सत्यमेव जयते

INDIA'S EXTERNAL DEBT

A Status Report

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
OCTOBER, 2001

FOREWORD

It gives me great pleasure to present the seventh Status Report on India's external debt, and particularly to note that for the first time, the World Bank has recently classified India as a *"less-indebted"* country. India's outstanding stock of external debt stood at US $ 100.4 billion at end-March 2001. Notwithstanding the debt stock crossing the US $ 100 billion mark, the secular trend of improvement in India's external debt indicators continued throughout the last decade. The incidence of external debt burden, as measured by debt to GDP ratio, has been reduced by nearly half to 21.5 per cent in 2000-01 from the peak level of 38.7 per cent in 1991-92. Similarly, the burden of debt service as a proportion of gross current receipts on external account declined by more than half from a peak of 35.3 per cent in 1990-91 to 16.3 per cent in 2000-01. With the steady contraction in the stock of short-term debt, the ratio of short-term to total external debt declined from a peak of 10.2 per cent at end-March 1991 to 3.4 per cent at end-March 2001. At the same time, with significant increase in foreign exchange reserves, short-term debt as a proportion of foreign exchange assets declined from a high of 382.1 per cent to 8.8 per cent during the corresponding period.

The improvement has been the result of concerted and continued efforts of prudent external debt management strategy undertaken since the early 1990s. This has earned us increased international recognition in the sphere of both monitoring and management of external debt, and bears important lessons for other developing countries. To ensure that the direction of progress is irreversible, we would continue to accord high priority to external debt management in our efforts to consolidate the gains already made. The Report provides an overview of the initiatives taken for improving monitoring and providing management information system inputs for debt management decisions.

Internationally also, external debt continues to be a key area of focus for policy makers from the perspective of ensuring financial and economic stability. Accordingly, international standards related to analytical, recording, coverage and dissemination of debt statistics on the monitoring front, as well as policy issues on debt management are being formulated in different international fora.

The Report, while drawing upon best international practices in the area of external debt statistics, with the objective of greater transparency, provides some new features. These include debt data classification by instruments, accrual interest on debt servicing, and further expansion of contingent liability with a break up of credit and exchange guarantees provided by the Government or central bank on non-Government external debt. Detailed information on short-term debt, non-resident deposits, India Millennium Deposits and external debt management has been also provided. It is hoped that the Report would be useful to Members of the Parliament, scholars, researchers, and the general public for understanding and analysing the external debt position of the country.

(Yashwant Sinha)
Finance Minister

New Delhi
October 23, 2001.

CONTENTS

Page No.

Text Tables

Annexure

LIST OF ABBREVIATIONS

A/Ds	-	Authorised Dealers
ADB	-	Asian Development Bank
BIS	-	Bank for International Settlements
BOP	-	Balance of Payments
CAA&A	-	Controller of Aid, Accounts and Audit
CS-DRMS	-	Commonwealth Secretariat – Debt Recording and Management System
CSO	-	Central Statistical Organisation
CUB	-	Committed Undisbursed Balance
DOD	-	Debt Disbursed and Outstanding
D/A	-	Delivery on Acceptance
D/P	-	Delivery on Payment
ECB	-	External Commercial Borrowings
EDMU	-	External Debt Management Unit
FC(B&O)D	-	Foreign Currency (Bank & Others) Deposits
FCCB	-	Foreign Currency Convertible Bonds
FC(ON)	-	Foreign Currency (Ordinary Non-repatriable) Deposits
FCNR(A)	-	Foreign Currency Non-Resident Accounts
FCNR(B)	-	Foreign Currency Non-Resident Bank Deposits
FII	-	Foreign Institutional Investors
GDP	-	Gross Domestic Product
GNP	-	Gross National Product
IBRD	-	International Bank for Reconstruction and Development
IDA	-	International Development Agency
IDB	-	India Development Bonds
IDF	-	Institutional Development Fund
IFAD	-	International Fund for Agricultural Development
IFC	-	International Financial Corporation
IFS	-	International Financial Statistics
IIP	-	International Investment Position
IMD	-	India Millennium Deposits
IMF	-	International Monetary Fund
L/Cs	-	Letter of Credits
LIBOR	-	London Inter-Bank Offer Rate
MIS	-	Management Information System
MOV	-	Maintenance of Value

NA	-	Not Available
NRI	-	Non-Resident Indian
NR(E)RA	-	Non-Resident External Rupee Account
NR(NR)D	-	Non-Resident Non-Repatriable Rupee Deposit
NR(O)	-	Non-Resident Ordinary Account
NR(S)RA	-	Non-Resident Special Rupee Account
OCBs	-	Overseas Corporate Bodies
OECD	-	Organisation for Economic Cooperation and Development
OPEC	-	Organisation of Petroleum Exporting Countries
P	-	Provisional
PV	-	Present Value
RBI	-	Reserve Bank of India
RIB	-	Resurgent India Bonds
RE	-	Revised Estimate
SBI	-	State Bank of India
SDR	-	Special Drawing Right
SDDS	-	Special Data Dissemination Standards
SLL	-	Self-Liquidating Loans
S&P	-	Standard & Poor’s
US	-	United States
XGS	-	Exports of Goods and Services

1. Executive Summary

India's stock of external debt increased to US $ 100.4 billion at end-March 2001, from US $ 98.3 billion at end-March 2000. The increase in the debt stock mainly resulted from mobilisation of US $ 5.5 billion by India Millennium Deposits scheme in October/November 2000. Notwithstanding the increase in the debt stock by US $ 2.1 billion, improvement in key external debt indicators of the country continued during 2000-01, which in turn, made external debt more manageable. Reflecting the sustainable improvement in key debt indicators, India has recently been upgraded to a "less indebted country" category by the World Bank's external indebtedness classification.

The debt service ratio declined from the peak of 35.3 per cent of current receipts in 1990-91 to 16.3 per cent in 2000-01. This implies that while more than one-third of the current receipts were needed in 1990-91 to meet country's debt-service obligations, nearly one-sixth of the same was required in 2000-01. Similarly, the debt to GDP ratio, which shows the magnitude of external debt in relation to domestic output, declined from the high of 38.7 per cent in 1991-92 to 21.5 per cent in 2000-01. The ratio of short-term to total external debt has also declined gradually from the high of 10.2 per cent at end-March 1991 to 3.4 per cent at end-March 2001.

Four basic facts emerge from the changing profile of India's external debt. *First*, the level of debt has been relatively stable in the last decade, showing only a modest increase. *Second*, the debt portfolio is characterised by high share of concessional and low share of short-term debt. *Third*, as explained above, there has been a sustained improvement in key debt indicators showing considerable improvement in external indebtedness position of the country. *Finally*, when compared to other emerging economies, India's indebtedness position is relatively comfortable and has improved significantly over time.

In terms of absolute level of debt, India's position improved from the third largest debtor after Brazil and Mexico in 1991 to tenth in 1999 after Brazil, Russian Federation, Mexico, China, Indonesia, Argentina, Korea, Turkey and Thailand. India is also very favourably placed as regards the share of short-term and concessional debt. In terms of indebtedness classification by the World Bank, India has been recently classified as a *less* indebted country.

The improvement in India's external debt position since 1991-92 is due to a conscious debt management policy that focused on high growth rate of exports, keeping the maturity structure as well as the total amount of commercial debt under manageable limits, limiting short-term debt and encouraging non-debt creating financial flows. The strategy that was actively put in place in the early 1990s has paid rich dividends leading to sustained improvement in external indebtedness position of the country.

Efforts are now on to further consolidate the gains already made. A number of new initiatives have been undertaken to meet this objective. This includes, increased coverage and computerisation of external debt data, better co-ordination among agencies reporting debt statistics, prepayment/refinancing of more expensive external debt and other measures to actively manage sovereign external debt of the country.

Table 1 below provides certain summary debt indicators like ratios of debt-to-GDP, debt-to-current receipts, debt service to current receipts and interest payments to current receipts for India since 1990-91. All indicators exhibit *substantial* improvement over time.

Table 1 : India – Key External Debt Indicators

(ratios as per cent)

Year	Debt Service to Current Receipts#	Interest Payments to Current Receipts#	Debt to Current Receipts*
1990-91	35.3	15.5	328.9
1991-92	30.2	13.0	312.3
1992-93	27.5	12.5	323.4
1993-94	25.4	11.1	275.6
1994-95	25.9	10.0	235.8
1995-96	26.2	8.6	188.9
1996-97	23.0	8.0	169.6
1997-98	19.5	7.7	159.8
1998-99	18.9	7.6	162.1
1999-00	17.8	7.0	145.6
2000-01 P	16.3	5.8	127.0
	Debt to GDP##	Short-term to Total Debt	Concessional to Total Debt
1990-91	28.7	10.2	45.9
1991-92	38.7	8.3	44.8
1992-93	37.5	7.0	44.5
1993-94	33.8	3.9	44.4
1994-95	30.8	4.3	45.3
1995-96	27.0	5.4	44.7
1996-97	24.5	7.2	42.2
1997-98	24.3	5.4	39.5
1998-99	23.4	4.4	38.5
1999-00	21.9	4.0	38.9
2000-01 P	21.5	3.4	35.9

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

* : *Current receipts exclude official transfers.*

: *Debt-GDP ratios are derived from Rupee figures. GDP figures, at current market prices, are based on New Series of National Accounts Statistics, 2001 released by the Central Statistical Organisation.*

P : *Provisional*

Table 2 : External Debt Outstanding – Quarterly Position

(end-period, US $ million)

	Sep.1999	Dec. 1999	Mar. 2000	Jun. 2000 R.E.	Sep. 2000 R.E.	Dec. 2000 P	Mar. 2001 P
I. Multilateral	30836	31102	31438	31254	30645	31119	31104
II. Bilateral	18545	18586	18175	17870	17280	16903	16624
III. IMF	133	53	26	0	0	0	0
IV. Export Credit	6903	6997	6780	6870	6511	6169	5838
V. Commercial Debt	20787	20292	19943	19418	19417	24331	24203
VI. NRI Deposits	11952	12678	13562	14094	14553	14946	15432
VII. Rupee Debt	4535	4516	4406	3887	3761	3755	3693
A. Total long-term Debt	93691	94224	94330	93393	92167	97223	96894
B. Short-term Debt	4688	4256	3933	4183	4438	3831	3462
Grand Total	**98379**	**98480**	**98263**	**97576**	**96605**	**101054**	**100356**
	(per cent of total debt)						
i) Short-term Debt	4.8	4.3	4.0	4.3	4.6	3.8	3.4
ii) Official Creditors*	56.2	56.4	56.2	55.5	54.7	52.3	52.3
iii) Concessional Debt	38.9	39.0	38.9	38.5	37.9	36.1	35.9
iv) Government Debt	47.7	47.7	47.7	47.0	46.4	44.4	44.4

* : *The term official creditors here include Multilateral; Bilateral; IMF; Export Credit component of bilateral credit and for defence purchases; and Rupee Debt.*

RE : *Revised Estimates P : Provisional Note : Detailed quarterly outstanding debt position is provided in Annexe 3 & 4.*

2. External Debt Stock

2.1 Total External Debt

The outstanding stock of external debt of the country crossed the US $ 100 billion mark and stood at US $ 100.4 billion at end-March 2001, increasing from US $ 98.3 billion at end-March 2000 (Table 3). The increase in the debt stock has been mainly due to mobilisation of US $ 5.5 billion through issuance of India Millennium Deposits in October/November 2000.

