. Under advances in the Public Account, for the period ending 31st March 2011 there is a balance of (-) ` 5,899 crore which is mainly attributed to Postal advance of (-) ` 4,794 crore and Telecommunication advance of (-) ` 323.28 crore. The trends in outstanding advances in the Public Account are shown in Table 3.7 below.

Table 3.7:Advances

(` in crore)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Advances	-3302	-3342	-4467	-9817	-8969	-5899
Percentage of GDP	***-0.1***	***-0.1***	***-0.1***	***-0.2***	***-0.1***	***-0.1***

IV. Suspense and Miscellaneous

Under Suspense heads in the Public Account, all such transactions are recorded which are ultimately removed either by payment or recovery in cash or by book adjustments. *Unless otherwise provided for by rules, the uses of Suspense heads for provisional adjustment of transactions are to be avoided.*

The unadjusted balances under these heads continue to represent bonafide assets or liabilities of Government capable of being realized or settled, as the case may be. *All balances in suspense heads must be reviewed at short intervals and in reviewing the balances it should be ensured that no item remains unadjusted longer than is reasonably necessary to bring about its clearance in the ordinary course with due regard to the rules applicable to each case, as prescribed by the Controller General of Accounts in consultation with the C&AG. However, there are instances of amounts remaining unadjusted at the end of the year thereby leading to under reporting of deficit of the Government to some extent.*

The outstanding under various suspense and miscellaneous heads administered by various Ministries/Departments at the end of March 2011 has reduced to (-) ` 15,920 crore from (-) ` 25,014 crore at end of March 2010. *Necessary steps have to be taken to reduce this amount in the coming years.*

V. Remittances

In the case of Remittance transactions, debits and credits are cleared either by receipt or payment in cash or by book adjustment under the relevant Service or Revenue heads of accounts, or are paired off by corresponding credits or debits within the same or in another accounting circle. *As per extant guidlines, the scrutiny of balances from month to month should be done in such a manner to effect their early clearance. Accuracy of the outstanding at the end of the year should be maintained effectively.* Necessary efforts are being made in this regard. The outstanding under various Remittances components at the end of March 2011 has reduced to (-) ` 2,232 crore from (-) ` 2,574 crore at end of March 2010.

VI. Cash Balance

This shows the cash balance of the Government of India with RBI, CAS, Nagpur. This is depicted as debit if the Government has surplus cash at the end of the reporting period because such surplus cash is invested by RBI on behalf of the Government upto ` 50,000 crore. Surplus exceeding ` 50,000 crore are held as cash balance in Government Account with RBI.

Summary

All the components of Public Account of the Government of India have been explained above. Of the total liabilities considered here (excluding NSSF liabilities in the Public Account), interest bearing liabilities amount to ` 5,39,662 crore at the end of March 2011 which is 7 per cent of GDP and 15.2 per cent of total debt and liabilities of the Central Government. The trends in various components as percentage of GDP are summarised below in Table 3.8:

Table 3.8: Public Account

(Percentage of GDP)

	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Public Account Liabilities[25]						
(a) State Provident Fund	1.8	1.7	1.5	1.5	1.5	1.5
(b) Other Account	5.1	5.1	4.9	5.9	5.1	4.0
(c) Reserve funds & Deposit	3.0	3.1	2.5	2.3	1.8	1.7
Bearing Interest	1.5	1.5	1.5	1.4	1.1	0.9
Not bearing interest	1.5	1.6	1.1	0.9	0.7	0.8
Total	**9.8**	**9.8**	**9.0**	**9.7**	**8.5**	**7.1**

It may be seen from the above table that public account liabilities have shown consistent decline during 2005-06 to 2010-11, except for the year 2008-09 wherein large issuance of securities were resorted to for payment of petroleum and fertilizer subsidy. During 2010-11 and in 2011-12, part of the bonds issued in lieu of fertilizer subsidy was bought back by the government. The positive trend on declining public account liabilities have been restored in 2009-10 and 2010-11. *With the change in policy on subsidy payment in the form of cash only, the overall liabilities in public account as percentage of GDP is expected to show consistent decline over the medium term.*

[25] *Excluding liabilities on account of NSSF liabilities not used for financing of Central Govt. deficit*

4

Trends in Central Government Debt and Liabilities

In the preceding sections various components of Central Government debt and liabilities have been explained. The detailed information was first time provided in the last year's debt paper. Continuing with the analysis as done in the previous year's paper, the table below gives the data on public debt as presented in the Receipts Budget 2011-12 and in the following sections further analysis of trends in public debt and liabilities has been made.

Table 4.1: Debt Position of the Central Governement

PUBLIC DEBT

(` crore)

	Actuals					Provisional	Estimates RE	Estimates BE
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
1. Total Debt (2+5)	2260145	2538596	2837426	3159178	3529960	3938774	3931105	4352689
Percentage of GDP	**61.2**	**59.1**	**56.9**	**56.1**	**54.7**	**51.3**	**49.9**	**48.5**
2. Public Debt[26] (3+4)	1484001	1647691	1911682	2142887	2462422	2824754	2860191	3281465
Percentage of GDP	**40.2**	**38.4**	**38.3**	**38.1**	**38.1**	**36.8**	**36.3**	**36.5**
3. Internal Debt	1389758	1544975	1799651	2019841	2328339	2667115	2703844	3110618
Percentage of GDP	**37.6**	**36.0**	**36.1**	**35.9**	**36.1**	**34.8**	**34.3**	**34.6**
4. External Debt[27]	94243	102716	112031	123046	134083	157639	156347	170847
Percentage of GDP	**2.6**	**2.4**	**2.2**	**2.2**	**2.1**	**2.1**	**2.0**	**1.9**
5. Other Liabilities[28] (Public Account)	776144	890905	925744	1016291	1067538	1114020	1070914	1071224
Percentage of GDP	**21.0**	**20.7**	**18.6**	**18.1**	**16.5**	**14.5**	**13.6**	**11.9**
6. GDP[29]	3693369	4294706	4987090	5630063	6457352	7674148	7877947	8980860

The table above shows the overall debt and liabilities for the financial year ending March 2011 at ` 39,38,774 crore amounting to 51.3 per cent of GDP. This includes ` 28,25,754 crore of Public Debt (including both internal and external debt at book value) amounting to 36.8 per cent of GDP and ` 11,14,020 crore of Other Liabilities in the Public Account of the Government of India amounting to 14.5 per cent of GDP.

Certain components of public debt and liabilities, namely external debt, MSS, NSSF (liabilities in Public Account) and 14-days Treasury Bills require necessary adjustment for correctly depicting the position of debt. In the following sections each of these components has been analyzed separately and the adjusted debt with the corrections has been explained.

[26] *debt in the Consolidated Fund of India*
[27] *External debt at book value at historical exchange rates*
[28] *Liabilities in the Public Account of Central Government*
[29] *CSO data for QE2010-11 and AE2011-12; BE2011-12 as presented in the Budget for 2011-12.*

Impact of External Debt calculation at Current Exchange Rate

The above data for public debt as presented in the Receipts Budget includes external debt at book value. However, for correct depiction of liabilities, the historic value of external debt contracted over the years has to be updated with its current value in rupee term. The correction in external debt data has been arrived at by adopting exchange rate prevailing at the end of respective financial years for conversion of outstanding loans denominated in foreign currencies to rupees for each year. For 2010-11, exchange rate of ` 44.70 for a US dollar (as on 31st March 2011) has been taken. The following table gives the details of the impact of this correction on the overall debt and public liabilities.

Table 4.2: Trends in Central Government Debt and Liabilities with external debt at current exchange rate

(` crore)

	Actuals					Provisional	Estimates	
							RE	BE
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
1. Total Debt	2260145	2538596	2837426	3159178	3529960	3938774	3931105	4352689
percentage of GDP	**61.2**	**59.1**	**56.9**	**56.1**	**54.7**	**51.3**	**49.9**	**48.5**
Of this								
2. External Debt								
(at Book Value)	94243	102716	112031	123046	134083	157639	156347	170847
percentage of GDP	**2.6**	**2.4**	**2.2**	**2.2**	**2.1**	**2.1**	**2.0**	**1.9**
3. External Debt								
(at current Value)	194070	201199	210086	264062	249306	278877	271570	293377
percentage of GDP	**5.3**	**4.7**	**4.2**	**4.7**	**3.9**	**3.6**	**3.4**	**3.3**
4. Total Debt with external debt at current exchange rate (1-2+3)	2359972	2637079	2935481	3300194	3645183	4060012	4046328	4475219
percentage of GDP	**63.9**	**61.4**	**58.9**	**58.6**	**56.5**	**52.9**	51.4	**49.8**

During the period 2005-06 to 2010-11, the adjusted debt and liabilities show a reduction from 63.9 per cent to 52.9 per cent. While the correction with external debt at book value during the above mentioned period is of the order of 9.9 per cent of GDP (61.2 per cent in 2005-06 minus 51.3 per cent in 2010-11), the same with external debt at current value is 11 per cent of GDP (63.9 per cent in 2005-06 minus 52.9 per cent in 2010-11).

NSSF liabilities not used for financing Central Government deficit

This component of liability is reflected in the Public Account of the Central Government. All deposits under small savings schemes are credited to the "National Small Savings Fund" (NSSF), established in the Public Account of India with effect from 1.4.1999. All withdrawals by the depositors are made out of the accumulations in this Fund. The balance in the Fund is invested in special Central and State Government securities as per norms decided from time to time by the Central Government[30].

The liability of outstanding balances amounting to ` 1,76,221 crore under various small savings schemes at the close of 31st March, 1999 was borne by the Central Government by treating the same as investment of NSSF in special Central Government securities. This liability has been accounted for as internal debt in the public debt. Sums received in NSSF on redemption of special securities from States as well as Centre are being reinvested in special Central Government securities. These securities also constitute a part of the internal debt of the Government of India under the consolidated fund. At the end of 2010-11, the outstanding liabilities in the form

[30] *For changes in investment guidelines refer Box 2.2.*

of Central government special securities issued towards NSSF liability is ` 2,18,485 crore (against ` 2,25,033 crore estimated in RE 2010-11) amounting to 2.8 per cent of GDP and 6.2 per cent of total debt and liabilities of Central Government. In the overall debt and liability of the Central Government, as shown in Table 1.1 of this paper, apart from the above ` 2,18,485 crore of liability, further ` 5,68,614 crore has also been included as other liability towards NSSF in Public Account. Thus the total liability on account of NSSF comes to ` 7,87,099 crore as shown in Table 1.1. This liability is also shown as part of overall debt and liabilities in Table 4.1 and 4.2 of this chapter.

