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## ‘State govts’ borrowings may shoot up by ₹70K cr in FY18’

**ENSECONOMIC BUREAU**

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FUNDING OF crop loan waivers is likely to worsen the fiscal deficit and leverage levels of state governments with gross state development loans issued by the state governments expected to rise by Rs 70,000 crore in FY2018.

Jayanta Roy, group Head – Corporate Sector Rating, ICRA, said: “Even without factoring in

the amount needed to fund the crop loan waivers that some states have announced, ICRA estimates the gross state development loans issued by the state governments to rise from Rs 3,80,000 crore in FY2017 to Rs 4,50,000 crore in FY2018.”

“Debt waivers would engender an additional burden on the respective states’ fiscal balances, necessitating further debt raising beyond our baseline estimate of Rs 4,50,000 crore for FY2018. This

would increase the yields at which state governments raise market borrowings, widen the spread relative to G-sec and also contribute to crowding out the private sector from accessing the bond markets at competitive rates. The spread between SDL and G-sec yields could rise to above 100 bps during H2 FY2018, from around 70 bps at present,” Roy said. UP, Maharashtra, Punjab and Karnataka have announced crop loan waivers.