Table 3 : India's External Debt Outstanding

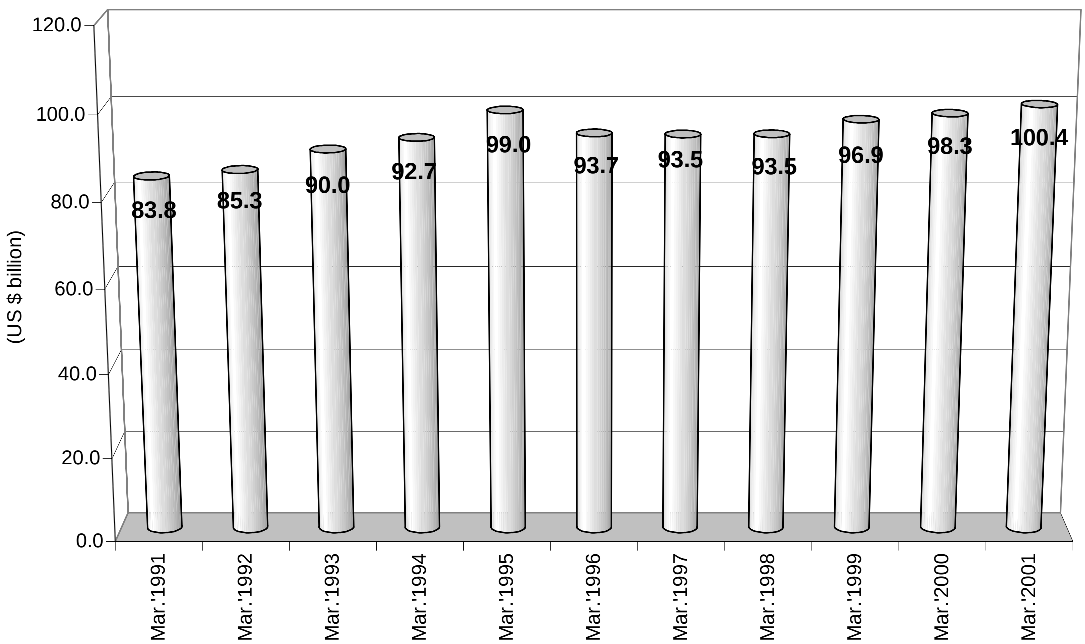
(end-March)

	1991	1992	1995	1997	1998	1999	2000	2001 P
	(US Dollar million)							
Long-term Debt	75,257	78,215	94,739	86,744	88,485	92,162	94,330	96,894
Short-term Debt	8,544	7,070	4,269	6,726	5,046	4,274	3,933	3,462
Total External Debt	83,801	85,285	99,008	93,470	93,531	96,886	98,263	100,356
	(Rupees crore)							
Long-term Debt	146,226	232,268	298,237	311,674	349,753	393,160	411405	451,961
Short-term Debt	16,775	20,642	13,448	24,153	19,929	18,137	17,150	16,147
Total External Debt	163,001	252,910	311,685	335,827	369,682	411,297	428,555	468,108
	(ratio as per cent)							
External Debt to GDP#	28.7	38.7	30.8	24.5	24.3	23.4	21.9	21.5

: *Debt-GDP ratios are derived from Rupee figures. GDP figures, at current market prices, are based on New Series of National Accounts Statistics, 2001 released by the Central Statistical Organisation.*

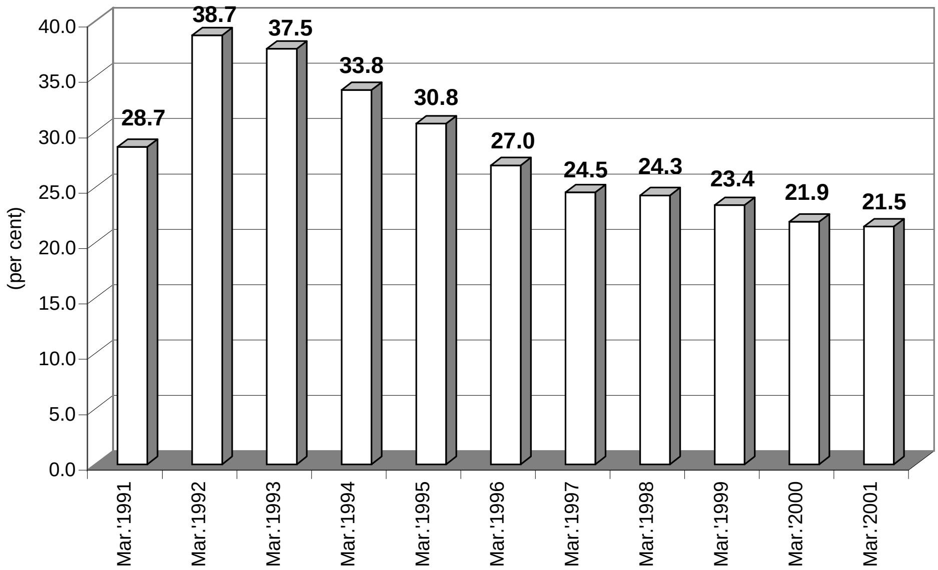
P : *Provisional.*

Figure 1 : India's External Debt Outstanding



The total external debt in US Dollar terms has been relatively stable during the last decade, increasing by US $ 16.6 billion from end-March 1991 to end-March 2001. Between end-March 1991 to end-March 2001, the external debt in US dollar terms increased at an annual compound rate of 1.8 per cent. However, the growth rate in Rupee terms was higher at 11.1 per cent because of depreciation of Rupee against major foreign currencies. During the same period, the Gross Domestic Product (GDP) at the current market prices increased at a higher rate of 14.4 per cent and as a result, the debt-GDP ratio declined steadily from a peak of 38.7 per cent in 1991-1992 to 21.5 per cent in 2000-01 (Figure 2).

Figure 2 : External Debt-GDP Ratio*



* : Debt-GDP ratio are based on external debt in Rupee terms as a proportion of GDP estimated at current market prices based on New Series.

2.2 International Comparisons

a) External Debt Stock

India has been among the top ten developing country debtors in recent years. Its comparative indebtedness position, however, has improved over the years. India ranked the third largest debtor country after Brazil and Mexico in 1991 while in 1999 it ranked tenth after Brazil, Russian Federation, Mexico, China, Indonesia, Argentina, Korea, Turkey and Thailand (Table 4), showing considerable improvement in comparative indebtedness over time.

Table 4 : International Comparison of Top Fifteen Debtor Countries, 1999

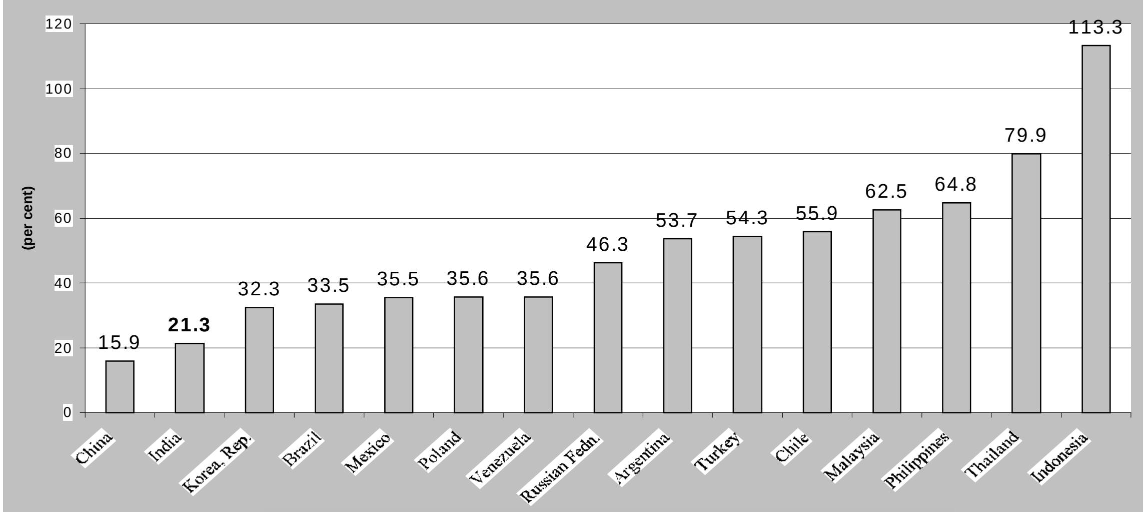
S.No.	Country	Total External Debt (US $ bn.)	Debt to GNP (ratio as per cent)
1	Brazil	244.7	33.5
2	Russian Federation	173.9	46.3
3	Mexico	167.0	35.5
4	China	154.2	15.9
5	Indonesia	150.1	113.3
6	Argentina	147.9	53.7
7	Korea, Rep.	129.8	32.3
8	Turkey	101.8	54.3
9	Thailand	96.3	79.9
10	**India**	**94.4**	**21.3**
11	Poland	54.3	35.6
12	Philippines	52.0	64.8
13	Malaysia	45.9	62.5
14	Chile	37.8	55.9
15	Venezuela, RB	35.9	35.6
	South Asia		
	Pakistan	34.3	58.3
	Bangladesh	17.5	37.1
	Sri Lanka	9.5	60.3

Note : *Serial number 1 to 15 is the rank of the country in terms of total indebtedness.*

Source : *Global Development Finance, 2001, Country Tables, The World Bank.*

Among the top fifteen debtor countries, India's ratio of external debt to GNP at 21.3 per cent at the end of 1999 is the second lowest after China at 15.9 per cent (Figure 3).

Figure 3 : International Comparison of Debt to GNP Ratio, 1999

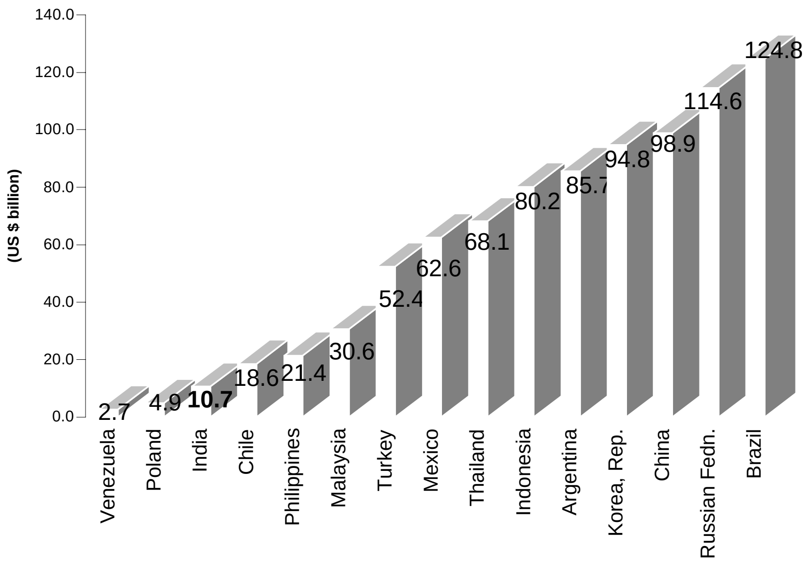


Note : Top 15 Debtor Countries ordered by ratio of external debt to GNP (ascending ordere)
Source: Global Development Finance, 2001, Country Tables, The World Bank.

b) Change in Debt Stock

Figure 4 gives the change in the stock of external debt for the top fifteen debtor countries between 1990 and 1999. Venezuela registered the lowest increase in debt stock by US $ 2.7 billion, followed by Poland (US $ 4.9 billion) and India (US $ 10.7 billion). On the other hand, most of the other countries, like Brazil, Russian Federation, China, Korea, Argentina, Indonesia, Thailand, Mexico and Turkey witnessed a sharp increase in debt stock, ranging between US $ 50-125 billion.

Figure 4 : International Comparison of Change in External Debt Stock between 1990 and 1999.



Note: Top 15 Debtor Countries in 1999 ordered by Change in Debt Stock between 1990 and 1999 (ascending order)
Source : Global Development Finance, 2001, Country Tables, The World Bank.

c) Present Value of External Debt

The debt disbursed and outstanding (DOD) may not be a very useful measure for international comparisons. This is because the composition of debt varies widely across countries. Some countries have high share of commercial debt, others have high proportion of debt on concessional terms. Debt profile of countries also varies in terms of maturity of the debt stock. The concept of DOD aggregates all outstanding positions to arrive at the gross DOD and does not differentiate between concessional and non-concessional components, short-term and long-term components, which are crucial in determining the debt burden. DOD, therefore, cannot be regarded as a very good measure of debt burden, especially for comparing debt levels of different countries. For correct international comparisons, we need an *index of indebtedness* that gives due weight to the degree of concessionality. This is done by calculating Present Value (PV) of debt, which is arrived at by discounting the future stream of debt service payments for individual loans by appropriate discount rates and aggregating such PVs for all loans.

Table 5 shows the PV of total external debt for the top fifteen debtor countries in 1999. India's position was tenth in terms of PV. Although India's nominal value of external debt stock at the end of 1999 was US $ 94.4 billion, its present value amounted to US $ 70.5 billion, reflecting the high degree of concessional debt and long-tenor debt in India's total external debt.

