

## External debt

6.68 The external debt stock of India stood at US \$ 101.97 billion at end-September 2002 as against US \$ 98.49 billion at end-March 2002 and US \$ 101.13 billion at end- March 2001. Despite increasing trend of external debt in the recent years, the key debt indicators have considerably improved over time. The external debt to GDP ratio, signifying the extent of external debt vis-à-vis domestic output, declined from 24.3 percent at end-March 1998 to 20.9 percent as at end-March 2002 and further down to 20.1 percent at end-September 2002. Debt service to current receipts ratio that signifies capacity of the

country to meet its debt service obligations, improved from 19.5 percent in 1997-98 to 13.8 percent in 2001-02. Short-term debt (debt with original maturity of up to one year) has also declined steadily from US \$ 5.05 billion at end-March 1998 to US \$ 2.75 billion at end-March 2002, but has moved up to US \$ 3.04 billion at end-September 2002 revealing a decline in share of short-term debt to total external debt from 5.4 percent at end-March 1998 to 3.0 percent at end-September 2002. Similarly, short-term debt to foreign currency assets ratio has also declined consistently from 19.4 percent at end-March 1998 to 5.4 percent at end-March 2002 and further to 5.1 percent at end-September 2002 (Table 6.14).

**Table 6.14 : India's External Debt Outstanding**

Period	End-March					End-Sept.	
	1998	1999	2000	2001R	2002R	2001R	2002QE
<b>(US \$ million)</b>							
Long-term Debt	88,485	92,612	94,327	97,504	95,744	96,916	98,937
Short-term Debt	5,046	4,274	3,936	3,628	2,745	3,092	3,035
Total External Debt	93,531	96,886	98,263	1,01,132	98,489	1,00,008	1,01,972
<b>(Rupees crore)</b>							
Long-term Debt	3,49,753	3,93,160	4,11,388	4,54,805	4,67,187	4,63,985	4,78,821
Short-term Debt	19,929	18,137	17,162	16,919	13,396	14,797	14,681
Total External Debt	3,69,682	4,11,297	4,28,550	4,71,724	4,80,583	4,78,782	4,93,502
<b>(Ratio as percent)</b>							
External Debt to GDP	24.3	23.6	22.1	22.4	20.9	20.9	20.1
Short-term debt to Total External Debt	5.4	4.4	4.0	3.6	2.8	3.1	3.0
Short-term debt to Foreign Currency Assets	19.4	14.5	11.2	9.2	5.4	7.4	5.1
Debt Service to Current Receipts	19.5	18.9	16.1	15.4	13.8	13.7	14.2
Concessional debt to total debt	39.5	38.5	38.9	35.5	36.0	36.7	36.5
<b>R: Revised; QE: Quick Estimates.</b>							
<b>Note :</b> Debt GDP ratios are derived from Rupee figures. The GDP figures up to 2001-02 are based on figures of GDP at current market prices as released by CSO. The GDP at current market prices for 2002-03 is based on CSO's Advance Estimates.							

6.69 Although the proportion of concessional debt to total external debt has declined from 39.5 percent at end-March 1998 to 36.0 percent at end-March 2002, it has improved marginally to 36.5 percent at end-September 2002. India continued to enjoy the highest proportion of concessional loans by international standards when compared with top fifteen debtor countries of the world in the year 2000.

6.70 In terms of indebtedness classification, the World Bank, in Global Development

Finance 2002, has categorized India as a *less indebted* country in the years 1999 and 2000. It was placed in the *moderately* indebted category in 1998 (Table 6.15).

