TRENDS IN INDIA'S INTERNAL PUBLIC DEBT: A TWENTY-YEAR ANALYSIS (2004–2024)

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ABSTRACT

Background: *Internal public debt plays a critical role in financing government expenditure and supporting economic development. Over the past two decades, India has increasingly relied on domestic borrowing to meet fiscal requirements, particularly during periods of economic stress.*
Objective: *This study analyses the trends, growth, and fiscal implications of India's internal public debt during the period 2004–2024.*
Methods: *The study adopts a descriptive quantitative research design using secondary data obtained from the Reserve Bank of India (RBI) Handbook of Statistics on the Indian Economy, the Economic Survey, and the Union Budget Documents. The analysis employs descriptive statistics, annual growth rates, compound annual growth rate (CAGR), trend analysis, and the Debt-to-GDP ratio to evaluate changes in internal public debt over the study period.*
Results: *The findings reveal that India's internal public debt increased substantially from ₹12.76 lakh crore in 2004–05 to ₹148.36 lakh crore in 2023–24, reflecting the Government's growing reliance on domestic borrowing. The annual growth rate remained positive throughout the study period, with the highest increase (23.56%) recorded during the COVID-19 pandemic in 2020–21. Although the Debt-to-GDP ratio remained relatively stable before the pandemic, it rose sharply during 2020–21 and moderated as economic activity recovered. Market borrowings continued to constitute the largest component of internal public debt.*
Conclusion: *The study concludes that India's reliance on internal borrowing has strengthened fiscal resilience by reducing dependence on external debt; however, the sustained rise in internal public debt highlights the need for prudent debt management, fiscal discipline, and productive utilisation of borrowed resources to ensure long-term fiscal sustainability. The findings provide updated evidence to support public debt management and fiscal policy formulation in India.*

KEYWORDS: *Debt-To-GDP Ratio; Fiscal Sustainability; Government Borrowing; Internal Public Debt; Public Finance; India.*

INTRODUCTION

Public debt is a key instrument of fiscal policy that enables governments to finance development, manage fiscal deficits, and respond to economic crises. When managed effectively, public borrowing supports economic growth through investments in infrastructure, healthcare, education, and other productive sectors. However, excessive debt accumulation can increase debt-servicing costs, reduce fiscal flexibility, and pose risks to macroeconomic stability (Domar, 1944; Blanchard, 1990).

In India, **internal public debt** constitutes the largest share of government borrowing and is primarily raised through market loans, government securities, and treasury bills. Compared with external debt, domestic borrowing is less vulnerable to exchange rate fluctuations and external shocks. Nevertheless, sustained increases in internal borrowing may increase interest payment obligations and place pressure on public finances if not accompanied by adequate economic growth and revenue mobilisation (Reserve Bank of India [RBI], 2024).

The period **2004–2024** represents a significant phase in India's fiscal history, marked by the implementation of the Fiscal Responsibility and Budget Management (FRBM) Act, the Global Financial Crisis, demonetisation, the introduction of the Goods and Services Tax (GST), the COVID-19 pandemic, and the subsequent economic recovery. These developments substantially influenced government expenditure, fiscal deficits, and borrowing requirements, leading to a considerable expansion of internal public debt (Government of India, 2021; RBI, 2024).

Although several studies have examined India's fiscal deficits and public debt, relatively few have provided a comprehensive assessment of the long-term trends in **Central Government internal public debt** over the past two decades (Rangarajan & Srivastava, 2005; Dholakia, Mohan, & Karan, 2004). Therefore, this study analyses the trends, growth, and fiscal implications of India's internal public debt during **2004–2024** using official data from the Reserve Bank of India and the Government of India. The findings are expected to contribute to the understanding of India's debt dynamics and support evidence-based fiscal policy and public debt management.

LITERATURE REVIEW

Public debt plays a crucial role in promoting economic growth, maintaining macroeconomic stability, and financing government expenditure. While classical theories viewed public borrowing as a temporary financing mechanism, Keynesian theory considers it an important fiscal tool for stabilising economic activity during economic downturns (Blanchard, 1990). In India, the enactment of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003 marked a significant step towards fiscal discipline by aiming to reduce fiscal deficits and maintain sustainable public debt levels. However, major events such as the Global Financial Crisis, the implementation of the Goods and Services Tax (GST), and the COVID-19 pandemic increased government borrowing and renewed concerns regarding debt sustainability (**Government of India, 2021; Reserve Bank of India [RBI], 2024**).

