Examination of Sustainable Level of Gross Fiscal Shortfall and Soverign Debt for Fiscal Consolidation

Harshit Gupta
PhD Research Scholar, Department of Economic Studies and Planning, School of Business Studies, Central University of Karnataka, Kalaburagi, Karnataka, India

Abstract

This study examines the sustainability of India's gross fiscal deficit and sovereign debt in the context of fiscal consolidation using annual data for the combined Union and State governments from 1990–91 to 2020–21. The analysis employs indicator-based debt sustainability assessment and econometric techniques, including unit root and cointegration tests under the Intertemporal Budget Constraint framework. The findings reveal that although fiscal reforms improved debt-servicing indicators during certain phases, sustained primary surpluses were largely absent. Cointegration among government revenue, expenditure, and debt confirms long-run fiscal solvency. However, rising debt accumulation and recurring fiscal imbalances continue to pose challenges to achieving durable fiscal sustainability.

Keywords

Fiscal Sustainability, Sovereign Debt, Fiscal Consolidation, Intertemporal Budget Constraint.

JEL Classification: H62, H63, E62, C22.