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Managing Public Debt through Commonwealth Meridian

Dr. Rajeev Rana

Research Officer in the Budget & Debt Department with the government of Uttarakhand, India. & S.G.R.R PG College, Dehradun, India.

ABSTRACT

Managing Public Debt is a crucial component for the country's macroeconomic financial policy and stability. Central and State governments both have limited resources to finance their budget. Usually most of the governments are not able to match their receipts to the expenditure (revenue and capital). This gap is huge in all types of economies but mostly developing economies. Managing public debt is a complex task, particularly when public debt itself has a bundle of instruments as per maturity concerned. For the fiscal balance and sustainable path the government has to manage debt with lowest possible cost and risk. In this paper the objective is to focus on how Meridian debt Software provides a versatile feature, as well as an option to manage public debt.

Keyword: *public debt, debt instruments, meridian debt software.*
JEL Classification:: H:63, H:68.

Conceptual Understanding of debt

Public Debt Management is now a crucial component for the country's macroeconomic financial policy and stability. Govt. either Central or State face severe limitations in terms of raising financial resources to finance their budget. generally, it has been experienced that most of the governments are not able to match their receipts to the expenditure (revenue and capital). To finance their development and non-development activities the government has to rely on public debt. raising financial resources through public debt itself having bundul of instruments which are Short term e.g. T-bills, Gilt Securities, Repos, Ways and Means Advances (WMA) etc, and other long term instruments e.g Debt Securities, Bonds (with various forms of Bonds), Market Borrowing-State

Development Loans (SDL), National Small Saving Funds (NSSF), National Cooperative Development Corporation (NCDC), National Bank for Agriculture and Rural Development (NABARD), Loans from GoI - Externally Aided Projects (EAPs), Guarantees and loans from NBC, and Financial Institutions.

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Table.1 Components of Debt of States

Components of Public Debt of States- RBI
A. Internal Debt (a+b+c+d+e+f) a) State Development Loans b) Power Bonds c) Compensation & other bonds d) NSSF e) WMA from RBI f) Loans from banks and Financial Institutions i. Loans from LIC ii. Loans from GIC iii. Loans from NABARD iv. Loans from SBI and other banks v. Loans from NCDC vi. Loans from other institutions B. Loans and advances from GoI C. Provident funds etc. D. Reserve funds E. Deposit and advances F. Contingency funds **G. Total liabilities (A+B+C+D+E+F)**

Source: RBI Components of Public Debt of States.

As maturity is concerned the long-term instruments have different terms and conditions and are distinct in nature of interest and principal repayment schedule.

The National government has a greater scope of borrowing than the Sub-Nation government as Sub-National government like States cannot participate in external borrowing programme and having limited freedom of raise debt as compare to National government. The scope also changes under the broad classification that governments are developed or developing countries. The developed countries have large freedom to borrow at low cost and vice versa, but the important aspect of borrowing is that countries should borrow strategically i.e they should not go beyond the prescribed limit defined by country borrowing ceiling charter or standard parameters like debt-to-GDP ratio. A debt to GSDP ratio compares the debt to its produce, signifying the ability to pay back debt without incurring more debt in future. Higher value of GSDP indirectly indicates increase in output and receipts which would reflect in decreasing debt burden of the country or State and improving debt serviceability.

Debt Instruments with different maturity of various public debt instruments to manage them is a complex task with knowing all server information like disbursement amount of debt, disbursement date, and moratorium period (if any), first interest data and the principal repayment condition like paid (either, monthly, quarterly, bi-annually or in equal instalment).