Rangarajan and Srivastava (2005) highlighted that persistent fiscal deficits contribute to public debt accumulation, increase interest payment obligations, and constrain productive public investment. They recommended fiscal consolidation through effective management of fiscal deficits and the Debt-to-GDP ratio. Similarly, the Reserve Bank of India (2024) has reported that internal debt constitutes the largest share of the Central Government's liabilities, with market borrowings serving as the primary source of financing fiscal deficits.

The COVID-19 pandemic significantly altered India's debt trajectory as increased public expenditure on healthcare, welfare programmes, and economic stimulus led to higher fiscal deficits and government borrowing (**Government of India, 2021**). **Rangarajan and Srivastava (2024)** further emphasised that debt sustainability depends on maintaining robust economic growth alongside prudent fiscal management, while the International Monetary Fund (2023), World Bank (2024), and OECD (2023) have stressed the importance of debt composition, borrowing costs, and institutional fiscal frameworks in ensuring sustainable public debt.

Although extensive research has examined India's fiscal deficits and aggregate public debt, relatively few studies have focused specifically on the long-term dynamics of internal public debt. Most existing studies analyse individual economic events or shorter periods rather than providing a continuous assessment of Central Government internal borrowing over the last two decades.

Accordingly, the present study addresses this gap by providing a descriptive analysis of India's internal public debt during 2004–2024 using official data from the Reserve Bank of India and the Government of India. The study evaluates long-term borrowing trends, the relationship between internal debt and GDP, and the implications of rising domestic borrowing for fiscal sustainability and public debt management.

RESEARCH GAP

Existing studies on India's public finances have primarily focused on fiscal deficits, aggregate public debt, and debt sustainability, with limited attention to the long-term trends in internal public debt using recent official data. Most research examines specific economic events or shorter time periods rather than providing a continuous analysis of Central Government internal borrowing from 2004–2024 (Rangarajan & Srivastava, 2005; Reserve Bank of India [RBI], 2024). This study addresses this gap by presenting an updated descriptive analysis of India's internal public debt, its relationship with GDP and the Debt-to-GDP ratio, thereby providing current evidence to support fiscal policy and public debt management.

OBJECTIVES OF THE STUDY

The study is guided by the following objectives:

- To analyse the trends and growth pattern of India's internal public debt during the period 2004–2024.
- To examine the relationship between internal public debt, Gross Domestic Product (GDP), the Debt-to-GDP ratio, and the composition of internal public debt over the study period.
- To assess the implications of India's internal public debt for fiscal sustainability and public debt management.

METHODOLOGY

This study adopts a descriptive quantitative research design to analyse the trends in India's internal public debt during the period 2004–2024 using secondary data obtained from the Reserve Bank of India (RBI) Handbook of Statistics on the Indian Economy, the Union Budget Documents, and the Economic Survey of India (Reserve Bank of India, 2024; Government of

India, 2024). The analysis covers the period from 2004–05 to 2023–24 and examines key variables including internal public debt, Gross Domestic Product (GDP) at current prices, the Debt-to-GDP ratio, market borrowings, fiscal deficit, interest payments, and the annual growth rate of internal debt. The data were compiled and analysed using Microsoft Excel, employing descriptive statistical techniques such as annual growth rates, compound annual growth rate (CAGR), percentages, and trend analysis. Tables and graphs were used to present the findings and evaluate the growth, composition, and fiscal sustainability of India's internal public debt over the study period.

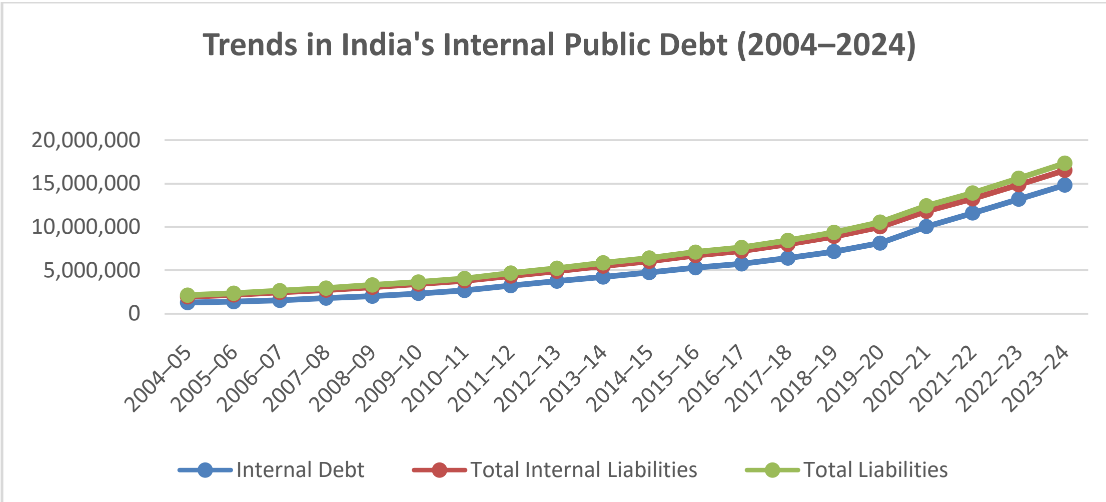
RESULTS

Table 1. Trends in India's Internal Public Debt (2004–2024)