Table 5 : International Comparison of Present Value (PV) and PV based Ratios, 1999

S. No.	**Country**	**PV** (US $ billion)	**PV/XGS** (per cent)	**PV/GNP** (per cent)	**Indebtedness Classification**
1	Brazil	242.7	380	32	Severe
2	Mexico	172.0	119	40	Less
3	Argentina	154.4	429	54	Severe
4	Indonesia	149.7	246	103	Severe
5	China	134.5	61	14	Less
6	Russian Fedn.	130.9	141	37	Moderate
7	Korea, Rep.	124.3	73	31	Less
8	Turkey	97.5	168	49	Moderate
9	Thailand	94.3	128	75	Moderate
10	**India**	**70.5**	**114**	**16**	**Less**
11	Philippines	51.9	111	66	Moderate
12	Poland	51.2	118	34	Less
13	Malaysia	47.1	50	59	Moderate
14	Venezuela, RB	37.8	155	40	Moderate
15	Chile	35.9	172	51	Moderate
	South Asia				
	Pakistan	24.9	226	40	Severe
	Sri Lanka	7.1	103	46	Less
	Bangladesh	11.0	148	24	Moderate

Indebtedness benchmark

Either		**Severe**
PV/XGS > 220	PV/GNP > 80	
Either		**Moderate**
132 < PV/XGS < 220	48 < PV/GNP < 80	
Both		**Less**
PV/XGS < 132	PV/GNP < 48	

Note : *Serial number 1 to 15 is the rank of the top 15 debtor countries ordered by PV of total debt service in 1999 (descending order). Ratio of PV of debt service to exports is the ratio of PV of debt service in 1999 to average exports (including workers' remittances) in 1997, 1998 and 1999. The ratio of PV of total debt service to GNP is the ratio of PV of total debt service in 1999 to average GNP in 1997, 1998 and 1999.*

Source: *Global Development Finance, 2001, Analysis and Summary Tables, The World Bank.*

d) Indebtedness Classification

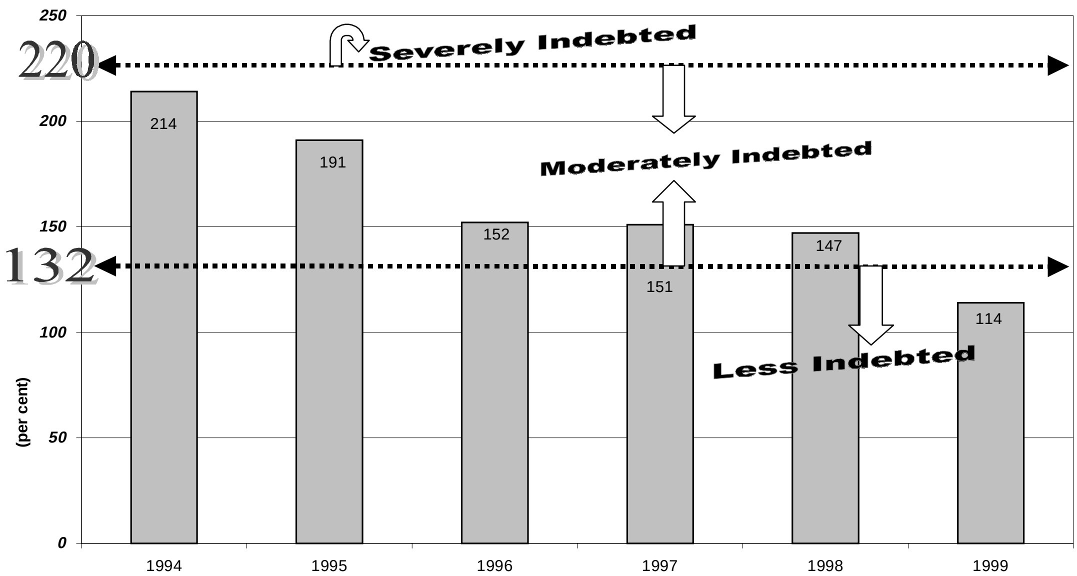
The World Bank classifies developing economies into three broad categories, i.e., ***severely***, ***moderately*** and ***less*** indebted countries by using ***Present Value*** based ratios. These are ratios of Present Value of total debt service to exports of goods and services and Present Value of total debt service to GNP. If either ratio exceeds a critical value – 220 per cent for PV of debt service to exports and 80 per cent for PV of total debt service to GNP – the country is classified as ***severely indebted***. If the critical value is not exceeded but either ratio is three-fifths or more of the critical value (that is, 132 per cent for the PV of debt service to exports and 48 per cent for PV of total debt service to GNP), the country is classified as ***moderately indebted***. If both the ratios are less than three fifths of the critical value, the country is classified as ***less indebted***.

Based on the World Bank's classification, Table 5 provides an international comparison of indebtedness classification of the top fifteen debtor countries. Brazil, Argentina and Indonesia are classified as severely indebted countries. Moderately indebted countries include Russian Federation, Turkey, Thailand, Philippines, Malaysia, Venezuela and Chile. On the other extreme, while Mexico, Korea, China, and Poland are classified as a less indebted country, India also joined this category of a less indebted country this year.

Upgradation of India to a less indebted country category, this year, from a moderately indebted country, is a result of the considerable improvement in its indebtedness position during the last decade. Figure 5 shows the improvement in the ratio of PV of debt service to exports of goods and services between 1994 and 1999. Thus, while the ratio in 1994 at 214 per cent was close to the *severely* indebted benchmark of 220 per cent; it improved thereafter, and till 1998 remained above the *less* indebted benchmark of 132 per cent. In 1999, the ratio pierced below the less indebted benchmark and stood at 114 per cent. In terms of PV of debt service to GNP, the ratio has been well below the less indebted benchmark of 48 per cent (Figure 6). The ratio has also been improving over the years, declining from 26 per cent in 1994 to 16 per cent in 1999. The present trend of moderately high growth in GNP and exports is expected to further consolidate India's indebtedness position within the less indebted category.

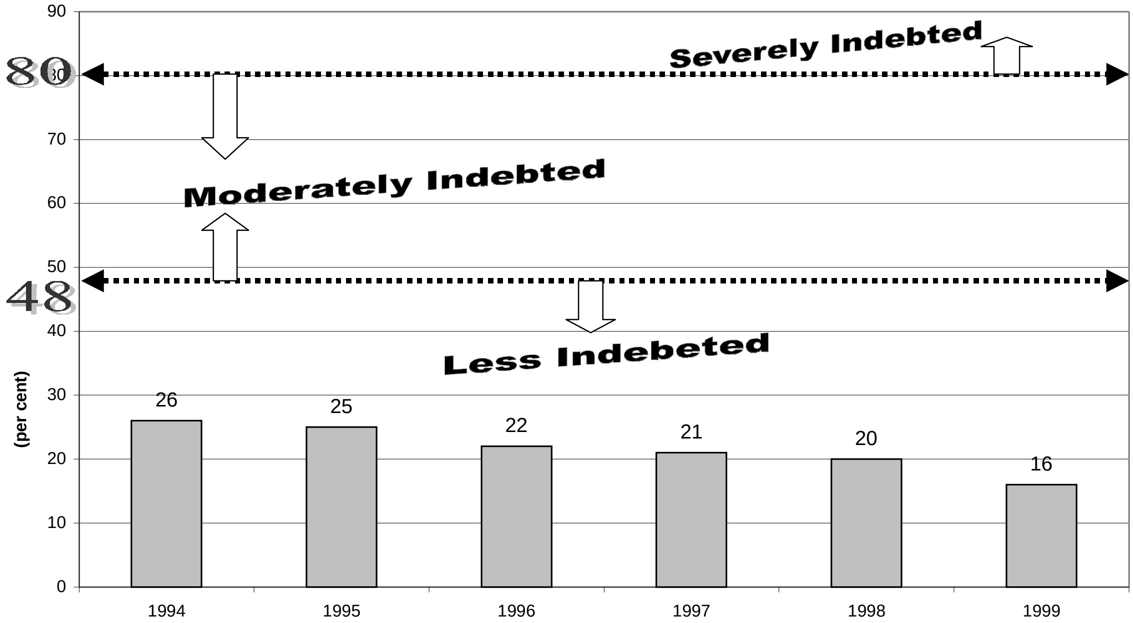
External Indebtedness Indicators for India

Figure 5 : PV/XGS Ratio for India during 1994-1999



Source : Global Development Finance, Various Issues, The World Bank.

Figure 6 : PV/GNP Ratio for India during 1994-1999



Source : Global Development Finance, Various Issues, The World Bank.

3. Short-term Debt

3.1 Short-term Debt by Original Matu1`rity

One of the key components of external debt is short-term exposure. High volume of such debt makes balance of payments of a country vulnerable as borrower face *refinancing/rollover risk*. This is especially true in times of crises, when access to international capital market is restricted and therefore refinancing opportunities may not be easily forthcoming. This could mean heavy net repayments on account of short-term maturing obligations, which could further aggravate the balance of payments crisis. Prudent external debt management, therefore, means careful planning of short-term exposure and keeping it at manageable levels.

As per generally accepted definition, debt with an *original* maturity of up to one year is classified as short-term. India's short-term external debt, i.e., debt with an original maturity of less than one year, at present comprises of short-term components of non-resident deposits [Non-Resident External Rupee Account, NR(E)RA] and trade credits. Table 6 below shows the components of short-term external debt. India's short-term debt was at a high of US $ 8.5 billion at the end of March 1991. Thereafter, the volume of short-term debt declined to US $ 3.6 billion at end-March 1994, before increasing to US $ 6.7 billion at end-March 1997. Since then, the stock of debt declined steadily to US $ 3.5 billion at end-March 2001.

Table 6: Short-term Debt by Original Maturity

(US $ million)

Short-term Debt Components	End-March							
	1991	1993	1994	1995	1998	1999	2000	2001 P
NRI Deposits[1]	3577	2603	1300	2278	2192	2086	1369	791
FC(B&O)D[2]	167	779	533	0	0	0	0	0
Trade Credit[3]:	4800	2958	1794	1991	2854	2188	2564	2671
Total	**8544**	**6340**	**3627**	**4269**	**5046**	**4274**	**3933**	**3462**

1 : *Short-term external debt components of NRI Deposits comprised of Foreign Currency Non-Resident Accounts, [FCNR(A)]; Foreign Currency Non-Resident Bank Deposits, [FCNR(B)]; and Non-Resident External Rupee Account [NR(E)RA]. At the end of March 2001, deposits of less than one year maturity on Non-Resident External Rupee Account, [NR(E)RA] is the only short-term external debt component under NRI deposit scheme that is available for investment by NRIs. Short-term deposits of less than one-year maturity on Foreign Currency Non-Resident Accounts, [FCNR(A)], were withdrawn from May 15, 1993. Short-term deposits with a maturity of less than one year of Foreign Currency Non-Resident Bank Deposits, [FCNR(B)], were withdrawn effective from October 1999.*

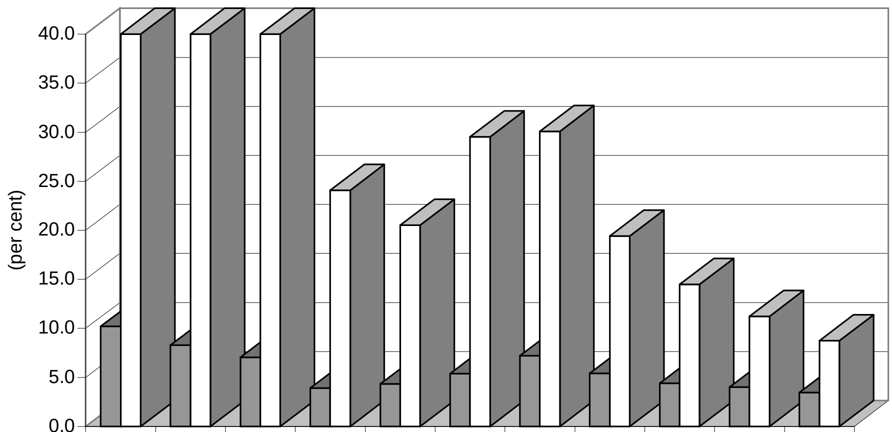
2 : *Short-term deposit scheme of Foreign Currency (Banks and Others) Deposits was discontinued from July 1993.*

3 : *Data on short-term trade credit of less than six months in respect of suppliers' credit are not available since end-March 1994.*

There has been a structural change in the composition of short-term debt. Since 1991, a policy-induced shift from foreign-currency denominated non-resident deposits towards non-repatriable rupee deposits and de-emphasis of short-term foreign-currency denominated deposits. This resulted in a decline of short-term non-resident deposits, from US $ 3.6 billion at end-March 1991 to US $ 0.8 billion at end-March 2001, comprising of rupee-denominated deposits only.

Given the decline in the absolute level of short-term debt, liquidity indicators based on short-term debt ratios also witnessed a steady improvement during the 1990s. The ratio of short-term to total external debt declined from a high of 10.2 per cent at end-March 1991, to 4.0 per cent at end-March 2000 (Figure 7). The ratio further declined to 3.4 per cent at end-March 2001. Short-term debt as a ratio of foreign currency assets has also considerably improved over time. After reaching a high of 382.1 per cent at the end of March 1991, the ratio declined gradually to 20.5 per cent at the end of March 1995. It increased subsequently to 30.1 per cent at end-March 1997 before declining to a low of 8.8 per cent at end- March 2001.

