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## AN ANALYSIS OF THE INDIA'S EXTERNAL DEBT GROWTH

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**ABSTRACT**

*External debt is the portion of a country's debt that was borrowed from foreign lenders, including commercial banks, governments or international financial institution. These loans, including interest must usually be paid in the currency in that the loan was made. External debt is a major source of finance for public. It helps to provide short and long term capital in economic development. External debt also improves the total productivity of output. It enhances Gross Domestic Product (GDP) growth of a nation. It is a booster of economic growth and improve living standard to reduce poverty. This paper focused on to the trend of external debt growth.*

**KEYWORDS**

GDP, external, debt, ratio, growth.

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F31, G15, O19.

**INTRODUCTION**

The external debt is a vital role economic growth of countries. It is also helps to balance for the deficit. The domestic debt only not possible to fulfill the gap of expenditure and revenue. The government creates external debt for investment in different sectors to the growth of the economy. The need for external debt used to not only to mobilize saving. It also provides direct flow of resources from less productive channels into the more effective stream of the economy. The external debt of India is total debt the country owns to foreign creditors. The debtors can be the central, state, corporation and citizens of India. The debt money owned to private commercial banks, foreign government and international financial institutions such as Multilateral, Bilateral, International Monetary Fund, World Bank, Export credit, Commercial borrowings, NRI deposits and Rupee Debt.

**CLASSIFICATION OF EXTERNAL DEBT ON THE BASIS ON DURATION**

The external debt is classified as long- term debt is maturity of more than one year and Short-term debt is maturity of one year or less than. It consists of external commercial borrowing and borrowings from global financial institutions like,

**LONG TERM DEBT**

- IMF (Multilateral Debt)
- Private Banks (Bilateral Debts)
- Trade Credit
- NRI Deposits
- Rupee Debt etc.

**SHORT TERM DEBT**

- FII investments in government T-bills,
- Investment in T- bills by foreign central banks,
- External debt liabilities of commercial and RBI etc.
- External Debt Indicators

There are various indicators for determining a sustainable level of external debt. Its own advantages and peculiarity to deal with particular situations. Examples of debt burden indicators include the following:

- Debt to GDP ratio
- Foreign debt to exports ratio
- Government debt to current fiscal revenue ratio etc.

**REVIEW OF LITERATURE**

Business standard updated January 13th, 2020 India's External debt remained at around 20% of GDP since 2017-18 says RBI.

Debt to GDP ratio by country 2020 –world population review updated, Japan, with its population of 127,185,332, has the highest national debt in the world at 234.18% of its GDP, followed by Greece at 181.78%. Japan's national debt currently sits at ¥1,028 trillion (\$9.087 trillion USD). India's national debt to GDP 69.04% with its population 1,380,004,385.

Global Finance updated October 28, 2019, Countries with the most External Debt 2019, The United States (\$20,263,768 Mil) leads, followed by the Euro area (\$16,723,186 Mil) and the United Kingdom (\$8,491,386 Mil). India has 24th rank in External Debt (\$543,000 Mil).

**OBJECTIVES OF THE STUDY**

This study is an analysis of the trends percentage of in growth of India's external debt trend and external debt to GDP over the period of time from 2007-08 to 2019-20:

1. The ratio of foreign exchange reserves to total debt.
2. The ratio of concessional debt to total debt.
3. The ratio of short –term debt to foreign exchange reserves
4. The ratio of short-term debt to total debt.
5. To study the growth of long term external debt.
6. To study the composition of India's external debt.

**DATA COLLECTION**

The relevant data for this study collected from secondary data. It has referred from books, newspapers, journals and articles, reports of the Status Report on India's External Debt 2018-19: Annex II to XXIII Websites particularly from <https://dea.gov.in/external-debt>.

Simple statistical tools have been used to analyses of the trends in Indian’s external debt growth like tabulation, trend percentage analysis and line chart.

TABLE 1: EXTERNAL DEBT FROM 2007-08 TO 2018-19

Annex - II								
Key External Debt Indicators (per cent)								
Year	External Debt (US\$ million)	External Debt Trend Percentage	Ratio of Foreign Exchange Reserves to Total Debt	Ratio of Total External Debt to GDP	Ratio of Total External Debt to GDP Trend Percentage	Ratio of Concessional Debt to Total Debt	Ratio of Short-term Debt to Foreign Exchange Reserves	Ratio of Short-term Debt to Total Debt
2007-08	224,407	100.00	138.0	18.0	100.00	19.7	14.8	20.4
2008-09	224,498	100.04	112.2	20.3	112.78	18.7	17.2	19.3
2009-10	260,935	116.23	106.9	18.2	89.66	16.8	18.8	20.1
2010-11	317,891	121.83	95.9	18.2	100.00	14.9	21.3	20.4
2011-12	360,766	113.49	81.6	21.1	115.93	13.3	26.6	21.7
2012-13	409,374	113.47	71.3	22.4	106.16	11.1	33.1	23.6
2013-14	446,178	108.99	68.2	23.9	106.70	10.4	30.1	20.5
2014-15	474,675	106.39	72.0	23.9	100.00	8.8	25.0	18.0
2015-16	484,989	102.17	74.3	23.4	97.91	9.0	23.1	17.2
2016-17	471,308	97.18	78.5	20.0	85.47	9.4	23.8	18.7
2017-18PR	529,290	112.30	80.2	20.1	100.65	9.1	24.1	19.3
2018-19P	543,001	102.59	76.0	19.7	97.87	8.7	26.3	20.0

