

# Analysis of Public Debt of Chhattisgarh State (2010-2020)

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## Abstract

Public debt is an essential mechanism for state governments to finance development, especially in developing economies. Chhattisgarh, a state with rich mineral resources and a strong industrial base, has experienced significant growth since its formation in 2000. However, this growth has come with rising public debt levels, raising concerns about the sustainability of the state's fiscal health. This research paper provides a comprehensive analysis of Chhattisgarh's public debt from 2010 to 2020, focusing on trends, debt composition, sustainability, and the broader fiscal implications. Through this analysis, the paper highlights the need for prudent debt management practices to ensure long-term fiscal stability while continuing to support the state's developmental needs.

## 1. Introduction

Public debt is a vital tool for financing government expenditures, particularly in regions where there is a substantial need for infrastructure development and social welfare programs. For Chhattisgarh, a state carved out of Madhya Pradesh in 2000, public debt has been a significant means of supporting its developmental aspirations. Over the past two decades, the state has embarked on various projects aimed at improving infrastructure, industrialization, and social welfare, which have required significant capital investment. To finance these expenditures, Chhattisgarh has increasingly relied on public debt. This paper aims to analyse the trends and implications of Chhattisgarh's public debt from 2010 to 2020.

## 2. Objectives of the Study

The primary objectives of this study are:

1. To analyse the trends in Chhattisgarh's public debt from 2010 to 2020.
2. To examine the composition of public debt, including market borrowings, central loans, and other liabilities.
3. To assess the sustainability of Chhattisgarh's public debt using indicators such as the Debt-to-GSDP ratio and interest payment burden.
4. To evaluate the impact of public debt on the state's fiscal health.
5. To propose recommendations for improving the management and sustainability of public debt in Chhattisgarh.

## 3. Research Methodology

This research is based on secondary data collected from a variety of sources, including the Reserve Bank of India (RBI), the Comptroller and Auditor General of India (CAG), and the Budget Documents of the

Government of Chhattisgarh. The analysis covers the period from 2010 to 2020, utilizing key indicators such as total public debt, Debt-to-GSDP ratio, interest payments as a percentage of revenue receipts, and debt composition. The data is presented in tables and analysed to identify trends, draw conclusions, and provide recommendations.

#### 4. Overview of Chhattisgarh's Economy

Chhattisgarh's economy is predominantly driven by its rich mineral resources, particularly in coal, iron ore, and limestone. The state's industrial base is strong, with significant contributions from the mining, steel, and power sectors. Since its formation, Chhattisgarh has made substantial progress in terms of economic growth, largely due to investments in infrastructure and industrial projects. The state's Gross State Domestic Product (GSDP) has grown steadily over the past decade, reflecting its economic expansion.

However, the rapid economic growth has also necessitated large-scale public spending on infrastructure and social welfare programs, which have been primarily financed through public debt. The state's fiscal policy has aimed at maintaining a balance between fostering economic growth and ensuring fiscal discipline. Despite these efforts, the rising levels of public debt have raised concerns about the long-term sustainability of the state's finances.

