

## External Commercial Borrowings

6.55 External commercial borrowing outflows exceeded inflows during 2002-03, resulting in net negative inflows of US\$2.3 billion. At this level, net outflows exceeded the previous year's level of US\$ 1.6 billion. While outflows increased by almost US\$1 billion to US\$ 5.2 billion in 2002-03 from US\$ 4.3 billion in 2001-02, inflows increased only marginally to US\$ 2.8 billion from US\$ 2.7 billion in 2001-02. The proportionally larger increase in outflows resulted in a much larger volume of net negative inflows for external commercial borrowings during 2002-03.

6.56 During the year 2003-04, external commercial borrowings recorded net negative inflows for the first three-quarters, reflecting the trend observed during the previous two years. Net inflows during the first three-quarters were estimated at US\$-3.7 billion. This was far higher than the net inflow of US\$-2.0 billion observed during the corresponding period of 2002-03. While outflows during April-December 2003 were estimated at US\$6.7 billion, far higher than US\$3.9 billion during the corresponding period of 2002-03, aggregate inflows at US\$3 billion during April-December 2003 were also higher than US\$1.8 billion recorded during April-December 2002. However, the increase

in outflows has been more than double than that of inflows (April-December 2003 vis-à-vis April-December 2002) leading to a larger increase in net negative inflows.

6.57 The increasing volume of net negative inflows under external commercial borrowings during 2001-02 and 2002-03 is largely attributable to a gradually widening differential between disbursements on one hand and amortisation payments on the other. The differential has been widening largely on account of lower disbursements, which underlie lower demand for ECBs during 2001-02 and 2002-03, presumably due to weak domestic investment demand. The trend for the current year indicates that the differential is showing signs of increasing further. However, an increase in the number of ECB approvals during 2003-04 may indicate a future reversal in the offing (Table 6.12).

6.58 In order to further improve the access of Indian corporates to global capital markets, the existing ECB policy was comprehensively liberalised in January 2004. Presently, ECBs are permitted for investment in all sectors except capital markets and real estate. The eligible list of ECB borrowers now includes all corporates, except banks, financial institutions and NBFCs. ECBs upto US\$ 20 million and

**Table 6.12 : ECB approvals**

*(in US \$ million)*

Sector	2001-02	2002-03	2003-04
Power	270.11	375.00	700.00
Telecom	0.00	341.00	1166.00
Shipping	0.00	0.00	0.00
Civil aviation	0.00	0.00	0.00
Petroleum & natural gas	750.00	0.00	0.00
Railways	0.00	0.00	0.00
Financial institutions	150.00	225.00	1015.00
Ports, roads, etc.	0.00	829.00	0.00
Other (including Exporters)	750.00	156.76	0.00
Approval given by RBI	243.00	1044.46	1108.47
<b>Amount raised under auto-route facility</b>	<b>489.40</b>	<b>1263.74</b>	<b>4186.03</b>
<b>Total</b>	<b>2652.64</b>	<b>4234.96</b>	<b>8175.50</b>

Source: RBI

minimum average maturity of three years are now eligible under the automatic route. ECBs above US\$ 20 million and upto US\$ 500 million are also permissible under the automatic route of the RBI for loans with minimum average maturity of five years. An Empowered

Committee set up by the RBI considers ECB proposals falling outside the purview of the automatic route limits and for maturity periods exceeding the permissible time period allowed under the automatic route.