THE EFFECT OF PUBLIC DEBT MANAGEMENT ON INDIAN BANKS

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ABSTRACT

Central government securities account for approximately 70% of India's overall debt market. However, recent developments in Indian financial markets have altered the debt market's reach. Scheduled banks and newly emerging private sector bankers are moving quickly and are not hesitating to take on debt in order to grow their businesses. The introduction of new diversified debt financial instruments is a strategic response to their need. Due to the ever-increasing debt market, debt management and a suitable plan to concentrate on undertaking opportunity amylases are essential. Despite tight liquidity constraints, the Reserve Bank of India successfully implemented the government's market borrowing programme in 2012-13. The Reserve Bank issued inflation-indexed bonds to risk-averse investors to promote savings during a time of rising inflation. The weighted average yield of dated government securities fell, while the weighted average maturity rose, according to the report.

JEL Classification: E52, E58, G18, G20, G21, G28, G32, G38, H63

Keywords: WMA/OD, Inflation, LOLR, Yield, Maturity, Gross and Net borrowings, issuances, Bonds, CIB, IIBs, ITBs.

1. INTRODUCTION

Industrialization is needed for the nation's growth and development. It gives the economy the needed dynamism, which alters the conventional, economic, and social structure's socio-psychological climate. A country's economic and social development is primarily dependent on three factors: efforts, resources, and expertise. Among these, ‘capital' has been identified as the most significant. Its formation is comprised of three distinct activities: saving, financing, and investment. A sound financial sector is needed to shape resources for economic activities, and the banking sector plays a strategic role within the financial sector. They stoke the engine of economic development by gathering energy, and they also serve as a catalyst, a money maker, a promoter, and a counselor.

Their strategic structure and strength have the ability to make or break the economy. To meet the diverse financial needs of savers and investors, a wide range of financial intermediaries was created, with the central bank serving as the apex body. These banks and financial intermediaries mobilized savings from a variety of savers and passed them to actual investors in a variety of ways. Each of these methods is a specialized practice that necessitates specialized knowledge and information. Recent economic growth and development in the field of technology, in the shadow of liberalization and globalization, as well as deregulation and intensification of competition among banks and non-banking financial intermediaries, forced the banking industry to embrace competitive changes that eventually resulted in them transforming themselves from conventional financial institutions to multipurpose hybrid financial institutions. In order to maintain its position as a banker's bank, the RBI has undergone structural and functional changes to meet the changing needs of the economy and government policies. Increased population, rapid economic growth, and expanding liberalization and globalization all had an effect on banks' productivity, and they were overburdened.

Low productivity, declining profitability, rising NPA, capital crunch, mismatch of assets and liabilities, and customer-generated problems are some of the challenges that Indian banks face in the current economic climate, increasing competition within banks, particularly from new participants, globalization pressures, competitive disintermediation, problem emerging from managing dual ownership, problem of dealing with customers of various strata, rapidly evolving technological factors, risk management, inefficient work force problem, Changes in the banking paradigm, political intervention, a struggle for global economic supremacy, and rising losses as a result of proxy wars.

To meet these challenges and draw on macroeconomic environmental opportunities to their full potential, tectonic shifts in the country's macroeconomic structure have been introduced. Bank management implemented a strategic management framework and a balance score card approach, which included visualizing the bank's corporate vision and mission, articulating key goals, and taking appropriate action to correct deviations from the adopted plan. Banks moved from conventional banking to universal banking as a result of financial sector reforms and a variety of micro level demand and supply side factors.

As a banking regulator and lender of last resort (LOLR), the RBI has taken a number of proactive steps to encourage and protect reliable and effective customer services as well as financial literacy. To provide more judicious and authenticated services to the general public and economic activists, the RBI established the Nershima Committee to investigate banking sector flaws. The committee recommended that the government replace the overly controlled and administrated banking sector with more operational autonomy. This adoption resulted in significant improvements in the banking sector's entry barriers, allowing new domestic and international banking participants to join.

Further blurring of the lines between banks and non-banks, adoption of effective and productive communicational and computational technologies, free pricing of financial products based on investor sentiments, deregulation of the interest rate structure, implementation of a floating exchange rate system, and prescription of prudential asset classification, income identification, and capital adequacy norms, Competitive improvements in credit distribution mechanisms, flexibility in credit evaluation processes, and an increasing trend of disintermediation have helped to create a stable and competitive climate in the country's financial sector, with market forces determining the future of banking and other financial institutions.

After considering the recommendations of the legally appointed committee, tectonic changes in the country's macroeconomic structure were introduced, resulting in liberalization, privatization, and globalization, and transforming India into a globally competitive competitor. These developments have increased financial sector competition, resulting in the introduction of new banks, financial institutions, new instruments, new windows, and new opportunities, as well as new challenges, and have accelerated the disintermediation process by promoting the implementation of effective and efficient information technology. Furthermore, banks transformed into hybrid banking and moved from conventional banking activities to universal banking as the macroeconomic climate changed due to financial market changes and a slew of micro level demand and supply side factors. Cataclysmic structural reforms sped up the economy, resulting in unparalleled stability and development.

