- A cross-country comparison of debt levels points out that, India's overall debt levels as a per cent of GDP are the lowest amongst the group of G-20 OECD countries and also among the group of BRICS nations.
- Moreover, public debt and overall debt level for India has declined since 2003 and has been stable since 2011
- The Government's debt portfolio is characterized by very low foreign exchange risk
- as the external debt is only 2.7 per cent of GDP (5.9 per cent of total Central Government liabilities).
- Of the total public debt, 70 per cent is held by the Centre.
- The long maturity profile of India's public debt (issuance of longer tenure bonds) along with a small share of floating rate debt (floating rate debt of Central Government is less than 5 per cent of public debt) tends to limit rollover risks, and insulates the debt portfolio from interest rate volatility

RECOMMENDATIONS:

- As the COVID-19 pandemic has created a significant negative shock to demand, **active fiscal policy** – one that recognises that fiscal multipliers are disproportionately higher during economic crises than during economic booms – can ensure that the full benefit of seminal economic reforms is reaped by limiting potential damage to productive capacity.
- As the IRGD is expected to be negative in the foreseeable future, a fiscal policy that provides an impetus to growth will lead to lower, not higher, debt-to-GDP ratios.
- In fact, simulations undertaken till 2030 highlight that given India's growth potential, debt sustainability is unlikely to be a problem even in the worst scenarios. The chapter thus demonstrates the desirability of using counter-cyclical fiscal policy to enable growth during economic downturns.
- **Active fiscal policy** can ensure that the full benefit of reforms is reaped by limiting potential damage to productive capacity
- Given India's growth potential, **debt sustainability is unlikely to be a problem** even in the worst scenarios
- **Desirable to use counter-cyclical fiscal policy** to enable growth during economic downturns