GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1031
TO BE ANSWERED ON TUESDAY, THE 29th JULY, 2025
SRAVANA 7, 1947 (SAKA)
The increasing burden of interest payments on public finances

1031. Shri Sandeep Kumar Pathak:

Will the Minister of ***Finance*** be pleased to state:

(a) whether interest payments are expected to be around 25 per cent of total expenditure and 37 per cent of revenue receipts in the Union Budget 2025–26;

(b) if so, whether this trend restricts fiscal space for welfare and capital expenditure;

(c) whether debt rationalisation or institutional reforms are being considered to reduce the interest-to-revenue ratio; and

(d) if so, the steps proposed to ensure stability of public debt over the next five to six years?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a & b): Fiscal deficit is a consolidated measure which is arrived at after subtracting non-debt receipts from total expenditure. Interest payments are 25.2% per cent of total expenditure and 37.3% of revenue receipts as per the Union Budget 2025-26. The fiscal space has been calibrated to increase the trend of capital expenditure from ₹4.26 lakh crore in FY 2020-21 to ₹11.21 lakh crore in BE 2025-26. Further, one of the measures of welfare expenditure, Centrally Sponsored Schemes (CSS), has increased from ₹3.84 lakh crore in FY 2020-21 to ₹5.42 lakh crore BE 2025-26.

(c & d): To reduce interest-to-revenue ratio, the Government’s strategy is to focus on ensuring a downward trajectory (reduce) ratio of debt to GDP. As announced in the Budget Speech for the FY 2024-25 (Regular), debt to GDP ratio has been chosen as fiscal anchor from FY 2026-27 onwards. As per Budget 2025-26, the Government aims to keep fiscal deficit in each year in such manner that the Central Government debt is on declining path to attain debt to GDP level of about 50±1 percent by 31st March, 2031.

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