To strengthen structural reforms and accelerate the nation's economy, the government of India, given its strategic position, has taken a parental role through RBI, passing legislations, laws, regulations, and amendments on a regular basis for the betterment of the economy and society, as well as enabling domestic industry to adapt to changing economic conditions. Following government policies and under the relentless scrutiny of regulators such as SEBI, RBI, and IRDA, the Indian stock market has steadily matured to the degree of maturity attained by developed countries. In the Indian financial market, modern, novel, and revolutionary instruments have found a home. The introduction of stock index futures and derivatives into the Indian stock market collectively explored untapped opportunities and turned it into a more profitable, open, and productive self-reliant market. Banks are now free to develop their own mechanism for funding business working capital. Companies in India are free to collect funds from international financial markets in the form of external commercial borrowings, ADRs, GDRs, FCCBs, and other instruments. The implementation of VAT and the restructuring of the service tax have also helped to boost interest in India's financial regulatory structure and corporate operations among developing economies. International institutional investors will benefit greatly from India's liberalized economy and restructured financial sector. In light of recent government policies, the reach and difficulty of financial management in India has significantly increased. The new approach to cooperative finance is much more expansive than the conventional one. Raising funds has become extremely difficult in the current economic climate, which is characterized by increasing globalization and economic overlap.

Financing is the art and science of handling liquidity, and banks and other financial institutions do so with integrity. Banks and financial institutions, on the one hand, make claims in the form of bonds, debentures, deposits, and so on. On the one hand, they acquire claims against savers by inducing them to allow them in return for their deposits, and on the other hand, they acquire claims against investors who invest in their shares and debentures, as well as by granting direct loans to them. In general, there are two primary sources of funding for all types of businesses: shareholders' funds and lenders' funds, which are referred to as equity and debt, respectively. Debt is typically provided by debenture holders and financial institutions.

Debt financing in India is a tangle of complexities that is primarily governed by political demands, and managing it in a free market setting has become more difficult. The primary markets are mostly used to collect debt for the central government, which is often in the form of government securities. The government receives funds from the market by auctioning off dated government securities. The RBI manages government debt and organizes auctions. Other debt instruments make up a limited portion of the overall debt market. The Indian debt market is made up of "government securities, state loans, public sector undertaking bonds, mutual fund units, financial institutions, T- Bills with maturities of 364 / 182 / 91 days, corporate bonds, and other local debt bonds" and is not nearly as developed as the stock market. Government securities dominate the Indian debt market, with corporate, financial institution, and bank debt accounting for just a small portion of the total debt market. Regulators have taken a number of important measures to support and consolidate the debt market. The negotiated dealing scheme (NDS) has been implemented, and banks, primary dealers, and financial institutions with SLG and current accounts with the RBI are eligible to participate. It provides these government securities participants with an electronic trading platform. It simplifies the monitoring of transactions made on exchanges. Government bonds, repos, call capital, commercial papers, certificates of deposit, and interest rate derivatives are all supported by the NDS. NDS would make it easier to submit bids for government securities auctions. Apart from the secondary market, it also facilitates the dissemination of information relating to primary issuance through auction / sale or tap and underwriting.

2. OBJECTIVES OF THE STUDY

The study's main goals are to investigate and evaluate central and state government borrowing, as well as to analyses the performance, effectiveness, and effects of their debt management. It will also assess the relationship between debt management and central and state government cash management. Furthermore, for the betterment of India's economy and development, will propose a realistic approach to reduce cost and inefficiency in government borrowing and management, which can be viewed as a wise recommendation for bettering government borrowing and debt management results.

3. RESEARCH METHODOLOGY

The aim of the study is to assess the effect of government debt management, and secondary data and reports were gathered from published economic and commercial reports, magazines, the RBI annual report, journal papers, and the websites of financial institutions. Suggestions and recommendations are made after a thorough examination of government spending and its impact on debt management and cash management. The study's outcome is determined by the time span chosen by the researchers, which may vary from other analyses.

4. LITERATURE REVIEW

Literature reviews are useful for comparing past and current studies, and they enable researchers of various classes to explore new dimensions and possibilities in order to predict the future by analyzing past studies. This research aims to better understand public debt management and its overall effect on the economy of the country by objectively analyzing and reviewing various theories and empirical studies conducted worldwide by financial experts and academicians to demonstrate how to establish the best level of debt financing that balances benefits and risks. Due to the prevailing reasons of time span, global economic situation, existence of economy and circumstances, government futuristic policies and requirements, the judicious discoveries of these studies produce the fact that they differ in opinion. As a result, this study is a modest initiative that is intended to examine government debt management in detail, which is relevantly necessary in the Indian economy and capital market, taking into account current circumstances and future course of action of government borrowings. The study's findings would provide insight into the organizational characteristics and productivity of the federal and state governments in handling funds borrowed from savers and facilitating them to end users in both long and short term segments, as well as explore new dimensions and set new parameters for others to adopt. External funding in the form of debt financing has become a necessary component for corporations seeking to raise funds from outside sources. However, several conditional hypotheses of debt funding have been accepted in financial management literature around the world. Furthermore, it has been discovered that there is a growing interest in identifying the factors that affect debt financing within companies.

