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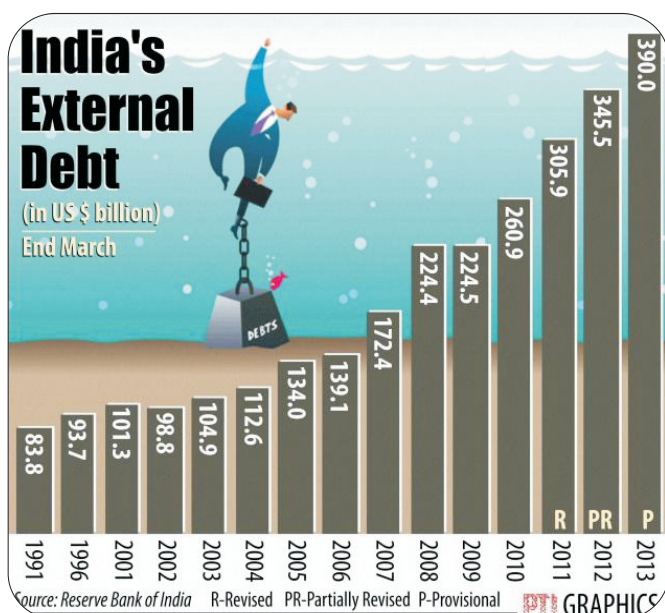
# Golden Research Thoughts

**GRT**

## INDIA'S EXTERNAL DEBT: PIECE OF EVIDENCE AND OUTLINE


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### ABSTRACT

In order to finance economic development, debt is playing a significant role particularly in developing countries. The reason being, developing countries are not able to generate sufficient income in order to meet their developmental expenditures. This paper is an attempt to determine the total external debt, long-term as well as short-term taken by India from 2009 to 2013 and percentage increase or decrease in it.

**KEYWORDS** :India, External Debt, Long-Term External Debt, Short-Term External Debt.

### INTRODUCTION

Today, every country is having a keen interest in its economic development for which a sound interaction among various factors of production (land, labour, capital, entrepreneur) is essential. In order to augment economic development of a nation, a number of financial sources are available with government such as taxation (direct and indirect), commercial revenues, deficit financing and moreover internal and external borrowings. External debt is playing a significant role nowadays to promote economic development of a nation. A number of developing countries are taking help of external debt for promotion of economic development.

External debt also known as foreign debt may be defined as total amount of debt which a country owes to foreign creditors. There are various sources of external debt for government of a country such as International Monetary Fund (IMF), World Bank, Friendly countries etc.

International Monetary Fund has defined external debt as "Gross external debt is the amount, at any given time, of disbursed and outstanding contractual liabilities of residents of a country to non-residents to repay principal, with or without interest, or to pay interest, with or without principal".

This paper is an attempt to estimate the gross total external debt taken by India from 2009 to 2013.

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**India has classified its external debt into seven categories:**

Multilateral	Bilateral	International Monetary Fund (IMF) Loans
Trade Credit	Commercial Borrowings	Non-resident Indian (NRI) Deposits
Rupee Debt	NPR Debt	

**OBJECTIVES OF THE STUDY**

- To estimate the amount of India's External Debt generated through various categories from 2009-2013.
- To calculate the amount of long-term debt taken by India from 2009 to 2013.
- To determine the amount of short-term debt taken by India from 2009 to 2013.

**RESEARCH METHODOLOGY**

This study is primarily based on secondary data and the significant information in this context has been collected from websites, journals, annual reports of reserve Bank of India (RBI), publications of government etc.

