

# EXPLAINING PUBLIC DEBT MANAGEMENT

The Reserve Bank of India acts as an agent of the government to implement the borrowing programme and it draws necessary statutory powers for debt management from Section 21 of the Reserve Bank of India Act, 1934. A look at what it means:

## Objective

- To ensure that the govt's financing needs and its payment obligations are met at low cost over the medium to long run consistent with a prudent degree of risk
- To promote deep and liquid financial markets to minimise long-term borrowing cost markets. The debt management policy must also be consistent with other macroeconomic policies, including monetary policy

## Strategy

- Elongation of maturity to mitigate rollover risk
- The strategy is achieved by:

- ▶ Non-issuance in maturity of 1-5 years
- ▶ Moderating issuance in 5-9 years
- ▶ Increasing issuance in 10-14 yr tenure, which sees robust demand from banks & FIs
- ▶ Also increased issuance of bonds in tenures of 15 years to cater to needs of insurance companies and provident funds

Exception to this strategy was during the global financial crisis of 2008 when short-term bonds were issued to meet the needs of market borrowings for fiscal stimulus

With the above strategy, India has one of the longest maturity profiles in the world

## Who said what



**RAGHURAM RAJAN,**  
Governor, RBI  
In March 2015

*"Public debt management agency as a professional organisation, independent of the central bank and government, that is, something that is desirable"*



**H R KHAN,**  
Deputy governor, RBI  
In August 2014

*"Separation of debt management from central bank should be preceded by... strategy focusing on perfect coordination among debt management office, finance ministry and RBI"*

*"It is not that these conflicts (of interest) would disappear merely by shifting debt management out of the central bank. In fact, resolving those conflicts could become much more complicated"*



**DUVVURI SUBBARAO,**  
Former governor, RBI  
In May 2011

## GOVT BORROWINGS

Central govt's market borrowings through dated securities



Borrowings			
Weighted average			
	Maturity (yrs)	Yield(%)	
2001-01	14.30	9.44	
2002-03	13.80	7.34	
2003-04	14.94	5.71	
2004-05	14.13	6.11	
2005-06	16.90	7.34	
2006-07	14.72	7.89	
2007-08	14.90	8.12	
2008-09	13.80	7.69	
2009-10	11.16	7.23	
2010-11	11.62	7.92	
2011-12	12.66	8.52	
2012-13	13.50	8.36	
2013-14	15.05	8.45	

Source: RBI