

# A Study on Growth and Composition of India's External Debt

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## Abstract

*External debt is major source of public receipts and financing capital accumulation in any economy. It is a medium used by countries to bridge their deficits and carry out economic projects that are able to increase the standard of living of the citizenry and promote sustainable growth especially when domestic financing is inadequate. External debt also improves total factor productivity though increase in output which in turn enhances Gross Domestic product (GDP) growth of a nation. The importance of external debt cannot be overemphasized as it is an ardent booster of growth and thus improves living standards thereby alleviating poverty. It is important to understand the Indian economy only through the adjustment of fiscal dimension like external debt made by Government of India. Hence, the researchers have focused on the growth and composition of India's external debt.*

## I. INTRODUCTION

It is widely recognized in the international community that excessive foreign indebtedness in most developing countries is a major impediment to their economic growth and stability. Developing countries like Indian have often contracted large amount of external debts that has led to the mounting of trade debt arrears at highly concessional interest rates. The inability of the Indian economy to meet its debt service payments obligations has growth resulted in debt overhang or debt service burden that has militated against her growth and development. The genesis of Indian's debt service burden dates back to 1978 after a fall in world oil prices. Prior to this occurrence Indian had incurred some minor debts from World Bank in 1958 with a loan of US\$28million dollars for railway construction and the Paris Club debtor nations in 1964 from the Italian government with a loan of US\$13.1 million for the construction of the Indian dam. The first major borrowing of US\$1 billion known as the "Jumbo loan" was in 1978 from the International Capital Market (ICM).

### A. Examples of Debt Burden Indicators Include the

- i) Debt-to GDP ratio,
- ii) Foreign debt to exports ratio,
- iii) Government debt to current fiscal revenue ratio etc.

iv) This set of indicators also covers the structure of the outstanding debt,

### B. Including:

- i) Share of foreign debt,
- ii) Short-term debt, and
- iii) Concessional debt ("loans with an original grant element of 25 percent or more") in the total debt stock.

A second set of indicators focuses on the short-term liquidity requirements of the country with respect to its service obligations. These indicators are not only useful early-warning signs of debt service problems, but also highlight the impact of the inter-temporal trade-offs arising from past borrowing decisions. Examples of liquidity monitoring indicators include the

- (a) Debt service to GDP ratio,
- (b) Foreign debt service to exports ratio,
- (c) Government debt service to current fiscal revenue ratio

The final indicators are more forward-looking, as they point out how the debt burden will evolve over time, given current stock of data and average interest rate. The dynamic ratios show how the debt-burden ratios would change in the absence of repayments or new disbursements, indicating the stability of the debt burden. An example of a dynamic ratio is the average interest rate on outstanding debt to the growth rate of nominal GDP.

## II. DEFINITIONS AND CONCEPTS

### A. External Debt

Gross external debt, is a stock variable and is measured at a point in time. External debt is defined as "the outstanding amount of those actual current, and not contingent, liabilities that require payment(s) of principal and/or interest by the debtor at some point(s) in the future and that are owed to non-residents by residents of an economy" External Debt Statistics – Guide for compilers and Users, International Monetary Fund (IMF),2003.

### B. Original and Residual Maturity

- (i) Original maturity is defined as the period encompassing the precise time of creation of the financial liability to its date of final maturity.
- (ii) Debt by residual maturity (or remaining maturity) includes short term by original maturity of up to one year, combined with lag

term debt repayment by original maturity falling due within the twelve month period following a reference date. External debt is commonly expressed in terms of original maturity.

### C. Long and Short-term

One way of classifying external debt is the two-way scheme based on duration-long and short-term. Long term debt is defined as debt with an original maturity of more than one year, while short term debt is defined as debt repayments on demand or with an original maturity of one year or less.

The coverage of short-term was redefined in 2005-06 by including supplier's credit upto 180 days and FII investment in the Government Treasury Bills and other instruments and further in March 2007 by including external debt liabilities of the banking system and the investment in the Government securities by the foreign central banks and the international institutions.

### D. Multilateral and Bilateral Debt

Multilateral creditors are primarily multilateral institutions such as the International Development Association (IDA), International Bank for Reconstruction and Development (IBRD), Asian development bank (ADB) etc. Bilateral creditors are sovereign countries with whom sovereign and non-sovereign entities enter into one-to-one loan arrangements. Some of India's bilateral creditors who extend loans to both sovereign and non-sovereign debtors include Japan, Germany, United States, France, Netherlands and Russian Federation.

### E. Sovereign (Government) and Non-Sovereign (Non-Government) debt

Sovereign debt includes (i) external debt outstanding on account of loans received by Government of India under the 'external assistance' programme, and civilian component of Rupee Debt; (ii) other Government debt comprising borrowings from IMF, defiance debt component of Rupee debt as well as foreign currency defiance debt and (iii) FII investment in Government Securities. Non-sovereign includes the remaining components of external debt.

### F. Trade Credits/Export Credits

Trade credits/Export credits refer to loans and credits extended for imports directly by overseas supplier, bank and financial institution to sovereign and non-sovereign entities. Depending on the source of finance, such credits can be either suppliers' credit or buyers' credit.