Modigilini and Miller's pioneering work in 1958 gave financial structure a new dimension, and their work became the bible of financial studies. Many researchers followed their studies and given useful suggestions in this area, including Joeveer (2013), Jiraporn, Kim, and Kitsabunnarat (2012), S.M.Tariq Zafar (2012), Kaoyo and Kimura (2011), Fan, Titman, and Twite (2012), Baltaci and Ayaydin (2014).In their report, Kraus and Litzenberger (1973) attempted to clarify that when making debt decisions, managers strive to strike a balance between the tax benefits of debt funding and the expense of financial distress associated with bankruptcy risk. In their research, Myers and Majluf (1984) argued that the capital structure of companies is guided by asymmetric information problems; managers have more information about their firm's valuation than the market (information asymmetry), and the market penalizes the issuance of shares, including debts, whose profit is linked to the estimation of such information.

They discovered that managers issue securities based on the sensitivity of the details. They issue more information-insensitive securities and less information-sensitive securities. Managerial entrenchment theory, as proposed by Harris and Raviv (1988), suggests that entrenchment motives can cause managers to increase debt financing levels beyond the optimal point. This could be done to increase the voting power of their equity stakes and reduce the risk of hostile takeover attempts. In their research, Mizurchi and Stearns (1994) discovered that, in the capital structure of companies, there has been a significant increase in external funding, especially during periods of economic expansion.

In their research, Rajan and Zingales (1995) attempted to describe the financial relationship, which could be positive or negative. In their research, Goswami and Shrikhande (2001) discovered that most businesses prefer debt funding while seeking external financing. Deesmsak et al. (2004) attempted to show that higher growth opportunities offer more value to invest sub-optimally or to borrow. Huang and Song (2006) highlighted the risk factor of the company in their report, stating that these opportunities increase the cost of borrowing. He also stated that rising corporation’s transition into a safe mode, using internal resources or equity capital rather than debt funds. According to them, corporate risk or uncertainty is a measure of the likelihood of financial distress, and it is usually expected to be inversely linked to the amount of debt funding. In their research, Frank and Goyal (2009) discovered that profitable companies have lower potential costs of financial distress and prefer debt funding because interest tax benefits are higher.

In their research, O' Brien and David (2010) discovered that debt finance accounts for 90% of all new external corporate financing. They also discovered that debt financing has its own set of benefits and drawbacks, as well as the ability to affect corporate growth and strategic investment, In his research, Kayo and Kimura (2011) discovered that the theory of debt financing and profitability predicts both a positive relationship that favors trade theory and a negative relationship that favors peaking order theory. In their research, Berger, Oztekin, and Flannery (2012) discovered that companies with more liquid assets can use them as a source of funds instead of debt, According to the pecking order hypothesis, due to market uncertainty, future profitability, and information supporting the proof, managers became entrenched and might deviate from choosing optimal debt financing. Ofek and Yermack (2012) found some theoretical reasons and some empirical evidence that due to market volatility, future profitability, and information supporting the evidence managers became entrenched and might deviate from choosing optimal debt financing. Joeveer is a character in the film Joeveer (2013), Corporation profitability, corporation size and growth, nature of assets, non-debt tax shields, liquidity and likelihood of bankruptcy, corporation tax rates, business risks, access to capital markets, the gender of the finance manager, and the composition of the board of directors are all factors that affect debt financing adoption. In their report, Drobetz, Gounopoulos, merikas, and Schroder (2013) criticised the fact that during periods of high inflation, companies appear to repay debt with currently weak currencies while simultaneously lowering their debt funding levels.

As a result, it is predicted that inflation rates will be negatively linked to corporate debt funding levels. In their report, Mokhova and Zinecker (2014) pointed out that as the economy improves, the gross domestic product grows, resulting in increased profitability for companies. As a result, corporations would prefer internal sources of funding, lowering debt financing levels.

After considering profitability, debt funding, and corporation size, as well as the existence of assets (tangibility), corporation growth, corporation risk, corporation tax rate, liquidity, and non-debt tax shield, financial theories of various writers and academicians of their respective eras were examined. Bankruptcy risk, macroeconomic indicators, gross domestic product, inflation rate, interest rates, industry median, financial or debt market conditions, and other funding factors, and recognizes that the value of each of these hypotheses varies depending on time and circumstances. It was discovered that all of the hypotheses examined for this reason have certain similarities and differences that have a direct effect on management decisions. It is true that management's decision to follow a financial structure is heavily influenced by the company's financial strength and current information in competitive market conditions.

5. CENTRAL GOVERNMENT DEBT MANAGEMENT: MARKET BORROWINGS

The financial year 2012-13 is notable in Indian financial history for being marked by persistent inflationary pressure and tight liquidity conditions. The Reserve Bank of India served as the government's debt officer, ensuring that the borrowing programme went off without a hitch. The RBI's borrowing on behalf of the government was led by two goals: cost reduction and the pursuit of maturity profiles that are consistent with low rollover risk.

Table 1: Gross and Net Market Borrowings of the Central Government (in Billion)

Item	2010-11	2011-12	2012-13
A	**B**	**C**	**D**
Net Borrowings	3,255 (3,451)	4,365 (3,431)	4,675 (4,791)
Gross Borrowings	4,371 (4,572)	5,200 (4,172)	5,581 (5,697)

Sources: The information was gleaned from the RBI's Strategic Annual Report 2012-13.

It was discovered that market borrowing totaling '5580 billion rupees was successfully completed during the time, and securities totaling '18 billion were devolved on primary dealers, which was significantly higher than the previous year's '121 billion rupee. The gross and net amounts raised by dated securities in 2012-13 were found to be about 9% and 7% higher, respectively, than those raised the previous year.