Figure 7 : Short-term Debt Ratios
(end-March period)



	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Short-term to Total Debt Ratio	10.2	8.3	7.0	3.9	4.3	5.4	7.2	5.4	4.4	4.0	3.4
Short-term Debt to Forex Asset Ratio	382.1	125.6	98.5	24.1	20.5	29.5	30.1	19.4	14.5	11.2	8.8

Box 1: Monitoring of Short-term External Debt

Under the existing practice of definition and coverage, India's short term external debt statistics (by original maturity of less than one year) include short-term component of non-resident deposits, buyers' credit and suppliers' credit of more than 180 days and up to 365 days. Thus a notable exclusion in short-term debt statistics has been suppliers' credit of up to 180 days. Other short-term external debt transactions, which are not captured/included in the debt statistics are cross-border bank debt liabilities, overseas lines of credit and FII investment in short-term debt securities.

Against this backdrop, a sub-Group on "Short-term Debt" was constituted comprising of officials from the Ministry of Finance, RBI and financial sector, under the aegis of the Monitoring Group of External Debt to examine and recommend the measures for strengthening monitoring and management of short-term external debt. One of the major objectives of the Group was to assess various external transactions of short-term nature for their inclusion in external debt statistics, keeping in view the best international practices. The Group recently submitted its Report, which was completed with IDF assistance from the World Bank. The major recommendations of the Group are as under:

- Suppliers' credit of up to 180 days could be broadly classified in the following four categories depending on whether they are under letters of credit (L/Cs) or on collection basis: (i) Imports under L/Cs on delivery on payment (D/P) basis; (ii) Imports under L/Cs on delivery on acceptance (D/A) basis; (iii) Imports on D/P basis without going through the L/C route; and (iv) Imports on D/A basis (collection basis) without opening of L/Cs. While data for the first two categories are available *ex-ante* with the banks, for the latter two categories, only *ex-post* data are available with the banks, i.e., after the actual remittance is made to the overseas supplier. Analysis of data revealed that a lower bound of such credits during June-October 1999 is estimated at US$ 2.5 billion.

The Group, thereby recommended that India's external debt statistics should capture information on suppliers' credit in a comprehensive manner, including credits up to 180 days. To compile the above data, the Group recommended using a combination of the following methods: (i) extending the reporting arrangement on outstanding L/Cs and import bills by a few major banks on a fortnightly basis to all the banks on a monthly basis, (ii) modification of existing floppy based R-Return reporting with an additional field on date of shipment to be provided by authorised dealers (ADs).

- External transactions of very short-term nature in cross-border bank debt liabilities like overdrafts in nostro accounts and vostro accounts are of transitory nature reflective of payments settlement practices rather than a desire of the banks to avail any planned debt. Consequently, the amounts involved in such transactions are rather small. For example, during June 1997 – September 1999, overdrafts in nostro accounts averaged less than US $ 100 million while credits in vostro accounts averaged about US $ 300 million. In view of the nature and small amount involved in cross-border bank debt liabilities like overdrafts in nostro accounts and credits in vostro accounts, the Group recommended such transactions need not be reckoned towards India's external debt.

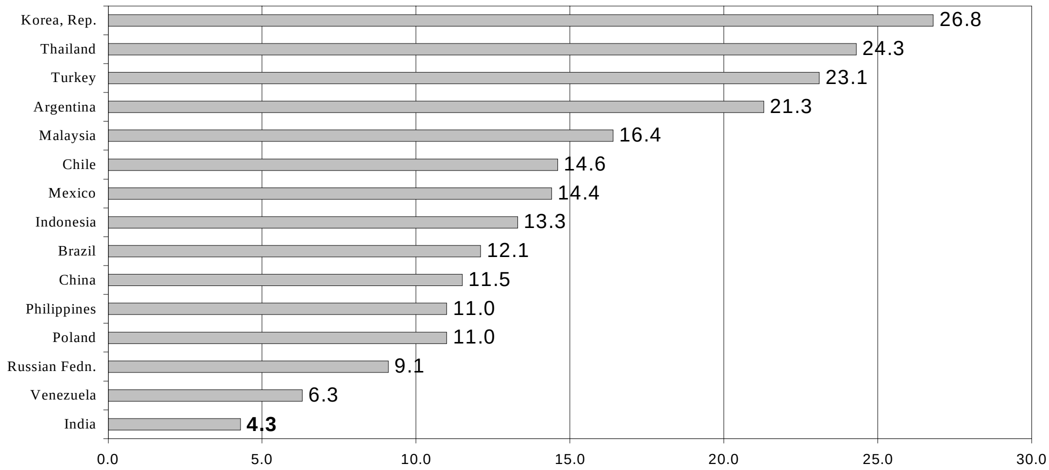
- Another source of short-term external debt arises from the facility allowed to ADs to borrow overseas to facilitate integration of domestic and overseas money markets. As a prudential measure, such external borrowings by banks from their overseas branches and correspondents are allowed within a ceiling linked to their capital base – up to 15 per cent of their Tier I capital or US $ 10 million, whichever is higher. However, so far, banks have not made significant use of this facility, which may be indicative of the availability of un-swapped FCNR(B) funds with the banks. The Group, thereby recommended that as and when the scheme is activated, a monthly reporting system of outstanding balances may be devised and the credit lines be included in external debt statistics.

- The outstanding balance of FII investment in short term debt securities under both the schemes. i.e. , 100 per cent debt route and the regular investment route in equity and debt securities in the proportion of 70:30 represent the short-term debt component in FII investment. However, under the existing practice external debt statistics include net FII investment in debt securities under 100 per cent scheme as long-term debt while it excludes FII investment in debt securities under 70:30 route. The exclusion of short-term debt component of FII investment is due to non-availability of detailed data on break up of outstanding balance on FII investment in debt and equity securities and further into short-term and long-term debt securities. Available data indicates that FII investment in debt securities under the 100 per cent scheme has been relatively small, thereby making the short-term component of such FII investment insignificant. Nonetheless, the Group recommended capturing and including outstanding balances on short-term securities at marked-to-market prices in short-term debt statistics.

- Data on short-term debt by residual maturity, i.e., remaining maturity of less than one year, is published in the Status Report by the Ministry of Finance. However, such data do not include the long-term component of non-resident deposits [FCNR(B) and NR(E)RA deposits] maturing within one year. The Group therefore recommended capturing information of outstanding balances maturing within one year on NRI deposits in short-term external debt by residual maturity.

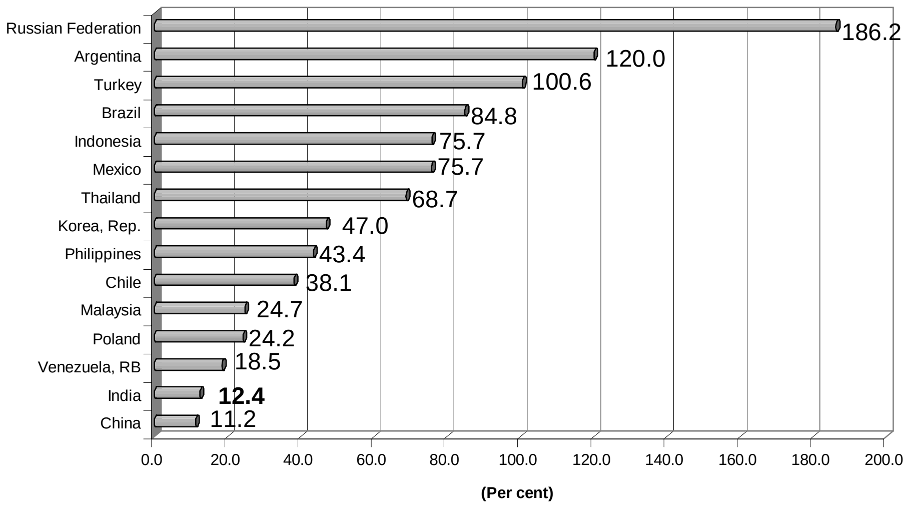
Figure 8 provides comparative position of the proportion of short-term to total external debt for the top fifteen debtor countries at the end of 1999 according to the World Bank's Global Development Finance, 2001. As the figure shows, the share of short-term debt at 4.3 per cent of total debt is the lowest for India. Figure 9 gives similar comparative position for the ratio of short-term debt to foreign exchange reserves. China's short-term debt at 11.2 per cent of foreign exchange reserves is the lowest, closely followed by India at 12.4 per cent.

Figure 8: International Camparison-Proportion of Short-term to Total External Debt, 1999



Note: Top Fifteen Debtor Countries ordered by ratios of Short-term to Total External Debt (descending order)
Source: Global Development Finance, 2001, Country Tables, The World Bank

Figure 9 : International Comparison- Proportion of Short-term Debt to Reserves, 1999



Top Fifteen Debtor Countries ordered by ratios of Short-term Debt to Forex Reserves (descending order)
Source : Global Development Finance 2001, Country Tables, The World Bank.

3.2 Short-term Debt by Residual Maturity

Short-term debt by original maturity, refers to debt obligations with an *original* maturity of up to one year. It does not cover long-term debt obligations maturing within a year, which being *contractual* obligations, become similar to short-term maturing obligations. This is true even when debt is from highly concessional source like International Development Agency of the World Bank. Problems may arise when due to bunching of repayments, large payments become due in the short-run.

Effective debt monitoring and management, therefore, also means keeping track of such long-term obligations maturing in the short-run. Together with short-term debt by *original maturity*, such long-term maturing obligations constitute what is sometimes termed *short-term debt by* *remaining or residual maturity.* This becomes a *supplementary measure* for monitoring liquidity requirements and is important for overall external debt management of the country. Prudent management requires not only keeping short-term debt by original maturity at manageable levels, but also to avoid bunching of long-term maturing obligations, so as to keep the total short-term debt by remaining maturity at comfortable levels.

Table 7 : External Debt by Residual Maturity up to One Year

(US Dollar million)

External Debt by Residual Maturity (up to one year)	**1997**	**1998**	**1999**	**2000**	**2001 P**	**1998**	**1999**	**2000 P**
	End-March					**End-December**		
1. Short-term debt by original maturity	6726	5046	4274	3933	3462	3632	4256	3831
2. Long-term debt obligations maturing within one year	6901[1]	6723[1]	6825[2]	6383[3]	5849[4]	6223[4]	6067[4]	6265[4]
3. External debt by residual maturity up to 1 year (1+2)	13627	11769	11099	10316	9311	9855	10323	10096

1 : *Estimates of long-term debt maturing within one year as on March 31, 1997, and March 31, 1998 are taken as actual principal repayments on long-term debt obligations during 1997-98 and 1998-99 respectively.*

2 : *For estimates on March 31, 1999, the actual principal repayments in the first three-quarters of 1999-00 (i.e. Apr.1-Dec.31, 1999) together with available projections for the fourth quarter, (i.e. Jan. 1-Mar. 31, 2000) is taken as long-term maturing obligations during 1999-00.*

3 : *For estimates on March 31, 2000, the projected principal repayments based on long-term debt outstanding as on end-December 1999 is taken as long-term maturing obligations during 2000-01.*

4 : *Available projections based on long-term debt outstanding as on end-March 2001 is taken as long-term debt maturing during 2000-01. Similarly, available projections for the calendar year 1999, 2000 and 2001 are taken as long-term debt obligations maturing within one year as on December 31, 1998, 1999 and 2000 respectively.*

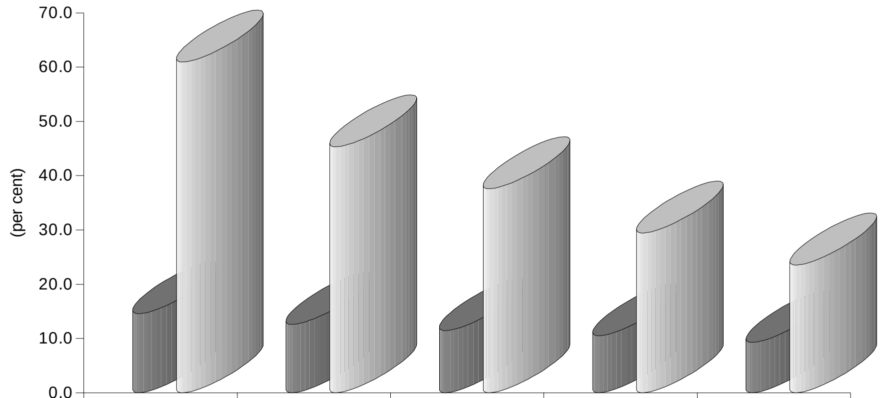
Note: *Thus, estimates of long-term debt obligations maturing within one year for March 31, 1997 to 1999 have been calculated on a post facto basis for the entire year (1) or first three quarters (2), and could include repayments arising out of prepayment. Accordingly, estimates for the above years could have an upward bias.*

P : *Provisional*

Estimates of short-term debt by residual maturity for India are given in Table 7. The short-term debt by residual maturity declined from US $ 13.6 billion at end-March 1997 to US $ 9.3 billion at end-March 2001. Figure 10 below gives the ratio of remaining maturity of short-term debt to total external debt and foreign currency assets for India. Short-term debt by remaining maturity declined from 14.6 per cent of the total external debt at end-March 1997 to 9.3 per cent at end-March 2001. The proportion of short-term debt by remaining maturity to foreign currency assets also declined from 60.9 per cent at end-March 1997 to 23.5 per cent at end-March 2001.

