

# **PUBLIC DEBT SUSTAINABILITY ISSUE IN INDIA**

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## Abstract

There has been growing importance of sustainability of fiscal policy in India. Fiscal policies are used to attain the economic objectives such as economic growth, price stability and external balance. In this study, ability of the government to maintain the fiscal policies is measured in terms of debt–GDP ratio and is considered sustainable if debt–GDP ratio does not grow to explosive proportions over time. This paper assesses the sustainability for the Central and State Governments separately and together, by carrying out tests of co-integration with structural breaks. The results showed that fiscal policy of the Central government is not sustainable but that of the State and combined finances are sustainable.