



# STATE GOVERNMENT FINANCES

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**Indicated SGS issuance for Q4  
FY2026 is nearly in line with ICRA's  
forecast**

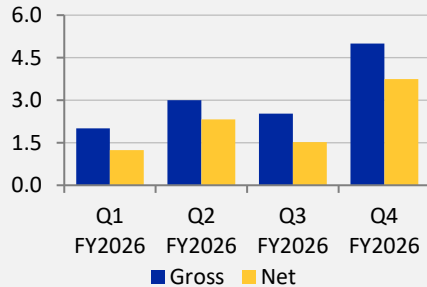
**JANUARY 2026**





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**EXHIBIT: Gross and Net SGS Issuance (Rs. Trillion)**



*Note: \* Q4 FY2026 is based on Q4 indicative borrowing and YoY growth is over actual SGS issued in Q4 FY2025*

*Source: RBI; ICRA Research*

The Reserve Bank of India (RBI) has pegged the gross issuance of State Government Securities (SGS) at Rs. 5.0 trillion for Q4 FY2026, implying a year-on-year (YoY) expansion of ~9%. Several factors, such as the magnitude of tax devolution in Q4 FY2026, capital expenditure trends, and the transfer of capex loans by the Government of India (GoI) to the states, could result in actual borrowings differing from the indicated levels. Moreover, some states could have included the amount remaining to exhaust their full-year borrowing limit for FY2026 in their Q4 indicated amount, even if the states do not intend to utilise the entire space. Additionally, with FY2026 being the last year of the 15th Finance Commission (FC), some states may have included any unutilised borrowings of this award period in their Q4 FY2026 indicated amount, as the same cannot be carried forward to future years. However, a high indicated amount for Q4 FY2026 because of the aforementioned factors should not be interpreted as a firm intent of a state to borrow the full amount indicated in the auction calendar. Moreover, some states may have chosen to boost their Q4 borrowings to carry forward a larger cash balance into the next year.

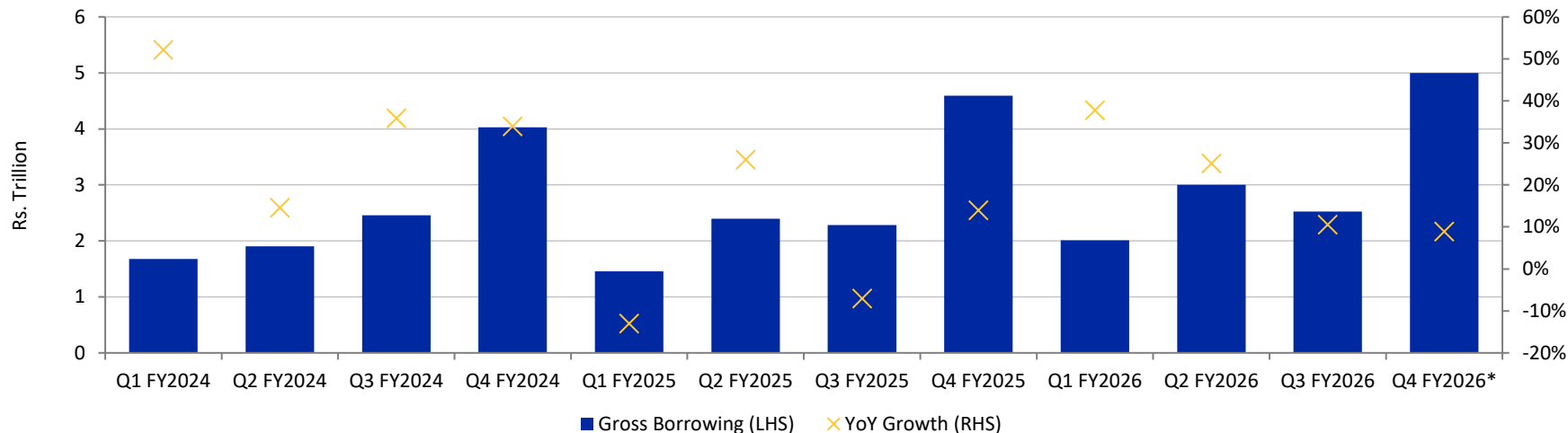
ICRA has retained its FY2026 forecast of SGS issuance at Rs. 11.9-12.5 trillion. Based on this and actual SGS till 9M FY2026, ICRA expects the gross SGS issuance in Q4 FY2026 to be around Rs. 4.4-4.9 trillion. Accordingly, the Rs. 5.0 trillion indicated by states for borrowing in Q4 FY2026, is nearly in line with the Q4 amount implied by the higher end of ICRA's forecast range of Rs. 11.9-12.5 trillion for FY2026.