- (i) Suppliers' Credit: Such credit is extended by the overseas supplier of goods in the form of deferred payments.
- (ii) Buyers' Credit: Such credit is provided by a bank or financial institution and is generally governed by OECD consensus term and carries

insurance from export credit agency of the concerned country.

### G. External Commercial Borrowings

The definition of commercial borrowing includes loans from commercial banks, other commercial financial institutions, money raised through issue of securitized instruments like bonds (including India Development Bonds (IDBs) and Resurgent Indian Bonds (RIBs)), Floating Rate Notes (FRN) and securitized borrowing of commercial banks etc. It also includes borrowings through buyer's credit & supplier credit mechanism of the concerned countries, International Finance Corporation, Washington [IFC (W)], Nordic Investment Bank and private sector borrowings from Asian Development Bank (ADB).

### H. NRI Deposits

Non-Resident Indian (NRI) deposits are of three types:

- (i) Non Resident (External) Rupee Account {NR(E)RA} Deposits were introduced in 1970. Any NRI can open an NRI account with funds remitted to India through a bank abroad. A NRE account maintained in Indian rupee may be opened as current, savings or term deposit. The amount held in these deposits together with the interest accrued can be repatriated.
- (ii) Foreign Currency (Non Resident) (Banks) Deposits {FCNR (B)} were introduced with effect from May 15, 1993. These are term deposits maintained only in Pound Sterling, U.S. dollar, Japanese Yen, Euro, Canadian dollar and Australian dollar. The minimum maturity period of these deposits was raised from six months to 1 year effective October 1990. From July 26, 2005 banks have been allowed to accept FCNR (B) deposits up to a maximum maturity period of five years against the earlier maximum limit of three years.
- (iii) Non-Resident Ordinary Rupee (NRO) Accounts – Any person resident outside India may open and maintain NRO account with an Authorized Dealer or in authorized bank for the purpose of putting through bonafide transactions denominated in Indian Rupees. NRO Accounts may be opened/maintained in the form of current, saving, recurring or fixed deposits. NRI/Persons of Indian Origin (PIO) may remit an amount not exceeding USD 1 million per financial year out of the balances held in NRO Accounts.

### I. Concessional Debt

Generally, a loan is defined as 'concessional' when it carries a grant element 25 per cent or more. In India, loans from multilateral (the International Development Association (IDA),

International Fund for Agricultural Development (IFAD)) and bilateral sources (including rupee debt that is serviced through exports) is categorized as 'concessional' based on their long maturity and less-than market rate of interest charged on them.

#### J. Debt from Official and Private Creditors

External Debt from multilateral and bilateral sources of finance credit component of bilateral credit, export for defiance purposes and rupee debt etc is called as official debt. External debt from private creditor denotes sources of loans raised under ECBs, NRI deposits, export credits (other than those included under official creditors), and short-term debt.

#### K. Statement of the Problem

The public debt is a vital role in economic growth of development countries like India. It is a balanced wheel for the deficit. The domestic debt is alone not possible to fulfill the gap between expenditure and revenue. Thus the government has to create external debt for the enhancing the investment on different sectors of the economy in order to obtain higher remarkable growth of economy. India's external sector has displayed considerable strength and attracted substantiate capital inflows for a decade. Proportion of GDP external debt was 23.3 percent and debt service ratio of 5.9 percent in 2013-14. The need for external debt may be used for not only to mobilize saving but also to direct the flow of resources from less productive channels into more effective stream of the economy. Foreign external debt can lead to more rapid growth i.e. increase the access to resources than the domestic debt. In this content the researcher has taken the topic on, "A Study on Growth and Composition of India's External Debt".

#### III. OBJECTIVES OF THE STUDY

- To analyze the trends in growth and composition of India's External Debt.
- To study the growth of concessional short term and long term external debt.
- To find out the interest payment on India's External Debt.
- To identify the key indicators of External Debt.

#### IV. SCOPE OF THE STUDY

1. The study would help to understand the growth of India's External debt.
2. The present study would help to know the trends in growth and composition of India's External Debt.
3. The study would help to realize the interest payment on External Debt.

limitation of the study

- (i) A study confined to a period of 12 year. Hence the conclusion would not be applicable for other periods.
- (ii) The data being secondary in nature, the study suffered from the limitation of secondary data.

#### V. REVIEW OF LITERATURE

##### Ogunmuyiwa (2010)

Examined as to whether external debt promotes economic growth in developing countries using India as a case study. Using various econometric techniques such as ADF, Granger Causality, Johansen Co-integration, and VECM on time series data for a period 1970-2007, the researcher concluded that there is no evidence of causality between external debt and economic growth. The causation between debt and growth was also found to be weak/ insignificant in India.

On Sudan's debt profile from its origin, its composition in terms of creditors and how it fluctuated over the years. He discusses the Sudan's past debt relief strategies, the present strategy and diverts further into the debt unit in Sudan and the measurement for sustainability.

