

“Inflation’s Role in Debt Decomposition: A Security Level Analysis for India” by Piyali Das (earlier at IIM Indore)

**Abstract:**

We assemble a novel data-set on Indian public debt with consistently defined aggregate annual components from 1951–2018, and Centre-State security level data from 2000–2018. We quantify the contribution of inflation, real GDP growth, nominal interest rates and primary deficit/surplus towards India’s debt-dynamics. We find that inflation’s role in debt financing diminished after the adoption of flexible inflation targeting in 2014. We also find that nominal returns on the marketable and non-marketable portions of the Centre’s debt account for the highest contribution towards changes in public debt. Our paper helps inform the debate on the adoption of inflation targeting in India and other EMEs