There is no ambiguity in considering ` 2,18,485 crore (for which Central Government Special Securities have been issued to NSSF) as part of the overall debt and liability of the Central Government. However, the balance amount of ` 5,68,614 crore (shown as public account liability of Central Government towards NSSF) needs to be seen in the right perspective as this liability has not exactly been used for financing deficit of the Central Government.

Out of the balance amount of ` 5,68,614 crore shown above, ` 5,27,563 crore is matched with assets in the form of State Governments' Special Securities[31] issued towards NSSF which the States have used for financing their deficit. This part of the liability (` 5,27,563 crore amounting to 6.9 per cent of GDP) has been shown as State Governments' liability and therefore, while calculating the overall debt and liabilities of the Central Government as well as general government, it needs to be netted out to correctly depict the overall debt. The following table shows the impact of this adjustment over the already adjusted debt on account of factoring in external debt at current exchange rate.

Table 4.3: Trends in Central Government Debt and Liabilities-with NSSF adjustment

(` crore)

	Actuals					Provisional	Estimates	
							RE	BE
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
1. Total Debt with external debt at current exchange rate	2359972	2637079	2935481	3300194	3645183	4060012	4046328	4467912
percentage of GDP	**63.9**	**61.4**	**58.9**	**58.6**	**56.5**	**52.9**	**51.4**	**49.7**
Of this								
2. Liabilities on account of NSSF not used for financing Central Govt. deficit	391302	452064	458892	460056	484262	527563	481389	481483
percentage of GDP	**10.6**	**10.5**	**9.2**	**8.2**	**7.5**	**6.9**	**6.1**	**5.4**
3. Total Debt net of liabilities towards NSSF not used for financing Central Govt. deficit (1-2)	1968670	2185016	2476589	2840138	3160921	3532449	3564939	3986429
percentage of GDP	**53.3**	**50.9**	**49.7**	**50.4**	**49.0**	**46.0**	**45.3**	**44.4**

During the period 2005-06 to 2007-08, the process of fiscal consolidation helped in gradually reducing the debt to GDP ratio from 53.3 per cent to 49.7 per cent. However, during 2008-09 due to the counter cyclical measures taken by the Government, the fiscal deficit went up and accordingly the debt to GDP ratio increased to 50.4 per cent in 2008-09. Though the policy of fiscal expansion continued during 2009-10, still there was a decline in debt to GDP ratio from 2008-09.

[31] *This includes ` 1,500 crore investment in IIFCL*

With the process of fiscal consolidation resuming in 2010-11, wherein fiscal deficit was substantially reduced to 4.8 per cent of GDP from 7.8 per cent in 2008-09 and 6.6 per cent in 2009-10 (including the impact of bonds in lieu of subsidies), total debt and liabilities of the Central Government reduced significantly from 49 per cent of GDP in 2009-10 to 46 per cent of GDP in 2010-11.

Market Stabilisation Scheme (MSS)

Marginal increase in debt to GDP ratio from 49.7 per cent in 2007-08 to 50.4 per cent in 2008-09 and then the improvement in 2009-10 as shown in Table 4.3 don't reflect the true impact of fiscal expansion during 2008-09 and 2009-10. Similarly, the extent of correction in debt to GDP ratio during the fiscal consolidation period of 2004-05 to 2007-08 is understated which needs to be explained by analysing the impact of MSS during this period.

MSS was started in 2004-05 to assist the Reserve Bank of India for sterilisation of its exchange market intervention by absorbing excess liquidity from the system arising on account of large inflow of foreign exchange. This scheme provided for borrowings in addition to the normal borrowings of the Centre to finance its deficit. However, the proceeds so realised from these borrowings are sequestered in a separate cash account with RBI and are not used for purpose other than redemption of dated securities or treasury bills raised under this scheme. Interest payments on these borrowings are met by the Government and are duly factored in the fiscal deficit of the government.

The outstanding liabilities under MSS went up to 3.4 per cent of GDP in 2007-08. This, in turn, has increased the reported debt of the Central Government to that extent and negated the impact of fiscal consolidation which actually aided in reducing the debt to GDP ratio for the period 2004-05 to 2007-08.

Accumulation of debt under MSS is primarily a function of the extent of sterilisation required by the monetary authority in meeting its monetary policy objectives. There is only limited correlation in the fiscal side in the form of interest obligation on the above mentioned debt. While evolving a path of fiscal consolidation for the future years, this component of debt is difficult to predict in medium term. At the same time, cash raised under this scheme is not used for financing[32] the deficit of the Central Government. In view of the above, while reporting the general government debt and liabilities, this component has to be dealt with separately.

After adjusting for the debt under MSS, the correction in debt to GDP ratio for the period ending 2007-08 truly reflects the impact of fiscal consolidation. Also, the deterioration in debt to GDP ratio during 2008-09 and 2009-10 is much more pronounced and truly reflects the impact of increase in fiscal deficit. This could be seen from the table below wherein debt has been shown after adjusting for the impact of MSS:

Table 4.4: Trends in Central Government Debt and Liabilities

(` crore)

	Actuals					Provisional	Estimates RE	Estimates BE
	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
Total Debt net of liabilities towards NSSF not used for financing Central Govt. deficit	1968670	2185016	2476589	2840138	3160921	3532449	3564939	3986429
percentage of GDP	**53.3**	**50.9**	**49.7**	**50.4**	**49.0**	**46.0**	**45.3**	**44.4**
Of this								
MSS	29062	62974	170554	88773	2737	0	0	20000
percentage of GDP	**0.8**	**1.5**	**3.4**	**1.6**	**0.0**	**0.0**	**0.0**	**0.2**
Total Debt net of liabilities under MSS and towards NSSF not used for financing Central Govt. deficit	1939608	2122042	2306035	2751366	3158184	3532449	3564939	3966429
percentage of GDP	**52.5**	**49.4**	**46.2**	**48.9**	**48.9**	**46.0**	**45.3**	**44.2**

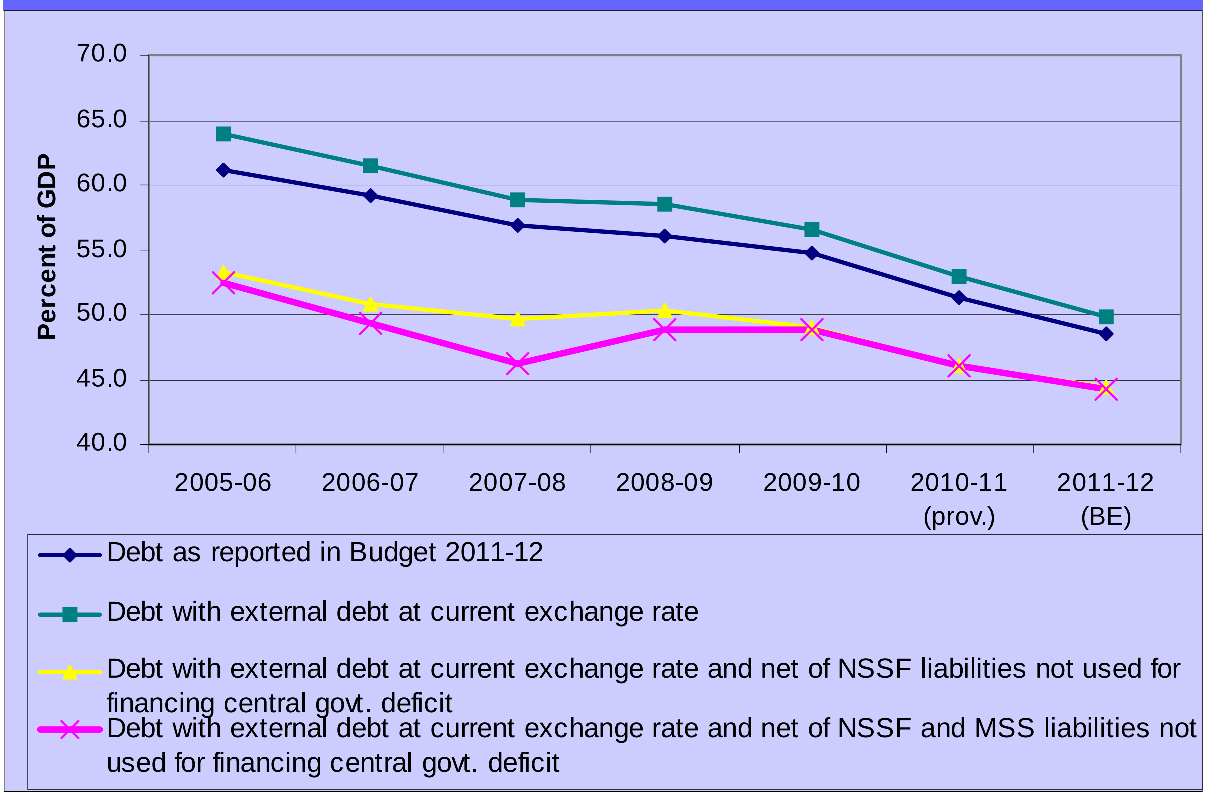
[32] If a decision on de-sequestering of certain amount takes place and cash is transferred from the MSS cash account to normal cash account of the Government, an equivalent amount of securities issued under MSS would form part of the normal debt of the government.

The debt as percentage of GDP (after adjusting for MSS and NSSF liabilities) has improved from 52.5 per cent in 2005-06 to 46.2 per cent in 2007-08. This shows improvement of 6.3 per cent of GDP during the above mentioned period of fiscal consolidation. Without netting of the impact of MSS, the reduction in debt over GDP during this period is 3.6 per cent only. Similarly, the increase in debt to GDP ratio which was 2.7 per cent of GDP (48.9 minus 46.2) is understated without netting of the impact of MSS during 2008-09 and shown as increase of 0.7 per cent of GDP (50.4 minus 49.7).