#### 5. Trends in Public Debt (2010-2020)

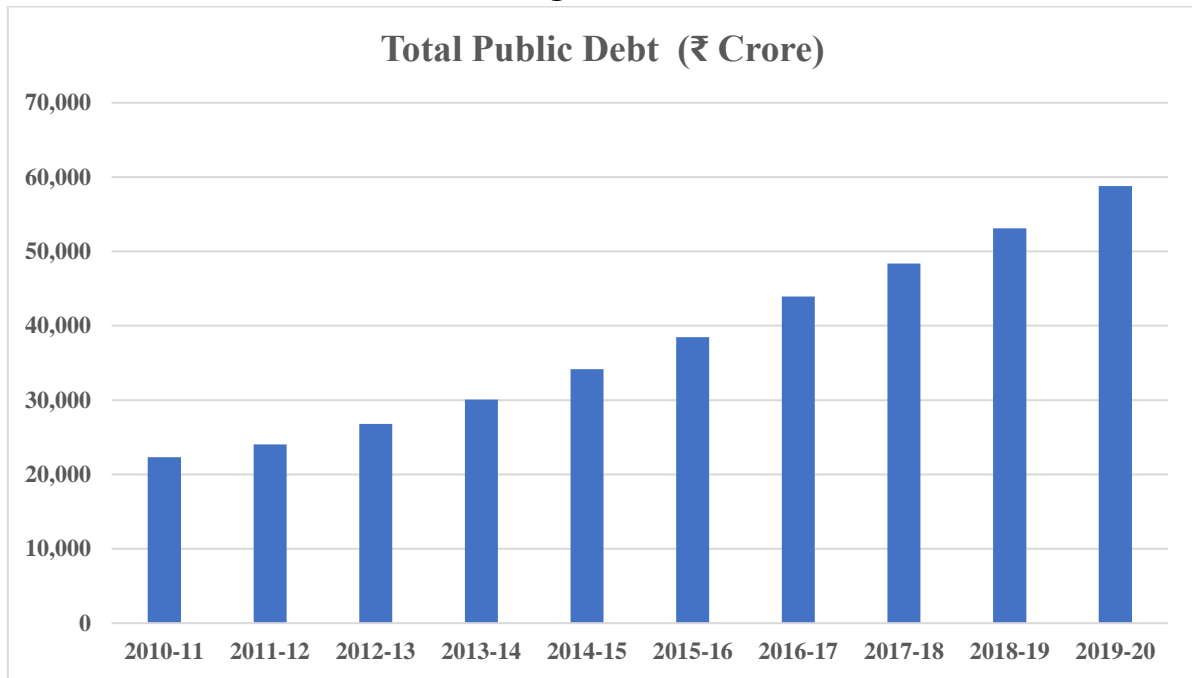
Chhattisgarh's public debt has shown a steady upward trajectory over the decade from 2010 to 2020. The total outstanding debt increased from ₹22,345 crore in 2010-11 to ₹58,776 crore in 2019-20. This significant rise in public debt can be attributed to the state's efforts to finance its growing expenditure on infrastructure, industrialization, and social welfare.

**Table 1: Public Debt of Chhattisgarh (2010-2020)**

Year	Total Public Debt (₹ Crore)	Growth Rate (%)
2010-11	22,345	-
2011-12	24,056	7.66
2012-13	26,789	11.35
2013-14	30,054	12.20
2014-15	34,165	13.70
2015-16	38,457	12.57
2016-17	43,932	14.22
2017-18	48,354	10.06
2018-19	53,126	9.87
2019-20	58,776	10.64

**Source:** Chhattisgarh State Budget Documents; RBI's State Finances: A Study of Budgets.

**Bar Diagram of Table-1**



The data in Table 1 indicates a consistent rise in public debt, with the highest growth rates observed in 2012-13 and 2016-17. This upward trend reflects the state's increasing reliance on debt to finance its developmental needs.

### 6. Composition of Public Debt

The composition of Chhattisgarh's public debt is diverse, comprising market borrowings, central government loans, and other liabilities. Among these, market borrowings have consistently been the largest component, indicating a significant reliance on the capital markets for financing the state's fiscal deficit.

**Table 2: Composition of Public Debt (2010-2020)**

Year	Market Borrowings (₹ Crore)	Central Loans (₹ Crore)	Other Liabilities (₹ Crore)
2010-11	15,432	4,563	2,350
2011-12	16,584	4,776	2,696
2012-13	18,278	5,089	3,422
2013-14	20,789	5,457	3,808
2014-15	23,432	5,876	4,857
2015-16	26,234	6,345	5,878
2016-17	29,763	6,934	7,235
2017-18	32,453	7,532	8,369
2018-19	36,763	8,243	9,120
2019-20	40,435	8,972	9,369