Table 8 gives international comparison of such short-term debt by residual maturity for end-December 1999. The data is drawn from OECD's "External Debt Statistics 1998-99", which is based on Creditor Reporting System. Data presented in the table is for top fifteen debtor countries (as per the Global Development Finance, 2001 of the World Bank). As evident from Table 8, India has one of the lowest ratio of short-term debt by remaining maturity to total external debt at 15.8 per cent, only next to Russian Federation at 11.3 per cent. The ratio with respect to foreign exchange assets is also among the lowest at 47.3 per cent, after China, Poland and Malaysia.

Figure 10 : Ratios of Short-term Debt by Residual Maturity



	Mar.'1997	Mar.'1998	Mar.'1999	Mar.'2000	Mar.'2001
(as % of Total Debt)	14.6	12.6	11.5	10.5	9.3
(as % of Forex Assets)	60.9	45.3	37.6	29.4	23.5

Table 8 : Short-term Debt by Residual Maturity in December 1999 – International Comparison of Top Fifteen Debtor Countries

		Short-term debt by Original Maturity#	Long-term repayments due within one year@	Short-term debt by Remaining Maturity		
		(US $ bn.)	(US $ bn.)	(US $ bn.)*	(% of Debt)	(% of Assets)
1	Brazil	43.6	13.8	57.4	31.3	165.0
2	Russian Fedn.	6.8	6.0	12.8	11.3	151.2
3	Mexico	20.5	7.3	27.8	18.0	89.7
4	China	18.7	8.2	26.9	19.6	17.4
5	Indonesia	18.6	7.0	25.6	21.3	97.5
6	Argentina	31.5	6.7	38.1	22.6	146.0
7	Korea, Rep.	30.8	9.3	40.1	30.3	54.4
8	Turkey	20.8	5.6	26.4	32.8	114.0
9	Thailand	13.0	4.9	17.9	23.8	53.0
10	**India**	**10.4**	**4.7**	**15.1**	**15.8**	**47.3**
11	Poland	5.9	2.0	7.9	17.5	30.4
12	Philippines	7.2	2.9	10.0	15.9	76.6
13	Malaysia	8.3	2.0	10.3	28.5	34.7
14	Chile	5.5	1.9	7.4	24.6	53.0
15	Venezuela, RB	4.4	1.3	5.7	17.1	48.7

Source: *Data on external debt from "External Debt Statistics 1998-99", OECD and foreign currency assets from International Financial Statistics, IMF.*

Note: *The information on short-term debt by residual maturity is compiled on the basis of Creditor Reporting System. The data/ratios presented in the above table may vary from other sources mentioned elsewhere.*

: *Short-term debt by original maturity are claims with an original maturity under one year as on end-December 1999 and include arrears of principal and interest on both short-term and long-term debt. The two components of short-term debt by original maturity are : (i) short-term lending by banks which exclude guaranteed financial export credits but includes bridging loans and arrears as well as short-term deposits by non-residents in banks in the borrowing country; and (ii) short-term supplier and financial export credits including arrears on all types of export credit. Short-term debt by original maturity presented here may thereby differ from figures given elsewhere on the basis of Debtor Reporting System.*

@ : *Repayments of Long-term debt due in 2000 represent amortisation payments due on long-term debt other than repurchases of purchases of IMF credit on General Resource Account.*

* : *Short-term debt by remaining maturity has been arrived at by adding short-term debt by original maturity to long-term repayments due within one year.*

4. Classification of Debt Stock

External debt data are compiled with respect to both creditor and borrower categories. Debt stock is also classified by concessionality. The structural changes that have been evident in the composition of India's external debt since early nineties, continued through 2000-01 with a decline in the share of concessional debt. This was primarily due to a gradual decline in the share of official creditors and the share of Government debt, most of which was on concessional terms.

4.1 Creditor classification

Table 9 provides creditor-wise breakdown of India's external debt. At the end of March 2001, the total multilateral (excluding IMF) debt at US $ 31.1 billion accounted for 31.0 per cent of the total external debt. The share has remained steady at around that level since end-March 1996. The share of bilateral debt (excluding Rupee debt) in total external debt, declined from 20.5 per cent at end-March 1996 to 18.1 per cent at end-March 1999. It increased marginally to 18.5 per cent at end-March 2000 before declining to 16.6 per cent at end-March 2001. While debt from IMF was fully liquidated by end-March 2001, rupee denominated debt, sourced mainly from the erstwhile Soviet Union, declined from US $ 12.8 billion at end-March 1991 to US $ 3.7 billion at end-March 2001. Accordingly, the share of total debt from official sources, which includes multilateral; bilateral; IMF; export credit component of bilateral credit and for defence purchases; and Rupee debt has been gradually declining in recent years from 66.0 per cent at end-March 1995 to 52.3 per cent at end-March 2001. This shows that the share of private creditors in the total debt has been rising in recent years, from 34.0 per cent at end-March 1995 to 47.7 per cent at end-March 2001. Within private creditors, commercial debt registered a steep increase from US $ 13.0 billion at end-March 1995 to US $ 17.0 billion at end-March 1998 and further to US $ 24.2 billion at end-March 2001. The recent surge in commercial debt resulted from issuance of US $ 4.2 billion of Resurgent India Bonds in August 1998 and US $ 5.5 billion of India Millennium Deposits in October-November 2000.

Table 9 : External Debt Outstanding by Creditor Categories

(end-March)

		1991	1992	1995	1997	1998	1999	2000	2001 P
		(US Dollar million)							
I.	Multilateral	20900	23090	28542	29218	29553	30534	31438	31104
II.	Bilateral	14168	15466	20270	17494	16969	17499	18175	16624
III.	IMF	2623	3451	4300	1313	664	287	26	0
IV.	Export Credit	4301	3990	6629	5861	6526	6789	6780	5838
V.	Commercial Debt	10209	11715	12991	14335	16986	20978	19943	24203
VI.	NRI Deposits	10209	10083	12383	11012	11913	11794	13562	15432
VII.	Rupee Debt	12847	10420	9624	7511	5874	4731	4406	3693
A.	Total long term debt	75257	78215	94739	86744	88485	92612	94330	96894
B.	Short-term Debt	8544	7070	4269	6726	5046	4274	3933	3462
	Grand Total	**83801**	**85285**	**99008**	**93470**	**93531**	**96886**	**98263**	**100356**
		(per cent of total debt)							
i)	Official creditors*	63.5	64.3	66.0	60.9	58.1	56.0	56.2	52.3
ii)	Private creditors	36.5	35.7	34.0	39.1	41.9	44.0	43.8	47.7

* : *The term official creditors here include Multilateral; Bilateral; IMF; Export Credit component of bilateral credit and for defence purchases; and Rupee Debt.*

P : *Provisional.*

Box 2 : Non-Resident Deposits

Under the existing practice, non-resident deposits of Indian banks are included as part of external debt statistics, for which *principal amount* are freely repatriable to non-resident depositors. Such deposits, presently include foreign-currency denominated, Foreign Currency Non-Resident Bank Deposits [FCNR(B)] and rupee-denominated, Non-Resident External Rupee Accounts [NR(E)RA], for which principal of both are freely repatriable. Previously, schemes of NRI deposits, like Foreign Currency Non-Resident (Accounts) [FCNR(A)] and Foreign Currency (Banks and Others) Deposits [FC(B&O)D], which were also treated as external debt liability, were discontinued in a phased manner during 1993 and 1994. The key features of such deposits are summarized in Table 10.

Table 10: Key Features of Non-Resident Deposits

Deposit Scheme	Currency Denomination	Repatriability	Type of Account/ Period for Fixed Deposits	Rate of Interest	Eligible Investors
External Debt Components					
FCNR(B)	US Dollar,Pound Sterling, Euro and Japanese Yen	Both Principal and Interest freely repatriable	Term Deposits of 1-3 years[1]	Banks are free to determine interest rates within the prescribed ceiling of at prevalent matching LIBOR/swap rates	NRIs and OCBs
NR(E)RA	Indian Rupees	Both Principal and Interest freely repatriable	Current, Savings & Term Deposits for periods as announced by the deposit taking bank	Banks are free to determine interest rates	NRIs and OCBs
FCNR(A) (scheme discontinued)	US Dollar,Pound Sterling, Deutsche Mark and Japanese Yen	Both Principal and Interest freely repatriable	Term Deposits of 6 months-3 years	Regulated by RBI over time	NRIs
FC(B&O)D (scheme discontinued)	Foreign currency	Both Principal and Interest freely repatriable	Term Deposits of 6 months-3 years	Regulated by RBI over time	NRIs, OCBs, non-resident banks & pension funds
Non-External Debt Components					
NR(NR)D	Indian Rupees	Only Interest freely repatriable[2]	Term Deposits of 6 months – 3 years	Banks are free to determine interest rates	Any person resident outside India
NRO	Indian Rupees	Only Interest freely repatriable[2]	Current, Savings, Recurring & Term Deposits for periods as announced by the deposit taking bank	Banks are free to determine interest rates	Any person resident outside India
NR(S)RA	Indian Rupees	Not Repatriable[3]	Current, Savings, Recurring & Term Deposits for periods as announced by the deposit taking bank	Banks are free to determine interest rates	NRIs
FC(ON) (scheme discontinued)	Foreign currency	Only Interest free repatriable[2]	Term Deposits of 6 months – 3 years	Regulated by RBI over time	NRIs

FCNR(B): Foreign Currency Non-Resident Bank Deposits: introduced in May 1993 as a substitute of FCNR(A) deposit and without any provision of exchange guarantee by RBI to borrower banks. (1) As part of prudential debt management, short-term deposits of maturity less than one year were withdrawn effective October 1999.

NR(E)RA: Non-Resident External Rupee Account: introduced in February 1970.

FCNR(A): Foreign Currency Non-Resident Accounts, with exchange guarantee facility provided by RBI to borrower banks was introduced in November 1975. The scheme was discontinued in a phased manner during May 15, 1993 and August 15, 1994. The effective dates of withdrawal for different maturities are as follows: less than one year (May 15, 1993), one year to two years (October 12, 1993), two to less than three years (February 15, 1994) and of three years (August 15, 1994).

FC(B&O)D: Foreign Currency (Banks and Others) Deposits, introduced in November 1990 with exchange guarantee facility provided by RBI to borrower banks was discontinued from July 1993.

NR(NR)D: Non-Resident Non-Repatriable Rupee Deposit: introduced in June 1992. (2) : Although interest income was not repatriable on introduction of such scheme, subsequently, with the Indian rupee becoming convertible on current account effective August 20, 1994, interest income on such deposit was repatriable.

NRO: Non-Resident Ordinary Account gets automatically opened when a resident Indian becomes a non-resident.

NR(S)RA: Non-Resident Special Rupee Account: introduced in April 1999. (3) Interest is also not repatriable in accordance with the undertaking given at the time of opening the account.

FC(ON): Foreign Currency (Ordinary Non-repatriable) Deposits, introduced in June 1991 with exchange guarantee facility provided by RBI to borrower banks was discontinued from August 1994.

Other non-resident rupee-denominated deposit schemes like non-resident non-repatriable rupee deposits [NR(NR)D], non-resident special rupee account [NR(S)RA], and non-resident ordinary rupee account [NRO] are, however, not included in external debt statistics, due to “non-repatriability” nature of such deposits. Thus, while [NR(NR)D] is a rupee denominated investment scheme, for which only interest payments were repatriable since 1994 on account of the Rupee being convertible on current account, other deposit schemes like [NRO] and [NR(S)RA] are essentially non-investment schemes with repatraibility facility applicable only on interest income of NRO deposit.

Box 3 : Monitoring of Non-Resident Deposits

The outstanding balance of non-resident deposits, which were part of India's external debt stock, increased from US $ 14.0 billion at end-March 1991 to US $ 14.8 billion at end-March 1997 and further to US $ 16.2 billion at end-March 2001 (Table 11). The increase in such deposits was also accompanied by a changing maturity pattern – a policy induced contraction of short-term components of original maturity of less than one year. Thus, short-term external debt component of NRI deposits declined from US $ 3.7 billion at end-March 1991 to US $ 0.8 billion at end-March, 2001.