Notably, Karnataka plans to raise a substantial Rs. 930 billion in Q4 FY2026, the highest amount ever indicated and borrowed by a state in a quarter. This is nearly double the amount raised by Karnataka in Q4 of FY2024 and FY2025, while also surpassing the full-year amount borrowed by it in these fiscals. Aside from Karnataka, Madhya Pradesh (MP) and West Bengal (WB) have indicated incremental SGS issuance of Rs. 152 billion and Rs. 75 billion, respectively, in Q4 FY2026, while several states plan to raise modestly lower amounts compared with the year-ago level.

Additionally, ICRA estimates the actual tax devolution to fall short of the BE of Rs. 14.2 trillion by Rs. 300 billion (Scenario I) to Rs. 500 billion (Scenario II) in FY2026. Accordingly, ICRA projects the tax devolution in Q4 FY2026 to be in the range of Rs. 3.3-3.5 trillion, indicating an 8-13% YoY contraction.

# 28 states/ UTs indicated a borrowing of Rs. 5.0 trillion in Q4 FY2026, ~9% higher on a YoY basis

EXHIBIT: Gross SGS issuance by all state governments/UTs and YoY growth



- The auction calendar of market borrowings by 26 state governments (excluding Arunachal Pradesh and Meghalaya) and two UTs for Q4 FY2026, released by the RBI on January 2, 2026, has placed the total market borrowing at Rs. 5.0 trillion. This implies a growth of 8.9% relative to the gross issuance of Rs. 4.6 trillion in Q4 FY2025 (as per the RBI Monthly Bulletin). While the states had actually borrowed Rs. 4.3 trillion in Q4 FY2025, the RBI Monthly Bulletin mentions that quarter's gross borrowing at Rs. 4.6 trillion. This takes into account Rs. 247 billion that states had borrowed on December 31, 2024, which was settled on the following day (the settlement of SGS auctions happens on a T+1 basis), thereby spilling over into Q4 FY2025.