**ANALYSIS AND INTREPRETATION**

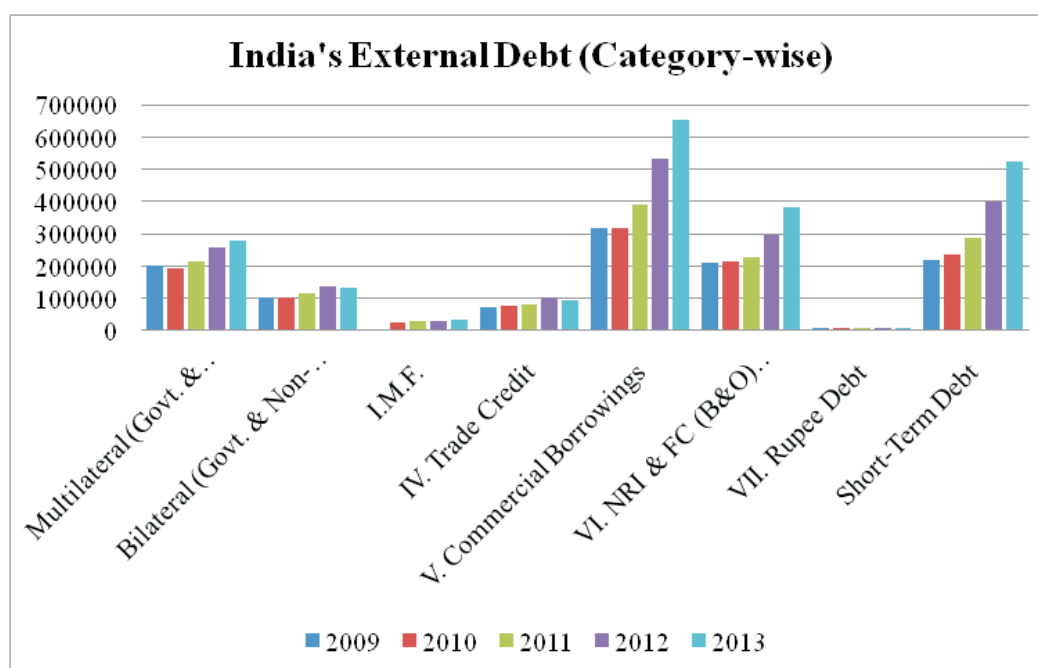
India's External debt has been demonstrated with the help of following tables and figures:

**Table 1: India's External Debt (Category-wise)**

Items	Years					
	2009 (R)	2010 (PR)	2011 (P)	2012 (P)	2013 (P)	Average
<b>I.</b> Multilateral (Govt. and Non-Govt. Borrowing)	2,01,425	1,93,442	2,16,628	2,57,100	2,79,600	2,29,639
<b>II.</b> Bilateral (Govt. and Non-Govt. Borrowing)	1,04,997	1,01,974	1,15,983	1,36,400	1,35,800	1,19,031
<b>III.</b> International Monetary Fund (IMF)	5,188	27,264	28,163	31,500	32,440	24,911
<b>IV.</b> Trade Credit	73,772	76,128	83,167	1,01,800	96,300	86,233
<b>V.</b> Commercial Borrowings	3,18,209	3,19,556	3,94,070	5,34,100	6,57,500	4,44,687
<b>VI.</b> NRI & FC (B&O) Deposits (above 1 year maturity)	2,10,118	2,17,062	2,30,813	2,99,800	3,85,200	2,68,599
<b>VII.</b> Rupee Debt	7,760	7,481	7,147	6,900	6,840	7,226
<b>Total Long-Term Debt (I to VII)</b>	<b>9,21,469</b>	<b>9,42,907</b>	<b>10,75,971</b>	<b>13,67,600</b>	<b>15,93,680</b>	<b>11,80,325</b>
Short-Term Debt	2,20,656	2,36,188	2,90,147	4,00,000	5,25,900	3,34,578
<b>Gross Total</b>	<b>11,42,125</b>	<b>11,79,095</b>	<b>13,66,118</b>	<b>17,67,600</b>	<b>21,19,580</b>	<b>15,14,904</b>

(Rs. in Crores)