Table 11: Outstanding Balance of Non-Resident Deposits

(US $ million)

	End-March					
	1991	1997	1998	1999	2000	2001 P
	(External Debt Components)					
Long-term:	10209	11012	11913	11794	13562	15432
NRI Deposits	10114	11012	11913	11794	13562	15432
FC(B&O)D	95	0	0	0	0	0
Short-term:	3744	3773	2192	2086	1369	791
NRI Deposits	3577	3773	2192	2086	1369	791
FC(B&O)D	167	0	0	0	0	0
Total:	13953	14785	14105	13880	14931	16223
NRI Deposits	13691	14785	14105	13880	14931	16223
FC(B&O)D	262	0	0	0	0	0
	(Non-External Debt Components)					
NR(NR)RD	0	5604	6262	6618	6754	6849
	(Aggregate Non-Resident Deposits)					
Total:	13953	20389	20367	20498	21685	23072

NR(NR)RD deposit, which is the major constituent of the non-external debt component under the non-resident deposits investment scheme, steadily increased from US $ 0.6 billion at end-March 1993 to US $ 5.6 billion at end-March 1997 and further to US $ 6.8 billion at end-March 2001. The total stock of NRI Deposits accordingly increased from US $ 14.0 billion at end-March 1991 to US $ 20.4 billion at end-March 1997 and further to US $ 23.1 billion at end-March 2001.

Another positive development of the compositional shift in NRI Deposits is a decline in the relative share of foreign currency denominated as well as repatriable deposits in total outstanding NRI deposits. Thus, while the share of foreign currency denominated deposits declined from a high of 77.6 per cent in end-March 1993 to 39.3 per cent in end-March 2001, the share of repatriable deposits, i.e., external debt items, stood at 70.3 per cent at end-March 2001 compared to 100 per cent share as on end-March 1992.

As on end-March 1999, public sector banks accounted for almost 73 per cent of total balance of NRI deposits, followed by foreign banks in India with 16 per cent and the remaining 10 per cent by Indian private sector banks. Nearly 56 per cent of the total NRI deposits of foreign banks in India were in foreign currency denominated deposit under FCNR(B) scheme. Concentration of a few borrowers in total deposits was also observed, with six major banks accounting for as much as 53 per cent of the total outstanding NRE(R)A and NRNR(D) deposits. Similarly, four Indian banks and two foreign banks accounted for almost 59 per cent of the total outstanding FCNR(B) deposit.

Contd………….

Monitoring of Non-Resident Deposits

Statistics on non-resident deposits under the present reporting system are characterized by certain infirmities like:

- Outstanding balances of non-resident deposits are inclusive of the interest accrued under such deposits. However, data on original principal amount and interest accrued are not available separately.
- Debt service payments, i.e., accrued interest are not available by maturity break-up, into long-term and short-term components.
- Detailed break-up of flow data on credit and debit accounts of such deposits in BOP statistics is not available. Credit transactions on capital account constitute fresh investments, renewal, and amount matured but not withdrawn. Credit transactions on current account constitute any private transfer or of “invisible nature” like gifts, donations etc. out of such deposits. Debit items on capital account, on the other hand include principal matured as well as principal withdrawn before maturity. Total interest payments including interest accrued on NRI deposits form part of investment income payments under invisibles account in the current account of BOP statistics.
- Data on such deposits by residual maturity is also not available.
- Data by geographic region of such deposits is not available.

To address these shortcomings in data capturing of NRI Deposits and other related issues, a sub-Group on “Non-Resident Deposits” was constituted, comprising officials from the Ministry of Finance, RBI and financial sector, under the aegis of the Monitoring Group of External Debt. The Group recommended capturing detailed break-up of the above mentioned information through a Comprehensive Single Return (CS Return) quarterly reporting by banks on the lines of Chandrasekhar Committee Report with an additional module for capturing flow information.

The Group also underscored to move towards a computerised reporting arrangement of data on NRI deposits, wherein centralised information should be available with head offices of each bank. Accordingly, the Group suggested that the above reporting arrangement should be floppy-based in the initial phase and cover, at least in the phase of first two years, all the critical bank branches presently furnishing data to RBI. Once the floppy-based reporting system stabilises, hard copy returns could be replaced and eventually on-line reporting by banks to the extent possible should be undertaken.

The Group reaffirmed the existing practice of excluding non-resident non-repatriable rupee deposits [NR(NR)D] from external debt statistics. As opposed to the broad “residency” criterion, whereby all non-resident deposits should be included as external debt, due to non-repatriability of principal of NR(NR)D deposits there is no outgo of foreign exchange on maturity of such deposits, thereby requiring such deposits to be treated at par with domestic deposits.

The Group further noted that foreign currency balances under FCNR(B) deposits form part of India’s external debt. However, a sizeable proportion of such deposits are unswapped and held abroad as assets of the banking sector, thereby reducing the net external liability of the banking sector. Similarly, loans extended by banks to NRIs in lieu of their deposits in India, form part of the assets of the resident sector to non-residents and thereby reduce the net liabilities. The Group accordingly recommended the need to monitor such assets (as a memo item to external debt statistics) for synchronising analysis of external debt with international investment position (IIP).

4.2 Concessional Debt

In compilation of India's external debt data, a "creditor classification" approach for classifying debt into concessional and non-concessional categories is followed. Thus, debt from some multilateral institutions such as IDA, International Fund for Agriculture Development (IFAD), and Organisation of Petroleum Exporting Countries (OPEC), which have long maturity and relatively low interest are treated as concessional. The loans from some other multilateral sources, such as the IBRD, ADB etc., however, are on terms close to market rates and are, therefore, classified as non-concessional. All Government borrowings from bilateral sources (except dollar denominated debt from Russia) are classified as concessional. Rupee debt, which is serviced through exports, is also treated as concessional. Table 12 gives the share of concessional debt in total external debt of the country.

Table 12 : Share of Concessional Debt

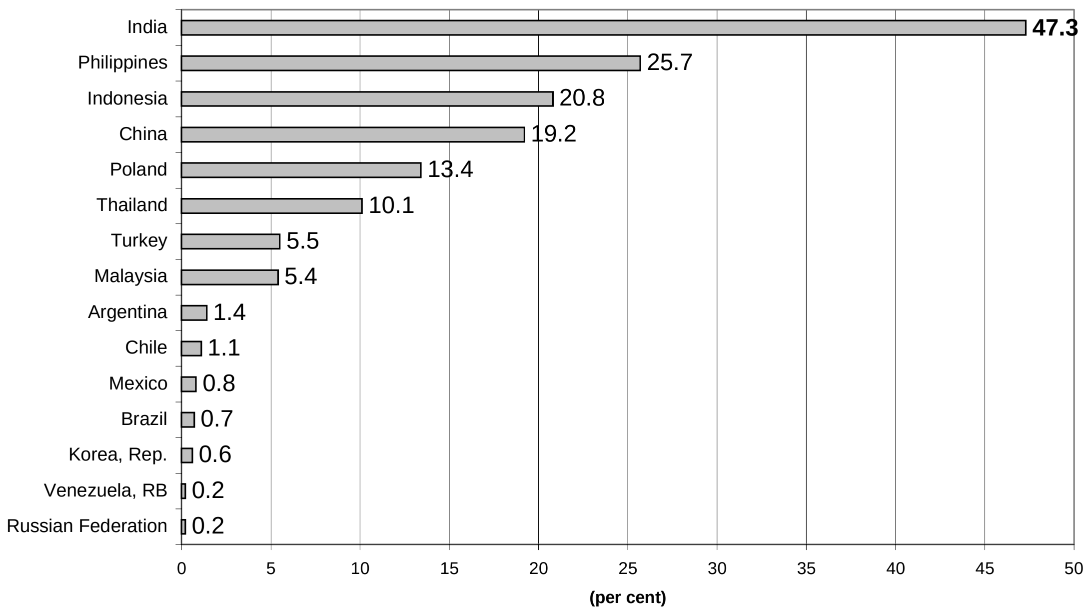
	End - March							
	1991	1992	1995	1997	1998	1999	2000	2001 P
	(US Dollar billion)							
Concessional debt	38.43	38.19	44.85	39.49	36.94	37.26	38.21	36.03
Total External Debt	83.80	85.29	99.01	93.47	93.53	96.89	98.26	100.36
	(per cent)							
Share of concessional debt in total debt	45.9	44.8	45.3	42.2	39.5	38.5	38.9	35.9

Note : *A creditor classification approach is used for classifying debt as concessional.*
P : *Provisional*

The proportion of concessional debt in the total debt, which has been steady at around 45 per cent during the first half of the 1990s, declined to 38.5 per cent at end-March 1999. The ratio increased marginally to 38.9 per cent at end-March 2000 before declining to 35.9 per cent at end-March 2001.

Despite the declining trend, India's share of concessional debt continues to be high by international standards. Figure 11 shows the share of concessional debt to total debt for the top 15 debtor countries according to the World Bank's Global Development Finance, 2001. India had the highest share of concessional debt at 47.3 per cent among the top 15 debtor countries at the end of 1999 followed by Philippines with a share of 25.7 per cent of the total debt as concessional debt.

Figure 11 :International Comparison- Proportional of Concessional Debt in Total External Debt, 1999.



Note :Top 15 Debtor Countries ordered by ratio of concessional to total debt (descending order)
Source : Global Development Finance, 2001, Country Tables, The World Bank.

4.3 Borrower classification

Total external debt of Government (defined here to include multilateral and bilateral borrowing on "Government Account" from external assistance, IMF, FII investment in Government debt securities and Defence debt components) declined from US $ 59.5 billion at end-March 1995 to US $ 44.6 billion at the end of March 2001 (Table 13). The share, which was about 60 per cent of the total external debt during the first half of this decade, began to fall gradually since end-March 1995 and stood at 44.4 per cent at end-March 2001. Decline in bilateral, IMF and Rupee denominated debt along with a steady increase in private debt are some of the contributory factors for the fall in the share of government debt.

Table 13 : External Debt by Borrower Classification

	End - March							
	1991	1992	1995	1997	1998	1999	2000	2001 P
	(US Dollar million)							
I. **Govt. Debt**	49957	51027	59502	49060	46520	46137	46852	44588
	(59.6)	(59.8)	(60.1)	(52.5)	(49.7)	(47.6)	(47.7)	(44.4)
Of which long-term:	49957	51027	59502	49060	46520	46137	46852	44588
1. Govt. A/c.	33744	36739	45293	41592	40805	41896	42823	41306
2. Other Govt. Debt	16213	14288	14209	7468	5715	4241	4029	3282
II. **Non-Govt. Debt**	33844	34258	39506	44410	47011	50749	51411	55768
	(40.4)	(40.2)	(39.9)	(47.5)	(50.3)	(52.7)	(52.9)	(55.9)
A. *Of which long-term:*	25300	27188	35237	37684	41965	46475	47478	52306
1. Financial Sector*	-	-	-	-	20113	23699	25105	31750
2 Public Sector**	-	-	-	-	9753	9284	9316	8076
3 Private Sector***	-	-	-	-	12099	13492	13057	12480
B. *Of which short-term:*	8544	7070	4269	6726	5046	4274	3933	3462
III. **Total External Debt**	83801	85285	99008	93470	93531	96886	98263	100356
	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)

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

* : *Financial sector debt represent external borrowings by commercial banks and financial institutions. Long-term NRI Deposits are included in the Financial Sector.*

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

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

P : *Provisional*

Figures in parentheses represent share of components in total external debt.

Table 13 also provides (since end-March 1998) the break up of long-term non-Government debt into financial, public and private sectors. The financial sector, which borrows for on-lending purposes, accounted for 22.7 per cent of the total long-term debt at end-March 1998, with the share increasing to 32.8 per cent at end-March 2001. The increase in the overall share of debt of the financial sector could be attributed to the recent issuance of India Millennium Deposits of US $ 5.5 billion during October/November 2000 and Resurgent India Bonds of US $ 4.2 billion in August 1998. On the other hand, the share of non-financial sector debt stock declined from 24.7 per cent of the total long-term debt in end-March 1998 to 21.2 per cent in end-March 2001. Within the non-financial sector, while debt of the private sector remained relatively stable between US $ 12-13 billion, debt of the public sector underwent an absolute decline from US $ 9.8 billion at end-March 1998 to US $ 8.1 billion at end-March 2001.

Box 4 : India Millennium Deposits

With the substantial hardening of international prices of crude oil during 2000 and the resulting surge in India's oil import bill, foreign currency assets of the Reserve Bank of India during the first seven months of 2000-01 were depleted by about US $ 3 billion. As part of an pre-emptive measure to deal with the uncertainty prevailing in the international oil market and to maintain foreign exchange reserves to a more comfortable level, the State Bank of India, with the approval of the Government of India, launched the India Millennium Deposits (IMD) during October/November 2000. Deposit collection under the IMD scheme with a tenor of 5 years amounted to US $ 5.5 billion, which also gave an opportunity to non-resident Indians (NRIs) for investment in long-term fixed-income instruments. The success of the IMD scheme imparted an element of stability to the overall balance of payments position and the external sector.