# Net SGS issuance in Q4 FY2026 is assessed at Rs. 3.7 trillion, 8.8% higher on a YoY basis

EXHIBIT: Quarterly SGS redemptions for all states/UTs

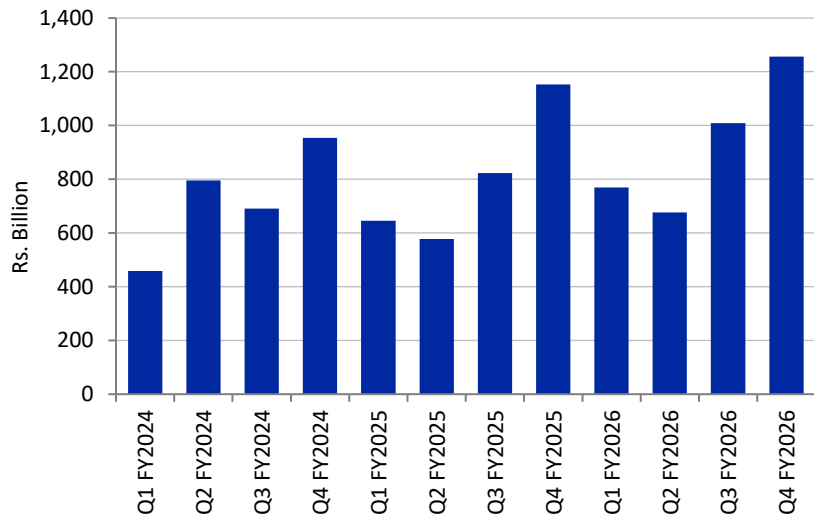
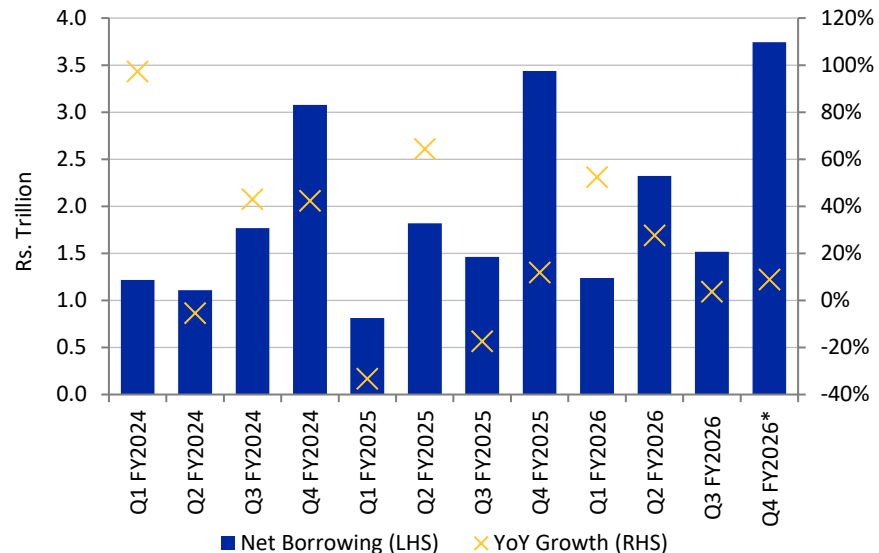


EXHIBIT: Net SGS issuance by all state governments/UTs and YoY growth



- ICRA estimates SGS redemptions to rise by 9% to Rs. 1.3 trillion in Q4 FY2026 from Rs. 1.2 trillion in Q4 FY2025. After adjusting for redemptions from the gross SGS issuance, net market borrowings in Q4 FY2026 are assessed at Rs. 3.7 trillion, 8.8% higher than the actual net issuance of Rs. 3.4 trillion in Q4 FY2025.

Note:\* Q4 FY2026 is based on Q4 indicative borrowing and YoY growth is over actual SGS issued in Q4 FY2025

Source: RBI; ICRA Research

# States plan to raise Rs. 1.8 trillion in March 2026, up from Rs. 1.5-1.7 trillion in January-February 2026

EXHIBIT: Weekly gross indicated issuance



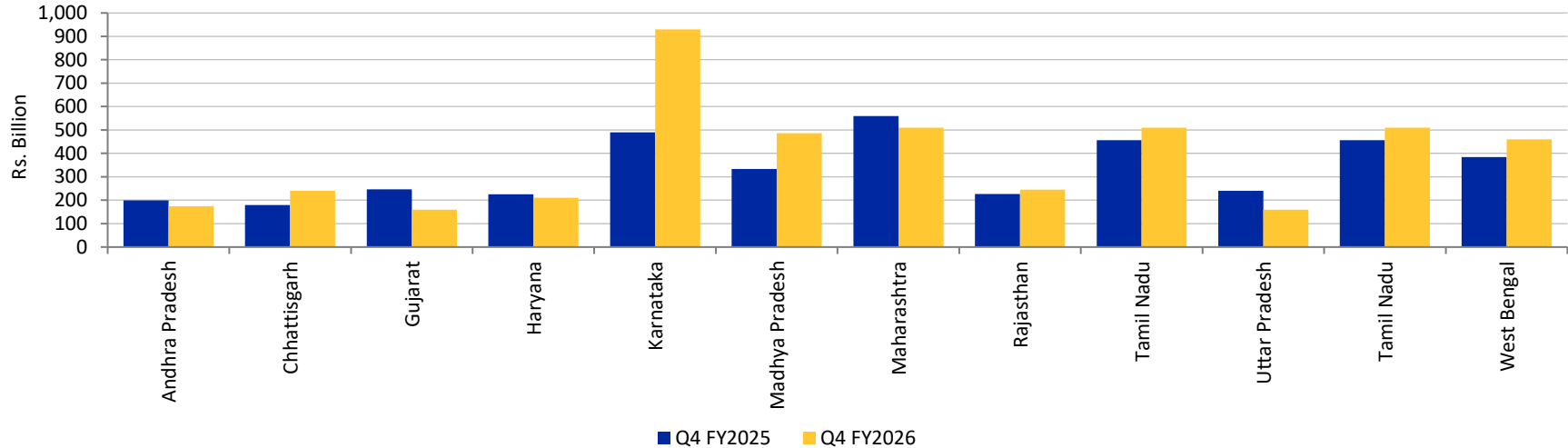
The Q4 FY2026 indicative calendar has pegged the SGS issuance in January 2026 at Rs. 1.5 trillion (30% of the indicated Rs. 5.0 trillion). The four auctions in this month will vary between Rs. 301 billion and a substantial Rs. 473 billion.