PR: Partially Revised; P: Provisional

a) Works out to 12.4 per cent, with the exclusion of pre-payment of US\$ 3.4 billion.

b) Works out to 8.2 per cent, with the exclusion of pre-payment of US\$ 3.8 billion and redemption of Resurgent India Bonds (RIBs) of US\$ 5.5 billion.

c) Works out to 5.7 per cent, with the exclusion of pre-payment of US\$ 381 million.

d) Works out to 6.3 per cent, with the exclusion of India Millennium Deposits (IMDs) repayments of US\$ 7.1 billion and pre-payment of US\$ 23.5 million.

Sources: <https://dea.gov.in/external-debt>

Status Report on India's External Debt 2018-19: Annex II

Table:1 Shows the growth of external debt increasing throughout the study period. The external debt of trends high in 2011-12 and low in 2016-2017. The ratio of foreign exchange reserves to total debts high in 2007-08 and low in 2013-14. The ratio of concessional debt to total debts high in 2007-08 and low in 2018-19. Its growth of declining throughout the study period. The ratio of short –term debt to foreign exchange reserves high in 2012-13 and low in 2007-08. The ratio of short-term debt to total debts high in 2012-13 and low in 2015-16.

CHART 1: TREND PERCENTAGE OF EXTERNAL DEBT AND EXTERNAL DEBT TO GDP



INTERPRETATION

Chart 1 shows the trend percentage of external debt and external debt to GDP over the period of time 2007-2008 to 2018-2019. The highest trends in the year 2011-12 and lowest trends in the year 2016-2017. It shows external debt more depended for our growth of GDP in the year of 2011-12 and less depended on the year 2016-17.

TABLE 2: COMPONENTS OF EXTERNAL DEBT 2008 TO 2019

Sl. No.	Components of External Debt	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018PR	2019P
I.	MULTILATERAL	39,490	39,538	42,857	48,475	50,452	51,590	53,418	52,391	53,956	54,502	57,249	57,437
II.	BILATERAL	19,708	20,610	22,593	25,712	26,884	25,158	24,727	21,726	22,464	23,210	25,382	25,691
III.	IMF <sup>a</sup>	1,120	1,018	6,041	6,308	6,163	5,964	6,149	5,488	5,605	5,410	5,784	5,523
IV.	EXPORT CREDIT	10,328	14,481	16,841	18,647	18,990	17,760	15,518	12,608	10,639	9,609	9,483	7,943
V.	COMMERCIAL BORROWINGS	62,334	62,461	70,726	100,476	120,136	140,125	149,375	180,295	180,744	172,358	201,826	206,411
VI.	NRI DEPOSITS <sup>d</sup> (Above one year maturity)	43,672	41,554	47,890	51,682	58,608	70,822	103,845	115,163	126,929	116,867	126,182	130,423
VII.	RUPEE DEBT <sup>e</sup>	2,017	1,523	1,658	1,601	1,354	1,258	1,468	1,506	1,278	1,228	1,213	1,158
IX.	SHORT-TERM DEBT	45,738	43,313	52,329	64,990	78,179	96,697	91,678	85,498	83,374	88,124	102,173	108,415

Sources: <https://dea.gov.in/external-debt>

Status Report on India's External Debt 2018-19: Annex II

Source: Ministry of Finance (Department of Economic Affairs), Ministry of Defense, Reserve Bank of India, Securities & Exchange Board of India.

PR: Partially Revised; P: Provisional.

IFC (W): International Finance Corporation, Washington D.C.

FII: Foreign Institutional Investors

Relates to SDR allocations from March 2004 onwards.

Includes Financial Lease since 1996.

a. Also includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Deposits (IMDs), Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds and securitized borrowings of commercial banks. FCCB debt has been adjusted since end-March, 1998 after netting out conversion into equity and redemptions.