During the period 2004-05 to 2007-08, the accretions under MSS liabilities were quite significant. This led to over projection of existing debt for the Central Government during the above mentioned period. This component partially negated the improvement in the level of debt achieved due to fiscal consolidation. During 2008-09 and 2009-10 the liabilities under MSS got liquidated and accretion under NSSF also slowed down. This resulted in lower contribution of these two components in the overall debt as reported in the budget document.

Therefore it may be seen from the chart below that the last trend in the chart i.e. debt net of NSSF and MSS liabilities not used for financing Central Government deficit and with external debt at current exchange rate, gives the real depiction of movement in debt level along with the variation in fiscal policy of the Government. Debt as percentage of GDP has started going up after 2007-08 due to the larger fiscal deficit. With the reduction in fiscal deficit in 2010-11, it is once again showing a reducing trend.

Chart 4.1 Trends in Central Government Debt and Liabilities



Trends in Consolidated General Government Debt

For the purpose of arriving at Consolidated General Government debt, Centre's debt has been taken as derived in Table 4.4 after adjusting for external debt at current exchange rate, NSSF and MSS liabilities not used for financing the deficit of Central Government. For the purpose of absolute value of outstanding debt for State Governments, the consolidated data for all the State Governments as published in the RBI publication –'Study of State Finances' for 2010-11 has been used in this paper.

One of the components of Centre's debt in the form of investment in 14-days Treasury Bills by the States has to be adjusted along with outstanding Centre's loans to States for arriving at the consolidated general government debt. These two adjustments are needed to avoid double counting of debt by eliminating inter-governmental transaction. While adjustment for the second component is as per the established principle, treatment of the first component which is in the form of lending from States to Centre has to be seen in the same context.

State Governments are running deficit budget and at the same time investing their cash surplus on consistent basis in debt instrument (14-days Treasury Bills) of the Central Government. In a hypothetical situation, if the State Governments reduce their borrowings in a particular year to such extent so as to bring down their level of investment in 14-days Treasury Bills to zero or a lesser amount, the debt reported for State Governments would be reduced to that extent without any under financing of deficit. At the same time, there will be reduction in financing side of the Central Government's deficit which would trigger fresh borrowings from other sources to the same extent by the Central Government. Thus, the level of debt for Central Government would remain the same as one instrument of debt will be replaced by another instrument. But the level of debt for the State Governments in this hypothetical situation would be reduced by the extent of cash draw down from investment in 14-days Treasury Bills. This component of debt is being counted both at the Centre and State level when their debt is reported separately. While presenting the consolidated debt for Centre and States, this has to be therefore corrected and State Government's debt needs to be netted to the extent of their investment in 14-days Treasury Bills instrument.

With the above adjustments, trends in general government debt are shown in the table below:

Table 4.5: Trends in Central Government, State Govt. and General Govt. Debt and Liabilities

(` crore)

		Actuals					Provisional	Estimates	
								RE	BE
		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2010-11	2011-12
1.	Central Government	1939608	2122042	2306035	2751366	3158184	3532449	3564939	3966429
	percentage of GDP	52.5	49.4	46.2	48.9	48.9	46.0	45.3	44.2
2.	States' Debt and Liabilities	11,47,717	12,41,576	13,28,302	14,70,195	16,38,474	18,20,155	1820155	2035696
	percentage of GDP	31.1	28.9	26.6	26.1	25.4	23.7	23.1	22.7
	Of this,								
	2(a) Investment in 14-days Treasury Bills	39340	39475	68630	98663	95668	101301	88984	88984
	percentage of GDP	1.1	0.9	1.4	1.8	1.5	1.3	1.1	1.0
3.	State Debt and Liabilities(net) {2-2(a)}	1108377	1202101	1259672	1371532	1542806	1718854	1731171	1946712
	percentage of GDP	30.0	28.0	25.3	24.4	23.9	22.4	22.0	21.7
4.	*Outstanding Central Govt. Loans to States*	1,57,004	1,46,653	1,45,098	1,43,870	143152.2	1,55,698	1,55,698	1,55,699
	percentage of GDP	4.3	3.4	2.9	2.6	2.2	2.0	2.0	1.7
5.	*General Govt. Debt (1+3-4)*	2890981	3177489	3420610	3979028	4557838	5095605	5140412	5757442
	percentage of GDP	78.3	74.0	68.6	70.7	70.6	66.4	65.3	64.1

General government debt has consistently declined during the period 2005-06 to 2007-08. The reduction is of the order of 9.7 per cent of GDP in two financial years. However, it slipped back by 2 per cent of GDP at the end of 2009-10 due to the stimulus measures undertaken by the government during 2008-09 and 2009-10. With the resumption of fiscal consolidation process coupled with higher economic growth in 2010-11, general government debt has reduced to 66.4 per cent of GDP. During the global financial crisis period, though debt of Central Government has increased from 46.2 per cent of GDP to 48.9 per cent of GDP, States were able to reduce their net debt from 25.3 per cent of GDP to 23.9 per cent of GDP. This shows that much of fiscal expansionary measures were undertaken at the central level and States were partially insulated from the fiscal impact of those measures.

It may be recalled that the 13th Finance Commission has recommended reduction of the consolidated debt of the Central and State Governments to 68 per cent of GDP by the end of year 2014-15. However, the target for general government debt in terminal year has been achieved in the first year of the award period itself. This better than recommended performance on debt stock is on account of lower than estimated deficit[33] during 2010-11 and higher than estimated nominal GDP number when compared to what was factored in at the time of Finance Commission report presentation. The breakup of recommended debt targets for Centre, States and General Government by the 13th Finance Commission is given below:

13th FC Recommended Debt Roadmap for General Government

(Percentage of GDP)

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
1. Debt Stock-Centre	54.2	53.9	52.5	50.5	47.5	44.8
2. Debt Stock-States	27.1	26.6	26.1	25.5	24.8	24.3
3. Outstanding Central Loans to States	2.5	2.2	2.0	1.7	1.5	1.3
4. Consolidated Debt (1+2-3)	78.8	78.3	76.6	74.3	70.8	67.8

Conclusion

It may be seen from above analysis that after adjusting for (a) external debt at current exchange rate, (b) NSSF liabilities not used for financing Central Government deficit and (c) debt under MSS; the overall debt and liabilities of the Central Government as percentage of GDP is 46.0 per cent of GDP at the end of March 2011. Without adjusting for these three components, the reported debt of the Central Government at the end of Mach 2011 would be 51.3 per cent of GDP.

There was a consistent trend of reduction in debt to GDP ratio for the Central Government upto 2007-08. This reduction was primarily on account of fiscal consolidation path followed during the above mentioned period. The correction of the order of 6.3 per cent[34] of GDP in two financial years shows that by consistently maintaining fiscal deficit at a prudent level over the medium term, the overall debt as percentage of GDP could be curtailed to a more sustainable level. However, higher fiscal deficit (during 2008-09 and 2009-10) due to counter cyclical measures, has reduced the gain by 2.7 per cent[35] of GDP. Resumption of fiscal consolidation process in tandem with higher economic growth has caused a substantive reduction in debt as percentage of GDP for the period ending March 2011. In one year, the correction[36] is of the order of 2.9 per cent of GDP.

This brings in the issue of consistency in conducting fiscal policy over the medium term. The principles of 'counter cyclical policy' adopted during the difficult years needs to be followed by fiscal consolidation and creation of fiscal space in the better years. This would help in recapturing the gains lost during bad years and would provide fiscal space for implementing counter-cyclical policy during the bad years.

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33 *13th FC recommended fiscal deficit for Central Government was 5.7 per cent of GDP whereas it has turned out to be 4.8 per cent of GDP.*

34 *From 52.5 per cent in 2005-06 to 46.2 per cent in 2007-08*

35 *From 46.2 per cent in 2007-08 to 48.9 per cent in 2009-10*

36 *From 48.9 per cent in 2009-10 to 46.0 per cent in 2010-11*

5

Sustainability of Outstanding Government Debt and Future Financing Scenario in India

Sustainability of sovereign debt has always been an important tool to assess the macro-economic health of a Country. This topic has become all the more relevant in the present context of happenings around the globe, particularly in the Euro zone. Most of the economies of the world have undertaken fiscal expansionary measures starting from 2008 to reduce the impact of the global financial crisis. These measures in turn have led to significant increase in the level of public debt and liabilities as percentage of GDP for most of the countries. While the shift in policy had helped global economy to move towards recovery, the future outlook for the global economic growth is still not the same as it was before the advent of the financial crisis in 2008. The year 2011 has further added to this uncertainty on future revival. This has made the debate on sustainable level of public debt all the more relevant and this issue has become central for designing future fiscal policy.

After giving a detailed analysis of existing debt stock of India in the previous chapters, it would be pertinent to look at issues related to sustainability of this stock as well as likely scenarios of financing future debt in India.

Though the level of Debt as percentage of GDP in case of India has not increased steeply during the crisis period (2008-09 and 2009-10), the trend of reduction witnessed during the fiscal consolidation period just before the crisis did however get reversed. Central Government debt as percentage of GDP increased from 46.2 per cent in 2007-08 to 48.9 per cent of GDP at the end of 2009-10. Similarly, the consolidated debt of general government increased from 68.6 per cent in 2007-08 to 70.6 per cent in 2009-10. However, government was able to finance larger deficit without any disruption in market mainly through domestic financing. With the reduction in fiscal deficit for 2010-11, the trend witnessed in the last two years of increasing debt has been arrested and general government debt and Central Government debt has reduced to 66.4 per cent and 46 per cent of GDP respectively. *It would be the endeavour of the government to gradually reduce the debt level over the medium term even below the level recommended[37] by the 13th Finance Commission.*

Recent experience has shown that any analysis of sovereign debt sustainability should not be merely based on the classical definition[38]. It should encompass some of the important parameters such as maturity profile, composition, carrying cost, external or domestic investor base along with savings rate, potential and realised tax to GDP ratio, etc.

In the case of India, the gradually declining level of general government debt estimated over the medium term does answer the sustainability issue positively. At the same time the characteristics of existing debt stock and economic parameters such as high domestic savings rate, longer residual maturity, fixed rate of interest, higher proportion of domestic currency denominated debt and wide gap in potential and realised tax to GDP ratio, put India in a better position when compared to equally or even lower level of indebted economies. The following analysis of the above mentioned characteristics would show that India has positive attributes compared to both Developed and Emerging Market economies and is less vulnerable to risky parameters seen either in developed and other EMEs.