##### Udoka and Aayingang (2010)

Sought to depict the relationship between external debt management policies on economic growth in India from 1970 to 2006. They sought to determine external debt's effect on certain factors like gross domestic investment, exchange rate, fiscal deficit and terms of trade. They start by defining debt and classifying debt into productive when a loan is obtained to enable the state or nation to purchase some sort of the loan is undertaken to finance wars and expenditures on current expenditures/assets but that a debt is a dead weight debt when

##### Ahmed and Shaker (2011)

Aim to bring to light the problems created by the external debt to economic growth of Pakistan by defining debt as a major tool of removing saving-investment gap of developing countries. Their analysis involves time series data from 1981 to 2008 of five variables. The dependent variable is the growth rate of GDP per capita and the independent variables are external debt to GDP ratio, investment to GDP ratio, population growth rate and trade openness. These variables are analysed using the augmented dickey fuller unit root test, co-integration estimation and the granger causality vector error correction method.

#### VI. METHODOLOGY

##### A. Nature of Research Design

The study intends to analyse the growth of external debt in India, the trends in growth in composition of India's external debt and the interest

payment on external debt. It is analytical research in nature.

**B. Nature of data**

For the present study, the secondary data were used.

**C. Sources of data**

The relevant data for the study was collected from Handbook of Statistics on the Indian Economy, Foreign Trade Review RBI Bulletin, Economic and Political Weekly etc.

**D. Statistical tools**

Simple Statistical tools used for the study like percentage analysis, AGR (Annual Growth Rate), (CGR) Compound Growth Rate.

$$AGR = \frac{y_t - y_o}{y_o} \times 100$$

Y<sub>t</sub> = Current Year

Y<sub>o</sub> = Pervious Year

$$CGR = \left( \frac{y_t}{y_o} \right)^{1/t} \times 100$$

Y<sub>t</sub> = 1st year

Y<sub>o</sub> = last year

T = Number of year

**VII.DATA ANALYSIS AND INTERPRETATION**

**Table-1 Composition of India’s External debt(US\$ million)**

| Year | Multilateral lateral | Percentage | Bilateral | Percentage | International Monetary | Trade credit | Commercial Borrowing | NRI&(B&O) | Rupee Debt | Total long term | Percentage | Short Debt | Percentage | Total Debt |
|------|----------------------|------------|-----------|------------|------------------------|--------------|----------------------|-----------|------------|-----------------|------------|------------|------------|------------|
| 2004 | 29297                | 26.0       | 17277     | 15.33      | 1008                   | 4697         | 22007                | 31216     | 2720       | 108222          | 96         | 4431       | 3.93       | 112655     |
| 2005 | 31744                | 23.68      | 17034     | 12.71      | 1029                   | 5022         | 26405                | 32743     | 2302       | 116279          | 86         | 17723      | 13.26      | 134002     |
| 2006 | 32620                | 23.44      | 15761     | 11.32      | 981                    | 5420         | 26452                | 36282     | 2059       | 119575          | 85         | 19539      | 14.04      | 139114     |
| 2007 | 35337                | 20.50      | 16065     | 09.32      | 1029                   | 7165         | 41443                | 41240     | 1951       | 144230          | 83         | 28130      | 16.32      | 172360     |
| 2008 | 93490                | 17.59      | 19708     | 8.78       | 1120                   | 10327        | 62334                | 43672     | 2017       | 178669          | 79         | 45738      | 20.38      | 224407     |
| 2009 | 39538                | 17.61      | 20610     | 9.18       | 1018                   | 14481        | 62461                | 41554     | 1523       | 181185          | 80         | 43313      | 19.29      | 224498     |
| 2010 | 42857                | 16.42      | 22593     | 8.65       | 6041                   | 16841        | 70726                | 41890     | 1658       | 208606          | 79         | 52329      | 20.44      | 260935     |
| 2011 | 48475                | 15.24      | 25712     | 8.08       | 6308                   | 18647        | 100476               | 47652     | 1601       | 252901          | 79         | 64990      | 20.44      | 317891     |
| 2012 | 50453                | 13.98      | 26884     | 7.45       | 6136                   | 18990        | 120136               | 58608     | 1354       | 202587          | 78         | 78179      | 21.67      | 360766     |
| 2013 | 51589                | 12.60      | 25158     | 6.45       | 5964                   | 17760        | 140125               | 70822     | 1258       | 312676          | 76         | 96697      | 23.62      | 409373     |
| 2014 | 53418                | 11.96      | 24678     | 5.52       | 6149                   | 15531        | 149501               | 103844    | 1468       | 354590          | 79         | 91678      | 20.54      | 446268     |
| 2015 | 52648                | 11.06      | 21664     | 4.55       | 5488                   | 12776        | 181882               | 115163    | 1506       | 391126          | 82         | 84686      | 18.92      | 475813     |

The percentage share of composition of Indian’s external debt is shown in the table-1.It was found that the top most composition of external debt was multilateral level the were large group of financial institutions which comes under this category. Moreover the total external debt was steady increased throughout the study period (Rs 112655 US\$ million in 2004 to Rs4475813 US\$ million in 2015.)

