

MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA UNSTARRED QUESTION NO. 1654
TO BE ANSWERED ON FRIDAY, THE 10th March, 2017 Phalguna 19, 1938
(SAKA)

Internal and External Debts

1654, Shri P R Sundaram:

Will the Minister of Finance be please to state:

- (a) Whether there has been a rise in the per capita debt on March 31, 2016 as compared to March 31, 2015.
- (b) If so, the details thereof and reasons therefor;
- (c) The action taken by Govt. to repay the external and internal debt along with interest payments?
- (d) the corrective measures initiated by the Govt. to reduce the per capita debt particularly post demonetisation?

ANSWER

Minister of State for Finance (Shri Arjun Ram Meghwal)

(a) and (b) Yes Madam. There has been a rise of 9.2% in per capita total debt (internal and external) as on March 31, 2016 as compared to March 31, 2015. The per capita internal debt increased by 9.3% while per capita external debt increased by 5.1% during the given period. In absolute terms, the per capita total debt increased by Rs. 4,525/-, per capita internal debt by Rs.4,446/- and per capita external debt by Rs.80/- during this period.

The primary reason for the increase in debt has been increase in Government borrowings, majority of which has been due to increase in internal debt which contributes to 97% of total debt

(c) Payment of interest on the debt and repayment of principal amounts is an ongoing process and payments towards principal and interest are charged expenditures which are made as they fall due.

(d) The reduction in per capita debt depends on the changes in the debt levels of the Government. The Government is adhering to a fiscal consolidation path in terms of the provisions of the FRBM Act with the objective to reduce fiscal deficit and Government debt. The Medium Term Debt Management Strategy (MTDS) also aims to reduce the cost of borrowing, mitigate risk to the Government and develop bond market in India. The Government is also pursuing an active debt management strategy under which short term bonds are switched with longer tenor securities through buy-backs to spread the redemption pressure on the Government evenly.

The process of demonetization is not related to reduction in per capita debt.
