

External Debt

6.70 India's external indebtedness position further improved in 1999-2000 and 2000-2001. Thus, debt service payments, which reached a peak of 35.3 per cent of current receipts in 1990-91, declined steadily to 16.0 per cent in 1999-2000. External debt to GDP ratio, that measures the size of debt in relation to the domestic output, improved from the high of 38.7 per cent at end-March 1992 to 21.9 per cent at end-March 2000 and further to 20.7 per cent at end-September 2000 (Table 6.12). The stock of debt, which increased from US \$ 97.68 billion at end-March 1999 to US \$ 98.44 billion at end-March 2000, declined to US \$ 97.86 billion at end-September 2000.

6.71 Short-term debt (i.e. debt with an *original maturity* of up to one year) declined from US \$ 8.54 billion at end-March 1991 to US \$ 4.04 billion at end-March 2000, showing a decline in the share of short-term to total debt from 10.2 per cent to 4.1 per cent. The short-term debt at end-September 2000 stood at US \$ 4.50 billion, which is 4.6 per cent of total external debt. Short term debt to foreign currency assets have also improved from a high of 382.1 per cent at end-March 1991 to

11.5 per cent at end-March 2000. The ratio was 13.8 per cent for end-September 2000.

6.72 Table 6.13 provides creditor-wise breakdown of India's external debt since end-March 1998 to end-September 2000.

6.73 The share of concessional debt in total external debt, which was steady at around 45 per cent during the first half of the 1990s, declined to 38.5 per cent at end-March 2000. The share stood at 37.5 per cent at end-September 2000. India's share of concessional debt continues to be high by international standards. According to World Bank's *Global Development Finance, 2000*, India has the highest share of concessional debt among the top 15 debtor countries of the world.

6.74 In the global context also, India's indebtedness position has improved over the years. In terms of absolute level of debt, it ranked as the *third* largest debtor country after Brazil and Mexico in 1991. Its position improved to *ninth* after Brazil, Russian Federation, Mexico, China, Indonesia Argentina Korea and Turkey in 1998 (Table 6.14). In terms of Present Value (PV) of external debt, India ranked as *tenth* largest debtor country in 1998.

6.75 World Bank classifies countries into *severely*, *moderately* and *less* indebted

TABLE 6.12
India's External Debt Outstanding

(US \$ billion)

Categories	End-March					End-Sept.		
	1991	1992	1995	1996	1998	1999	2000P	2000P
I. Long term debt	75.26	78.22	94.74	88.70	88.49	93.29	94.40	93.36
II. Short term debt	8.54	7.07	4.27	5.03	5.04	4.39	4.04	4.50
Total debt	83.80	85.29	99.01	93.73	93.53	97.68	98.44	97.86
External Debt- Key Indicators:	(Ratios as percent)							
Total External Debt to GDP*	28.7	38.7	30.8	27.0	24.3	23.6	21.9	20.7#
Short-term to Total debt	10.2	8.3	4.3	5.4	5.4	4.5	4.1	4.6
Short-term debt to Foreign								
Currency Assets	382.1	125.6	20.5	29.5	19.4	14.9	11.5	13.8
Concessional debt to total debt	45.9	44.8	45.3	44.7	39.5	38.1	38.5	37.5

P : Provisional

* : Debt-GDP ratios has been derived from the New Series of GDP at current market prices based on Advance Estimates as published by Central Statistical Organisation (CSO).

: Debt-GDP ratio for end-September 2000 has been derived by dividing debt stock as on end-September 2000 by projected GDP at current market prices for 2000-2001.

TABLE 6.13
External Debt outstanding by Creditor Categories

	(US \$ million)				(Rupees Crore)			
	End-March			End-Sep.	End-March			End-Sep.
	1998	1999	2000	2000	1998	1999	2000	2000
I. Multilateral	29553	30540	31317	30651	116904	129705	136585	141546
II. Bilateral	16969	17454	18056	17191	67104	74115	78748	79359
III. I M F	664	287	26	0	2622	1218	113	0
IV. Export Credit	6526	6893	6652	6320	25783	29253	29006	29123
V. Commercial Debt	16986	21041	19373	19683	67086	89289	84475	90668
VI. NRI Deposits@	11913	12344	14582	15750	47050	52382	63585	72552
VII. Rupee Debt*	5874	4731	4386	3761	23204	20077	19128	17330
A. Total Long term debt	88485	93290	94392	93356	349753	396039	411640	430578
B. Short-term Debt	5046	4387	4043	4504	19929	18871	17629	20747
Grand Total	93531	97677	98435	97860	369682	414910	429629	451325

@ Figures include accrued interest
* Rupee denominated debt owed to Russia and payable through exports

categories according to the ratio of Present Value (PV) of Debt to Export of Goods and Services and PV to GNP. Although the World Bank categorizes India as a moderately indebted country, its indebtedness position considerably improved during the nineties. India was close to *severely* indebted category in 1991 whereas in 1999 it was close to *less* indebted benchmark. The present trend of high export growth is expected to make India a *less* indebted country in the near future.

6.76 The improvement in India's external indebtedness position since early 1990's is due to a conscious debt management policy followed by the Government that focuses on

high growth rate of exports, keeping the maturity structure as well as the total commercial debt under manageable limits, restricting short-term debt and encouraging non-debt creating flows.

6.77 On debt monitoring and management front, a number of *new* initiatives have also been undertaken, which would further consolidate the gains already made. This includes steps for more effective monitoring and computerization of NRI, and Short-term debt data and a modeling exercise to develop currency and interest rate benchmarks for sovereign external debt of the country.

TABLE 6.14

International Comparison of Top Fifteen Debtor Countries, December 1998

Sl. No.	Ranking Country	Total External Debt	Debt to GNP	Debt Service to Exports of Goods and Service	Short term to Total Debt	PV of Total Debt	PV to Exports of Goods and Service	PV to GNP	Indebtedness classification
		(US\$ bn)	(ratios as per cent)		(US\$ bn)	(ratios as per cent)			
1	Brazil	232.0	31	354	11	119.9	347	28	Severe
2	Russian Federation	183.6	69	207	10	165.2	166	45	Moderate
3	Mexico	160.0	42	110	17	155.7	121	44	Less
4	China	154.6	16	72	18	135.0	67	15	Less
5	Indonesia	147.5	173	254	14	144.7	238	84	Severe
6	Argentina	144.1	50	388	22	150.5	424	53	Severe
7	Korea	139.1	44	87	20	135.1	83	31	Less
8	Turkey	102.1	50	151	27	100.4	176	52	Moderate
9	India	98.2	23	144	4	84.3	147	20	Moderate
10	Thailand	86.2	77	125	27	85.3	116	58	Moderate
11	Philippines	47.8	70	109	15	45.3	102	57	Moderate
12	Poland	47.7	31	101	13	44.0	103	30	Less
13	Malaysia	44.8	65	62	19	47.3	54	55	Moderate
14	Venezuela	37.0	40	173	7	37.7	150	46	Moderate
15	Chile	36.3	48	181	21	36.8	179	53	Moderate
Indebtedness benchmark									
		Either						Severe	
		PV/XGS > 220			PV/GNP > 80				
		Either						Moderate	
		132 ³ PV/XGS ³ > 220			48 ³ PV/GNP ³ > 80				
		Both						Less	
		PV/XGS < 132			PV/GNP < 48				
Source: Global Development Finance, 2000, Country Tables, The World Bank.									