

STATES' BORROWING COST REMAINS ELEVATED AT 7.69%

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

Mumbai, States continued to pay higher [coupon rates](#) to [bond investors](#) with average price remaining 7.69 per cent at the latest auction on Tuesday. Eight states raised Rs 12,100 crore from selling state government securities on Tuesday -- a three-week low and 2 per cent lower than the amount indicated for this week.

The weighted average cut-off eased to 7.69 per cent from 7.72 per cent last week, but remains very high, in spite of the weighted average tenor declining to 11 years from 12 years, Aditi Nayar, chief economist at [Icra Ratings](#), said in a note.

She further said the coupon rate remained elevated despite the spread between the cut-off of 10-year state bonds and the 10-year G-secs (7.18 GS 2033) yield remaining unchanged at 46 bps at the latest auction.

So far, the states have taken Rs 5.67 lakh crore of debt so far this fiscal, which is 33.5 per cent more than what they had raised in the same week last fiscal when it had stood at Rs 4.22 lakh crore.

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