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37 67.8 per cent and 44.8 per cent of GDP for General Government and Central Government respectively by the end of 2014-15

38 Principles related to Primary deficit along with differential in interest and growth rate

Maturity profile of Central Government Dated Securities

Maturity profile of the Central Government dated securities shows that in the next five years only 29 per cent of outstanding stock at the end of March 2011 would be required to be refinanced. Thus on average about 6 per cent of the outstanding stock needs to be rolled over every year in the coming 5 years. This would translate into average roll over volume of about 1.2 per cent of GDP which compares well with the average total revenue receipts of 9.9 per cent of GDP for the Central Government during the period 2006-07 to 2010-11.

The weighted average maturity for outstanding stock at the end of March 2011 of Central Government dated securities is 9.64 years. Weighted average maturity of dated securities issued during 2011-12(upto December 2011) is 12.56 years. This would help in further elongating maturity profile of the government debt which in turn would help in reducing redemption pressure in the coming years. The trends in the maturity profile of the stock and flow in the recent years for the Central Government dated securities are shown below:

Table 5.1: Weighted average maturity of dated securities

Year	Issued During the year	Outstanding Stock
	Weighted Average Maturity (yrs)	
1	2	3
2003-04	14.94	9.78
2004-05	14.13	9.63
2005-06	16.9	9.92
2006-07	14.72	9.97
2007-08	14.9	10.59
2008-09	13.81	10.45
2009-10	11.16	9.67
2010-11	11.62	9.64
2011-12 (upto December, 2011)	12.56	9.66

The above maturity profile may be seen in the context of lower maturity profile of Central Government debt in local currency for most of the Advanced Economies[39] as in 2010.

Share of External Debt

While general government debt for India stands at 66.4 per cent of GDP at the end of March 2011, external debt for the Government at current exchange rate is 3.6 per cent of GDP. This amounts to 5.4 per cent of total debt. Most of the external debt is from multilateral and bilateral creditors. Exposure towards Foreign institutional investment in Government debt in India is also at a very low level and that too in domestic currency. This mitigates the refinancing risks with respect to foreign exchange requirement, if any. *In most of the emerging market economies, external debt constitutes fairly large proportion of overall debt when compared to India. This gives India a distinct advantage in refinancing its maturing debt.*

Fixed or variable Interest Rate

Floating rate bonds constitute less than 3 per cent of outstanding Central Government dated securities. That implies that the future risk on inflation movement is not high for India for the existing stock.

Domestic Savings Rate

During the 1980s and 90s, Domestic Savings rate in India as percentage of GDP was hovering in 20s till it crossed the 30 per cent barrier for the first time in 2003-04. Thereafter it increased steadily to 36.4 per cent of GDP in 2007-08 and continues to be in 30s even during the crisis period (32.5 per cent of GDP in 2008-09). The high rate

[39] *Source: OECD Central Government Debt Yearbook (1980-2010)*

of domestic savings as proportion of GDP has worked as a *growth propeller* for the Indian economy. This further gives India an edge over the developed economies with potential for higher investment rate in coming years, thereby aiding in future growth of economy.

The increase in GDP at higher rate is expected to further contribute to the revenue mobilization of the Government and in turn improve the debt service ratio.

All the above characteristics gives a distinct comfort level for future debt servicing for India. However, being a country with huge financing need for social and physical infrastructural requirement, it would not be prudent to further increase the share of expenditure on interest payments in the overall expenditure as this would result in lower resources availability for financing the developmental needs.

The trends in interest payment as a percentage of net tax revenue of the Central Government in the recent years are given below:

Table 5.2: Interest payment as percentage of net tax revenue

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Interest Payment	126934	132630	150272	171030	192204	219500	248664
% of Net Tax Revenue	56.5	49.3	42.8	38.9	43.4	46.7	41.1

It may be seen from the above table that 56.5 per cent of net tax revenue to the Central Government was being used for meeting interest payment commitments of past debt during the year 2004-05. However, with the process of fiscal consolidation during 2004-05 to 2007-08, this percentage came down to about 38.9 per cent. This correction helped in deployment of more resources for developmental needs. However, with expansionary fiscal policy undertaken in 2008-09 and 2009-10, share of interest payment from the net tax revenue has again increased to 46.7 per cent in 2009-10. *This clearly indicates that the level of incremental debt which was acquired during 2008-09 and 2009-10 has contributed to cornering higher level of available tax resources. Though with reduced level of deficit in 2010-11, this percentage has come down to 41.1 per cent in 2010-11, still this is higher than pre crisis level. This level of increase in interest payment may not be sustainable in the long term. Government is committed to bringing down this ratio in coming years to unlock more resources from current revenue for taking up developmental work..*

Even though there is minimal risk for India at this stage for its refinancing needs of existing debt, the government is taking efforts to further reduce the debt as percentage of GDP and interest payment as percentage of net tax revenue to adhere to the objective of inter-generational equity in fiscal management over the long term.

Box 5.1- Initiatives for reduction of debt

Utilisation of one off resources to contain debt

During 2010-11, government's revenue witnessed a windfall gain in the form of auction proceeds from 3G and BWA spectrum. In the Budget 2010-11, receipts from these auctions were estimated at ` 35,000 crore. However, the actual receipts were higher at ` 1.06 lakh crore. Thus, an additional sum of ` 71,000 crore was received. Keeping this in view, Government in its endeavour to reduce debt to the extent possible, took certain decisions which are outlined below:

(a) Market borrowings through dated securities were reduced by ` 20,000 crore from the Budget Estimate level (i.e. from ` 3.45 lakh crore to ` 3.25 lakh crore);

(b) Bonds issued to Fertilizer companies in lieu of Fertilizer subsidy amounting to ` 11,795 crore were bought back in two tranches on 31st March 2011 and 26th July 2011;

(c) NSSF liabilities in public account were reduced to the extent of ` 9,000 crore through redemption of Special Central Government Securities. Similarly, borrowing from NSSF was reduced by ` 2,023 crore compared to Budget Estimates. Thus, total reduction in debt/borrowing from NSSF was reduced by ` 11,023 crore.

(d) Loans to the extent of US $ 3.2 billion were estimated in BE 2010-11 from IBRD for recapitalisation of Public Sector Banks. However, loans to the extent of US $ 1.2 billion amounting to about ` 5,400 crore (as per the exchange rate at that time) were not availed in view of available resources.

The above items accounted for avoidance/ reduction of debt by ` 48,218 crore. This reduction in debt works out to 68 per cent of the receipts in excess of estimates from the auction of 3G and BWA spectrum.

Future Debt Financing Scenario

While the current debt stock does not pose great risk of roll over, it would be relevant to further analyse the future financing scenario of the Central Government's deficit. In this part of the paper, an analysis of Central Government's ability to finance its fiscal deficit has been done keeping in view the existing regulatory framework regarding investment patterns of scheduled commercial banks with respect to dated securities.

Scheduled commercial banks (SCBs) are the largest investors in the Central Government's dated securities. One of the primary reasons for this is that SCBs are required to conform to the Statutory Liquidity Ratio (SLR) requirement as mandated by the RBI. All Scheduled Commercial Banks, in addition to the average daily balance for CRR which they are required to maintain, are also required to maintain in India,

a) in cash, or

b) in gold valued at a price not exceeding the current market price, or

c) in unencumbered approved securities valued at a price as specified by the RBI from time to time, an amount of which shall not be less than 24 per cent of their respective total demand and time liabilities.

The following assumptions are made for arriving at future financing scenario for the Central Government dated securities over the medium to long term:

(a) The average trend growth rate of aggregate deposits of SCB's during the period 2003-04 to 2010-11 is 18.51 per cent[40] per annum. It is therefore assumed that the net demand and time liabilities (NDTL) would grow at 17 per cent with base year as 2010-11.

(b) It is assumed that mandatory SLR holding would remain at prevailing level of 24 per cent of NDTL.

(c) The recent trends show that Commercial Banks including banks acting as Primary Dealers are holding around 47 per cent of outstanding dated securities issued by the Central Government. It is assumed that Banks would continue to hold 47 per cent of incremental issuance of dated securities of Central Government.

(d) While the average nominal growth in GDP (at current market prices at market price) during last six years i.e. 2005-06 to 2010-11 is 15.5 per cent; for medium term projection, GDP growth is assumed at 14 per cent per annum in nominal terms.

(e) It is assumed that of the incremental investment by SCBs in the SLR category, 85 per cent would be in Central Government dated securities and the balance 15 per cent would be in State securities/State Development Loans (SDLs).

With these assumptions, the financing scenario of Central Government deficit financing through dated securities over the next 10 years are shown in the table 5.3. It may be seen from the table that in the event of Banks maintaining 24 per cent of their NDTL in SLR, the Central Government would be able to raise net borrowings in the range of 4.3 per cent of GDP to 4.8 per cent of GDP in the coming five years. With SLR requirement maintained at the present level, the scope of financing gradually increases to 5.5 per cent of GDP in 10 years. However, it would be interesting to analyse the impact of changes in mandated SLR requirement, if any, as well as increase in States' share from the overall pool of SLR related papers.

[40] *Table 47, Scheduled Commercial Banks - Select Aggregates, Real-Time Handbook of Statistics on the Indian Economy (HBS), (www.rbi.org.in)*

Table 5.3: Debt financing Scenario

Year	Incremental NDTL @17% growth	Mandated investment in SLR papers @24%	Investment in GoI Securities @85% of (3)	Total financing through dated securities (with banks share @ 47%)	GDP with growth at 14% in nominal terms	Total available financing as % of GDP
(1)	(2)	(3)	(4)	(5)	(6)	(7)
						(` in crore)
2012-13	1013869	243328	206829	440062	10159884	4.3
2013-14	1186226	284694	241990	514873	11582268	4.4
2014-15	1387885	333092	283129	602401	13203785	4.6
2015-16	1623825	389718	331260	704809	15052315	4.7
2016-17	1899876	455970	387575	824627	17159639	4.8
2017-18	2222854	533485	453462	964813	19561989	4.9
2018-19	2600740	624178	530551	1128832	22300667	5.1
2019-20	3042865	730288	620745	1320733	25422761	5.2
2020-21	3560153	854437	726271	1545258	28981947	5.3
2021-22	4165378	999691	849737	1807951	33039420	5.5

Even though the floor is set at 24 percent for SLR holdings, the SCBs have, on an average over the period of 2003-04 to 2010-11, invested about 28 percent[41] of incremental deposits in government securities. Based on the above trend, a more realistic scenario has been arrived at in the table 5.4 with modified assumptions as follows:

(a) SLR holdings have been assumed at 27 per cent of incremental NDTL in 2012-13. This has been reduced to 24 per cent in 2013-14, 23 per cent in 2014-15, 22 per cent during 2015-16 to 2018-19, 21 per cent during 2019-20 and 2020-21 and furhter to 20 per cent in 2021-22.