The higher percentage share of multilateral was noticed i.e. 26.8 percentage whereas bilateral was 15.33 percentage in 2004-05

In the case of international monetary fund was widely fluctuated as the study period.

In case of Trade credit steadily increased up to 2012 after that it was declining in the last two years of study.

In case of commercial borrowing was shown reward trend through the study. It increased much higher that the other composition like Trade credit international Monterey fund, rupee debt and NRI & FC (B&O.)

In the case of long term debt the period percentage share was declined up over the period of the study. However it was higher in the initial period.

In the case of short term debt widely fluctuated through one the study period. The higher percentage of short farm debt was observed 23.62 in the year 2013. The least percentage was share of the was 3.9 in the first year in 2014.

**Table-2 The Growth of concessional short term debt and long term debt  
(US\$ million)**

| Year | Concessional Percentage | Short term debt | Percentage Share | Long term debt | Percentage Share | Total   |
|------|-------------------------|-----------------|------------------|----------------|------------------|---------|
| 2004 | 35.8                    | 4431            | 3.93             | 108022         | 95.88            | 112653  |
| 2005 | 30.7                    | 17723           | 13.26            | 116279         | 87.8             | 1324002 |
| 2006 | 28.4                    | 19539           | 14.04            | 119575         | 86.74            | 139114  |
| 2007 | 23.0                    | 28130           | 16.32            | 144230         | 83.68            | 172360  |
| 2008 | 19.7                    | 45738           | 20.38            | 178669         | 79.62            | 224407  |
| 2009 | 18.7                    | 43313           | 19.23            | 187785         | 80.77            | 224498  |
| 2010 | 16.8                    | 52329           | 20.05            | 208606         | 79.05            | 260935  |
| 2011 | 14.9                    | 64990           | 20.44            | 252901         | 79.44            | 317891  |
| 2012 | 13.3                    | 78179           | 21.67            | 282587         | 78.33            | 360766  |
| 2013 | 11.1                    | 96697           | 23.62            | 312676         | 76.38            | 409373  |
| 2014 | 10.4                    | 91678           | 20.54            | 354590         | 79.46            | 446268  |
| 2015 | 8.8                     | 84686           | 17.79            | 391126         | 82.21            | 475813  |

The percentage share of concessional debt short from debt and long term debt were presented in the table. Generally it showed their the long term debt was higher that the short term debt was fund there was steadily increased throughout term was observed (95.88) in the year 2004 . The lowest share was 76.33 percent in the study period of 2013.

The percentage share of short term debt as a percentage of total was increased from 3.9 percentage 2004 and 17.79 percentage in the study Period. However this was also meager fluctuated thought the study period.

The growth of concessional debt as a percentage of total debt was registered a declining trend throughout the study period i.e. farm 35.8 per cent in 2004 to 8. percentage in the last study period (2015).

**Table-3 Borrower Classification of External Debt  
(US\$ million)**

| End-March |  |         |          |          |          |          |          |          |          |          |          |           |
|-----------|--|---------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----------|
| SL. NO    | Borrower Category                        | 2005    | 2006     | 2007     | 2008     | 2009     | 2010     | 2011     | 2012     | 2013     | 2014     | 2015      |
| 1         | 2  | 3       | 4        | 5        | 6        | 7        | 8        | 9        | 10       | 11       | 12       | 13        |
| I.        | Government Debt(A+B)                     | 47,697  | 46,259   | 49,360   | 58,070   | 55,870   | 67,067   | 78,072   | 81,896   | 81,655   | 83,695   | 89,748    |
| A         | Of which account                         | 46,538  | 46,119   | 49,094   | 57,455   | 54,931   | 65,549   | 75,230   | 75,789   | 77,868   | 79,914   | 89,634    |
| 1         | Government account                       | 43,686  | 43,510   | 46,151   | 52,541   | 51,816   | 55,235   | 62,295   | 63,374   | 61,366   | 62,204   | 58,493    |
| 2         | Other Government Debt                    | 2,852   | 2,609    | 2,879    | 4,914    | 3,115    | 10,314   | 12,935   | 12,415   | 16,532   | 17,710   | 31,141    |
| B         | Of Which short-Term(1+2+3)               | 1,159   | 140      | 326      | 615      | 939      | 1,518    | 2,842    | 6,107    | 3,787    | 3,781    | 114       |
| II        | Non-Govt-(C+D)                           | 86,305  | 92,855   | 123,00   | 1,66,373 | 1,68,628 | 1,93,868 | 2,39,819 | 2,78,870 | 3,27,809 | 3,62,573 | 3,86,0265 |
| C         | Of Which short-term                      | 69,741  | 73,456   | 95,196   | 1,21,214 | 1,26,254 | 1,43,057 | 1,77,671 | 2,06,798 | 2,34,899 | 274,676  | 3,01,4936 |
| 1         | Financial long-term                      | 43,455  | 42,344   | 48,414   | 51,138   | 48,617   | 55,933   | 77,784   | 85,689   | 1,02,261 | 1,35,240 | 1,44,295  |
| 2         | Public sector                            | 6,494   | 6,971    | 7,978    | 11,040   | 12,599   | 13,749   | 16,070   | 19,180   | 23,943   | 33,105   | 34,356    |
| 3         | Private secto                            | 19,790  | 24,451   | 38,804   | 59,036   | 65,038   | 73375    | 86,815   | 1,01,929 | 1,08,65  | 1.06,331 | 1,22,842  |
| D         | Of Which short-term                      | 16,564  | 19,399   | 27,804   | 45,123   | 42,374   | 50,811   | 62,148   | 72,072   | 92,910   | 87,897   | 84,572    |
|           | (Share of Short-term Debt in Total Debt) | 12.4    | 13.4     | 16.1     | 20.1     | 18.9     | 19.5     | 16.6     | 20.0     | 22.7     | 20       | 18        |
| III       | Total External Debt (I+II)               | 1,34,00 | 1,39,114 | 1,72,360 | 2,24,407 | 2,24,498 | 2,60,935 | 3,17,891 | 3,60,766 | 4,09,464 | 4,46,268 | 4,75,813  |