Similar instances of bond issuance by the State Bank of India (SBI), especially targeted at NRIs, to withstand temporary external shocks included launching of Resurgent India Bonds in August 1998, when flow of private capital to emerging economies was adversely affected due to global contagion, in addition to the negative impact on flow of funds to India due to economic sanctions. The total amount mobilized under the RIB scheme of 5 year tenor amounted to US $ 4.2 billion. Similarly, as an immediate step to neutralize the 1991 BOP crisis in India, India Development Bonds with a tenor of 5 years raised US $ 1.6 billion. Of the total amount of US $ 2.1 million due (including cumulative interest), an amount of US $ 1.1 were repaid in foreign currency with the remaining amount of US $ 1.0 billion redeemed in Indian rupees and held in India. The success in mobilizing foreign exchange resources through such schemes also reinforced the confidence that NRI funds, in addition to their continued availability through NRI deposit schemes could be tapped in times of exigencies. In fact, there has been limited substitution from the Foreign Currency Non-Resident Bank Deposit scheme to IMD and RIBs, thereby implying additional availability of overall external resources.

A typical characteristic of these deposits/bonds are that unlike bonds, these instruments are not tradeable in a secondary market and cannot be encashed prematurely in foreign exchange. Since the forex proceeds from such bond issues were designed for building up foreign exchange reserves of the country, all the three bond/deposit issues carried an exchange rate guarantee provided by the Government to the borrowing bank (i.e. SBI). Option for cumulative or non-cumulative interest payments on such deposits were also provided to creditors. As indicated, the bulk of the bonds/deposits were denominated in US Dollar. The key features of the IMD, RIB and IDB bond/deposit schemes are briefly outlined in Table 14.

Table 14 : Currency Composition & Interest Mix of IMD, RIB and IDB

Currency Denomination	**Interest Rate*** (per cent per annum)	**Amount Collected** (US $ million equivalent)
India Millennium Deposits:		**5520**
US Dollar	8.50	5182
Pound Sterling	7.85	258
Euro	6.85	80
Resurgent India Bonds:		**4230**
US Dollar	7.75	3987
Pound Sterling	8.00	180.0
Deutsche Mark	6.25	63
India Development Bonds:		**1627**
US Dollar	9.50	1307
Pound Sterling	13.25	320

* : *Interest Payments are half-yearly and carried both cumulative and non-cumulative options*.

An important aspect of these bond schemes were that money was mobilized at relatively competitive rates, particularly since such bonds are not tradeable in a secondary market and have a fixed lock-in period of the tenor of maturity. Moreover, since India's foreign currency credit rating has been non-investment grade and is one/two notches lower than most of other emerging market countries, cost comparison of such deposits appear favourable. As indicated in Table 15, interest on US Dollar denomination for IMD entailed a spread of 253 basis points over 5-year US Treasury, while the spread on RIB was 220 basis points over long maturity US Treasury bonds. Both the spreads on IMD and RIB were lower than bond issues of most of the emerging market countries.

Table 15 : Interest Rate Comparison of Selected International Bond Issues vis-à-vis IMD and RIB

India Millennium Deposits: Comparison of spread over 5-Year US Treasury as on 20.10.2000 on selected International Bond Issues

Country	Issuer	Currency	Amount (million)	Spread over 5-year US Treasury (basis points)	Remaining Maturity (years)
India	***State Bank of India***	***US Dollar***	***5182***	***253***	***5***
South Korea	Exim Bank of Korea	US Dollar	350	265	6
South Korea	Exim Bank of Korea	US Dollar	200	260	5
Thailand	Industrial Finance Corporation of Thailand	US Dollar	250	265	6.5
China	China Development Bank	US Dollar	330	230	6

Resurgent India Bonds: Comparison of Interest Rates on selected International Bond Issues during January 1998 to July 1998

Country	Issuer	Currency	Amount (million)	Coupon (per cent)	Maturity (years)
India	***State Bank of India***	***US Dollar***	***3987***	***7.75***	***5***
Argentina	Telefonica de Argentina	US Dollar	400	9.13	10
Argentina	Movicom	US Dollar	150	9.25	10
Brazil	Banco ABN Amro	US Dollar	100	8.88	3
Brazil	BASF S.A.	US Dollar	60	9.63	8
Czech Republic	Komercni Finance BV	US Dollar	200	9.00	10
South Korea	Republic of South Korea	US Dollar	1000	8.75	5
South Korea	Republic of South Korea	US Dollar	3000	8.88	10
Turkey	Republic of Turkey	US Dollar	300	8.88	5
Venezuela	Republic of Venezuela	US Dollar	500	13.63	20

Source : State Bank of India

4.4. Instrument-wise classification

Table 16 below shows an instrument-wise classification of long-term debt outstanding as on end-March 2001 for borrowers like Central Government, financial sector, and public sector and private sector enterprises from non-financial sector. Detailed break-up is also provided with respect to creditor category classification like multilateral, bilateral, IMF, export credit, commercial borrowings, NRI deposits and rupee debt.

Table 16: Instrument-wise Classification of Long-term External Debt Outstanding (as on end-March 2001)

(US $ million)

			INSTRUMENTS				
	Borrower	*Creditor*	*Bonds & Notes*	*Loans*	*Trade Credit*	*Deposits*	*Total*
	1	2	3	4	5	6	7
I	**Government:**		**111***	**43,381**	**1,096**	**0**	**44,588**
	1	Multilateral	0	27,388	0	0	**27,388**
	2	Bilateral	0	12,730	0	0	**12,730**
	3	IMF	0	0	0	0	**0**
	4	Export Credit	0	0	1,096	0	**1,096**
	5	Commercial	111*	0	0	0	**111***
	6	Rupee Debt	0	3,263	0	0	**3,263**
II	**Financial Sector**:**		**11,208**	**4,688**	**422**	**15,432**	**31,750**
	1	Multilateral	0	723	0	0	**723**
	2	Bilateral	0	1,416	0	0	**1,416**
	3	Export Credit	0	0	422	0	**422**
	4	Commercial	11,208	2,549	0	0	**13,757**
	5	NRI Deposits	0	0	0	15,432	**15,432**
III	**Non-Financial Public Sector:**		**226**	**6,789**	**1,061**	**0**	**8,076**
	1	Multilateral	0	2,674	0	0	**2,674**
	2	Bilateral	0	1,402	0	0	**1,402**
	3	Export Credit	0	0	1,061	0	**1,061**
	4	Commercial	226	2,283	0	0	**2,509**
	5	Rupee Debt	0	430	0	0	**430**
IV	**Non-Financial Private Sector:**		**2,107**	**7,114**	**3,259**	**0**	**12,480**
	1	Multilateral	0	319	0	0	**319**
	2	Bilateral	0	1,076	0	0	**1,076**
	3	Export Credit	0	0	3,259	0	**3,259**
	4	Commercial	2,107	5,719	0	0	**7,826**
V	**Total Long-Term Debt:**		**13,652**	**61,972**	**5,838**	**15,432**	**96,894**
	1	Multilateral	0	31,104	0	0	**31,104**
	2	Bilateral	0	16,624	0	0	**16,624**
	3	IMF	0	0	0	0	**0**
	4	Export Credit	0	0	5,838	0	**5,838**
	5	Commercial	13,652	10,551	0	0	**24,203**
	6	NRI Deposits	0	0	0	15,432	**15,432**
	7	Rupee Debt	0	3,693	0	0	**3,693**

Note : *The central bank, i.e., Reserve Bank of India has no external debt liability.*

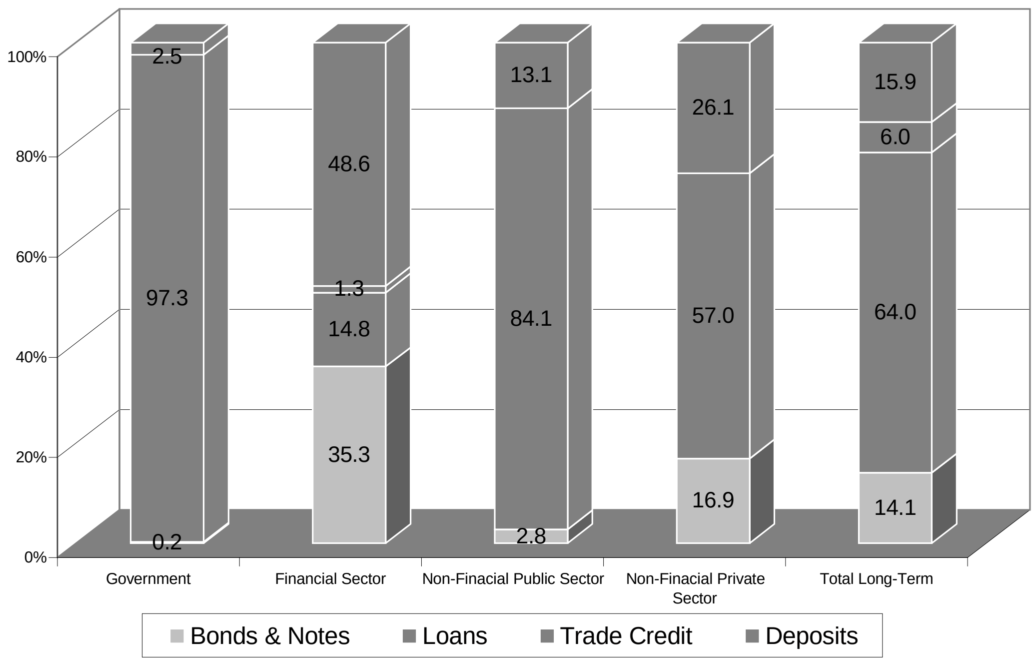
* : *Commercial external borrowings by the Central Government represent FII investment under the 100% route in domestic debt securities and treasury bills.*

** : *Financial sector includes financial development institutions, commercial banks and non-banking financial companies. Borrowings by State Bank of India like Resurgent India Bonds and India Development Bonds are also included.*

Government external borrowing is heavily dominated by loans, constituting 97.3 per cent of its total long-term debt stock as on end-March 2001 (Figure 12). On the other hand, for the financial sector, nearly half of its outstanding long-term external debt is in the form of non-resident deposits. Use of securitized borrowing instruments like bonds and notes for the financial sector accounted for 35.3 per cent of its long-term debt stock while the share of loans stood at 14.8 per cent. In fact, among all the borrowers, the share of bonds and notes was the highest for the financial sector. Within the non-financial sector, public sector enterprises, like the Government sector, showed a heavy reliance on loan instruments, accounting for 84.1 per cent of their total debt outstanding as on end-March 2001. Reliance on loan instruments by private sector was lower than public sector, accounting for 57.0 per cent of their total debt stock, while the share of trade credits, which stood at 26.1 per cent, was the highest among all the borrowers.

Figure 12 : Composition of Instruments in Long-term External Debt of Borrowers

(per cent)



As a proportion of the total long-term debt outstanding as on end-March 31, 2001, loans accounted for as much as 64.0 per cent, followed by deposits at 15.9 per cent, bonds and notes at 14.1 per cent and trade credits at 6.0 per cent.

4.5. Currency composition

The currency composition of India's external debt is weighed heavily in favour of the US dollar. The share of US dollar increased over the years from 41.4 per cent of total debt at the end of March 1994 to 55.5 per cent at end-March 2001. Table 17 provides currency-wise exposure for end-March periods of 1994 (earliest year for which disaggregated currency-wise data are available), 2000 and 2001. Other important currency components are Special Drawing Rights (SDR), Rupee denominated debt, Japanese Yen, Euro area currencies and Pound Sterling, which together with the US dollar accounted for nearly 99 per cent of the total debt at the end of March 2001.

Table 17 : Currency Composition of External Debt

(end period)

Currency	Mar.' 1994	Mar.' 2000	Mar.' 2001 P
	(per cent of total external debt)		
US Dollar$	41.4	51.4	55.5
SDR	14.9	13.2	13.0
Indian Rupees	14.8	11.6	11.0
Japanese Yen	13.7	12.7	9.9
Deutsche Mark	6.3	-	-
French Franc	1.8	-	-
Netherlands Guilder	1.1	-	-
Euro*	-	6.9	6.7
Pound Sterling	3.3	2.9	2.9
Canadian Dollar	0.7	0.5	0.5
Others#	2.1	0.8	0.6
Total	100.0	100.0	100.0

P : *Provisional*

$: *US Dollar share has an upward bias because IBRD and ADB pooled loans are accounted as US Dollar denominated loans.*

* : *Euro includes currencies denominated in Euro and all Euro area denominated currencies.*

: *Other currencies individually account for less than 0.5 per cent of total debt.*

5. Debt Service

5.1 Actual (historical) Debt Service payments

Debt-service payments[1] peaked in 1995-96 at US $ 13.0 billion. Since then, the debt service has declined to US $ 11.3 billion in 1998-99 before increasing to US $ 12.0 billion in 1999-00 (Figure 13). During 2000-01, debt service payments further increased to US $ 12.9 billion. Table 18 provides category-wise breakdown of debt service payments.