R: Revised PR: Partially Revised P: Provisional

**Figure 1: India's External Debt (Category-wise)**

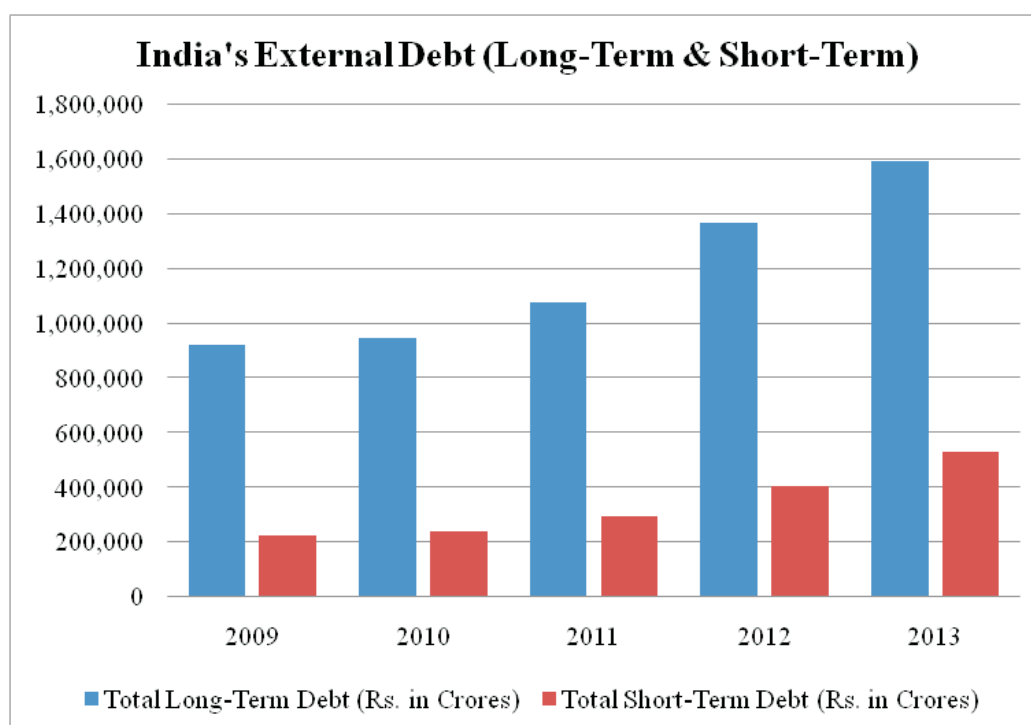
Y Axis: (Rs. in Crores)

Table 1 and Figure 1 demonstrate category wise external debt of Indian from 2009 to 2013. Maximum amount of external debt has been generated through commercial borrowings and the minimum amount of external debt was generated through rupee debt during the study period. In 2013 the maximum and minimum amount of external debt was generated through commercial borrowings and rupee debt respectively. Apart from commercial borrowings a considerable amount of external debt was also generated through Short-Term Debt, NRI Deposits and Multilateral (Govt. & Non-Govt. Borrowing). The lowest amount of external debt was generated through Trade Credit, IMF and Rupee Debt during the study period.

**Table 2: India's External Debt (Long-Term & Short-Term)**

Years	Total Long-Term Debt (Rs. in Crores)	Total Short-Term Debt (Rs. in Crores)
2009 (R)	9,21,469	2,20,656
2010 (PR)	9,42,907	2,36,188
2011(P)	10,75,971	2,90,147
2012 (P)	13,67,600	4,00,000
2013 (P)	15,93,680	5,25,900
<b>Average</b>	<b>11,80,325</b>	<b>3,34,578</b>

R: Revised PR: Partially Revised P: Provisional

**Figure 2: India's External Debt (Long-Term & Short-Term)**

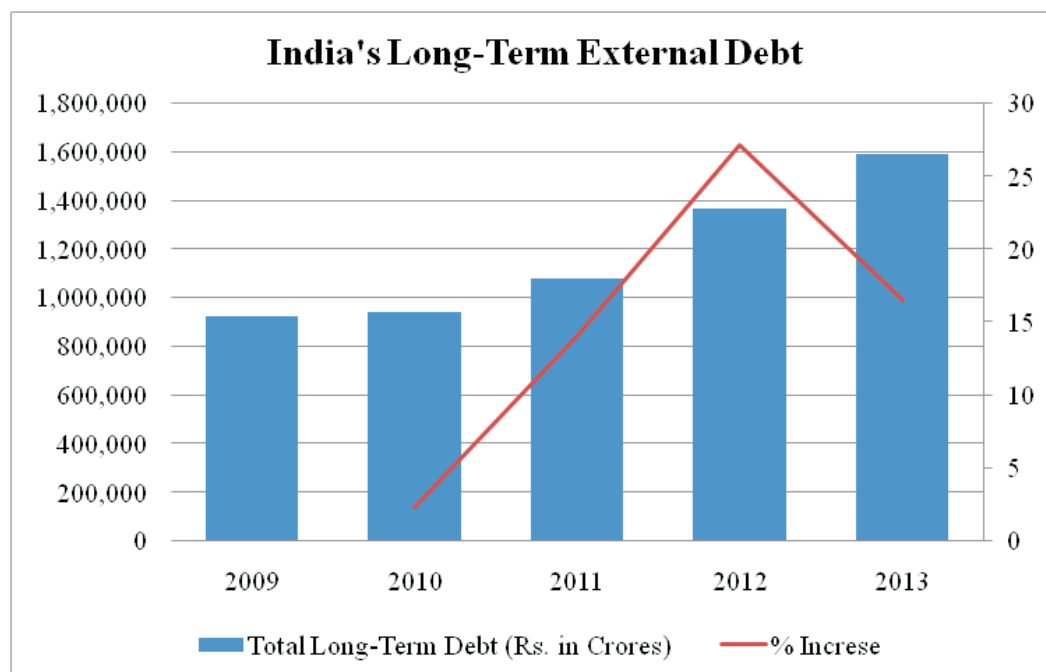
Y Axis: (Rs. in Crores)

