

**Impact of Deregulation of Government Securities
Market on Interest Costs of the States in India**

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Purpose – *This paper aims to examine the effect of deregulation of government securities market on the cost of market borrowing of 14 major states in India.*

Design/methodology/approach – *Empirical models explaining changes in interest rates on market borrowings of the Indian states under consideration are tested. The stability of the empirical relationships are then evaluated using structural breakpoint tests conducted around known periods of deregulation in the government securities market.*

Findings – *The stability tests clearly pointed to difference in the dynamics of market borrowing rates pre and post deregulation for overwhelming majority of the states in the sample.*

Research limitations/implications – *The question pertaining to whether government securities market deregulation reduced or raised states' market borrowing rates is left unaddressed in the current study.*

Originality/value – *An empirical assessment of the effects of deregulation of the government securities market on the cost of states' borrowing in India is imperative considering the key role played by them in the provision of various public services. The data set created to conduct such an analysis is unique and has the potential to uncover more interesting features about state-level borrowing in India.*

Keywords *Government Securities Market, Economic Reforms, Deregulation, State Governments, Auction Method, Tap Method, Interest Costs, Structural Break, India*

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