Q9

Consider the following statements: 1. The Fiscal Responsibility and Budget Management (FRBM) Review Committee Report has recommended a debt to GDP ratio of 60% for the general (combined) government by 2023, comprising 40% for the Central Government and 20% for the State Governments. 2. The Central Government has domestic liabilities of 21% of GDP as compared to that of 49% of GDP of the State Governments. 3. As per the Constitution of India, it is mandatory for a State to take the Central Government's consent for raising any loan if the former owes any outstanding liabilities to the latter. Which of the statements given above is/are correct? (a) 1 only (b) 2 and 3 only (c) 1 and 3 only (d) 1, 2 and 3 Official key: C.

UPSC Civil Services Prelims 2018 · General Studies · 2 marks · Polity and Governance

Indian Constitution, polity, rights, governance - Prelims GS Paper I.

Explanation

(a)

(a) 1 only. The NK Singh FRBM Review Committee did recommend a 60 percent general-government debt-GDP ratio by 2023, split 40 percent Centre and 20 percent States. Statement 3 is also correct under Article 293(3), so stopping at 1 only is incomplete and not the key.

(b)

(b) 2 and 3 only. Statement 3 is right, but statement 2 reverses the facts: the Centre's domestic liabilities as a share of GDP are much higher than those of the States, not 21 percent versus 49 percent. A wrong debt comparison keeps this code off the key.

(c) Official key

(c) 1 and 3 only. **(c) Official key:** The FRBM review's 60-40-20 debt path is correctly stated, and a State indebted to the Centre needs the Centre's consent to raise a further loan. Statement 2's 21 percent / 49 percent swap is false, so 1 and 3 only is the stored key.

(d)

(d) 1, 2 and 3. Statement 2 is false, so the all-correct code is not the key.

Summary

Official key is (c) 1 and 3 only. The FRBM Review Committee targeted 60 percent combined debt to GDP by 2023 (40 percent Centre, 20 percent States). Article 293 requires Central consent when a State already owes the Centre. The claim that States hold 49 percent domestic liabilities against the Centre's 21 percent is inverted. Honour the stored letter (c).

Related possible facts

These can be asked in a future Prelims paper.

FRBM Review Committee
N.K. Singh Committee

Combined debt target
60 percent of GDP by 2023

Centre / States split
40 percent and 20 percent of GDP

Article 293(3)
State borrowing consent if indebted to the Centre

Fiscal Responsibility and Budget Management Act (FRBM)
Fiscal Responsibility and Budget Management Act, 2003