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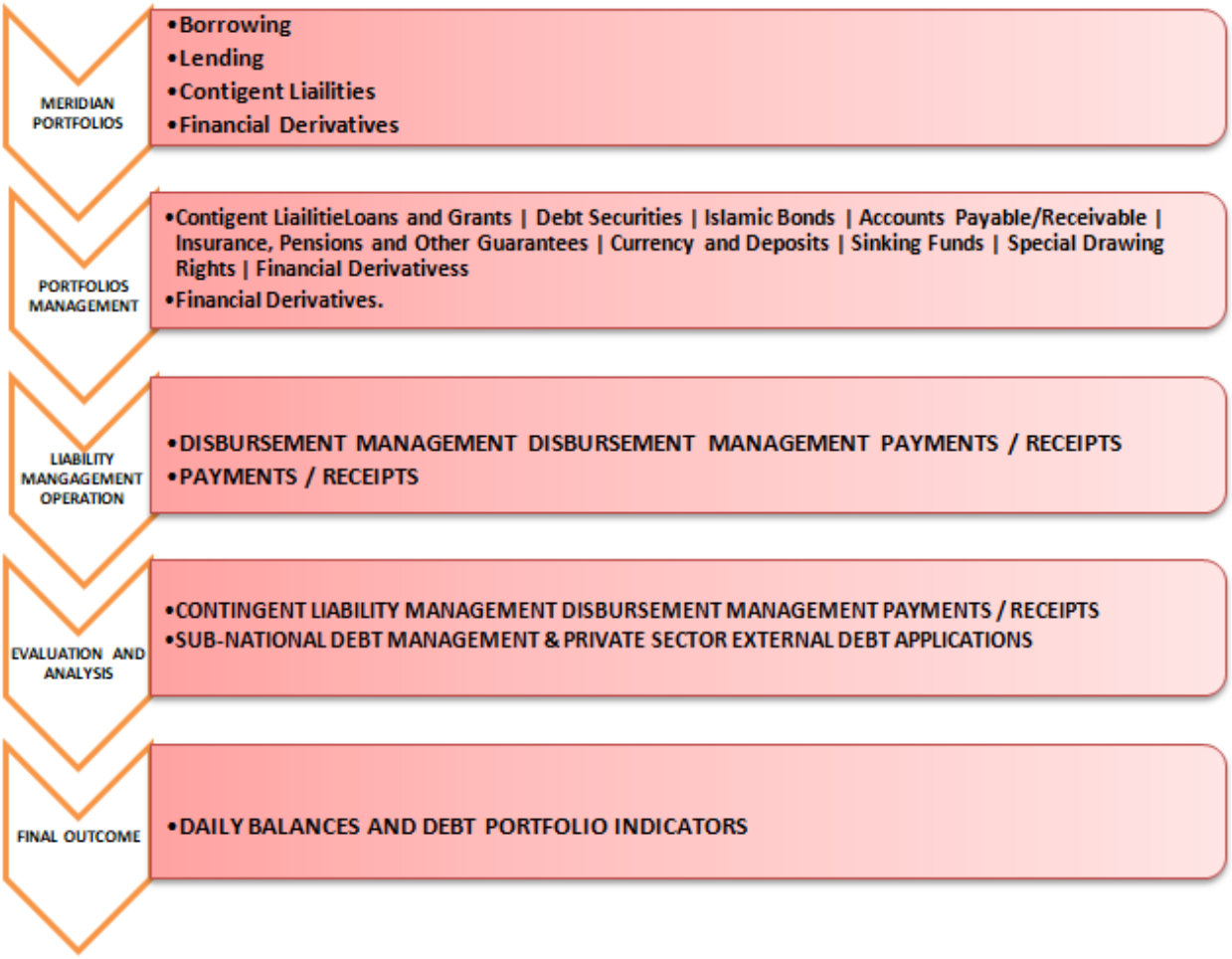
A sound public debt management has efficient control on fiscal resources and a better way to manage debt portfolios with low cost and risk.

MANAGING DEBT WITH MERIDIAN

For prudent debt management it's vital to follow data dissemination standards, economies should furnish and compile all debt data with timely publishing of debt bulletin. The process for classifying, recording and monitoring with reporting public debt data is a very complex task and difficult to manage in single debt recording software. To simplify debt process the Commonwealth meridian software this provides a vast versatile feature of debt recording and publishing reports. Some important features of the meridian are shown in the chart below.

Commonwealth Meridian is a comprehensive solution that promotes effective and proactive public debt management. It offers the following functions and features that make advantage of Meridian over the other debt software:-

Chart.1 Meridian Debt Process Chart



Source: Introducing Commonwealth Meridian, software site.

- Public and publicly guaranteed debt, lending portfolios and private sector external debt can be recorded, managed and analyzed;
- Customizable deployment of the solution in centralized, decentralized and hybrid environments defined by member countries' IT and Institutional infrastructure.
- Configurable and delivery to every key stakeholder, e.g. central ministry of finance or debt management office, or various funding agencies and project implementing agencies, thus helps to streamline the information flow between the various entities. etc.
- The ability to model any workflow arrangement and/or institutional structure for debt management.
- Provides flexibility in adding and maintaining a wide range of financing products including any future financing products through the use of instrument templates.
- Organized around a central repository of data from which key stakeholders can access information to ensure that real time data is always available even to remote offices.
- Driven by alerts and notifications, integrated with mail exchange systems to support the business workflow process;
- Fosters accountability and transparency through data driven workflow; and
  Integrates with external systems to provide straight-through processing and accurate data to stakeholders.

CONCLUSION:

To conclude, Meridian debt recording management system provides a flexible and vast solution that promotes effective and proactive public debt management. The advantage of Meridian is that it will work on both SQL and Oracle sites and web-based browser facilities. Meridian deals with various types of instruments for recording purposes with various participant management and waste reporting systems which manage public debt efficiently and effectively.

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