Year	Internal Debt (₹ Crore)	Total Internal Liabilities (₹ Crore)	Total Liabilities (₹ Crore)
2004–05	1,275,971	1,933,544	2,124,726
2005–06	1,389,758	2,165,902	2,359,972
2006–07	1,544,975	2,435,880	2,637,079
2007–08	1,799,651	2,725,394	2,935,480
2008–09	2,019,841	3,036,132	3,300,108
2009–10	2,328,339	3,395,877	3,645,165
2010–11	2,667,115	3,781,135	4,059,590
2011–12	3,230,622	4,347,164	4,670,054
2012–13	3,764,566	4,893,303	5,225,307
2013–14	4,240,767	5,484,848	5,859,331
2014–15	4,738,291	6,045,007	6,411,391
2015–16	5,304,835	6,691,709	7,098,298
2016–17	5,750,876	7,216,970	7,625,078
2017–18	6,425,537	8,009,349	8,454,631
2018–19	7,164,805	8,903,418	9,377,857
2019–20	8,132,361	10,011,094	10,555,487
2020–21	10,048,078	11,809,350	12,424,179
2021–22	11,600,211	13,244,429	13,902,763
2022–23	13,211,600	14,868,399	15,616,855
2023–24	14,836,045	16,549,699	17,345,777

Source: Compiled from Reserve Bank of India, Handbook of Statistics on the Indian Economy, 2024.

Figure 1.Trends in India's Internal Public Debt (2004–2024)



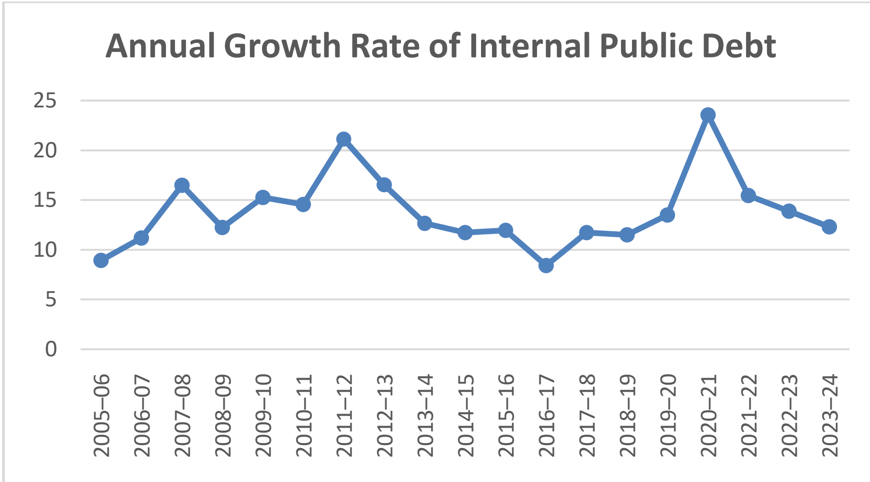
India's internal debt increased from ₹12.76 lakh crore in 2004–05 to ₹148.36 lakh crore in 2023–24, an increase of more than 11.6 times over two decades. The steady expansion reflects increasing dependence on domestic borrowing to finance fiscal deficits, infrastructure development, welfare expenditure, and economic recovery programmes.

Table 2. Annual Growth Rate of Internal Public Debt

Year	Internal Debt (₹ Crore)	Growth Rate (%)
2004–05	1,275,971	–
2005–06	1,389,758	8.92
2006–07	1,544,975	11.17
2007–08	1,799,651	16.48
2008–09	2,019,841	12.24
2009–10	2,328,339	15.27
2010–11	2,667,115	14.55
2011–12	3,230,622	21.13
2012–13	3,764,566	16.53
2013–14	4,240,767	12.65
2014–15	4,738,291	11.73
2015–16	5,304,835	11.96
2016–17	5,750,876	8.41
2017–18	6,425,537	11.73
2018–19	7,164,805	11.50
2019–20	8,132,361	13.50
2020–21	10,048,078	23.56
2021–22	11,600,211	15.45
2022–23	13,211,600	13.89
2023–24	14,836,045	12.30

Source: Compiled from Reserve Bank of India, Handbook of Statistics on the Indian Economy, 2024.