6.71 India's indebtedness position vis-à-vis other emerging economies has also improved over the years. In terms of absolute debt levels, India improved from *third* largest debtor after Brazil and Mexico in 1991 to *ninth* in 2000 after Brazil, Russian Federation, Mexico, China, Argentina, Indonesia, Korea and Turkey (Table:6.16). India's external debt indicators

**Table 6.15 : International comparison of present value (PV) and PV based ratios, 2000**

S. No.	Country	PV (US \$ billion)	PV/XGS (per cent)	PV/GNP (per cent)	Indebtedness Classification
1.	Brazil	223.8	346	36	Severe
2.	Mexico	157.0	96	33	Less
3.	Argentina	155.0	425	55	Severe
4.	Russian Federation	148.1	154	64	Moderate
5.	Indonesia	135.0	212	111	Severe
6.	China	133.2	54	13	Less
7.	Korea Republic	128.4	70	33	Less
8.	Turkey	114.6	198	58	Moderate
9.	Thailand	76.6	100	66	Moderate
10.	India	70.9	105	16	Less
11.	Poland	58.1	128	37	Less
12.	Philippines	50.8	109	67	Moderate
13.	Malaysia	42.9	43	57	Moderate
14.	Venezuela	38.7	139	37	Moderate
15.	Chile	34.9	163	51	Moderate
<b>SAARC Countries:</b>					
1	Pakistan	26.6	247	45	Severe
2	Bangladesh	9.6	120	21	Less
3	Sri Lanka	7.0	98	44	Less
4	Nepal	1.6	113	30	Less
5	Bhutan	0.2	111	36	Less
6	Maldives	0.1	32	32	Less
<b>Indebtedness benchmark</b>					
<i>Either</i>					
		PV/XGS > 220	PV/GNP > 80	<b>Severe</b>	
<i>Either</i>					
		132 < PV/XGS < 220	48 < PV/GNP < 80	<b>Moderate</b>	
<i>Both</i>					
		PV/XGS < 132	PV/GNP < 48	<b>Less</b>	
<p>1. The ratio of PV of debt service to exports is the ratio of PV of debt service in 2000 to average exports (including workers' remittances) in 1998, 1999 and 2000.</p> <p>2. The ratio of PV of total debt service to GNP is the ratio of PV of total debt service in 2000 to average GNP in 1998, 1999 and 2000.</p>					
Source: Global Development Finance 2002, Analysis and Summary Tables, The World Bank.					

**Table 6.16 : International comparison of top fifteen debtor countries, 2000**

S. No.	Country	Total External Debt (US \$ billion)	Debt to GNP (ratio as %)
1.	Brazil	238.0	41.8
2.	Russian Federation	160.3	66.8
3.	Mexico	150.3	26.9
4.	China	149.8	14.1
5.	Argentina	146.2	52.6
6.	Indonesia	141.8	99.4
7.	Korea Republic	134.4	29.5
8.	Turkey	116.2	57.7
<b>9.</b>	<b>India</b>	<b>100.4</b>	<b>21.3</b>
10.	Thailand	79.7	66.1
11.	Poland	63.6	40.5
12.	Philippines	50.1	63.1
13.	Malaysia	41.8	50.7
14.	Venezuela	38.2	32.0
15.	Chile	37.0	54.3

Serial number 1 to 15 is the rank of the country in terms of total indebtedness.

Source: Global Development Finance 2002, Country Tables, The World Bank.

such as short-term debt to total external debt and short-term debt to foreign exchange reserves ratios were lowest and concessional to total debt ratio was highest in the year 2000 among top 15 debtor countries of the world.

6.72 The improvement in India's external debt position is attributed to Government's initiative to encompass policy issues that focus on concentrating on concessional and less expensive debt from multilateral and bilateral sources, keeping the maturity structure of the total external debt under manageable limits, limiting short-term debt, prepaying more expensive external debt and encouraging non-

debt creating financial flows on capital account, exports and invisibles on current account. New initiatives in this direction would include an increased coverage and computerization of external debt statistics, better co-ordination among agencies reporting debt and further steps towards refinancing of costly debts, prepayment of identified high cost debt and exploring the possibility of using the financial products for hedging of risks for active management of sovereign debt. As a part of such prudent external debt management policy, high cost external loans amounting to US \$ 1145 million have been prepaid up to end-December 2002.