(b) Progressively the share of States' dated securities would increase as their reliance on market borrowing would increase gradually over the medium term. Therefore, States' share in SLR papers has been increased from 15 per cent to 20 per cent in 2013-14 and further to 25 per cent in 2017-18 and maintained at this level thereafter.

Table 5.4: Deficit Financing Scenario II

Year	Incremental NDTL @17% growth	Mandated investment in SLR papers @ 27% to 20%	Investment in GoI Securities @85% to 75% of (3)	Total financing through dated securities (with banks share @ 47%)	GDP with growth at 14% in nominal terms	Total available financing as % of GDP
(1)	(2)	(3)	(4)	(5)	(6)	(7)
						(` in crore)
2012-13	1013869	273745	232683	495070	10159884	4.9
2013-14	1186226	284694	227755	484586	11582268	4.2
2014-15	1387885	319214	255371	543342	13203785	4.1
2015-16	1623825	357242	285793	608071	15052315	4.0
2016-17	1899876	417973	334378	711443	17159639	4.1
2017-18	2222854	489028	366771	780364	19561989	4.0
2018-19	2600740	572163	429122	913026	22300667	4.1
2019-20	3042865	639002	479251	1019684	25422761	4.0
2020-21	3560153	747632	560724	1193030	28981947	4.1
2021-22	4165378	833076	624807	1329376	33039420	4.0

[41] *Table 47, Scheduled Commercial Banks - Select Aggregates & Table 123, Ownership of Centre and State Government Securities, Real-Time Handbook of Statistics on the Indian Economy (HBS), www.rbi.org.in*

The second scenario shows that Central Government would be able to raise debt of the order of 4.9 per cent of GDP in 2012-13 and in the range of 4.2 per cent to 4.0 per cent of GDP during the remaining period through dated securities. This augurs well as more resources could be released from the banking system towards private sector since SLR requirement has been assumed to decline gradually over the next 10 years period.

The above two scenarios have not factored in the other sources of deficit financing, namely, external debt, loans from small savings (NSSF) and public account in the form of provident fund, etc. which are available for financing Central Government deficit.

The above analysis has been given in this paper to generate discussion among stakeholders on the relevant issue on future debt financing. This, in any manner, should not be construed as government's projection on fiscal or other macro-economic parameters related to economy or monetary policy instruments over medium to long term. It would be interesting to modify some of the above assumptions for further analysis and arrive at future debt financing scenario in Central Government debt.

Annex -I : Office Memorandum

No. 6-1/2011-NS.II (Pt.)
Ministry of Finance
Department of Economic Affairs
(Budget Division)

New Delhi, the 11th November, 2011.

OFFICE MEMORANDUM

Sub: Decisions on the recommendations of the Committee for Comprehensive Review of National Small Savings Fund (NSSF).

The Thirteenth Finance Commission in its Report had, inter alia, recommended that all aspects of the design and administration of the NSSF be examined with the aim of bringing transparency, market linked rates and other much needed reforms to the scheme. As a follow up of this recommendation, the Government had constituted a Committee on 8th July, 2010, headed by Smt. Shyamala Gopinath, the then Deputy Governor, Reserve Bank of India for comprehensive review of NSSF. The terms of reference of the Committee included review of the existing parameters for the small saving schemes in operation and recommend mechanisms to make them more flexible and market linked; review of the existing terms of the loans extended from the NSSF to the Centre and States and recommend on the changes required in the arrangement of lending the net collection of small savings to Centre and States; review of other possible investment opportunities for the net collections from small savings and the repayment proceeds of NSSF loans extended to States and Centre; review of the administrative arrangement including the cost of operation; and review of the incentives offered on the small savings investments by the States.

2. The Committee submitted its report to the Government on 7th June, 2011. Comments/views of Department of Posts, Department of Revenue, Department of Financial Services, Department of Expenditure and all State/Union Territory Governments were sought on the recommendations made by the Committee.

3. The recommendations of the Committee have been considered in detail, taking into account the views/comments received from other Departments, States/UTs and representations received from various agents' associations and others. After detailed examination the following decisions have been taken:-

Rationalisation of Schemes

(i) The maturity period for Monthly Income Scheme (MIS) and National Savings Certificate (NSC) will be reduced from 6 years to 5 years.

(ii) A new NSC instrument, with maturity period of 10 years, would be introduced.

(iii) Kisan Vikas Patras (KVPs) will be discontinued.

(iv) The annual ceiling on investment under Public Provident Fund (PPF) Scheme will be increased from ₹ 70,000 to ₹ 1 lakh.

(v) Interest on loans obtained from PPF will be increased to 2% p.a. from existing 1% p.a.

(vi) Liquidity of Post Office Time Deposit (POTD) – 1, 2, 3 & 5 years – will be improved by allowing pre-mature withdrawal at a rate of interest 1% less than the time deposits of comparable maturity. For pre-mature withdrawals between 6-12 months of investment, Post Office Savings Account (POSA) rate of interest will be paid.

Interest Rates on Small Savings Instruments

(i) The rate of interest paid under Post Office Savings Account (POSA) will be increased from 3.5% to 4% p.a.

(ii) The rate of interest on small savings schemes will be aligned with G-Sec rates of similar maturity, with a spread of 25 basis points (bps) with two exceptions. The spread on 10 year NSC (new instrument) will be 50 bps and on Senior Citizens Savings Scheme 100 bps. The interest rates for every financial year will be notified before 1st April of that year.

(iii) Assuming the date of implementation of the recommendations of the Committee as 1st December, 2011, the rate of interest on various small savings schemes for current financial year on the basis of the interest compounding/payment built in the schemes, will be as given below:-

Instrument	Current Rate (%)	Proposed Rate (%)
Savings Deposit	3.50	4.0
1 year Time Deposit	6.25	7.7
2 year Time Deposit	6.50	7.8
3 year Time Deposit	7.25	8.0
5 year Time Deposit	7.50	8.3
5 year Recurring Deposit	7.50	8.0
5-year SCSS	9.00	9.0
5 year MIS	8.00 (6 year MIS)	8.2
5 year NSC	8.00 (6 year NSC)	8.4
10 year NSC	New Instrument	8.7
PPF	8.00	8.6

Commission to Agents

(i) Payment of commission on PPF schemes (1%) and Senior Citizens Savings Scheme (0.5%) will be discontinued.

(ii) Agency commission under all other schemes (except MPKBY agents) will be reduced from existing 1% to 0.5%.

(iii) Commission at existing rate of 4% will continue for Mahila Pradhan Kshetriya Bachat Yojana (MPKBY) agents.

(iv) Incentives, if any, paid by the State/UT Governments will be reduced from the commission paid by the Central Government.

Investments from NSSF

(i) The minimum share of States in net small savings collections in a year, for investment in State Governments Securities, will be reduced from 80% to 50%. The remaining amount will be invested in Central Government securities or lent to other willing States or in securities issued by infrastructure companies/agencies, wholly owned by Central Government.

(ii) Yearly repayment of NSSF loans made by Centre and States, will be reinvested in Central and State Government securities in the ratio of 50:50.

(iii) The period of repayment of NSSF loans by Centre and States will be reduced to 10 years, with no moratorium.

(iv) For the current financial year the prevailing interest rate of 9.5% will continue. From 1st April, 2012 revised interest rate will be notified.

(v) Half yearly payment of interest by the Centre and the States will be introduced.

(vi) Interest rate on existing investments from NSSF in Central Government securities till 2006-07 will be re-set at 9% and on those from 2007-08 till 2010-11 will be re-set at 9.5%.

Operational Issues of NSSF

(i) A Monitoring Group drawn from Ministry of Finance, Reserve Bank of India, Department of Posts, State Bank of India, other select banks and select State Governments will be set up to resolve various operational issues like reducing the time lag between collection and investment, etc.

4. Necessary notifications, including those requiring amendments to rules of various small saving schemes and National Small Savings Fund (Custody & Investment) Rules, 2001 will be notified separately. The above decisions will take effect from the dates to be specified in the notifications.

5. This has the approval of Finance Minister.

Sd/-

(Shaktikanta Das)

Addl. Secretary to the Govt. of India

To The Secretary,
Department of Posts,
Dak Bhawan,
New Delhi.

2. Finance Secretary,
Department of Revenue,
North Block,
New Delhi.

3. The Secretary,
Department of Expenditure,
North Block,
New Delhi.

4. The Secretary,
Department of Financial Services,
Jeevandeep Building,
Parliament Street, New Delhi.

5. The Director,
National Savings Institute,
4th Floor, CGO Complex,
'A'Block, Seminary Hills,
Nagpur.

6. Chief General Manager,
Deptt. of Govt. & Bank Accounts,
Central Office, Byculla Office Bldg.,
4th Floor, Opp. Mumbai Central
Railway Station, Byculla, Mumbai-400008.

7. Reserve Bank of India,
Central Accounts Section,
Additional Office Building,
East High Court Road,
Nagpur-440001.

8. Chief Secretaries of States/UT Govts.

Copy to: President, All India Mahila Pradhan and Small Savings Agents Confederation, Ansari Road, New Delhi.