Nearly 34% of the total, or Rs. 1.7 trillion, of SGS is proposed to be issued in February 2026 through four weekly auctions, with auction sizes ranging between Rs. 390 billion and Rs. 442 billion.

The balance Rs. 1.8 trillion (36% of the total) SGS indicated for Q4 FY2026 is expected to be issued in five auctions in March 2026, with weekly size ranging from Rs. 120 billion to Rs. 480 billion.

# Incremental borrowing of Rs. 407 billion in Q4 FY2026 is led by Karnataka, MP and WB; several states indicated a dip in borrowings

EXHIBIT: SGS issuance in Q4 FY2025 and indicative issuance Q4 FY2026 of top 10 state governments

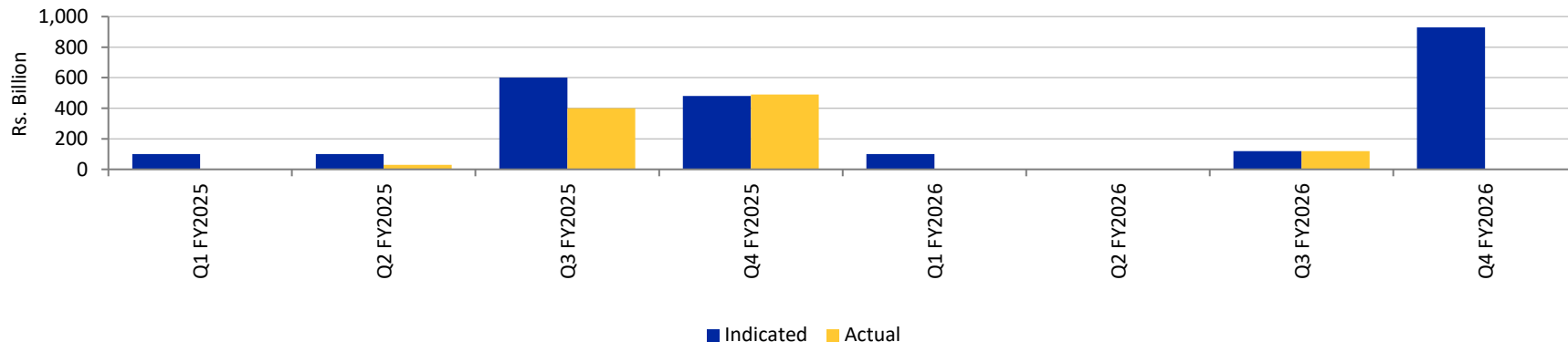


- The incremental SGS borrowing in Q4 FY2026 is pegged at Rs. 407 billion, mainly led by an increase in issuances by Karnataka (by Rs. 440 billion), Madhya Pradesh (by Rs. 152 billion) and West Bengal (by Rs. 75 billion). Chhattisgarh, Punjab, Rajasthan, Tamil Nadu and several other states have indicated incremental SGS issuance of less than Rs. 75 billion in Q4 FY2026 compared to Q4 FY2025.
- Conversely, Andhra Pradesh, Bihar, Gujarat, Haryana, Kerala, Maharashtra, Telangana, Uttar Pradesh and a few other states have indicated a step-down in issuances for Q4 FY2026 compared to Q4 FY2025 by under Rs. 100 billion while Odisha plans to borrow Rs. 118 billion less during this period.