**Source:** Chhattisgarh State Budget Documents; RBI's State Finances: A Study of Budgets.

**Bar Diagram of Table-2**

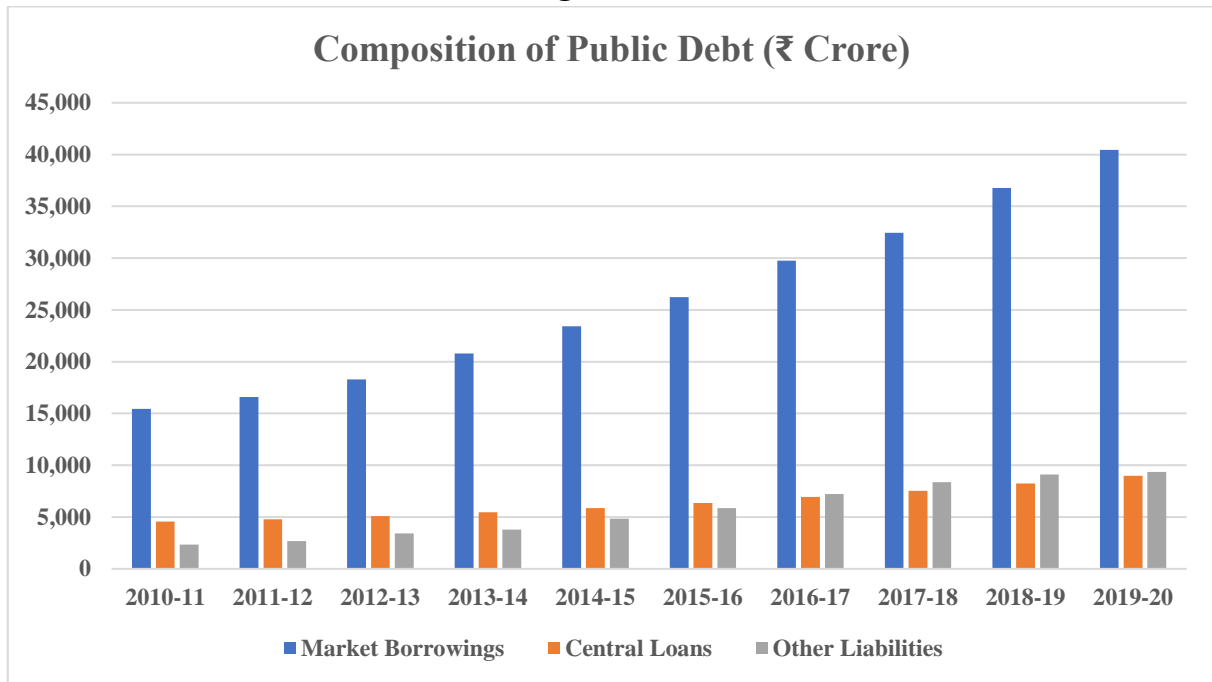


Table 2 reveals that market borrowings have been the primary source of public debt for Chhattisgarh, with their share increasing over the years. Central loans and other liabilities, while also growing, have not kept pace with the increase in market borrowings.

### 7. Debt-to-GSDP Ratio

The Debt-to-GSDP ratio is a crucial indicator of debt sustainability, reflecting the level of debt relative to the state's economic output. A rising ratio suggests increasing fiscal stress and potential challenges in managing debt.

**Table 3: Debt-to-GSDP Ratio of Chhattisgarh (2010-2020)**

Year	Public Debt (₹ Crore)	GSDP (₹ Crore)	Debt-to-GSDP Ratio (%)
2010-11	22,345	1,38,296	16.15
2011-12	24,056	1,53,634	15.66
2012-13	26,789	1,71,234	15.64
2013-14	30,054	1,91,785	15.67
2014-15	34,165	2,15,923	15.83
2015-16	38,457	2,41,876	15.90
2016-17	43,932	2,68,765	16.35
2017-18	48,354	2,96,987	16.28
2018-19	53,126	3,27,563	16.22
2019-20	58,776	3,61,789	16.24