Table 2: Central Government's Market Loans - A Profile (Yield in per cent, Maturity in years)

Year	**Range of YTMs at Primary Issues,**			**Issues during the year**			**Outstanding Stock (As at end-March)**	
	Under 5 years	5-10 years	Over 10 Years	Weighted Average Yield	Tenor of securities	Weighted Average Maturity	Weighted Average Maturity	Weighted Average Coupon

A	B	C	D	E	F	G	H	I
2008-09	7.71-8.42	7.69-8.77	7.77-8.81	7.69	6-30	13.8	10.45	8.23
2009-10	6.09-7.25	6.07-7.77	6.85-8.43	7.23	5-15	11.16	9.82	7.89
2010-11	5.98-8.67	7.17-8.19	7.64-8.63	7.92	5-30	11.62	9.78	7.81
2011-12	8.21-8.49	7.80-10.01	8.25-9.28	8.52	7-30	12.66	9.60	7.88
2012-13	8.82-8.21	7.86-8.76	7.91-8.06	8.36	5-30	13.50	9.67	7.97

Source: Revealed from RBI Strategic annual report 2012-13: Excludes issuances under MSS; YTM: Yield to Maturity

According to Table No. 2, the weighted average yield of long-dated securities fell to 8.36 percent in 2012-13, down from 8.52 percent in 2011-12, due to easing of yields primarily for long-dated securities. It was also discovered that the weighted average coupon on outstanding stock of government dated securities rose to 7.97 percent on March 31, 2013 from 7.88 percent on March 31, 2012. Furthermore, the study found that due to the issuance of a significant amount of dated securities, the average maturity of debt issuances increased to 13.50 in 2012-13, up from 12.66 the previous year, but was still.03 percent lower than the issuance in 2008-09. The weighted average maturity of outstanding stocks, calculated using residual maturity, has risen from 9.60 as of March 31, 2012. It's also worth noting that it's up.07 percent from 2012, but it's still below the maturity of 2008, 09, and 10.

Table No. 3: Issuance of GOI Dated Securities – Maturity Pattern

Residual Maturity	**2010-11**		**2011-12**		**2012-13**	
	Amount raised	**Percentage to total**	**Amount raised**	**Percentage to total**	**Amount raised**	**Percentage to total**
A	B	C	D	E	F	G

Less than 5 years	110	2.52	180	3.53	470	8.42
5 -9.99 years	1,520	34.78	2,340	45.88	1,910	34.23
10-14.99 years	1,640	37.53	1,230	24.12	1,730	31.00
15 -19.99 years	540	12.36	650	12.75	270	4.84
20 years & above	560	12.81	700	13.73	1,200	21.51
Total	4,370	100.00	5,100	100.00	5,580	100.00

Source: Revealed from RBI Strategic annual report 2012-13

According to the data in Table No. 3, nearly 31% of market borrowings were raised through the issuance of dated securities with maturities of 10-15 years in 2012-13, which is 7.12 percent more than the previous year's raised level. In 2013, market borrowing through the issuance of dated securities with a maturity of 15-20 years fell from 12.75 percent to 4.84 percent. Market borrowings through the issuance of dated securities with maturities of 0-5 years have shown an upward trend, rising to 8.42 percent in 2012-13 from 3.53 percent in 2011-12. The pattern of market borrowing through the issuance of dated securities with a maturity of more than 20 years was on the rise. It was 12.81 percent in the 2010-11 fiscal year, 13.73 percent in the 2011-12 fiscal year, and 21.51 percent in the 2012-13 fiscal year, a rise of 7.78 percent. The gross borrowing of the Government of India (GOI) via dated securities was estimated at ‘5,790 billion (net 4,840 billion) in the Union Budget 2013-14, excluding ‘500' billion in buybacks and switches. A total of ‘3,490' billion was raised during the first half of the schedule, and a total of ‘3,700' billion was raised during the second half. According to the report, market borrowing totaled $2,400 billion in gross terms and $2,272 billion in net terms by August 5, 2013. The weighted average maturity of the dated securities has been found to be on the rise, rising to 14.4 from 13.62 the previous year. Apart from IIBs, the weighted average yield during primary auctions fell to 7.80 percent, down from 8.50 percent the previous year. The yields on auction of Treasury bills (TBs) were on a downward trend during the study period, but after the Fed Chairmen's response in May 2013, they began to harden. Furthermore, Treasury Bills have been noted to have made a major upward swing. It shifted by 273 basis points for 91 days and 209 basis points for 364 days, which can be considered subsequent to the to the liquidity tightening measures.

According to the report, the Union Budget for 2013-14 described inflation as a secret tax and proposed introducing instruments to shield mass savings from volatile inflation. Because of the importance of inflation, the government auctioned Inflation Index Bonds (IIBs) on June 4 and 25, 2013. This move was made in the hopes of providing real yield benchmarks and allowing later IIBs to be released exclusively for retail investors in the second half of 2013-14.