Source: RBI; ICRA Research

# Karnataka has indicated it would raise Rs. 930 billion in Q4 FY2026, the highest ever indicated by a state in any quarter

EXHIBIT: Trends in quarterly indicated and actual SGS issuance of Karnataka



Source: RBI; ICRA Research

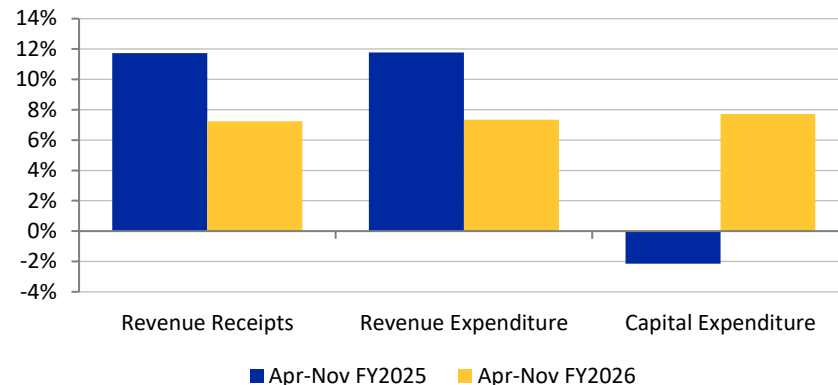
- Karnataka has indicated that it would raise a large Rs. 930 billion in Q4 FY2026, the highest amount ever indicated by a state in any quarter. For Q4 FY2026, Karnataka appears to have indicated the entire borrowing limit affixed by the GoI for the state for FY2026, after deducting the modest Rs. 120 billion that it had borrowed till December 2025.
- In the last quarter of FY2024 and FY2025, Karnataka had borrowed Rs. 540 billion and Rs. 490 billion, respectively. The planned issuance for Q4 FY2026 is nearly double these quarterly amounts while also exceeding the total issuance that Karnataka raised in FY2024 (Rs. 810 billion) and FY2025 (Rs. 920 billion). If Karnataka actually borrows the indicated Rs. 930 billion in Q4 FY2026, its total issuance in FY2026 (after including Rs. 120 billion) would stand at Rs. 1.1 trillion, 14% higher on a YoY basis, making its borrowing extremely back-ended.
- While the extent of downward deviation in Karnataka's SGS issuance in the last quarter of recent years has been under 10%, given the large amount indicated for Q4 FY2026, the cut-off yields demanded by market participants in the weekly auctions over the coming weeks could be a key factor causing the state's actual borrowing to differ from the indicated level.

# Lower-than-expected tax devolution and trajectory of capex spending can influence the actual size of SGS issuance in Q4 FY2026

EXHIBIT: Estimated tax devolution for FY2026

Rs. Trillion	FY2025	FY2026 BE	FY2026 Est.	
			Scenario I	Scenario II
Full year (A)	12.9	14.2	13.9	13.7
April-December (B)	9.0	10.4	10.4	10.4
January-March (C=A-B)	3.9	3.8	3.5	3.3

EXHIBIT: YoY trends in key fiscal indicators of 17 states



- [ICRA estimates the actual tax devolution to fall short of the BE of Rs. 14.2 trillion by Rs. 300 billion \(Scenario I\) to Rs. 500 billion \(Scenario II\) in FY2026.](#) Accordingly, ICRA projects the tax devolution in Q4 FY2026 to be at Rs. 3.3-3.5 trillion, indicating an 8–13% YoY contraction. Lower-than-expected tax devolution, could create cash-flow mismatches for some states in Q4 FY2026 nudging them to borrow to the full extent indicated for this quarter for funding their fiscal deficit.
- Additionally, the capital expenditure of 17 states has expanded by 7.7% during Apr-Nov FY2026 to Rs. 3.8 trillion, following a 2.1% contraction in the same period last year (Rs. 3.5 trillion). If the aggregate capex of these 17 states in FY2026 is around 85-90% of their budgeted level of Rs. 9.5 trillion, it would entail capex of Rs. 4.3-4.8 trillion during Dec-Mar FY2026, up from Rs. 3.8 trillion last year. A portion of this funding would be supported by capex loans from the GoI. As per news reports, the GoI has transferred Rs. 610 billion as capex loans to states till mid-December 2025. This implies that during the remaining period of FY2026, the GoI would transfer around Rs. 890 billion to the states if it adheres to the budgeted Rs. 1.5 trillion of capex loan.

