

External Debt

59. India's external debt at the end of September 1997 was US \$92.9 billion. This was marginally above the end-March 1997 level of US \$92.2 billion. The ratio of external debt to GDP, however, declined from 28.2 per cent in 1995-96 to 25.9 per cent in 1996-97 (Table 6.2). It declined further to 23.8 per cent of GDP by end September 1997.

60. The share of short-term debt in the total was 7.3 per cent at the end of March 1997. This had declined to 6.3 per cent by end September 1997. Short-term debt has repeatedly appeared as an important risk factor in the precipitation of a foreign exchange crisis, especially when coupled with high or unsustainable current account deficits. India, however, is comfortably placed vis-à-vis other major debtor countries, with one of the lowest ratios of short term to total (Table 6.12). India also has a relatively low short term debt to reserves ratio (Table 6.2)

61. India's external indebtedness position has also improved in the global context. According to the World Bank Global Development Finance 1998, India ranks eighth among developing countries in terms of total indebtedness, down from sixth position a year earlier. As the debt disbursed and outstanding (DOD) is not a very good measure of inter-country comparisons, the World Bank uses Present Value (PV) based criteria for classifying countries into indebtedness categories. Since India has a high component of concessional debt and debt on concessional terms has a lower PV vis-à-vis borrowings at market terms, its PV of debt in 1996 (end March 1997) was calculated at US \$70.61 billion by the World Bank. This improves India's global indebtedness ranking to ninth among developing countries.

62. External debt management will continue to be an area of priority. The main planks of external debt management policy should continue to stress high growth rate of exports, keeping the

TABLE 6.12
International comparison : Top Fifteen Debtor Countries, 1996

Sl. No.	Countries	Total External Debt (US \$ billion)	Debt to GNP (per cent)	PV of debt (US \$ billion)	Ratio of PV of Debt to GNP (per cent)	PV of debt to exports of goods & services (per cent)	Debt Service Ratio (per cent)	Short Term debt/total external debt (per cent)
1	Brazil	179.05	28.0	167.56	26.0	293.0	41.1	19.8
2	Mexico	157.13	47.0	148.46	44.0	154.0	35.4	19.1
3	Indonesia	129.03	67.0	124.37	64.0	236.0	36.8	25.0
4	China	128.82	19.0	116.54	17.0	76.0	8.7	19.7
5	Russian Federation	124.79	34.0	91.62	25.0	97.0	6.6	9.5
6	Argentina	93.84	33.0	88.07	31.0	323.0	44.2	13.1
7	Thailand	90.82	56.0	90.82	56.0	131.0	11.5	41.4
8	India	89.83	28.0	70.61	22.0	152.0	24.1	7.5
9	Turkey	79.79	49.0	76.36	47.0	184.0	21.7	25.7
10	Philippines	41.21	54.0	38.62	51.0	116.0	13.7	19.3
11	Poland	40.90	36.0	35.14	31.0	102.0	6.4	0.2
12	Malaysia	39.78	49.0	41.67	52.0	50.0	8.2	27.8
13	Venezuela	35.34	54.0	33.57	51.0	147.0	16.8	8.2
14	Algeria	33.26	81.0	29.15	71.0	228.0	27.7	1.3
15	Nigeria	31.41	121.0	29.39	114.0	240.0	16.0	18.1

Source : Global Development Finance, 1998 (Vol.I & II), The World Bank.

Note : The PV ratios are based on 3-year averages.

maturity structure as well as the total amount of commercial debt under manageable limits,

keeping tight control on short-term debt and encouraging foreign investment.