Table 2 and Figure 2 clearly reveal that quantum of long-term debt taken by Indian Government is much more in comparison to short-term debt. Long-term and short-term debt of India stood at an average of Rs. 11,80,325 crores and 3,34,578 crores respectively during the study period. Above table and figure also reveals that, both long-term as well as short-term debts are continuously increasing with the passage of time.

**Table 3: India's Long-Term External Debt**

Years	Total Long-Term Debt (Rs. in Crores)	% Increase
2009 (R)	9,21,469	----
2010 (PR)	9,42,907	2.33
2011 (P)	10,75,971	14.11
2012 (P)	13,67,600	27.10
2013 (P)	15,93,680	16.53
<b>Average</b>	<b>11,80,325</b>	<b>15.02</b>

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**Figure 3: India's Long-Term External Debt**

Y Axis (Primary): Rs. in Crores

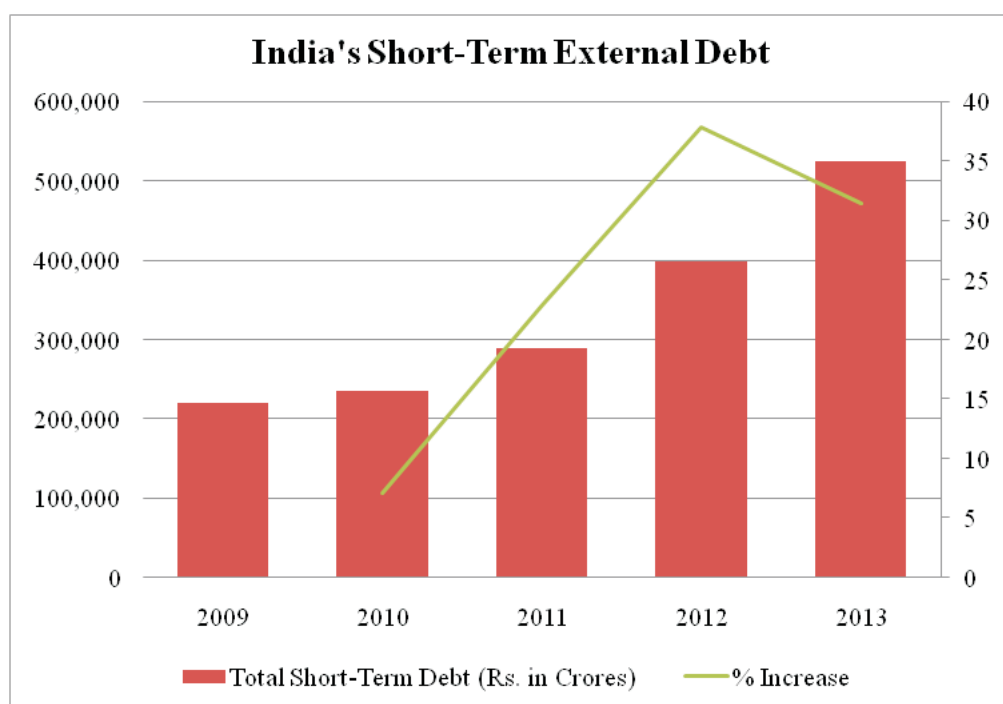
Y Axis (Secondary): % Increase in India's Long-Term External Debt

Table 3 and figure 3 illustrate the amount of long-term external debt taken by India and the percentage increase in long-term external debt from 2009 to 2013. Above table and figure shows continuous increase in long-term external debt in 5 years i.e. from 2009 to 2013. Moreover the above table and figure also reveal that the percentage increase in long-term external debt is positive from 2009 to 2013. The percentage increase in India's long-term external debt stood at an average of 15.02%.