**Note:** The definition of Government debt here includes debt on Government Account maintained by the Controller of Aid Accounts & Audit, Ministry. Other Government debt includes IMF, Defense Debt and FII investment in Debt Securities. All other, including short-term debt are shown as part of non-government debt. Debt of Defense public sector enterprises is included as part of non-Government debt from 1996 onwards.

A: Financial Sector debt represents borrowing of external debt by commercial banks and financial institutions. Long-term NRI deposits are included in the financial sector.

B: Public Sector debt represents borrowings of non-financial public sector enterprises.

C: Private Sector debt represents borrowings of non-financial private sector enterprises.

Borrower classification of External debt is given in the table it was found their government (long term + short term) was continuously increasing trend over the study period. (Rs 47697 US\$ million in 2005 and to 89748 US\$ million). In the case of non government debt was shown steadily increasing trend our period of study. This was covered financial sector public sector and private sector. External debt on financial sector was higher than the private and public sector. In case of the share of short term debt in total debt was shown fluctuated trend through the study period the shown term debt the higher percentage share was 227 percentages in 2013.

In case of total referral debt was observed steadily increasing over trend the study period the total external debt increasing from Rs134002 US\$ million to 4, 75813 US\$ million in & the last year (2015).

**Table-4 India's Key External Debt Indicators  
(US\$ million)**

| At end March | External Debt (US\$ billions) | External Debt to GDP | Debt Service Ratio | Foreign Exchange Reserves to Total | Concessional Debt to Total Debt | Short-Term to Foreign Exchange Reserves | Short Term to Total External Debt |
|--------------|-------------------------------|----------------------|--------------------|------------------------------------|---------------------------------|---|-----------------------------------|
| 1            | 2                             | 3                    | 4                  | 5                                  | 6                               | 7                                       | 8                                 |
| 2005-06      | 139.1                         | 16.8                 | 10.1               | 109.0                              | 28.4                            | 12.9                                    | 14.0                              |
| 2006-07      | 172.4                         | 17.5                 | 4.7                | 115.6                              | 23.0                            | 14.1                                    | 16.3                              |
| 2007-08      | 224.4                         | 18.0                 | 4.8                | 138.0                              | 19.7                            | 14.8                                    | 20.4                              |
| 2008-09      | 224.5                         | 20.3                 | 4.4                | 112.2                              | 18.7                            | 17.2                                    | 19.3                              |
| 2009-10      | 260.9                         | 18.2                 | 5.8                | 106.9                              | 16.8                            | 18.8                                    | 20.1                              |
| 2010-11      | 317.9                         | 18.2                 | 4.47               | 95.9                               | 14.9                            | 21.3                                    | 20.4                              |
| 2011-12      | 360.8                         | 20.5                 | 6.0                | 81.6                               | 13.3                            | 26.6                                    | 21.7                              |
| 2012-13PR    | 409.4                         | 22.0                 | 5.9                | 71.3                               | 11.1                            | 33.1                                    | 23.6                              |
| 2013-14QE    | 440.6                         | 23.3                 | 5.9                | 69.0                               | 10.5                            | 29.3                                    | 20.3                              |



A: Works out to per cent, excluding India Millennium Deposit repayments of US\$ 7.1 billion and pre-payment of US\$ 23.5

The Formal for Operating Period India's Key External Debt Indicators. are given in the table Indian key External debt indicators include referral Debt GDP Debt jerked ratio, Foreign exchange reserves to total debt, concessional debt to total debt short term to foreign exchange & reserves short term to total external debt.

External Debt to GDP was increased from 16.8 per cent in 2005-06 to 23.3 per cent in 2013-14.

In case of debt service ratio was declined from 10.1 per cent in 2005-06 to 5.9 per cent in 2013-14.

Foreign exchange Reserves to total debt was also declined from 109.0 per cent in 2005-06 to 69. Percent in 2013-14. The higher percentage of Foreign exchange reserves to total debt was observed in the year 2007=08 (138 percentage).