6. CENTRAL GOVERNMENT CASH MANAGEMENT:

It should be noted that the government began the fiscal year 2012-13 with a cash balance of '742' billion rupees, but due to its expenditure obligations, it had to resort to the WMA on April 12, 2012. It was discovered that from September 15, 2012 to March 31, 2013, the Government of India took advantage of the WMA advantage on 12 occasions before recording a positive balance. According to the report, the government of India was in WMA for 40 days this year and did not receive OD, which is significantly less than the previous year's WMA of 263 days and OD of 70 days. The government set the cap for WMA for the first half of the financial year 2012-13 at '950' billion, which was split into two halves, with '500' billion in the first quarter and '450' billion in the second. The WMA cap for the second half has been set at '200' billion. Similarly, the government has set the limits for the 2013-14 fiscal year, with the first half of the year set at '300' billion. The government of India was in WMA for 27 days and used OD for 4 days in the 2013-14 fiscal years, according to the findings.

7. INFLATION INDEX BONDS ARE BEING ISSUED (IIBS)

The debt management authority must have versatile, reliable, efficient, and alternative strategic instruments in his basket in order to handle public debt in a cost-effective and non-descriptive manner. The study discovered that the government's favored debt management policy for successfully completing its market financing program depended heavily on fixed rate nominal bonds. As shown in Table No. A1, IIBs have established a unique role in the sense of government bond borrowing across developed and emerging market economies.

The study discovered that on December 29, 1997, a 5 year Capital Index Bond (CIB) was issued, in which only the principal repayment at the time of redemption was indexed to inflation, and that the response to the issue was not sufficient because the return was not secured against inflation. According to the findings, there is a substantial captive demand for G- Sec, which is a minimum investment requirement that must be met by insurance firms and provident funds, and banks must meet mandatory SLR specifications. If market borrowing is high, debt management strategy should be to broaden the investor base, particularly if captive demand for G-Sec falls.

Table No. A1: Composition of Central Government Domestic Bonds: Cross Country (percentage of outstanding) (As at end 2011)

Country	Floating Rate	Fixed Rate	Inflation Indexed	Exchange Rate linked	Others
A	B	C	D	E	F
Argentina	14.8	0.8	49.2	34.6	0.7
Brazil	31.9	37.5	30.0	0.6	0.0
Chile	0.0	19.2	80.8	0.0	0.0
India	2.4	97.6	0.0	0.0	0.0
Indonesia	22.2	77.8	0.0	0.0	0.0
Canada	0.0	92.5	7.5	0.0	0.0
South Africa	11.6	70.8	17.6	0.0	0.0
Mexico	41.4	36.6	22.1	0.0	0.0
Germany	10.9	85.8	2.9	0.4	0.0
UK	0.0	77.6	22.4	0.0	0.0
USA	0.0	91.2	8.8	0.0	0.0

Source: Bank for International Settlements (BIS).

According to the research, in order to preserve investors' interests and returns from inflation, a new variant of IIBs has been designed in which the principal is indexed to inflation (index ratio), a coupon is paid on the indexed principal, the higher of the adjusted principal or the face value is paid at redemption time, and the wholesale price index (WPI) is used for indexation of principal.

The government of India, through its debt manager RBI, introduced this unique product known as Inflation Indexed Government Stock, and the first auction for the sum of '10' billion rupees was held on July 4, 2013. This product served two government purposes: on the one hand, it allowed the government to increase its borrowing capacity, and on the other hand, it provided investors with a safe investment and return, as well as other benefits. The study discovered that the well-coordinated issuance of IIBs bolstered the government's reputation and efforts to maintain price stability. This financial instrument, IIBs with inflation hedging antiques, became a benchmark for private sector banks, allowing them to collect long-term capital through inflation-linked instruments. It was discovered that this product enabled the government to conduct effective and improved gauging of inflationary expectations, which is critical in monetary policy formulation. This instrument also provided the public with an alternative investment option, allowing them to invest in Inflation Indexed Bonds (IIBs) in the hopes of hedging their investments against inflation, as well as assisting the government in managing the balance of payments through increased investment and increased trust in government-issued social financial instruments.

It was discovered that the government set aside 20% of non-competitive borrowing to increase retail participation in IIBs. Furthermore, institutional investors such as insurance firms, pension funds, provident funds, and others recognized the value of inflation hedging and attempted to relate their payouts to inflation to the extent possible. Banks will also be interested in investing in this protective commodity in order to take advantage of the benefit for their long-term deposits.

8. STATE GOVERNMENT DEBT MANAGEMENT: LOANS FROM THE MARKET

State governments need large sums of money to carry out their social obligations, and debt borrowing is one of their financial instruments, which must be managed carefully by the respective states for the betterment of their sociopolitical and economic environments. According to the data in Table No. SG.1, the state government's net allocation under the market borrowing program in 2012-13 was set at '1881' billion rupees.

Table SG.1: Market Borrowings by States in (billion Rupee)

Item	**2011-12**	**2012-13**	**2013-14 (till Aug 2013)**	**2014-15**
A	**B**	**C**	**D**	
Net Allocation	1,459	1,881	-	**NA**
Additional Allocation	157	0	0	**NA**
Maturities during the year	220	306	291.84	**NA**
Gross Allocation	1,835	2,187		**NA**
Gross Sanctions under Article 293 (3)	1,634	1,861	832.95	**NA**
Gross Amount Raised during the Year	1,586	1,773	481.31	**NA**
Net Amount Raised during the Year	1,366	1,467	189.47	**NA**
Balance to be raised against Government of India Sanctions	48	89	351.64	**NA**
Amount Raised during the year as a % of Total Sanctions	97.09	95.22	-	**NA**
SDLs outstanding (at the end period)	7,424	9,291	-	**NA**

Source: The RBI Annual Report 2012-13 was panned by the researcher.

