

## External Debt

6.82 India's external debt at US\$ 123.3 billion at end-March 2005 reflected a rise of US\$11.6 billion over the year, of which US\$8.5 billion was accounted for by long-term debt and US\$3.1 billion by short-term debt. All the components of long-term debt, except bilateral and rupee debt, showed increases during 2004-05, with commercial borrowings registering a larger increase of around US\$5 billion as benign conditions in international capital markets provided increased access to Indian corporates. Short-term debt expanded due to larger imports. Owing to the same factors, India's external debt increased further to US\$124.3 billion at end-September 2005 (Table 6.14). However, the redemption of IMDs of US\$5.5 billion put through on December 29, 2005 is expected to result in a moderation of India's external debt during 2005-06.

6.83 Notwithstanding an increase in the absolute amount of external debt, important debt indicators, such as debt-to-GDP and debt service ratios, suggested a moderation in India's external debt situation during 2004-05 (Table 6.14). The total external debt to GDP ratio improved further to 17.3 per cent at end-March 2005. Similarly, the debt service ratio dropped to 6.2 per cent during 2004-05. The share of short-term debt in total external debt and ratio of short-term debt to foreign currency assets, however, rose to 6.1 per cent and 5.6 per cent, respectively, at end-March 2005. With comparatively comfortable external debt indicators, India continued to rank eighth among the top ten debtor countries of the world according to the *Global Development Finance 2005, World Bank* (Table 6.15).

6.84 The external debt management policy of the Government continued to focus on

	End-March					End-Sept.
	2000	2002	2003R	2004R	2005R	2005QE
	(US \$ million)					
Long-term Debt	94,327	96,098	100,289	107,284	115,754	116,023
Short-term Debt	3,936	2,745	4,669	4,431	7,524	8,303
Total External Debt	98,263	98,843	104,958	111,715	123,278	124,326
	(Rupees crore)					
Long-term Debt	411,388	468,932	476,831	472,128	506,793	511,575
Short-term Debt	17,162	13,396	22,180	19,251	32,922	36,525
Total External Debt	428,550	482,328	499,011	491,379	539,715	548,100
	(Ratio as per cent)					
External Debt to GDP	21.9	21.1	20.4	17.8	17.3	*
Short-term debt to Total External Debt	4.0	2.8	4.5	4.0	6.1	6.7
Short-term debt to Foreign Currency Assets	11.2	5.4	6.5	4.0	5.6	6.1
Debt Service to current receipts	17.1	13.6	16.0	16.3	6.2	*
			(12.4)	(8.5)	(6.14)	*
Concessional debt to total debt	38.9	35.9	36.8	36.1	33.3	31.6
<b>Note : Figures in brackets indicate debt service ratios excluding exceptional transactions such as prepayments for 2002-03 and 2004-05, and prepayments as well as redemptions of Resurgent India Bonds (RIBs) for 2003-04.</b>						
R : Revised                      QE : Quick Estimates                      * : Not computed for the broken year.						

raising loans from least expensive sources with longer maturities, monitoring of short-term debt, keeping commercial debt under manageable limits with end-use stipulations

and option to convert external commercial borrowings into equity, restriction on trade credits, encouraging non-debt creating capital flows and accelerating the growth of exports.

Table 6.15 : International Comparison of Top Ten Debtor Countries—2003							
Sl. No.	Country	Total External Debt (US\$ Billion)	International Classification	Debt Sustainability Indicators			
				Debt to GNP	Debt Service	Short term debt to total external debt	Concessional debt to total debt
(ratio as per cent)							
1	Brazil	235.4	Severe	50	63.8	8.3	1.4
2	China	193.6	less	15	7.3	37.7	16.8
3	Russian Federation	175.3	Moderate	50	11.8	17.6	0.8
4	Mexico	140	less	23	20.9	6.6	0.9
5	Argentina	166.2	Severe	104	37.9	13.8	0.8
6	Indonesia	134.4	Severe	80	26	17	27.4
7	Turkey	145.7	Severe	77	38.5	15.8	3.5
8	<b>India*</b>	<b>113.5</b>	<b>less</b>	<b>22</b>	<b>18.1</b>	<b>4.2</b>	<b>37.8</b>
9	Poland	95.2	Moderate	49	25.1	20.5	7.1
10	Philippines	62.7	Moderate	77	22.1	9.9	22.6

\* According to World Bank data.  
Source : Global Development Finance 2005, The World Bank.