**TABLE-5 India’s External Debt Service payments-Source-Wise**  
(US\$ million)

| SL. No | Components                                    | 2004-05  | 2005-06  | 2006-07  | 2007-08  | 2008-09  | 2009-10  | 2010-11 | 2011-12  | 2012-13  | 2013-14PR | 2014-15QE |
|--------|---|----------|----------|----------|----------|----------|----------|---------|----------|----------|-----------|-----------|
| 1      | 2   | 3        | 4        | 5        | 6        | 7        | 8        | 9       | 10       | 11       | 12        | 13        |
| 1      | External Assistance                           | 2,855    | 2,652    | 2,942    | 3,241    | 3,384    | 3,461    | 3,667   | 3,923    | 4,255    | 4,078     | 4,355     |
|        | Repayments                                    | 2,129    | 1,945    | 1,960    | 2,099    | 2,375    | 2,585    | 2,839   | 3,125    | 3,415    | 3,383     | 3,667     |
|        | Interest                                      | 726      | 707      | 982      | 1142     | 1009     | 876      | 828     | 798      | 840      | 695       | 688       |
| 2      | External Commercial Borrowings                | 4,530    | 14,839   | 6,331    | 9,771    | 10,543   | 14,742   | 13,959  | 25,198   | 23,240   | 23,398    | 31,307    |
|        | Repayments                                    | 3,571    | 11,824   | 3,814    | 6,331    | 6,578    | 11,498   | 10,451  | 19,782   | 16,914   | 17,702    | 25,366    |
|        | Interest                                      | 959      | 3,015    | 2,517    | 3,652    | 3,965    | 3,244    | 3,508   | 5,416    | 6,326    | 5,696     | 5,941     |
| 3      | NRI Deposits                                  | 1,353    | 1,497    | 1,969    | 1,813    | 1,547    | 1,599    | 1,737   | 2,313    | 3,778    | 4,784     | 5,973     |
|        | Interest                                      | 1,353    | 1,497    | 1,969    | 1,813    | 1,547    | 1,599    | 1,737   | 2,313    | 3,778    | 4,784     | 5,973     |
| 4      | Rupee Debt Service Repayments                 | 417      | 572      | 162      | 121      | 101      | 97       | 69      | 79       | 58       | 52        | 81        |
|        | Repayments                                    | 417      | 572      | 162      | 121      | 101      | 97       | 69      | 79       | 58       | 52        | 81        |
| 5      | Total Debt Service                            | 9,155    | 19,560   | 11,404   | 14,946   | 15,575   | 19,899   | 19,432  | 31,513   | 31,331   | 32,312    | 41,716    |
|        | Repayments                                    | 6,117    | 14,341   | 5,936    | 8,339    | 9,054    | 14,180   | 13,359  | 22,986   | 20,387   | 21,137    | 29,114    |
|        | Interest                                      | 3,038    | 5,219    | 5,468    | 6,607    | 6,521    | 5,719    | 6,073   | 8,527    | 10,944   | 11,175    | 12,602    |
|        | <b>Memo Items: Current Receipts</b>           | 1,54,123 | 1,94,170 | 2,42,811 | 3,14,284 | 3,56,175 | 3,45,144 | 4,45,99 | 5,28,372 | 5,30,163 | 5,51,072  | 5,53,502  |
|        | Debt Service Ratio(%)                         | 5.9      | 10.1     | 4.7      | 4.8      | 4.4      | 5.8      | 4.4     | 6.0      | 5.9      | 5.9       | 7.5       |
|        | <b>Interest to Current Receipts Ratio (%)</b> | 2.0      | 2.7      | 2.3      | 2.1      | 1.8      | 1.7      | 1.4     | 1.6      | 2.1      | 2.0       | 2.3       |

A : Inclusive of Non-Government account figures supplied by the office of Controller of Aid Accounts & Audit, DEA, of Finance.

B: Works out to 5.7 per cent, with the exclusion of pre-payments of US\$381 million.

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

**TABLE-6 Sovereign External Debt Service Payments**

(US\$ million)