Annex - II : Central Government Outstanding Securities issued to NSSF

DETAILS OF SECURITIES ISSUED	**(As on 31.3.2011) (₹ In crore)**
Category - I	
10.5% SPECIAL GOI SECURITIES AGAINST OUTSTANDING BALANCES AS ON 1.4.1999 **(₹ 73569.19 CRORE)**	73569.19
TOTAL	***73569.19***
Category - II	
13.5% Special GOI Securities against share of net collections during 1999-2000 **(Initial Actual amount ₹ 8978.88 cr.)** ***(₹ 6734.16 Cr. In 2010-11 & ₹ 6285.22 Cr. in 2011-12)***	6285.22
12.5% Special GOI Securities against share of net collections during 2000-01 **(Initial Actual amount ₹ 8316.26 cr.)** ***(₹ 6653.01 Cr. In 2010-11 & ₹ 6237.20 Cr. in 2011-12)***	6237.2
11% Special GOI Securities against share of net collections during 2001-2002 (Initial Actual **Amount: ₹ 8754.55 Cr.)** ***₹ 7441.37 Cr. In 2010-11 & ₹ 7003.64 Cr. in 2011-12)***	7003.64
9.5% Special GOI Securities against share of net collections during 2009-10 (Intial Actual Amount ₹ 2500.00 Cr.)	2500.00
9.5% Special GOI Securities against share of net collections during 2010-11 (Intial Actual Amount ₹ 12535.71 Cr.)	12535.71
Total	**34561.77**
Category - III	**No. Redemption**
01- 7% special GOI securities, 2023, issued on 1.4.2003 (₹ 13765.58 Cr.)	
02- 6% special GOI securities,2023, issued on 30.9.2003 (₹ 32602.28 Cr.)	
03- 5.95% special GOI securities,2024, dtd. 31.3.2004 (₹ 13608.87 Cr.)	
04- 6.96% special GOI securities,2024, dtd. 31.12.2004 (₹ 22665.00 Cr.)	
05- 7% special GOI securities,2025,(2005-06) (₹ 10010 Cr.)	
06- 7.5% special GOI securities,2025 issued on 30.9.2005 (**₹ 888 Cr.**)	
07- 7.6% special GOI securities,2026 issued on 31.3.2006 (**₹ 907.87Cr.**)	
08- 8.17% special GOI securities, 2026, issued on 31.9.2006 (**₹ 2015.85 Cr**)	
09- 7.88% special GOI securities 2027, issue3d on 31.3.2007 (**₹ 1832.89 Cr**)	
10-7.64% special GOI securities 2029 issued on 30.9.2009 **(₹ 6000 Cr)**	
11- 8.21% special GOI securities 2030 issued on 31.3.2010 **(₹ 6058 Cr)**	
Total	**110354.30**
TOTAL (I+II+III)	**218485.26**

Annex III : Statement showing Maturity Profile of Market Loans including Floating Rate Bonds (FRBs) and Conversion of special Securities as on 31st March, 2011

(Amount in Rupees Crore)

Year of Maturity	MARKET LOANS						SPECIAL SECURITIES					
	Dated Securities	Floating Rate Bonds	Conversion of Special Securities issued to Banks	Conversion of Special Securities issued to Others	Dated Securities	Total Col.(2) to Col.(6)	Oil Marketing Companies	Fertiliser Companies	Food Corporation of India	Others	Total Col.(8) to Col.(11)	Grand Total Col.(7) + Col.(12)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
2011-12	67581.19	6000.00	0.00	0.00	0.00	***73581.19***	4000.00	0.00	0.00	362.00	***4362.00***	***77943.19***
2012-13	85620.94	5000.00	0.00	0.00	0.00	***90620.94***	5762.85	0.00	0.00	0.00	***5762.85***	***96383.79***
2013-14	87008.84	4000.00	0.00	4000.00	0.00	***95008.84***	0.00	0.00	0.00	0.00	***0.00***	***95008.84***
2014-15	158018.36	5000.00	0.00	5000.00	0.00	***168018.36***	3500.00	0.00	0.00	0.00	***3500.00***	***171518.36***
2015-16	182243.95	12000.00	0.00	3000.00	0.00	***197243.95***	0.00	0.00	0.00	0.00	***0.00***	***197243.95***
2016-17	187129.84	6000.00	0.00	0.00	0.00	***193129.84***	0.00	0.00	0.00	0.00	***0.00***	***193129.84***
2017-18	180773.60	3000.00	0.00	11000.00	0.00	***194773.60***	0.00	0.00	0.00	0.00	***0.00***	***194773.60***
2018-19	139347.88	0.00	0.00	6130.00	0.00	***145477.88***	0.00	0.00	0.00	0.00	***0.00***	***145477.88***
2019-20	111000.00	0.00	0.00	12000.00	0.00	***123000.00***	0.00	0.00	0.00	0.00	***0.00***	***123000.00***
2020-21	71000.00	8000.00	0.00	0.00	0.00	***79000.00***	0.00	0.00	0.00	100	***100.00***	***79100.00***
2021-22	131213.32	0.00	1632.33	0.00	0.00	***132845.65***	10000.00	0.00	0.00	400	***10400.00***	***143245.65***
2022-23	107000.00	0.00	5464.69	11000.00	0.00	***123464.69***	0.00	20000.00	5000.00	0.00	***25000.00***	***148464.69***
2023-24	19000.00	0.00	0.00	8000.00	0.00	***27000.00***	31150.00	3890.00	0.00	9996.01	***45036.01***	***72036.01***
2024-25	10000.00	0.00	0.00	0.00	0.00	***10000.00***	52860.17	0.00	5000.00	0.00	***57860.17***	***67860.17***
2025-26	0.00	0.00	0.00	16687.95	0.00	***16687.95***	0.00	3610.00	0.00	0.00	***3610.00***	***20297.95***
2026-27	68000.00	0.00	4388.55	0.00	0.00	***72388.55***	36913.00	0.00	6200.00	0.00	***43113.00***	***115501.55***
2027-28	66000.00	0.00	2679.57	0.00	0.00	***68679.57***	0.00	0.00	0.00	0.00	***0.00***	***68679.57***
2028-29	11000.00	0.00	0.00	0.00	0.00	***11000.00***	0.00	0.00	0.00	0.00	***0.00***	***11000.00***
2031-32	50000.00	0.00	2687.11	0.00	0.00	***52687.11***	0.00	0.00	0.00	0.00	***0.00***	***52687.11***
2032-33	72000.00	0.00	3956.50	0.00	0.00	***75956.50***	0.00	0.00	0.00	0.00	***0.00***	***75956.50***
2034-35	60000.00	350.00	0.00	0.00	0.00	***60350.00***	0.00	0.00	0.00	0.00	***0.00***	***60350.00***
2035-36	42000.00	0.00	0.00	0.00	0.00	***42000.00***	0.00	0.00	0.00	0.00	***0.00***	***42000.00***
2036-37	59000.00	0.00	0.00	0.00	0.00	***59000.00***	0.00	0.00	0.00	0.00	***0.00***	***59000.00***
2038-39	13000.00	0.00	0.00	0.00	0.00	***13000.00***	0.00	0.00	0.00	0.00	***0.00***	***13000.00***
2040-41	32000.00	0.00	0.00	0.00	0.00	***32000.00***	0.00	0.00	0.00	0.00	***0.00***	***32000.00***
Total	**2009937.92**	**49350.00**	**20808.75**	**76817.95**	**0.00**	**2156914.62**	**144186.02**	**27500.00**	**16200.00**	**10858.01**	**198744.03**	**2355658.65**
Memo Items:												
Unclaimed Amount/ Outstanding agianst matured Securities						***648.26***						
Total						***2157562.88***						

Annex - IV : Statement showing Weighted Average Interest Rate of Interest (Maturity year wise) on Market Loans including FRBs Conversion of Special Securities to Banks and Special Securities to others as on 31st March, 2011

Year of Maturity	MARKET LOANS: Dated Securities	MARKET LOANS: Floating Rate Bonds	MARKET LOANS: Conversion of Special Securities issued to Banks	MARKET LOANS: Conversion of Special Securities issued to Others	MARKET LOANS: Dated Securities	Total Col.(2) to Col.(6)	SPECIAL SECURITIES: Oil Marketing Companies	SPECIAL SECURITIES: Fertiliser Companies	SPECIAL SECURITIES: Food Corporation of India	SPECIAL SECURITIES: Others	Total Col.(8) to Col.(11)	Grand Total Col.(7) + Col.(12)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(Weighted Average Rate of Interest)												
2011-12	10.19	3.89	0.00	0.00	0.00	***9.68***	7.46	0.00	0.00	6.10	***7.34***	***9.15***
2012-13	8.36	7.81	0.00	0.00	0.00	***8.32***	7.00	0.00	0.00	0.00	***7.00***	***8.23***
2013-14	8.12	4.81	0.00	7.27	0.00	***7.95***	0.00	0.00	0.00	0.00	***0.00***	***7.95***
2014-15	7.61	4.01	0.00	7.37	0.00	***7.49***	7.60	0.00	0.00	0.00	***7.60***	***7.50***
2015-16	7.95	4.19	0.00	7.38	0.00	***7.57***	0.00	0.00	0.00	0.00	***0.00***	***7.57***
2016-17	8.07	3.91	0.00	0.00	0.00	***7.92***	0.00	0.00	0.00	0.00	***0.00***	***7.92***
2017-18	7.51	4.12	0.00	6.81	0.00	***7.38***	0.00	0.00	0.00	0.00	***0.00***	***7.38***
2018-19	7.49	0.00	0.00	5.69	0.00	***7.42***	0.00	0.00	0.00	0.00	***0.00***	***7.42***
2019-20	6.78	0.00	0.00	6.18	0.00	***6.71***	0.00	0.00	0.00	0.00	***0.00***	***6.71***
2020-21	11.11	3.79	0.00	0.00	0.00	***8.82***	0.00	0.00	0.00	11.50	***11.50***	***8.82***
2021-22	8.62	0.00	8.20	0.00	0.00	***8.61***	7.94	0.00	0.00	9.75	***8.01***	***8.55***
2022-23	8.35	0.00	8.10	5.87	0.00	***7.87***	0.00	6.74	8.15	0.00	***7.02***	***7.63***
2023-24	6.26	0.00	0.00	6.17	0.00	***6.23***	8.17	8.30	0.00	8.35	***8.22***	***7.48***
2024-25	7.35	0.00	0.00	0.00	0.00	***7.35***	7.41	0.00	8.03	0.00	***7.47***	***8.04***
2025-26	0.00	0.00	0.00	5.97	0.00	***5.97***	0.00	7.95	0.00	0.00	***7.95***	***6.32***
2026-27	8.69	0.00	8.24	0.00	0.00	***8.66***	7.40	0.00	8.23	0.00	***7.52***	***8.22***
2027-28	6.01	0.00	8.27	0.00	0.00	***6.35***	0.00	0.00	0.00	0.00	***0.00***	***6.35***
2028-29	6.13	0.00	0.00	0.00	0.00	***6.13***	0.00	0.00	0.00	0.00	***0.00***	***6.13***
2031-32	8.28	0.00	8.28	0.00	0.00	***8.28***	0.00	0.00	0.00	0.00	***0.00***	***8.28***
2032-33	7.95	0.00	8.32	0.00	0.00	***7.97***	0.00	0.00	0.00	0.00	***0.00***	***7.97***
2034-35	7.50	6.49	0.00	0.00	0.00	***7.49***	0.00	0.00	0.00	0.00	***0.00***	***7.49***
2035-36	7.40	0.00	0.00	0.00	0.00	***7.40***	0.00	0.00	0.00	0.00	***0.00***	***7.40***
2036-37	8.33	0.00	0.00	0.00	0.00	***8.33***	0.00	0.00	0.00	0.00	***0.00***	***8.33***
2038-39	6.83	0.00	0.00	0.00	0.00	***6.83***	0.00	0.00	0.00	0.00	***0.00***	***6.83***