Following the repayments of ‘306' billion rupees, the gross allocation amounted to ‘2,187' billion rupees, and the gross sanctions under Article 293(3) amounted to ‘1861' billion rupees, according to the date of the above Table SG 1. It was discovered that in the fiscal year 2012-13, 28 state governments collected a gross amount of ‘1773' billion rupees (net 1,467' billion), which was significantly higher than the previous year's gross amount of ‘1,586' billion rupees (net 1,366' billion) raised by 26 states.

Year of Maturity	**State Development Loans**	**Power Bonds**	**Total**
A	**B**	**C**	**D**
2013-14	321	29	350
2014-15	334	29	363
2015-16	352	29	381
2016-17	315	14	329
2017-18	678	0	678
2018-19	1,181	0	1,181
2019-20	1,306	0	1,306
2020-21	1,045	0	1,045
2021-22	1,586	0	1,586
2022-23	1,654	0	1,654
Total	**8,772**	**101**	**8,873**

Sources: The RBI Annual Report 2012-13 was panned by the researcher.

According to Table SG.2, the government of Odisha did not engage in market borrowings against Assam, Odisha, and Chhattisgarh in the fiscal year 2012-13. It was also discovered that eleven states did not lift the maximum sum sanctioned to them in 2012-13, compared to 14 states in 2012-13. As a result of these factors, the outstanding stock of SDLs and power bonds stood at '8874' billion rupees at the end of March 2013. Furthermore, the weighted average yield in 2012-13 increased by.05 percent to 8.84 percent, up from 8.79 percent in 2011-12. The study also discovered that the weighted average spread for SDL issuance versus government securities has increased to 71 basis points (bps), up from 44 bps the previous year.

Table SG.3: State Government Investment and WMA/OD Utilization@ (Average monthly outstanding) (billion)

Months	Special WMA			Normal WMA			Overdraft			Total			
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**	**K**	**L**	**M**	
April	10.1	5.1	0.9	7.1	4.1	3.1	9.1	3.1	2.1	26.1	12.5	5.9	
May	6.0	1.0	0.6	1.0	0.3	1.3	0.4	0.0	0.2	7.4	1.4	2.1	
June	2.0	0.6	5.8	3.0	2.0	5.3	0.1	0.2	2.1	5.1	2.8	13.2	
July	1.0	2.0	1.9	1.0	2.0	2.9	0.0	0.8	0.6	2.0	4.8	5.4	
August	2.0	0.6	4.0	3.0	1.0	0.4	0.0	0.3	0.0	5.0	1.9	4.5	
Sept	1.1	4.1		2.1	4.1		0.2	2.1		3.2	10.1		
Oct	1.0	5.0		2.0	4.0		0.1	1.0		3.1	10.0		
Nov	5.1	5.1		2.1	4.1		0.0	1.1		7.0	10.1		
Dec	3.0	4.0		1.0	4.0		0.1	2.0		4.1	10.0		
Jan	3.0	0.6		1.0	1.0		0.0	0.1		4.0	1.7		
Feb	0.5	0.1		1.0	3.0		0.0	2.0		1.5	5.1		
Mar	0.3	0.9		1.0	1.7		0.4	4.9		1.6	0.0		

Sources: Reviled by the Researcher from RBI Annual report 2012-13 @: Up to August 5, 2013.

9. STATE GOVERNMENT CASH MANAGEMENT

It was discovered that the aggregate normal WMA cap for states in 2012-13 was set at '102' billion rupees, which includes the union territory of Pondicherry. It was also discovered in Table No. SG.3 that the aggregate normal WMA limit for states was the same as the previous year. The interest rates on usual and special WMA and OD were found to be related to the repo rate, according to the report. It was discovered that the monthly average use of WMA and OD by all states was higher in 2012-13 than it was in 2011-12. It was discovered that during the 2013-14 fiscal year, 5 states took advantage of OD (Table No. SG.4).

To better manage funds, the state government's surplus cash balance is automatically invested in 14-day Treasury Bills (ITBs) with a fixed discounting rate of 5%. It was discovered that, as a result of automatic ITB investment, the average investment in 14 days ITBs increased to ‘849' billion rupees in 2012-13, up from ‘722' billion in 2011-12 Table No SG.5.

Furthermore, the outstanding investment in the ITBs was found to be ‘1,181' billion by the end of March 2013, which is higher than the outstanding investment in the ITBs in 2012, which was ‘966' billion at the end of March. According to the report, the state government's weekly average investment in Auction Treasury Bills (ATBs) increased to $441 billion from $277 billion the previous year. According to the report, the outstanding investment in ATBs at the end of March 2013 was ‘286' billion, up from ‘220' billion in March 2012.