| April-March |  |         |         |         |         |         |         |         |         |         |           |           |
|-------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|-----------|
| Sl. No      | Debt Service Payments                                | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14PR | 2014-15QE |
| 1           | 2  | 3       | 4       | 5       | 6       | 7       | 8       | 9       | 10      | 11      | 12        | 13        |
| I           | Debt service Payments Under Government Account (A+B) |         |         |         |         |         |         |         |         |         |           |           |
|             | A Multilateral (i + ii)                              | 2,2 62  | 2,272   | 2,722   | 2,696   | 2,719   | 3,273   | 3,340   | 3,354   | 3,718   | 3,655     | 3,892     |
|             | i .Principal   | 1,044   | 1,192   | 1,543   | 1,738   | 1,625   | 1,818   | 1,846   | 1,859   | 2,161   | 2,271     | 1,626     |
|             | ii. Interest   | 737     | 790     | 959     | 1066    | 1110    | 1386    | 1529    | 1545    | 1798    | 1943      | 2306      |
|             | B Bilateral (iii + iv)                               | 307     | 402     | 584     | 672     | 515     | 432     | 317     | 314     | 372     | 328       | 320       |
|             | iii. Principal                                       | 1,218   | 1,080   | 1,179   | 958     | 1,094   | 1,455   | 1,494   | 1,495   | 1,557   | 1,384     | 1,266     |
|             | Iv. Interest   | 884     | 776     | 868     | 713     | 793     | 1084    | 1105    | 1122    | 1186    | 1076      | 984       |
|             | Other Government Debt Service Payments (v + vi)      | 334     | 304     | 311     | 245     | 301     | 371     | 389     | 373     | 371     | 317       | 282       |
| II.         | v. Principal   | 417     | 572     | 162     | 121     | 101     | 97      | 69      | 79      | 58      | 52        | 81        |
|             | vi. Interest   | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0       | 0         | 0         |
| III.        | Total Government External Debt                       | 2,679   | 2,844   | 2,884   | 2,817   | 2,820   | 3,370   | 3,409   | 3,433   | 3,776   | 3,707     | 3,073     |
|             | Service Payments (i + ii) AGR                        | -       | 6.15    | 1.40    | -2.32   | 0.10    | 19.50   | 1.15    | 0.70    | 9.99    | 2.00      | -17.10    |
|             | vii. Total Principal                                 | 2,038   | 2,138   | 1,989   | 1,900   | 2,004   | 2,567   | 2,703   | 2,746   | 3,033   | 3,062     | 3,371     |
|             | (I +ii +v) AGR                                       | -       | 4.90    | -6.96   | -4.47   | 5.47    | 28.09   | 5.30    | 1.59    | 10.45   | 95.61     | 10.09     |
|             | viii. Total Interest (ii + iv+ vi)                   | 641     | 706     | 895     | 917     | 816     | 803     | 706     | 687     | 743     | 645       | 602       |
|             | (ii +iv +vi) AGR                                     | -       |         | 26.77   | 2.45    | -11.01  | 1.59    | -12.07  | -2.69   | 8.15    | -13.18    | -6.66     |

Though IDA loans are interest-free ,the service charges associated with it are treated as “interest payments”.

Note: Debt service payments on account of FII investment in Government Treasury Bills and dated securities are not included.

Sovereign External Service Payment is given in the table.

The interest payment on multilateral increased from Rs1044 US\$ million dollar in 2004-05 to 1626 US\$ million in 2014-15. In the case of Bilateral the increase payment was also increased from 1218 US\$ million in 2004-05 to 1266 US million dollar in 2014-15. Debt sovereign payment under Government (Multilateral + Bilateral) was observed higher increased payment. The increased payment on multilateral debt was much more loan the bilateral debt during the study period in case of other Government debt service payments steeply in case of other declined higher any study period. i.e. from 417US\$ million in 2004-05 to 81US\$ million in 2014-2015. Interest payment on total external debt increased during the study period. However, From the observed the AGR data, the interest payment on total external debt was shown fluctuating trend for the study period. The higher AGR was registered 19.50 in the year 2009-10 and the lowest AGR was recorded i.e. higher growth - 17.10 in the year 2014-15. In case of total principal interest payment was also increased from `2038 US\$ million in 2004-05 to `3371 US\$ million in ` 2013-14. The higher AGR was 95.61 during 2013-14 the neglect growth rate observed -6.96 - 4.47 in the years 2007-08 respectively.

TABLE-7 India's External Debt Service Payments by Creditor Categories

(US\$ million)

