

An unsustainable level of debt in some large states would not only affect growth prospects, but also pose risks to macroeconomic stability. Discuss

The aggregate debt of states

increased to 31% of GDP in FY-21. breaching

the limit prescribed by the FRBM review

committee of 20% to the states.

Unsustainable debts of states

states such as Punjab, Rajasthan,

West Bengal and Kerala all above 31% of

debt of GDP creation have received revenue

deficits grants from the centre.

Affects growth Prospect
The interest payment to revenue

receipt of states is increasing ~~the~~

resulting in erosion of debt sustainability

This will result in very less room

for asset creation.

Major debt is due to implementation of Uday schemes that has resulted in mounting debts transferred to state governments from discoms.

Affect macro-economic stability

The government (Central) debt to GDP ratio rose to 90% way above prescribed 60%. This can lead to increase in fin deficit problem and can lead to stagflation ~~and~~

measures such as growth inducing capex, autonomisation disinvestment via financial monetisation pipeline and rationalisation central and centrally sponsored schemes can help bring down debt levels in the longer run.