**Source:** RBI's State Finances: A Study of Budgets; Chhattisgarh Economic Survey.

**Bar Diagram of Table-3**

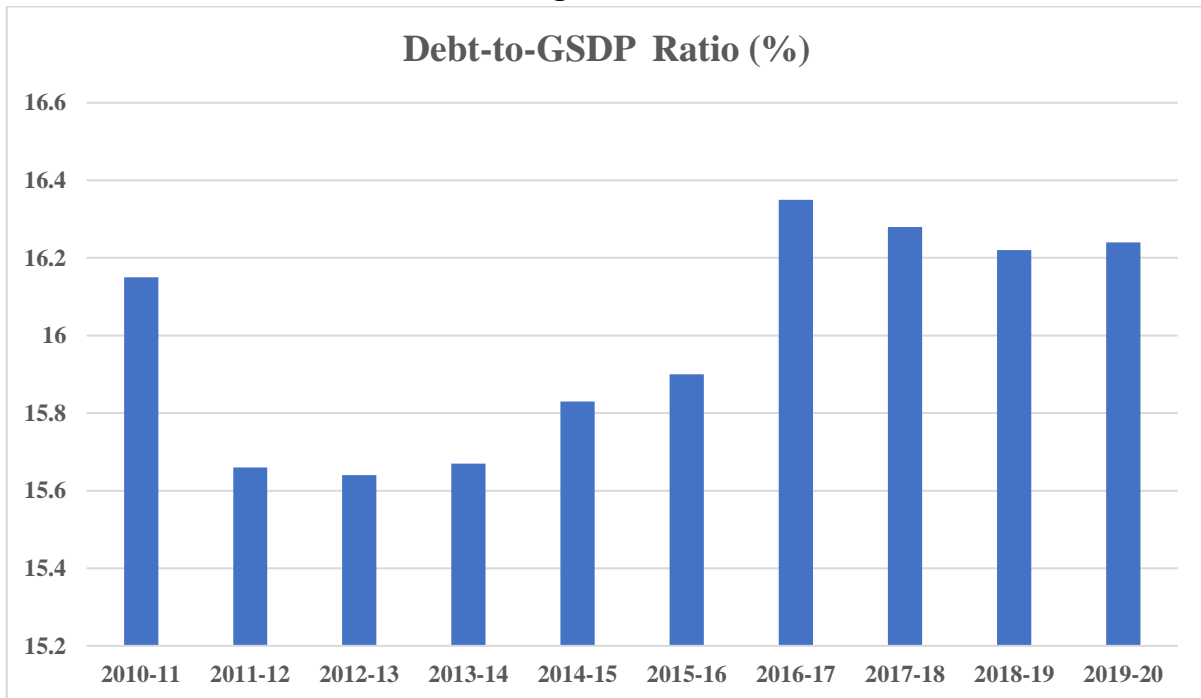


Table 3 shows that the Debt-to-GSDP ratio has remained relatively stable, ranging from 15.64% to 16.35% over the decade. While the ratio indicates that the state's debt levels have generally been within manageable limits, the slight upward trend in recent years suggests a growing fiscal burden.

### 8. Interest Payment Burden

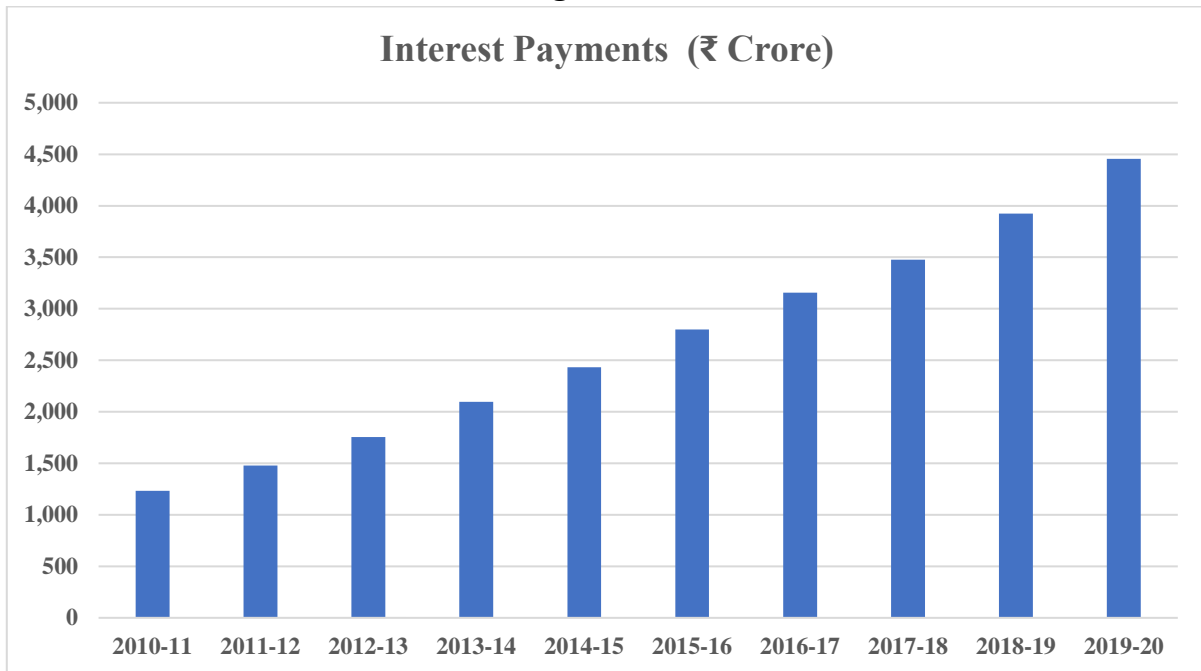
Interest payments as a percentage of revenue receipts are a critical measure of the fiscal burden imposed by public debt. A rising interest payment burden indicates that a larger share of the state's revenue is being used to service debt, leaving less room for other expenditures.