Table S G. 4: Number of Days on Which Special/Normal WMA and OD Were Used @

State	**Special WMA**			**Normal WMA**			**Overdraft**		
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**
Haryana	23	13	2	22	12	1	6	5	0
Nagaland	40	192	75	21	140	55	0	35	35
Punjab	177	233	74	177	232	74	26	139	37
West Bengal	184	135	38	60	49	15	29	13	10
Maharashtra	0	7	0	0	0	0	0	0	0
Manipur	0	99	13	0	82	9	0	30	9
Mizoram	15	7	64	1	3	31	0	0	5
Uttarakhand	57	3	0	16	0	0	0	0	0
Jharkhand	5	14	8	4	14	8	0	0	0
Jammu & Kashmir	0	0	0	136	136	23	5	11	0
Meghalaya	-	-	6	-	-	2	-	-	0

Himachal Pradesh	-	-	0	-	-	12	-	-	0
Uttar Pradesh	-	-	1	-	-	-	-	-	0

Source: *RBI Annual report 2012-13*

Table SG 5: Investments in ITBs and ATBs by State Governments/UTs (in Billion)										
Month	Investment in ATBs			Investment in ITBs			Total			
	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	2011-12	2012-13	2013-14	
A	B	C	D	E	F	G	H	I	J	
April	108.6	231.6	317.40	864.1	863.1	1002.31	972.7	1094.7	1319.71	
May	145.3	327.6	378.40	728.1	768.2	913.99	873.4	1095.8	1292.39	
June	249.8	415.9	549.03	677.9	681.6	729.45	927.7	1097.5	1278.48	
July	326.4	440.6	672.28	613.9	654.9	609.91	940.3	1095.5	1282.19	
August	329.6	450.3	721.82	645.2	756.3	646.58	974.8	1206.6	1368.40	
September	327.6	505.5		615.4	707.9		943.0	1213.4		
October	297.2	521.9		613.7	748.8		910.9	1270.7		
November	267.9	496.1		667.1	844.0		935.0	1340.1		
December	240.2	523.8		762.0	875.7		1002.2	1399.5		
January	326.3	546.6		717.1	912.2		1043.4	1458.8		
February	381.7	498.9		774.5	1088.8		1156.2	1587.7		
March	329.5	337.2		986.5	1295.5		1316.0	1632.7		
Average	**276.5**	**441.0**		**722.1**	**848.9**		**998.6**	**1289.9**		

Source: *RBI Annual report 2012-13*

The Reserve Bank of India (RBI) was discovered to be holding a consolidated sinking fund (CSF) on behalf of state governments. This CSF serves as a buffer for the amortization of market borrowings and liabilities, as well as the guarantee redemption funds (GRF). It also aids in the servicing of contingent liabilities arising from the invocation of guarantees provided in connection with borrowings made by state-owned enterprises. By the end of March 2013, 21 Indian state governments had subscribed to the CSF and 11 states had subscribed to the GRF. The total outstanding investment under CSF and GRF was found to be ‘485' billion and ‘44' billion, respectively, by the end of March 2013.

10. DEBT MANAGEMENT ACHIEVEMENTS AND IMPACTS

The growth of a country's economy requires financial support, which is possible if the country's economic policies are well-prepared for it. To meet their minimum socioeconomic goals, the government needs a lot of money, which they get from taxes and borrowings. The central and state governments' effective management of borrowed funds has had an effect on the economy's strength and banks' overall functioning. All government accomplishments (central or state) have a significant impact on the economy of a country, especially the banking industry.

Banks invest their excess funds in government securities issued on behalf of the government by the RBI and earn a safe return. Sectors of Government and Social Services In a free economic climate, banks still keep and regulate society's trust, so the government can convert social trust into long-term investments by putting in more effort. With each issuance, the government collects funds through banks, affecting the liquidity of the system and increasing the risk factor. The effect of government borrowings and their effective use can be seen in the fact that the central government was able to borrow 5580 billion rupees through its agent RBI during the 2012-13 fiscal years. The gross and net sum earned by short-term securities increased by 9% and 7%, respectively.

The weighted average coupon on outstanding government dated securities increased to 7.97 percent, the average maturity of debt issuances increased to 13.50 years, the weighted average maturity of outstanding stocks increased based on residual maturity, and market borrowings were boosted by issuing dated securities with maturities of 0-5,10-15, and 15-20 years. Treasury bills (TBs) increased by 273 basis points for 91 days and 209 basis points for 364 days, respectively. To combat inflation, the government issued Inflation Index Bonds (IIBs) via auction and later introduced 5 year Capital Index Bond (CIB), a new version of IIBs indexed to inflation (index ratio). With effective management, the government began the 2012-13 fiscal year with a cash balance of '742' billion rupees and used WMA and OD in smaller numbers than in previous years.

During the time, state governments met their goal of market borrowing of '1881' billion rupees, and the states collectively made repayments of '306' billion rupees. In the respective years, 28 state governments collected a gross sum of '1773' billion rupees (net 1,467' billion). The weighted average yield in the year during the time increased by.05 percent, and the weighted average spread for SDL issuance in relation to government securities increased to 71 basis points, which is far higher than the previous year's number. The monthly average use of WMA and OD by all states has increased, but only 5 states have taken advantage of OD until the end of the selected period, which is a positive sign. Bank surpluses are automatically invested in ITBs, with the average investment in 14 days ITBs rising to '849' billion rupees, which is higher than previous years. The outstanding investment in ITBs during the study period was '1,181' billion, which is higher than previous years and demonstrates the productivity of state governments. The state government's weekly average investment in Auction Treasury Bills (ATBs) increased to '441' billion, on behalf of the states government. The RBI has a consolidated sinking fund (CSF), with a total outstanding investment of $485 billion in CSF and $44 billion in GRF, respectively. As a result, every government achievement has an effect on the economy and banking industry. According to the data above, government planning for anions economic growth is heading in the right direction, which must be sustained if India wants to conquer the global economic competition.

