Daily news summary

Fiscal Consolidation Debt to GDP Target 2030

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WHY IN NEWS

- The Union Finance Minister announced that India met its fiscal deficit target for FY 2025-26.
- The government reaffirmed its strategic path to lower the central government debt-to-GDP ratio to 50 percent by 2030.

WHAT IS FISCAL CONSOLIDATION?

- A policy framework aimed at reducing government fiscal deficits and public debt accumulation to maintain macroeconomic stability.
- Guided structurally in India by the Fiscal Responsibility and **Budget Management (FRBM)** Act, 2003.

KEY POLICY TARGETS

- The updated fiscal roadmap targets reducing the central government **debt-to-GDP ratio** to 50 percent by 2030.
- This aligns with post-pandemic consolidation plans following temporary relaxations under FRBM escape clauses.

WHY IT MATTERS

- Sustained debt reduction preserves sovereign credit ratings and frees up fiscal resources for productive capital expenditure.

KEY TERMS

- **Debt-to-GDP Ratio:** The metric comparing a country's total sovereign debt to its gross domestic product, indicating financial leverage and repayment ability.

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PRELIMS FACTS

- The **FRBM Act, 2003** mandates the Central Government to specify long-term targets for fiscal deficit and sovereign debt.

MAINS DISCUSSION

- Analyzing the trade-off between fiscal consolidation targets and the imperative for state-led public investment.

KEY DATA

- **Statutory Framework:** FRBM Act, 2003 - Governs the central government fiscal deficit reduction and debt sustainability rules.
- **Debt Target:** 50% of GDP by 2030 - Set as the long-term central government debt target for fiscal stability.

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