

External Debt

6.57 India's external debt was US \$ 100.38 billion at end September 2001 slightly higher than US \$ 99.61 billion at end-March, 2001. Despite marginal increase in external debt stock, the country's indebtedness position has improved considerably in recent years. Thus, the debt-GDP ratio, which shows the magnitude of external debt in relation to the domestic output declined steadily from the high of 38.7 per cent at end-March 1992 to 22.3 percent at end-March 2001 and further to 21 per cent at end of September 2001 (Table 6.12). Similarly, the debt service ratio, that measures the ability to serve debt obligations (repayment of principal & interest payment), declined from peak level of 35.3 per cent of current receipts in 1990-91 to 16.3 per cent in 2000-01.

6.58 The short-term debt (the debt with a original maturity of up to one year) declined from US \$ 8.54 billion in end March 1991 to US \$ 3.46 billion at end March 2001, representing a decline in the share of short term to total debt from 10.2 per cent to 3.5 per cent. Short-term debt stood at US \$2.80 billion at end-September 2001, which was 2.8 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 8.8 per cent at end March 2001. The ratio was 6.7 per cent at end September 2001.

6.59 The share of concessional debt in total external debt, which was steady around 45 per cent during first half of 1990s, declined to 38.5

per cent at end-March 1999. The ratio increased marginally to 38.9 per cent at end-March 2000 before declining to 36.0 per cent at end-March 2001. The share stood at 36.5 per cent at end-September, 2001. India's share of concessional debt continues to be high by international standards. According to World Bank's *Global Development Finance 2001*, India has the highest share of concessional debt among the top 15 debtor countries of the World.

6.60 India's indebtedness position vis-à-vis other emerging economies has improved over the years. In terms of absolute level of debt, India's position improved from the *third largest debtor* after Brazil and Mexico in 1991 to *tenth* in 1999 after Brazil, Russian Federation, Mexico, China, Indonesia, Argentina, Korea, Turkey and Thailand. In terms of present value (PV) of external debt, India also ranks as the *tenth* largest debtor country. In terms of indebtedness classification, India improved its position from close to *severely indebted* category in 1991 to *less indebted* benchmark in 1999 (Table 6.13).

6.61 The improvement in India's external debt position since 1991-92 is due to a conscious debt management policy that focused on high growth rate of export, keeping the maturity structure as well as the total amount of commercial debt under manageable limits, limiting short-term debt and encouraging non-debt creating financial flows. On debt monitoring and management front, a number of new initiatives have been undertaken which would further consolidate the gains already made. This includes increased coverage and

TABLE 6.12
India's External Debt Outstanding

(US \$ billion)

Categories	End-March							End
	1991	1992	1995	1998	1999	2000	2001R	-Sept. 01
1. Long-term debt	75.3	78.2	94.7	88.5	92.6	94.4	96.1	97.58
2. Short-term debt	8.5	7.1	4.3	5.0	4.3	3.9	3.5	2.80
Total debt	83.8	85.3	99.0	93.5	96.9	98.3	99.6	100.38
External debt- Key indicators (ratios as per cent)								
Total external debt to GDP	28.7	38.7	30.8	24.3	23.6	22.2	22.3	21.0
Short-term to total debt	10.2	8.3	4.3	5.4	4.4	4.0	3.5	2.8
Short-term debt to foreign currency assets	382.1	125.6	20.5	19.4	14.5	11.2	8.8	6.7

TABLE 6.13
International comparison of Top Fifteen Debtor Countries, 1999.

Sl. No.	Ranking Country	Total External Debt (US \$ billion.)	Debt to GNP (ratio as per cent)	PV of total debt (US \$ billion.)	PV to GNP (ratio as per cent)	PV to Export of Goods and Services	Indebtedness Classification
1	Brazil	245	34	243	32	380	Severe
2	Russian Federation	174	46	131	37	141	Moderate
3	Mexico	167	36	172	40	119	Less
4	China	154	16	135	14	61	Less
5	Indonesia	150	113	150	103	246	Severe
6	Argentina	148	54	154	54	429	Severe
7	Korea, Rep.	130	32	124	31	73	Less
8	Turkey	102	54	98	49	168	Moderate
9	Thailand	96	80	94	75	128	Moderate
10	India	94	21	71	16	114	Less
11	Poland	54	36	51	34	118	Less
12	Philippines	52	65	52	66	111	Moderate
13	Malaysia	46	63	47	59	50	Moderate
14	Chile	38	56	36	51	172	Moderate
15	Venezuela, RB	36	36	38	40	155	Moderate
		Indebtedness benchmark					
		<i>Either</i>					
		PV/XGS > 220		PV/GNP > 80		Severe	
		<i>Either</i>					
		132 < PV/XGS < 220		48 < PV/GNP < 80		Moderate	
		<i>Both</i>					
		PV/XGS < 132		PV/GNP < 48		Less	
<p><i>Note :</i> Serial number 1 to 15 is the rank of the top 15 debtor countries ordered by total external debt in 1999 (descending order). Ratio of PV of debt service to exports is the ratio of PV of debt service in 1999 to average exports (including workers' remittances) in 1997, 1998 and 1999. The ratio of PV of total debt service to GNP is the ratio of PV of total debt service in 1999 to average GNP in 1997, 1998 and 1999.</p> <p><i>Source:</i> Global Development Finance, 2001, Analysis and Summary Tables, The World Bank.</p>							

computerization of external debt data, better coordination among agencies reporting debt statistics, pre payment/refinancing of more

expensive external debt and other measures to actively manage sovereign external debt of the country.