| S.L No. | Creditor Category                                  | 2004-05                 | 2005-06                   | 2006-07                   | 2007-08                  | 2008-09                  | 2009-10                   | 2010-11-                  | 2011-12                   | 2013-14                    | 2013-14                    | 2014-2015                  |
|---------|--|-------------------------|---------------------------|---------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| 1       | 2  | 3                       | 4                         | 5                         | 6                        | 7                        | 8                         | 9                         | 10                        | 11                         | 12                         | 13                         |
| 1       | Multilateral:<br>Principal<br>Interest             | 1,299<br>919<br>380     | 1,,549<br>1,060<br>489    | 1,866<br>1,149<br>717     | 2,096<br>1,255<br>841    | 2,016<br>1,367<br>649    | 2,084<br>1,560<br>524     | 2,382<br>1,927<br>455     | 2,537<br>2,026<br>511     | 2,680<br>2.165<br>515      | 3,005<br>2,548<br>457      | 3,395<br>2,914<br>481      |
| 2       | Bilateral:<br>Principal<br>Interest                | 1,960<br>1,524<br>436   | 1,491<br>1,193<br>298     | 1,400<br>986<br>414       | 1,615<br>1,098<br>517    | 1,863<br>1,276<br>587    | 1,947<br>1,353<br>621     | 2,111<br>1,583<br>528     | 2,292<br>1,624<br>668     | 2,598<br>1,981<br>617      | 2,480<br>1,926<br>554      | 2,458<br>1,992<br>466      |
| 3       | Export<br>Borrowings:<br>Principal Interest        | 708<br>618<br>100       | 1,343<br>1,114<br>229     | 1,033<br>645<br>388       | 1,971<br>645<br>388      | 1,971<br>1,345<br>626    | 2,408<br>1,394<br>582     | 2,186<br>1,734<br>654     | 3,182<br>2,671<br>511     | 3,448<br>2,608<br>840      | 3,855<br>3,276<br>579      | 4,217<br>3,639<br>578      |
| 4       | Commercial<br>Borrowings:<br>Principal<br>Interest | 3,408<br>2,639<br>796   | 13,108<br>10,402<br>2,706 | 4,974<br>2,994<br>1,980   | 7,330<br>4,520<br>2,810  | 8,316<br>5,160<br>3,156  | 12,097<br>9,776<br>2,321  | 10,947<br>8,046<br>2,901  | 21,110<br>16,586<br>4,524 | 18,796<br>13,575<br>5,194  | 18,136<br>13,335<br>4,801  | 25,592<br>20,488<br>5,104  |
| 5       | NRI Deposits<br>Interest                           | 1,353<br>1,353          | 1,497<br>1,997            | 1,969<br>1,969            | 1,813<br>1,813           | 1,547<br>1,547           | 1,599<br>1,599            | 1,737<br>1,737            | 2,313<br>2,313            | 3,778<br>3,778             | 4,784<br>4,784             | 5,973<br>5,973             |
| 6       | Rupee Debt<br>Principal                            | 417<br>417              | 572<br>572                | 162<br>162                | 121<br>121               | 101<br>101               | 97<br>97                  | 69<br>69                  | 79<br>79                  | 58<br>58                   | 52<br>52                   | 81<br>81                   |
| 7       | Total<br>Debt Service:<br>Principal<br>Interest    | 9,155<br>6,117<br>3,038 | 19,560<br>14,341<br>5,219 | 11,404<br>5,5936<br>5,468 | 14,946<br>8,339<br>6,607 | 15,575<br>9,054<br>6,521 | 19,899<br>14,180<br>5,719 | 19,432<br>13,359<br>6,073 | 31,513<br>20,387<br>8,527 | 31,331<br>20,387<br>10,944 | 32,312<br>21,137<br>11,175 | 41,716<br>29,114<br>12,602 |
|         | Memo items:<br>I Current Receipts                  | 1,54,123                | 1,94,170                  | 2,42,811                  | 3,14,284                 | 3,56,175                 | 3,45,144                  | 4,45,999                  | 5,28,372                  | 5,30,163                   | 5,51,072                   | 5,53,502                   |
|         | II Debt Service<br>Ratio(%)                        | 5.9<br>2.0              | 10.1<br>2.7               | 4.7<br>2.3                | 4.8<br>2.1               | 4.4<br>1.8               | 5.8<br>1.7                | 4.4<br>1.4                | 6.0<br>1.6                | 5.9<br>2.1                 | 5.9<br>2.0                 | 7.5<br>2.3                 |

Figures for debt service and interest payments is calculated on cash payments basis except for Non-Resident Indian Deposits for which accrual method is used. These estimates may, therefore, differ from BOP data compilation methodology.

A: Interest payments on NRI Deposits include both long term and short term external debt component of NRI Deposits.

B: Works out 5.7 per cent, with exclusion of pre-payments of US\$ 381 million.

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

### VIII. SUMMARY OF FINDINGS

From the analysis it has been made findings by the researchers as follows:

- 1) It was found that the top most composition of external debt was multilateral levels which were large group of financial institutions. Moreover the total external debt was steady increased throughout the study period
- 2) It was found that in the case of long term debt the period percentage share was declined over the period of the study. However, it was higher in the initial period.
- 3) It was showed that in the case of short term debt widely fluctuated through one the study period.
- 4) It was revealed that the growth of concessional debt as a percentage of total debt was registered a declining trend throughout the study period
- 5) It was found that borrower classification of External debt (long term + short term) was continuously increasing trend over the study period.
- 6) It was observed that external debt on financial sector was higher than the private and public sector.
- 7) It was revealed that India's external Debt to GDP was increased throughout the study period.
- 8) In case of debt service ratio was declined throughout the study period.
- 9) Foreign exchange Reserves to total debt was also declined from 109.0 per cent in 2005-06 to 69 per cent in 2013-14
- 10) It was found that the interest payment on both of multilateral and bilateral increased throughout the study period.
- 11) From the observed the AGR data, the interest payment on total external debt was shown fluctuating trend for the study period.

12) In case of total principal interest payment was also increased from `2038 US\$ million in 2004-05 to `3371 US\$ million in` 2013-14.

### IX. CONCLUSION

The external debt which is more important sources of government. Other sources like types of goods and services, tax revenue are not adequate. Hence the external debt has been fulfilled the gap for the growth of the economy. If more external debt created by government it would be more interest burden to the government. Therefore, the government should make reasonable external debt in order to maintain economic stability and growth.

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