# Amount indicated to be raised in Q4 FY2026 is nearly in line with the higher end of ICRA's forecast

## EXHIBIT: Net and gross SGS issuance estimate in FY2026 and expected and indicated issuance in Q4 FY2026

Amount in Rs. Trillion	April-December FY2026 (Actual)	FY2026 (Expected)		Q4 FY2026 (Estimated)		Q4 FY2026
		Scenario I	Scenario II	Scenario I	Scenario II	Indicated (as per RBI)
<b>Net Borrowing</b>	5.1	8.2	8.7	3.1	3.7	3.7
<b>Redemption</b>	2.5	3.7	3.7	1.3	1.3	1.3
<b>Gross Borrowing</b>	7.5	11.9	12.5	4.4	4.9	5.0

- [In April 2025](#), we had forecast gross SGS issuance in FY2026 at Rs. 11.9-12.5 trillion. Based on ICRA's estimate of FY2026 GSDP, we had projected the aggregate net borrowing limit of state governments at Rs. 8.2-8.7 trillion for FY2026.
- Cumulatively, 28 states and two UTs have raised Rs. 7.5 trillion through SGS till December 2025, ~18% higher than Rs. 6.4 trillion in the same period last year. More than 95% of the incremental borrowing of Rs. 1.1 trillion has been led by Maharashtra, Telangana, Gujarat, Tamil Nadu and Madhya Pradesh.
- Based on the cumulative actual issuance till December 2025 and ICRA's forecast for FY2026, gross SGS issuance for Q4 FY2026 would be around Rs. 4.4-4.9 trillion. Accordingly, the Rs. 5.0 trillion indicated by states for borrowing in Q4 FY2026, is nearly in line with the Q4 amount implied by the higher end of ICRA's forecast range of Rs. 11.9-12.5 trillion for FY2026.

Source: RBI; ICRA Research

# Some states may have included amount remaining to exhaust full-year borrowing limit for FY2026 in their Q4 indicated amount

## EXHIBIT: Net and gross SGS issuance for FY2026 and YoY growth based on Q4 FY2026 indicative calendar

Amount in Rs. Trillion	FY2025	FY2026	YoY Growth
<b>Net</b>	7.5	8.8	17.1%
<b>Redemptions</b>	3.2	3.7	16.0%
<b>Gross</b>	10.7	12.5	16.8%

- If the gross SGS raised in Q4 FY2026 is in line with the indicated Rs. 5.0 trillion, the total borrowing in FY2026 would expand by 16.8% to Rs. 12.5 trillion from Rs. 10.7 trillion in FY2025. After adjusting for the estimated redemptions of Rs. 3.7 trillion, net SGS issuance is pegged at Rs. 8.8 trillion in FY2026, 17.1% higher than Rs. 7.5 trillion in FY2025.
- Notably, some states could have calculated their indicated borrowing for Q4 FY2026 by deducting the actual amount borrowed during 9M FY2026 from the total borrowing limit affixed by the GoI for FY2026. Additionally, for the planned issuance in Q4 FY2026, some states may have included any unutilised borrowings of the 15th FC award period, which would otherwise lapse, as FY2026 is the terminal year of this award period and such borrowings cannot be carried forward to subsequent years. However, a high indicated amount for Q4 FY2026 because of the aforementioned factors should not be interpreted as a firm intent of a state to borrow the full amount indicated in the auction calendar.
- Moreover, it is also possible that a state indicates a higher borrowing amount in Q4 than required to meet its estimated fiscal deficit for the year, with the objective of boosting its year-end cash balance. Such balances can then be used to tide over any lag in receiving borrowing permissions from the GoI during the initial weeks of the subsequent financial year.

Source: RBI; ICRA Research



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