

External Debt

6.71 India's external debt stock, which was US \$ 83.8 billion at end-March 1991, increased over the years to reach US \$ 112.1 billion as at the end of December 2003. In 2003, the external debt outstanding increased by 6.47 per cent from US \$ 105.3 billion at the end of December, 2002.

6.72 Most of the external debt indicators have shown improvements since 1991 (Table 6.15). The total external debt to GDP ratio improved from 28.7 per cent from end March 1991 to 20.2 per cent at end March 2003. In the same period the short-term debt to total external debt ratio declined from 10.2 per cent to 4.4 per cent. However, this ratio increased marginally to 5.1 per cent by the end of December 2003. The short-term debt to foreign currency assets ratio too improved significantly from 382.1 per cent at end-March 1991 to 5.9 per cent at end December 2003. The debt service to current receipts ratio,

which indicates capacity of the country to meet its debt service obligations, improved from 35.3 per cent at end March 1991 to 15.8 per cent at end March 2003, rising thereafter to 18.1 per cent by the end of December 2003. This increase is mainly on account of redemption of Resurgent India Bonds (RIBs).

6.73 The share of concessional debt in the total external debt stock of the country remained more or less constant between 35 per cent to 37 per cent after 2001. However, by international standards, India's share of concessional debt continues to be high, particularly among the top 15 debtor countries; India's share of concessional debt is the highest.

International Comparisons

6.74 In terms of indebtedness classification, the World Bank, in its Global Development Finance 2004, has categorised India as a less indebted country for the year 2002. This categorisation is continuing since 1999. In

Table 6.15 : India's external debt outstanding

Items	End-March					End-Dec.		
	1991	1999	2000	2001	2002	2003	2002R	2003 P
(US \$ million)								
Long-term Debt	75,257	92,612	94,327	97,504	96,012	100,301	101,476	106,357
Short-term Debt	8,544	4,274	3,936	3,628	2,745	4,569	3,837	5,773
Total External Debt	83,801	96,886	98,263	101,132	98,757	104,870	105,313	112,130
(Rupees crore)								
Long-term Debt	1,46,226	3,93,160	4,11,388	4,54,805	4,68,512	4,76,888	4,87,536	4,85,533
Short-term Debt	16,775	18,137	17,162	16,919	13,396	21,705	18,429	26,328
Total External Debt	1,63,001	4,11,297	4,28,550	4,71,724	4,81,908	4,98,593	5,05,965	5,11,861
(Ratio as per cent)								
External Debt to GDP	28.7	23.6	22.1	22.6	21.1	20.2	—	—
Short-term debt to Total External Debt	10.2	4.4	4.0	3.6	2.8	4.4	3.6	5.1
Short-term debt to Foreign Currency Assets	382.1	14.5	11.2	9.2	5.4	6.4	5.7	5.9
Debt Service to current receipts *	35.3	18.8	17.1	16.2	13.4	15.8	13.4	18.1
Concessional debt to total debt	45.9	38.5	38.9	35.5	36.0	36.8	36.1	36.4
R : Revised; P: Provisional ; * Figures for end-December relate to the period April-December only.								

1998, India was considered a moderately indebted country. Among the top fifteen debtor countries of the world in the last decade, India improved its position from being *third* after Brazil and Mexico in 1991 to eighth in 2002. In terms of external debt indicators like short-term debt to total external debt ratio and short-term debt to foreign exchange reserves ratio, India's position is quite encouraging among the top 15 debtor countries. The short-term debt to total external debt ratio for India is lowest at 4.4 per cent whereas China and Thailand have higher ratios at 28.5 per cent and 20.1 per cent respectively. Again, the ratio of short-term debt to foreign exchange reserves is lowest for India at 6.4 per cent as compared to 141.4 per cent for Argentina and 72.8 per cent for Indonesia.

6.75 A prudent external debt management policy pursued over the last decade has improved the country's external debt position to a comfortable level. The policy focus has been on concessional and less expensive sources of fund, preference for longer maturity profiles, a constant vigil on build-up of short-term debt, focus on non-debt creating capital flows and prepayment of high cost external loans. Alongside, efforts have also been made to improve coverage, classification and computerisation of external debt statistics.