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STATE GOVERNMENT FINANCES

Few states continued to rely on WMA and OD facilities in FY2023 amid overall YoY decline in frequency of usage

JULY 2023

Highlights

SDF usage rose in FY2023 on a YoY basis, which may have been led by attractive rates relative to the weighted average cost of borrowing of SGS

WMA usage in terms of number of days, declined mildly in FY2023 on a YoY basis; AP and Telangana's WMA utilisation remained high

Despite YoY dip in OD utilisation in FY2023, it remained high relative to pre-Covid levels

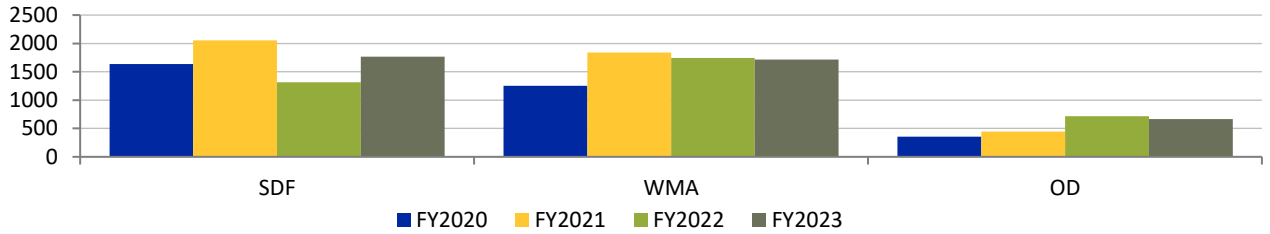
The Reserve Bank of India (RBI) provides financial accommodation to 27 state governments (except Sikkim) and two Union Territories (UTs) in the form of special drawing facility (SDF), ways and means advances (WMA) and overdraft (OD) facility for overcoming temporary mismatches in their receipts and payments.

The SDF usage increased by 451 days in FY2023 relative to FY2022, led by Punjab, Rajasthan and Telangana. The higher weighted average cost of state government securities (SGS) relative to the cost of SDF for most of FY2023 seems to have led to the enhanced usage of SDF by those states with investment holdings in the eligible collateral for the SDF.

However, the WMA usage eased in FY2023. The usage of WMA of Andhra Pradesh (AP), Manipur and Telangana at 299 days, 330 days, and 309 days, respectively, in FY2023 was the highest since FY2020.

Additionally, the utilisation of the OD facility in FY2023 declined by 51 days on a YoY basis, led by AP, Jammu & Kashmir and a few north-eastern states. Despite this improvement, the overall OD utilisation in FY2023 was substantially higher than the pre-Covid level. Telangana was among the few states which used the OD facility for a higher number of days in FY2023 relative to FY2022. Overall, a few states have consistently tapped the WMA and the OD facilities of the RBI in recent years, suggesting that they may be experiencing periods of tight liquidity.

Exhibit: Total number of days all states/UTs availed the liquidity facilities from the RBI



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