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Title: Is Public Debt Sustainable in Indian States? An Empirical Insight

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Abstract: This paper measures the public debt sustainability of twenty-eight Indian states during 2012–2013 and 2020–2021, including the first year of the COVID-19 pandemic. The study uses Domar's stability test and panel vector autoregressive (PVAR) model in a generalized method of moments (GMM) approach by segregating the Indian states into three regions. The Domar's stability conditions find that there is no violation throughout all the regions of India. The major findings from the PVAR result show that the response of public debt to the gross state-domestic production ratio and the gross primary deficit is negative due to the positive shock of the level of economic growth for the southeastern region. On the other hand, we observed a positive response to public debt for the northwest and northeast regions due to the shock of economic growth. Our findings suggest that while the public debt is sustainable in the southeast region, it is unsustainable in the northwest and northeast regions. The findings emphasize various steps and initiatives of state governments toward fiscal discipline for public sustainability in the long run.



URL: <https://link.springer.com/article/10.1007/s13132-024-02221-3>