**Table 4: India's Short-Term External Debt**

Years	Total Short-Term Debt (Rs. in Crores)	% Increase
2009 (R)	2,20,656	----
2010 (PR)	2,36,188	7.04
2011 (P)	2,90,147	22.85
2012 (P)	4,00,000	37.86
2013 (P)	5,25,900	31.48
<b>Average</b>	<b>3,34,578</b>	<b>24.81</b>

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**Figure 4: India's Short-Term External Debt**

Y Axis (Primary): Rs. in Crores

Y Axis (Secondary): % Increase in India's Short-Term External Debt

Amount of short-term external debt taken by India and percentage increase in it, has been demonstrated with the help of Table 4 and Figure 4. The above table and figure confirm that amount of short-term external debt is increasing continuously during the study period as a result of which the percentage increase in short-term external debt is also positive. The amount of short-term external debt and its percentage increase stood at an average of Rs. 3,34,578 crores and 24.81% respectively.

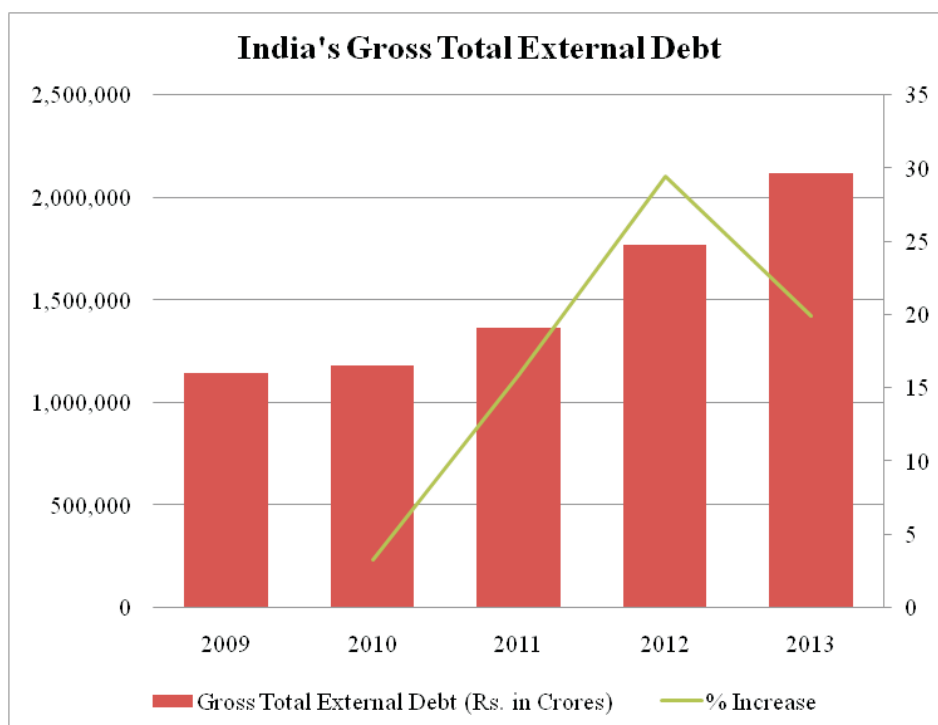
**Table 5: India's Gross Total External Debt**

Years	Gross Total External Debt (Rs. in Crores)	% Increase
2009 (R)	11,42,125	----
2010 (PR)	11,79,095	3.24
2011 (P)	13,66,118	15.86
2012 (P)	17,67,600	29.39
2013 (P)	21,19,580	19.91
<b>Average</b>	<b>15,14,904</b>	<b>17.10</b>

R: Revised PR: Partially Revised P: Provisional



Figure 5: India's Gross Total External Debt



Y Axis (Primary): Rs. in Crores

Y Axis (Secondary): % Increase in India's Gross Total External Debt

India's Gross Total External Debt has been displayed with the help of Table 5 and Figure 5. Gross total external debt is sum total of long-term and short-term external debt. Previous tables and graphs reveals a continuous increase in long-term and short-term external debts as a result of which Gross Total External Debt is also witnessing a continuous increase during the study period and the percentage increase in gross-total external debt in different years is positive. Amount of gross total external debt and percentage increase in it stood at an average of Rs. 15,14,904 crores and 17.10% respectively.

## CONCLUSION

From the above study it can be concluded that amount of external debt (both long-term and short-term debt) taken by India is continuously increasing from 2009 to 2013. Further the maximum amount of long-term external debts is generated through commercial borrowing and minimum amount of external debts are generated through rupee debt. The maximum increase in long-term and short-term external debt has been witnessed in the year 2012 during the study period.

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