13– 04 – 2024

News: Bond Yield

- Recently, the State governments have mobilised a record Rs 50,206 crore through the auction of State Development Loan (SDL) Bonds, marking the largest such weekly borrowing ever.
- The funds raised far exceeded the indicative borrowing target of Rs 27,810 crore set for the period, as per Reserve Bank of India (RBI) data. This indicates robust demand for state government securities in the financial markets.
- SDLs are the part of Government Securities (G-Sec), where State Governments raise loans from the market. SDLs are dated securities issued through normal auctions similar to the auctions conducted for dated securities issued by the Central Government.

Government Securities (G – Secs)

- A G-Sec is a tradable instrument issued by the Central Government or the State Governments.
- It acknowledges the Government's debt obligation.
- Such securities are short term (usually called treasury bills, with original maturities of less than one year- presently issued in three tenors, namely, 91

day, 182 day and 364 day) or long term (usually called Government bonds or dated securities with original maturity of one year or more).

- In India, the Central Government issues both treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).
- G-Secs carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.
- Gilt-edged securities are high-grade investment bonds offered by governments and large corporations as a means of borrowing funds.
-