Figure 2. Annual Growth Rate of Internal Public Debt



The growth rate remained positive throughout the study period, indicating continuous expansion in internal debt. The highest annual increase (**23.56%**) occurred in **2020–21**, coinciding with the COVID-19 pandemic, when the Government substantially increased borrowing to finance emergency health measures and economic stimulus.

Table 3. Internal Debt, GDP and Debt-to-GDP Ratio (2004–2024)

Year	**Internal Debt (₹ Crore)**	**GDP at Current Prices (₹ Crore)**	**Debt-to-GDP Ratio (%)**
2004–05	1,275,971	32,42,000	39.4
2005–06	1,389,758	37,64,000	36.9
2006–07	1,544,975	43,66,000	35.4
2007–08	1,799,651	50,21,000	35.8
2008–09	2,019,841	56,33,000	35.9
2009–10	2,328,339	64,78,000	35.9
2010–11	2,667,115	77,42,000	34.4
2011–12	3,230,622	89,73,000	36.0
2012–13	3,764,566	100,21,000	37.6
2013–14	4,240,767	113,55,000	37.4
2014–15	4,738,291	125,41,000	37.8
2015–16	5,304,835	137,71,000	38.5
2016–17	5,750,876	152,54,000	37.7
2017–18	6,425,537	170,95,000	37.6
2018–19	7,164,805	189,71,000	37.8
2019–20	8,132,361	203,51,000	39.9
2020–21	10,048,078	197,46,000	50.9
2021–22	11,600,211	232,15,000	49.9
2022–23	13,211,600	273,08,000	48.4
2023–24	14,836,045	301,75,000	49.1

Source: Compiled from Reserve Bank of India, Handbook of Statistics on the Indian Economy, 2024.

Figure 3. Internal Debt, GDP and Debt-to-GDP Ratio (2004–2024)

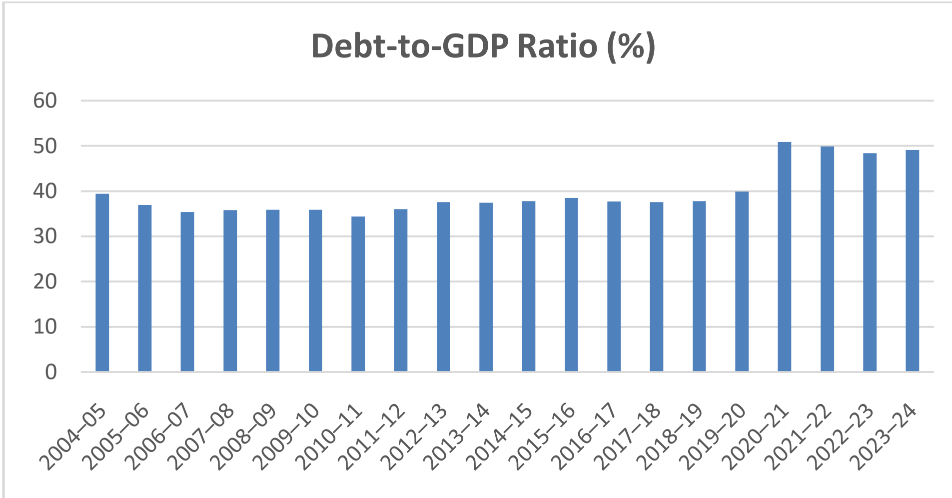


Table 3 shows that India's internal public debt increased steadily from ₹12.76 lakh crore in 2004–05 to ₹148.36 lakh crore in 2023–24. Although GDP also grew substantially during this period, the Debt-to-GDP ratio remained relatively stable until 2019–20, increased sharply to 50.9% during the COVID-19 pandemic, and moderated to 49.1% by 2023–24. This indicates continued economic growth alongside increasing government borrowing.

Table 4. Descriptive Statistics (2004–2024)

Statistic	Internal Debt (₹ Crore)
Number of Years	20
Minimum	1,275,971
Maximum	14,836,045
Range	13,560,074
Increase over Period	11.63 times

Source: Compiled from Reserve Bank of India, Handbook of Statistics on the Indian Economy, 2024.

The descriptive statistics demonstrate substantial growth in India's internal public debt during the study period. The minimum value was recorded in 2004–05, while the maximum value occurred in 2023–24. The large range reflects the increasing financing requirements of the Central Government over two decades, particularly during periods of fiscal expansion and economic crises.