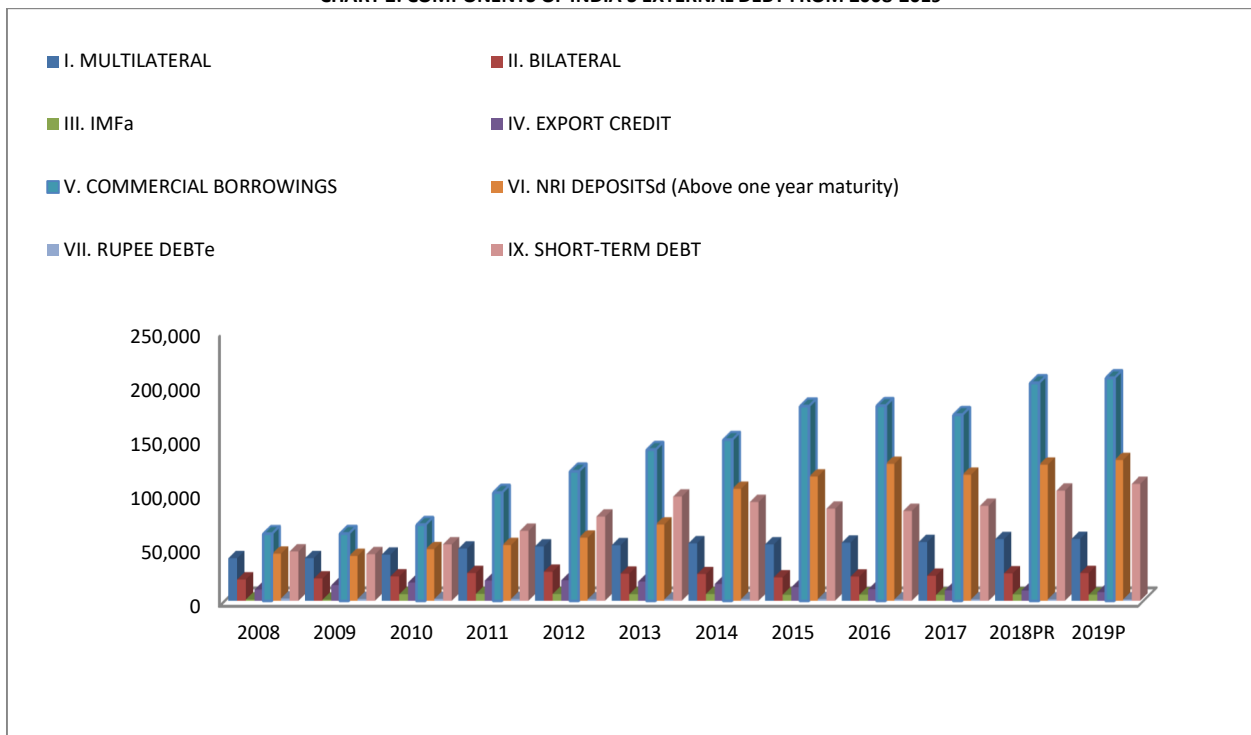
b. Figures include accrued interest.

c. Rupee denominated debt owed to Russia and payable through exports.

d. The definition of concessional debt here includes 'concessional' categories under multilateral and bilateral debt and rupee debt under item VII.

Note: NRO Deposits are included under NRI Deposits from the quarter ended June 2005. Supplier's Credits up to 180 days and FII investment in short-term debt instruments are included under short-term debt from the quarter ended March 2005. Vostro balances / Nostro overdrafts of commercial banks, balances of foreign central banks/international institutions with RBI and investment in T-bills/securities by foreign central banks/ international institutions have been included in external debt from the quarter ended March 2007.

CHART 2: COMPONENTS OF INDIA'S EXTERNAL DEBT FROM 2008-2019



**INTERPRETATION**

TABLE 2 and CHART 2 Shows components of India's external debt from 2008-2019. It indicates Commercial Borrowings, NRI Deposits d (Above one year maturity) and Short-Term Debt are top three components of external debt in our country. The growth of Multilateral, Commercial borrowings and NRI deposits<sup>d</sup> components of external debt increasing throughout the study period. The Bilateral external debt high in 2012 and low in 2008. The IMF<sup>a</sup> external debt high in 2011 and low in 2008. The Export credit external debt high in 2012 and low in 2019P. The Rupee debt<sup>e</sup> of external debt high in 2008 and low in 2019P. The Short-term debt of external debt high in 2019P and low in 2009.

**FINDINGS**

1. The growth of external debt increasing and declining concessional debt throughout the study period.
2. External Debt averagely helps to increase the ratio of growth of GDP 20.8% for last 12 years and trend percentage of GDP.
3. It indicates Commercial Borrowings, NRI Deposits d (Above one year maturity) and Short-Term Debt are top three components of external debt in our country.

4. The growth of Multilateral, Commercial borrowings and NRI deposits<sup>4</sup> components of external debt increasing throughout the study period.
5. It shows the components of external debt high, low and fluctuations over the year 2008 to 2019P.

## CONCLUSION

The external debt is more important sources of fund for government. The internal sources only not adequate for development of Infrastructure and economic growth. External debt helps to increase investment, GDP, financial globalization, macroeconomic policy, and governance of borrowing countries. The government more depends to external debt it increases the burden of interest, repayment and fluctuations of globalized financial markets. So that the government has to plan reasonable external debt. It will help to economic stability and growth.

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