**Table 4: Interest Payments as a Percentage of Revenue Receipts (2010-2020)**

Year	Interest Payments (₹ Crore)	Revenue Receipts (₹ Crore)	Interest Payments/Revenue Receipts (%)
2010-11	1,234	16,543	7.46
2011-12	1,478	18,765	7.87
2012-13	1,754	21,432	8.19
2013-14	2,098	24,567	8.54
2014-15	2,432	26,543	9.16
2015-16	2,798	29,765	9.40
2016-17	3,156	32,987	9.57
2017-18	3,478	36,543	9.51
2018-19	3,923	40,765	9.62
2019-20	4,456	45,098	9.88

**Source:** Chhattisgarh State Budget Documents; RBI's State Finances: A Study of Budgets.

**Bar Diagram of Table-4**



As Table 4 illustrates, the interest payment burden has gradually increased, reaching 9.88% in 2019-20. This trend is indicative of the rising cost of servicing the state's debt, which could constrain future fiscal space.

### 9. Debt Sustainability

Assessing debt sustainability involves analysing whether the state can continue to service its debt without resorting to excessive borrowing or compromising essential public services. For Chhattisgarh, the relatively stable Debt-to-GSDP ratio suggests that the state has managed its debt levels within sustainable limits. However, the rising interest payment burden and the increasing share of market borrowings pose challenges to long-term sustainability.

Sustainability also depends on the effective utilization of borrowed funds. In Chhattisgarh, a significant portion of the debt has been allocated to capital expenditure, particularly in infrastructure development. While these investments have the potential to boost economic growth, their success in enhancing revenue generation is crucial for ensuring that the debt remains manageable.

### 10. Impact of Public Debt on Fiscal Health

The rising public debt in Chhattisgarh has several implications for the state's fiscal health. First, the increasing debt levels have led to higher interest payments, which in turn reduce the funds available for other critical expenditures. This can limit the state's ability to invest in essential public services such as education, healthcare, and social welfare.

Second, the reliance on market borrowings, which generally carry higher interest rates compared to central loans, has contributed to the growing interest payment burden. This trend underscores the need for careful debt management to avoid an unsustainable rise in debt servicing costs.

Third, while the state's Debt-to-GSDP ratio has remained relatively stable, the slight upward trend suggests that the fiscal space available to the government is gradually shrinking. This could limit the state's ability to respond to future economic shocks or to undertake new developmental initiatives without further increa-

sing debt levels.

## 11. Policy Recommendations

To ensure the long-term sustainability of public debt and maintain fiscal health, Chhattisgarh needs to adopt several key strategies:

- 1. Diversification of Revenue Sources:** The state should focus on diversifying its revenue base to reduce its dependence on debt. This could involve enhancing tax collection efficiency, expanding the tax base, and exploring new revenue sources such as public-private partnerships (PPPs) for infrastructure development.
- 2. Prudent Debt Management:** Chhattisgarh should adopt a more cautious approach to borrowing, ensuring that debt is used primarily for capital expenditure with high returns. The state should also explore avenues to refinance existing debt at lower interest rates to reduce the interest payment burden.
- 3. Enhancing Public Expenditure Efficiency:** Improving the efficiency of public spending can help the state achieve its developmental goals without excessively increasing debt levels. This could involve better targeting of social welfare programs, reducing leakage, and ensuring that capital investments yield the expected economic benefits.
- 4. Strengthening Debt Monitoring and Transparency:** The state should establish a robust framework for monitoring public debt, including regular assessments of debt sustainability and transparency in reporting. This will help in identifying potential fiscal risks early and taking corrective measures.
- 5. Focus on Revenue-Generating Investments:** To ensure that debt remains sustainable, Chhattisgarh should prioritize investments that have the potential to generate future revenue. This could include infrastructure projects that boost industrial growth, improve connectivity, and enhance the state's economic competitiveness.

## 12. Conclusion

The analysis of Chhattisgarh's public debt from 2010 to 2020 reveals a consistent rise in debt levels, driven by the state's developmental aspirations. While the debt has been instrumental in financing critical infrastructure and social welfare programs, the rising interest payment burden and increasing reliance on market borrowings pose significant challenges to the state's fiscal health.

To maintain fiscal stability and ensure the sustainability of public debt, Chhattisgarh needs to adopt a more prudent approach to debt management. By diversifying revenue sources, improving expenditure efficiency, and prioritizing revenue-generating investments, the state can continue to achieve its developmental goals while maintaining long-term fiscal sustainability.

In conclusion, public debt has played a crucial role in Chhattisgarh's development over the past decade. However, careful management and a focus on fiscal prudence are essential to avoid potential risks and ensure that the state's fiscal health remains robust in the years to come.

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