Table 5. Composition of India's Internal Public Debt (2023–24)

Component	Amount (₹ Crore)	Share of Internal Debt (%)
Market Loans	10,248,883	69.1
Treasury Bills	871,662	5.9
Special Securities	2,245,000	15.1
Small Savings and Provident Funds	683,919	4.6
Other Internal Liabilities	786,581	5.3
Total Internal Debt	**14,836,045**	**100.0**

Source: Compiled from Reserve Bank of India, Handbook of Statistics on the Indian Economy, 2024.

Table 5 shows that market loans constituted the largest component of India's internal public debt in 2023–24, accounting for approximately 69.1% of total internal debt. Special securities represented the second-largest component (15.1%), followed by Treasury Bills (5.9%), Small Savings and Provident Funds (4.6%), and other internal liabilities (5.3%). The dominance of market loans indicates the Government's increasing reliance on the domestic securities market as the primary source of financing, while Treasury Bills and Special Securities continue to play complementary roles in managing short-term liquidity and specific fiscal obligations.

DISCUSSION

The present study found that India's internal public debt increased substantially from ₹12.76 lakh crore in 2004–05 **to** ₹148.36 lakh crore in 2023–24, reflecting the Government's growing reliance on domestic borrowing to finance fiscal deficits, infrastructure development, welfare programmes, and economic recovery. These findings are consistent with **Rangarajan and Srivastava (2005)** and the **Reserve Bank of India (2024)**, which reported that persistent fiscal deficits and the expansion of the domestic government securities market have contributed to the steady growth of internal public debt.

The annual growth analysis showed continuous expansion in internal debt, with the highest growth rate (23.56%**)** recorded in 2020–21 during the COVID-19 pandemic. Similar trends were reported in the Economic Survey 2020–21andRBI (2024)**,** which attributed the increase to higher government borrowing for healthcare, welfare measures, and economic stimulus. Likewise, the Debt-to-GDP ratio remained relatively stable before rising sharply to50.9% in 2020–21, before moderating with the recovery in economic activity. This finding supports **Rangarajan and Srivastava (2024)** and the **International Monetary Fund (2023)**, who emphasized that debt sustainability depends on sustained economic growth alongside prudent fiscal management.

The study further shows that market borrowings remain the dominant source of internal public debt**,** highlighting the importance of India's domestic financial markets in financing government expenditure. While reliance on internal borrowing has strengthened fiscal resilience by reducing external debt exposure, the continued rise in debt underscores the need for prudent debt management, stronger revenue mobilisation, and productive utilisation of borrowed funds to ensure long-term fiscal sustainability. This study provides updated evidence on India's internal public debt dynamics over the past two decades and contributes to the existing literature on fiscal sustainability.

POLICY IMPLICATIONS

The findings of this study have several important implications for fiscal policy and public debt management in India. First, the continuous increase in internal public debt highlights the need for maintaining fiscal discipline while ensuring adequate financing for developmental activities. The Government should continue to strengthen the implementation of the Fiscal Responsibility and Budget Management (FRBM) framework by gradually reducing fiscal deficits without compromising productive public investment. Second, borrowed funds should be directed towards capital expenditure, including infrastructure, healthcare, education, and digital development, as these investments have the potential to generate higher economic growth and improve future revenue generation. Third, expanding the domestic government securities market while maintaining a diversified debt portfolio can reduce refinancing risks and improve debt management efficiency. Finally, sustained economic growth, improved tax administration, and enhanced revenue mobilisation are essential for maintaining a sustainable Debt-to-GDP ratio and ensuring long-term fiscal stability. Policymakers should therefore adopt a balanced approach that combines prudent borrowing with growth-oriented fiscal policies to safeguard India's macroeconomic stability.

CONCLUSION AND LIMITATIONS

This study analysed the trends in India's internal public debt during 2004–2024 using official data from the Reserve Bank of India and the Government of India. The findings indicate a substantial increase in internal public debt, reflecting the Government's growing reliance on domestic borrowing to finance fiscal deficits and developmental expenditure. Although the Debt-to-GDP ratio remained relatively stable for most of the study period, it increased sharply during the COVID-19 pandemic before moderating with economic recovery. The results highlight the importance of prudent debt management, sustained economic growth, and efficient utilisation of borrowed funds to ensure long-term fiscal sustainability. The study is limited by its reliance on secondary data, descriptive analysis, and its focus on the Central Government's internal public debt. Nevertheless, it provides useful evidence for policymakers and researchers on India's evolving debt dynamics and fiscal management.

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