Annex - V : List of Government of India Securities Outstanding as on March 31, 2011 - Maturity Year Wise

(₹ *In crore)*

Sl.No.	Nomenclature	Date of Issue	Date of Maturity	Security wise Outstanding Stock	Maturity Year Wise Outstanding stock
2011-12					
1	8.00% GS 2011	27-Apr-1981	27-Apr-2011	1,472.92	
2	10.95% GS 2011	30-May-2000	30-May-2011	12,000.00	
3	9.39% GS 2011	2-Jul-2001	2-Jul-2011	37,000.00	
4	11.50% GS 2011	5-Aug-1991	5-Aug-2011	2,861.36	
5	FRB,2011	8-Aug-2003	8-Aug-2011	6,000.00	
6	12.00% GS 2011	21-Oct-1991	21-Oct-2011	3,246.91	
7	11.50% GS 2011(II)	24-Nov-2000	24-Nov-2011	11,000.00	73,581.19
2012-13					
8	6.85% GS 2012	5-Apr-2002	5-Apr-2012	26,000.00	
9	7.40% GS 2012	3-May-2002	3-May-2012	33,000.00	
10	10.25% GS 2012	1-Jun-1984	1-Jun-2012	1,574.13	
11	6.72% GS 2007/12	18-Jul-2002	18-Jul-2012	546.81	
12	11.03% GS 2012	18-Jul-2000	18-Jul-2012	13,500.00	
13	9.40% GS 2012	11-Sep-2001	11-Sep-2012	11,000.00	
14	FRB, 2012	10-Nov-2003	10-Nov-2012	5,000.00	90,620.94
2013-14					
15	9.00% GS 2013	24-May-1982	24-May-2013	1,751.33	
16	9.81% GS 2013	30-May-2001	30-May-2013	11,000.00	
17	12.40% GS 2013	20-Aug-1998	20-Aug-2013	11,983.91	
18	7.27% GS 2013 (conv)	3-Sep-2002	3-Sep-2013	46,000.00	
19	FRB, 2013	10-Sep-2004	10-Sep-2013	4,000.00	
20	6.72% GS 2014	24-Feb-2003	24-Feb-2014	15,273.60	
21	5.32% GS 2014	16-Feb-2004	16-Feb-2014	5,000.00	95,008.84
2014-15					
22	7.37% GS 2014	16-Apr-2002	16-Apr-2014	42,000.00	
23	6.07% GS 2014	15-May-2009	15-May-2014	40,000.00	
24	FRB, 2014	20-May-2003	20-May-2014	5,000.00	
25	10.00% GS 2014	30-May-1983	30-May-2014	2,333.26	
26	7.32% GS 2014	20-Oct-2009	20-Oct-2014	18,000.00	
27	10.50% GS 2014	29-Oct-1984	29-Oct-2014	1,755.10	
28	7.56% GS2014	3-Nov-2008	3-Nov-2014	41,000.00	
29	11.83% GS 2014	12-Nov-1999	12-Nov-2014	11,500.00	
30	10.47% GS 2015	12-Feb-2001	12-Feb-2015	6,430.00	168,018.36
2015-16					
31	10.79% GS 2015	19-May-2000	19-May-2015	2,683.45	
32	11.50% GS 2015	21-May-1985	21-May-2015	3,560.50	
33	6.49% GS 2015	8-Jun-2009	8-Jun-2015	40,000.00	
34	7.17% GS 2015	14-Jun-2010	14-Jun-2015	56,000.00	
35	FRB, 2015	2-Jul-2004	2-Jul-2015	6,000.00	
36	11.43% GS 2015	7-Aug-2000	7-Aug-2015	12,000.00	
37	FRB, 2015(II)	10-Aug-2004	10-Aug-2015	6,000.00	
38	7.38% GS 2015 (conv)	3-Sep-2002	3-Sep-2015	61,000.00	
39	9.85% GS 2015	16-Oct-2001	16-Oct-2015	10,000.00	197,243.95

Sl.No.	Nomenclature	Date of Issue	Date of Maturity	Security wise Outstanding Stock	Maturity Year Wise Outstanding stock
2016-17					
40	7.59% GS 2016	12-Apr-2006	12-Apr-2016	50,000.00	
41	10.71% GS 2016	19-Apr-2001	19-Apr-2016	9,000.00	
42	FRB, 2016	7-May-2004	7-May-2016	6,000.00	
43	5.59% GS 2016	4-Jun-2004	4-Jun-2016	6,000.00	
44	12.30% GS 2016	2-Jul-1999	2-Jul-2016	13,129.84	
45	7.02% GS 2016	17-Aug-2009	17-Aug-2016	60,000.00	
46	8.07% GS 2017	15-Jan-2002	15-Jan-2017	49,000.00	193,129.84
2017-18					
47	7.49% GS 2017 (con)	16-Apr-2002	16-Apr-2017	58,000.00	
48	FRB-2017	2-Jul-2002	2-Jul-2017	3,000.00	
49	7.99% GS 2017	9-Jul-2007	9-Jul-2017	59,000.00	
50	7.46% GS 2017	28-Aug-2002	28-Aug-2017	57,886.80	
51	6.25% GS 2018 (conv)	2-Jan-2003	2-Jan-2018	16,886.80	194,773.60
2018-19					
52	8.24% GS 2018	22-Apr-2008	22-Apr-2018	50,000.00	
53	10.45% GS 2018	30-Apr-2001	30-Apr-2018	3,716.00	
54	5.69% GS 2018(Conv)]	25-Sep-2003	25-Sep-2018	16,130.00	
55	12.60 % GS 2018	23-Nov-1998	23-Nov-2018	12,631.88	
56	5.64% GS 2019	2-Jan-2004	2-Jan-2019	10,000.00	
57	6.05% GS 2019 (FEB)	2-Feb-2009	2-Feb-2019	53,000.00	145,477.88
2019-20					
58	6.05% GS 2019 (con)	12-Jun-2003	12-Jun-2019	11,000.00	
59	6.90% GS 2019	13-Jul-2009	13-Jul-2019	45,000.00	
60	10.03% GS 2019	9-Aug-2001	9-Aug-2019	6,000.00	
61	6.35% GS 2020 (con)	2-Jan-2003	2-Jan-2020	61,000.00	123,000.00
2020-21					
62	10.70% GS 2020	22-Apr-2000	22-Apr-2020	6,000.00	
63	7.80% GS 2020	3-May-2010	3-May-2020	60,000.00	
64	FRB, 2020	21-Dec-2009	21-Dec-2020	8,000.00	
65	11.60% GS 2020	27-Dec-2000	27-Dec-2020	5,000.00	79,000.00
2021-22					
66	7.94% GS 2021	24-May-2006	24-May-2021	49,000.00	
67	10.25% GS 2021	30-May-2001	30-May-2021	26,213.32	
68	8.20% GS 2022	15-Feb-2007	15-Feb-2022	57,632.33	132,845.65
2022-23					
69	8.35% GS 2022	14-May-2002	14-May-2022	44,000.00	
70	8.08% GS 2022	02-Aug-2007	2-Aug-2022	30,969.41	
71	5.87% GS 2022 (conv)	28-Aug-2003	28-Aug-2022	11,000.00	
72	8.13% GS 2022	21-Sep-2007	21-Sep-2022	37,495.28	123,464.69
2023-24					
73	6.30% GS 2023	9-Apr-2003	9-Apr-2023	13,000.00	
74	6.17% GS 2023 (conv)	12-Jun-2003	12-Jun-2023	14,000.00	27,000.00
2024-25					
75	7.35% GS 2024	22-Jun-2009	22-Jun-2024	10,000.00	10,000.00

Sl.No.	Nomenclature	Date of Issue	Date of Maturity	Security wise Outstanding Stock	Maturity Year Wise Outstanding stock
2025-26					
76	5.97% GS 2025 (Conv)	25-Sep-2003	25-Sep-2025	16,687.95	16,687.95
2026-27					
77	10.18% GS 2026	11-Sep-2001	11-Sep-2026	15,000.00	
78	8.24% GS 2027	15-Feb-2007	15-Feb-2027	57,388.55	72,388.55
2027-28					
79	8.26% GS 2027	02-Aug-2007	02-Aug-2027	52,427.33	
80	8.28% GS 2027	21-Sep-2007	21-Sep-2027	1,252.24	
81	6.01% GS 2028	08-Aug-2003	25-Mar-2028	15,000.00	68,679.57
2028-29					
82	6.13% GS 2028	04-Jun-2003	04-Jun-2028	11,000.00	11,000.00
2031-32					
83	8.28% GS 2032	15-Feb-2007	15-Feb-2032	52,687.1	52,687.11
2032-33					
84	8.32% GS 2032	02-Aug-2007	02-Aug-2032	15,434.02	
85	7.95% GS 2032	28-Aug-2002	28-Aug-2032	59,000.00	
86	8.33% GS 2032	21-Sep-2007	21-Sep-2032	1,522.48	75,956.50
2034-35					
87	7.50% GS 2034	10-Aug-2004	10-Aug-2034	60,000.00	
88	FRB, 2035	25-Jan-2005	25-Jan-2035	350.00	60,350.00
2035-36					
89	7.40% GS 2035	09-Sep-2005	09-Sep-2035	42,000.00	42,000.00
2036-37					
90	8.33% GS 2036	07-Jun-2006	07-Jun-2036	59,000.00	59,000.00
2038-39					
91	6.83% GS 2039	19-Jan-2009	19-Jan-2039	13,000.00	13,000.00
2040-41					
92	8.30% GS 2040	02-Jul-2010	02-Jul-2040	32,000.00	32,000.00
Total				**2,156,914.62**	**2,156,914.62**