11. FINDINGS, RECOMMENDATIONS, AND CONCLUSIONS

Central and state governments need financial resources for economic growth and development, which they obtain by a variety of means, the most important of which is debt. According to the study "Public Debt Management and Its Relative Effect on Indian Banking System," the government of India, in light of its strategic position, has played a parental role in passing legislations, laws, regulations, and amendments from time to time for the betterment of the economy and society, as well as enabling domestic industry to adapt to changing economic conditions.

It has been discovered that cataclysmic structural reforms resulting from the government's policy of tectonic economic liberalization and tumbling of trade barriers, combined with a metamorphic liberalized financial sector policy, have ensured unparalleled economic stability. The expansion of the Indian financial sector has resulted in the introduction of new banks, financial institutions, instruments, windows, and opportunities, as well as new deregulation challenges. It has been discovered that the Indian financial sector has steadily achieved the maturity level attained by developed countries by adhering to government policies and under the constant vigilance of regulators such as the RBI, SEBI, and IRDA. It has also been discovered that the liberalized Indian economy has given tremendous opportunity to international institutional investors, and as a result, developed economies have begun to place confidence in the Indian corporate structure.

Deregulation, according to the report, has opened up a slew of new revenue opportunities for banks. The study found that in a free market with ever-increasing competition, banks are exposed to unpredictably high risks. Thus, banks must become globally competitive and place themselves as comparatively better and effective, as well as be different for all times to come, in order to ensure their smooth survival, as well as to gain sustainable competitive forces over rivals. They must be resilient, and they must develop a strategy that is constantly morphing, adapting to new opportunities and changing trends. All of these new complications necessitate a prognostic diagnosis of the problems and threats, as well as an analysis of potential opportunities and an assessment of the commercial banks' current strengths and weaknesses in India. To meet their goals, banks must use a strategic marketing approach to mobilize deposits and develop a marketing plan that focuses on identifying opportunities, choosing target markets, assessing competitive positioning, and making market strategic decisions about product, pricing, and promotions, as well as implementing those decisions.

According to the report, the central government raised more funds through dated securities in 2012-13 than in the previous financial year, indicating that natives have a high level of confidence in central government-sponsored securities. The weighted average yield of long-dated securities fell during the period 2012-13 as yields eased, but the weighted average coupon on outstanding government-dated securities and the weighted average maturity of outstanding stocks, which is based on residual maturity, improved. According to the report, nearly 31% of central government market borrowings were generated through the issuance of dated securities with maturities of 0-5, 10-15, and 15-20 years, with the 0-5 and 10-15 years being the most trusted. Treasury Bills (TBs) issued by the central government were found to be on the decline, but with policy correction initiatives, they began to increase. It was discovered that the government treated inflation as an additional tax and issued Inflation Index Bonds (IIBs) through an auction to shield investors' returns above the inflation rate. In addition, the government released a new edition of IIBs with additional features, such as coupon payments on indexed principles and indexation of principles using the WPI.

This government strategic move for the benefit of investors later gained a unique role in global government borrowing. The government must keep inflation at the forefront of its economic policies in order to preserve investor sentiment, which is heavily influenced by increasing inflation. The study discovered that the central government used WMA to cover its expenses and took advantage of it on many occasions. It was discovered that during the year, the central government reduced OD advantage in comparison to the previous year, indicating that the government's policy on economic liberalization is stable.

It was discovered that state governments lent money to improve their socioeconomic, political, and economic environments. According to the report, 28 state governments raised the fund in 2012-13. Odisha, Assam, and Chhattisgarh did not engage in market borrowing during the same time. According to the report, eleven states did not lift the full sum sanctioned to them, compared to 14 states in 2012-13, and the weighted average spread for SDL issuance versus government securities increased. According to the findings, respective states have benefited from WMA and OD. The aggregate normal WMA cap for states was found to be the same as the previous year, and interest rates on normal and special WMA and OD were related to the repo rate. The study discovered that the state government's surplus cash balance is automatically invested in 14-day Treasury Bills (ITBs) with a fixed discounting rate of 5%, resulting in a rise in ITBs. RBI has a pooled sinking fund (CSF) on behalf of state governments, according to the report. By the end of March 2013, 21 Indian state governments had subscribed to the CSF and 11 states had subscribed to the GRF.

Finally, after examining the central bank's success as a conduit for government borrowing and the use of funds by governments, we suggest that the government play a parental role by enforcing strict rules and enforcing laws. Governments must periodically introduce new investment schemes with high-quality and appealing features, as well as efficient and reliable borrowing. Following RBI directives, banks must adopt an efficient and successful marketing approach to mobilizing deposits, as well as develop a suitable marketing strategy that focuses on conducting opportunity analyses, selecting target markets, assessing competitive positioning, and making market strategic decisions about product, pricing, and promotional activities, as well as implementing those decisions. Funds raised on behalf of the government will assist the central and state governments in implementing their socioeconomic programs, which will result in growth and better earnings, as well as sound savings, which will encourage risk taking among the general public and later translate into potential investment.

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