Annex - VI : List of Government of India Securities Outstanding as on March 31, 2011 - Interest Rate Wise

(₹ In crore)

Sl.No.	Nomenclature of Govt. Security	Date of Maturity	Amount	Total	%
GOI Securities bearing Interest rate less than or equal to 7%					
1	GOI Floating Rate Bonds, 2020	21.12.2020	8000.00		
2	GOI Floating Rate Bonds, 2016	07.05.2016	6000.00		
3	GOI Floating Rate Bonds, 2014	20.05.2014	5000.00		
4	GOI Floating Rate Bonds, 2015	02.07.2015	6000.00		
5	GOI Floating Rate Bonds, 2011	08.08.2011	6000.00		
6	GOI Floating Rate Bonds, 2017	02.07.2017	3000.00		
7	GOI Floating Rate Bonds, 2015(II)	10.08.2015	6000.00		
8	5.32% Government Stock.2014	16.02.2014	5000.00		
9	5.59% Government Stock.2016	04.06.2016	6000.00		
10	5.64% Government Stock 2019	02.01.2019	10000.00		
11	5.69% Government Stock.2018	25.09.2018	10000.00		
12	5.69% Government Stock 2018	25.09.2018	6130.00		
13	GOI Floating Rate Bonds, 2012	10.11.2012	5000.00		
14	GOI Floating Rate Bonds, 2013	10.09.2013	4000.00		
15	5.87% Government Stock 2022	28.08.2022	11000.00		
16	5.97% Government Stock 2025	25.09.2025	16687.95		
17	6.01% Government Stock 2028	25.03.2028	15000.00		
18	6.05% Government Stock 2019	02.02.2019	53000.00		
19	6.05% Government Stock 2019	12.06.2019	4000.00		
20	6.05% Government Stock.2019	12.06.2019	7000.00		
21	6.07% Government Stock.2014	15.05.2014	40000.00		
22	6.13% Government Stock 2028	04.06.2028	11000.00		
23	6.17% Government Stock 2023	12.06.2023	6000.00		
24	6.17% Government Stock.2023	12.06.2023	8000.00		
25	6.25% Government Stock.2018	02.01.2018	10886.80		
26	6.25% Government Stock 2018	02.01.2018	6000.00		
27	6.30% Government Stock 2023	09.04.2023	13000.00		
28	6.35% Government Stock.2020	02.01.2020	56000.00		
29	6.35% Government Stock.2020	02.01.2020	5000.00		
30	6.49% Government Stock.2015	08.06.2012	40000.00		
31	6.72% Government Stock 2007/2012	18.07.2012	546.81		
32	6.72% Government Stock.2014	24.02.2014	15273.60		
33	6.83% Government Stock 2039	19.01.2039	13000.00		
34	6.85% Government Stock.2012	05.04.2012	26000.00		
35	6.90% Government Srock.2019	13.07.2019	45000.00	488525.16	22.6
GOI Securities bearing Interest rate above 7% but less than or equal to 8%					
36	7.02% Government Stock.2016	17.08.2016	60000.00		
37	7.17% Government Stock.2015	14.06.2015	56000.00		
38	GOI Floating Rate Bonds, 2035	25.01.2035	350.00		
39	7.27% Government Stock.2013	03.09.2013	42000.00		
40	7.27% Government Stock 2013	03.09.2013	4000.00		
41	7.32% Government Stock,2014	20.10.2014	18000.00		
42	7.35% Government Stock.2024	22.06.2024	10000.00		
43	7.37% Government Stock.2014	16.04.2014	37000.00		
44	7.37% Government Stock 2014	16.04.2014	5000.00		
45	7.38% Government Stock.2015	03.09.2015	58000.00		
46	7.38% Government Stock 2015	03.09.2015	3000.00		
47	7.40% Government Stock.2012	03.05.2012	33000.00		
48	7.40% Government Stock 2035	09.09.2035	42000.00		

Sl.No.	Nomenclature of Govt. Security	Date of Maturity	Amount	Total	%
49	7.46% Government Stock.2017	28.08.2017	57886.80		
50	7.49% Government Stock.2017	16.04.2017	53000.00		
51	7.49% Government Stock 2017	16.04.2017	5000.00		
52	7.50% Government Stock 2034	10.08.2034	60000.00		
53	7.56% Government Stock,2014	03.11.2014	41000.00		
54	7.59% Government Stock.2016	12.04.2016	50000.00		
55	7.80% Government Stock.2020	03.05.2020	60000.00		
56	7.80% Government Stock.2021	11.04.2021	0.00		
57	7.83% Government Stock.2018	11.04.2018	0.00		
58	7.94% Government Stock 2021	24.05.2021	49000.00		
59	7.95% Government Stock 2032	28.08.2032	59000.00		
60	7.99% Government Stock 2017	09.07.2017	59000.00		
61	8.00% Loan,2011	27.04.2011	1472.92	863709.72	40.0
GOI Securities bearing Interest rate above 8% but less than or equal to 9%					
62	8.07% Government Stock.2017	15.01.2017	49000.00		
63	8.08% Government Stock 2022	02.08.2022	28000.00		
64	8.08% Government Stock 2022	02.08.2022	2969.41		
65	8.13% Government Stock 2022	21.09.2022	35000.00		
66	8.13% Government Stock 2022	21.09.2022	2495.28		
67	8.20% Government Stock 2022	15.02.2022	56000.00		
68	8.20% Government Stock 2022	15.02.2022	1632.33		
69	8.24% Government Stock.2018	22.04.2018	50000.00		
70	8.24% Government Stock 2027	15.02.2027	53000.00		
71	8.24% Government Stock 2027	15.02.2027	4388.55		
72	8.26% Government Stock 2027	02.08.2027	51000.00		
73	8.26% Government Stock 2027	02.08.2027	1427.33		
74	8.28% Government Stock 2027	21.09.2027	0.00		
75	8.28% Government Stock 2032	15.02.2032	50000.00		
76	8.28% Government Stock 2027	21.09.2027	1252.24		
77	8.28% Government Stock 2032	15.02.2032	2687.11		
78	8.30% Government Stock 2040	02.07.2040	32000.00		
79	8.32% Government Stock 2032	02.08.2032	13000.00		
80	8.32% Government Stock 2032	02.08.2032	2434.02		
81	8.33% Government Stock 2036	07.06.2036	59000.00		
82	8.33% Government Stock 2032	21.09.2032	1522.48		
83	8.35% Government Stock 2022	14.05.2022	44000.00		
84	8.79% Government Stock 2021	08.11.2021	0.00		
85	8.83% Government Stock 2041	12.12.2041	0.00		
86	8.97% Government Stock 2030	05.12.2030	0.00		
87	9.00% Loan,2013	24.05.2013	1751.33	542560.08	25.2
GOI Securities bearing Interest rate above 9%					
88	9.15% Government Stock.2024	14.11.2024	0.00		
89	9.39% Government Stock.2011	02.07.2011	37000.00		
90	9.40% Government Stock.2012	11.09.2012	11000.00		
91	9.81% Government Stock.2013	30.05.2013	11000.00		
92	9.85% Government Stock.2015	16.10.2015	10000.00		
93	10% Loan,2014	30.05.2014	2333.26		
94	10.03% Government Stock.2019	09.08.2019	6000.00		
95	10.18% Government Stock 2026	11.09.2026	15000.00		

Sl.No.	Nomenclature of Govt. Security	Date of Maturity	Amount	Total	%
96	10.25% Loan,2012	01.06.2012	1574.13		
97	10.25% Government Stock 2021	30.05.2021	26213.32		
98	10.45% Government Stock.2018	30.04.2018	3716.00		
99	10.47% Government Stock.2015	12.02.2015	6430.00		
100	10.50% Loan,2014	29.10.2014	1755.10		
101	10.70% Government Stock.2020	22.04.2020	6000.00		
102	10.71% Government Stock.2016	19.04.2016	9000.00		
103	10.79% Government Stock.2015	19.05.2015	2683.45		
104	10.95% Government Stock.2011	30.05.2011	12000.00		
105	11.03% Government Stock.2012	18.07.2012	13500.00		
106	11.43% Government Stock.2015	07.08.2015	12000.00		
107	11.50% Loan,2011	05.08.2011	2861.36		
108	11.50% Government Stock.2011	24.11.2011	11000.00		
109	11.50% Loan,2015	21.05.2015	3560.50		
110	11.60% Government Stock.2020	27.12.2020	5000.00		
111	11.83% Government Stock.2014	12.11.2014	11500.00		
112	12.00% Loan,2011	21.10.2011	3246.91		
113	12.30% Government Stock.2016	02.07.2016	13129.84		
114	12.40% Government Stock.2013	20.08.2013	11983.91		
115	12.60% Government Stock.2018	23.11.2018	12631.88	262119.66	12.2
			2156914.62	**2156914.62**	**100.0**

Annex - VII : Donor-wise Debt Outstanding of the Country as on 31st March, 2011

(US$ in Million & ₹ in Crore)

Sl. No.	Donor	Government Loan (US$)	Government Loan (INR)
1	Asian Development Bank	6813.22	30455.08
2	Japan	14744.36	65907.29
3	IBRD	8733.55	39217.77
4	IDA	26637.06	119067.67
5	IFAD	312.73	1397.92
6	EEC	29.28	130.86
7	Germany	2662.07	11899.45
8	France	391.57	1750.34
9	Italy	0.39	1.75
10	Russian Federation	1579.81	7061.76
11	Switzerland	4.32	19.31
12	United States of America	333.17	1489.25
13	OPEC	12.64	56.49
	Grand Total	**62294.17**	**278454.94**

Note

1. *DOD in INR calculated as prevailing rate i.e. @Rs. 44.70 as on 31st March, 2011.*
2. *Figures include details of External Assistance and exclude PPF (Project Preparatory Fund) (Advance), IMF, FII Debt and Defence.*