Debt service payments as a ratio of current receipts measure the capacity to service debt obligations. The debt service ratio declined continuously from 35.3 per cent in 1990-91 to 16.3 per cent in 2000-01.

Table 18 : India's External Debt Service Payments

(US Dollar million)

	Financial Year (April 1 – March 31)										
	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01[P]
1. External Assistance[@]	**2315**	**2447**	**2541**	**2968**	**3186**	**3691**	**3283**	**3229**	**3270**	**3423**	**3603**
Repayments	1187	1329	1443	1645	1748	2192	1922	1966	2051	2173	2446
Interest	1128	1118	1098	1323	1438	1499	1361	1263	1219	1250	1157
2. External Commercial Borrowing[#]	**3414**	**2830**	**2707**	**3232**	**4290**	**5248**	**5959**	**4934**	**5070**	**5804**	**6905**
Repayments	2004	1677	1525	1978	2812	3868	4605	3550	3477	4150	5212
Interest	1410	1153	1182	1254	1478	1380	1354	1384	1593	1654	1693
3. I.M.F.	**778**	**697**	**614**	**387**	**1368**	**1860**	**1061**	**667**	**419**	**267**	**26**
Repayments	644	459	335	134	1146	1715	975	618	393	260	26
Interest	134	238	279	253	222	145	86	49	26	7	0
4. NRI Deposits**	**1282**	**1036**	**918**	**905**	**1046**	**1247**	**1627**	**1807**	**1719**	**1791**	**1737**
Interest	1282	1036	918	905	1046	1247	1627	1807	1719	1791	1737
5. Rupee Debt Service	1193	1240	878	1053	983	952	727	767	802	711	617
Total Debt Service (1 to 5)	***8982***	***8250***	***7658***	***8545***	***10873***	***12998***	***12657***	***11404***	***11280***	***11996***	***12888***
Repayments	**5028**	**4705**	**4181**	**4810**	**6689**	**8727**	**8229**	**6901**	**6723**	**7294**	**8301**
Interest	**3954**	**3545**	**3477**	**3735**	**4184**	**4271**	**4428**	**4503**	**4557**	**4702**	**4587**
Current Receipts***	25478	27307	27839	33629	41988	49625	55115	58545	59760	67472	79003
Debt Service Ratio (%)	**35.3**	**30.2**	**27.5**	**25.4**	**25.9**	**26.2**	**23.0**	**19.5**	**18.9**	**17.8**	**16.3**

* : Figures of debt service for 1999-00 and 2000-01 are provisional.

@ : Inclusive of non-Government account figures supplied by the office of Controller of Aid Accounts & Audit, Ministry of Finance.

: Excludes accrued interest on India Development Bonds (IDBs). For 1996-97, only that component of principal repayment on IDBs is taken as debt service, which is redeemed in foreign exchange.

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

***: Current receipts excluding official transfers.

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

1 The debt service is calculated on cash payment basis except for Non-Resident Indian Deposits for which accrual method is used. The estimates may, therefore, differ from BOP data compilation methodology.

Figure 13 : India's External Debt Service Payments

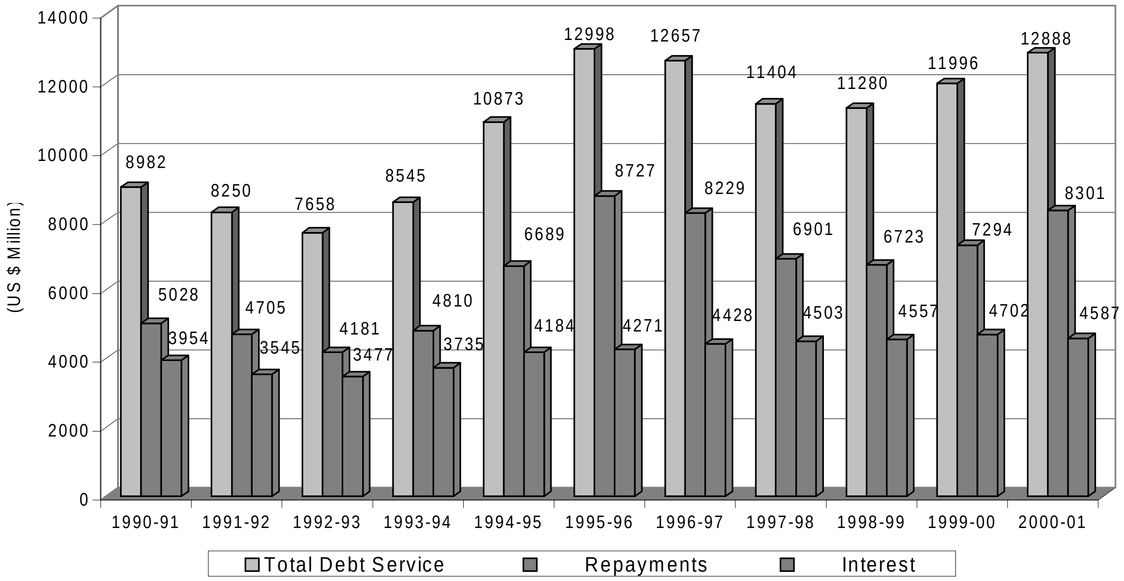


Table 19 provides debt service payments by creditor categories. This corresponds to the creditor wise debt outstanding provided in Table 9. The share of commercial debt in total debt service was 35.8 per cent in 2000-01 whereas its share in total outstanding long-term debt was 24.1 per cent at the end of March 2001. Multilateral and Bilateral (excluding IMF and Rupee debt) creditors together accounted for 31.8 per cent of total debt service in 2000-01. Their share in total long-term debt outstanding at end-March 2001 was 47.6 per cent.

Table 19 : Debt Service by Creditor Categories

(US $ million)

	Financial Year (April 1 – March 31)						Apr.-Dec.		
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01 P	1998	1999	2000 P
Multilateral :	2503	2186	2212	2175	2289	2525	1556	1692	2082
Principal	1435	1211	1299	1303	1415	1707	915	1017	1431
Interest	1069	975	913	872	874	818	641	675	651
Bilateral :	1565	1537	1795	1716	1668	1570	1414	1400	1375
Principal	982	988	1269	1204	1146	1098	1028	991	990
Interest	583	549	526	512	522	472	386	409	385
IMF :	1860	1061	667	419	267	26	310	240	26
Principal	1715	975	618	393	260	26	290	234	26
Interest	145	86	49	26	7	0	20	6	0
Export Credit :	1135	1570	1188	1256	1197	1800	801	1334	1610
Principal	792	1138	855	868	819	1407	508	956	1200
Interest	343	432	333	388	378	393	293	378	410
Commercial Borrowing:	3735	3949	2968	3193	4073	4613	2329	3646	4584
Principal	2851	3190	2093	2153	2943	3446	1602	2554	3419
Interest	884	759	875	1040	1130	1167	727	1092	1165
NRI Deposits :	1247	1627	1807	1719	1791	1737	1249	1364	1212
Interest*	1247	1627	1807	1719	1791	1737	1249	1364	1212
Rupee Debt :	952	727	767	802	711	617	646	570	461
Total Debt Service :	**12998**	**12657**	**11404**	**11280**	**11996**	**12888**	**8305**	**10246**	**11350**
Principal	**8727**	**8229**	**6901**	**6723**	**7294**	**8301**	**4989**	**6322**	**7527**
Interest	**4271**	**4428**	**4503**	**4557**	**4702**	**4587**	**3316**	**3924**	**3823**
Current Receipts	49625	55115	58545	59760	67472	79003	43162	48321	57597
Debt Service Ratio (%)	26.2	23.0	19.5	18.9	17.8	16.3	19.2	21.2	19.7

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

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

P : Provisional

Debt service on short-term debt, i.e., principal repayment on trade credits increased from US $ 0.7 billion in 1990-91 to US $ 7.1 billion in 1997-98 before declining to US $ 5.6 billion in 1998-99 (Table 20). Subsequently, principal repayment on short-term trade credit increased to US $ 10.7 billion in 2000-01.

Table 20: Debt Service on Short-term Trade Credit

Financial year (April 1 -- March 31) *(US $ million)*

	1990-91	1991-92	1992-93	1993-94	1996-97	1997-98	1998-99	1999-00	2000-01 P
Principal Repayment	677	2413	5269	4249	6247	7130	5562	6402	10698

P : Provisional

Table 21 provides international comparison of debt service and debt service ratio for top fifteen debtor countries from the Global Development Finance 2001 of the World Bank. During 1999, India had the fifth lowest debt service ratio of 15.0 per cent after Malaysia, China, Russia and Philippines (Figure 14).

Table 21 : International Comparison – External Debt Service Payments for Top Fifteen Debtor Countries in 1999

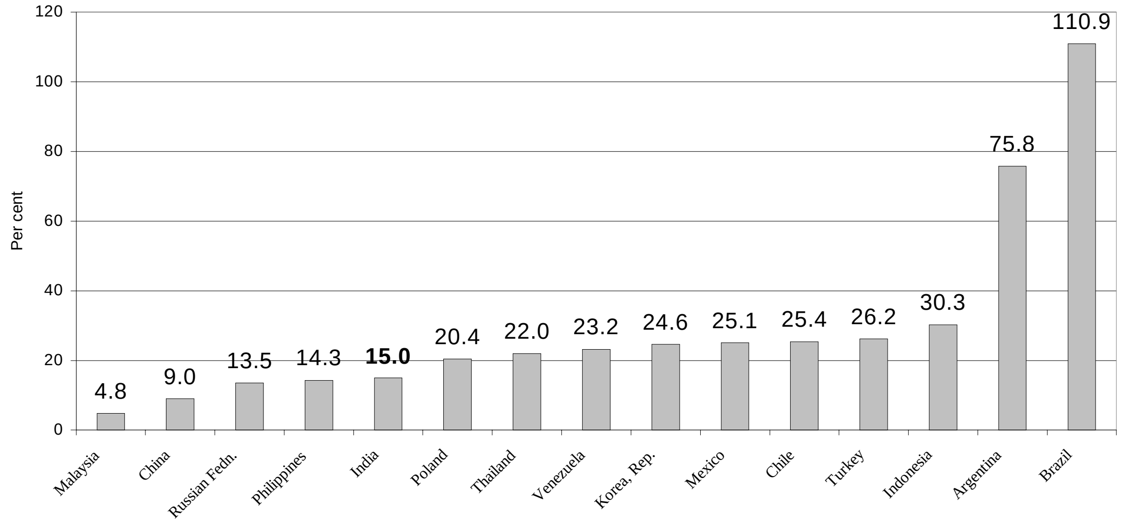
(US $ billion)

	(per cent of Exports of Goods and Services)			
Countries	**Principal**	**Interest**	**Total Debt Service**	**Debt Service ratio**
1	2	3	4	5
Malaysia	2.5	2.2	4.7	4.8
China	13.5	7.2	20.7	9.0
Russian Federation	6.8	4.7	11.5	13.5
Philippines	4.3	2.4	6.7	14.3
India	6.3	3.8	10.1	15.0
Poland	6.3	2.1	8.4	20.4
Thailand	9.6	6.8	16.4	22.0
Venezuela, RB	3.1	2.5	5.6	23.2
Korea, Rep.	36.1	6.9	43.0	24.6
Mexico	27.5	12.5	40.0	25.1
Chile	3.3	1.9	5.2	25.4
Turkey	8.0	5.8	13.8	26.2
Indonesia	11.7	6.1	17.8	30.3
Argentina	15.4	10.3	25.7	75.8
Brazil	52.6	14.9	67.5	110.9

Note : Serial number 1 to 15 is the rank of the top 15 debtor countries ordered by total debt service as percent of exports of goods and services in 1999 (ascending order).

Source : Global Development Finance, 2001, Country Tables, The World Bank.

Figure 14 : International Comparison of Debt Service to Export of Goods and Services Ratio, 1999.



Note : Top 15 debtor countriesordered by ratio of debt service to export of goods and services (ascending order)
Source : Global Development Finance, 2001, Country Tables, The World Bank.

5.2. Debt Service Projections

Based on the end-March 2001 debt stock, the projected debt service payments for the next ten years, beginning 2001-02 are provided in Table 22. Such projections are necessary for debt management exercises, particularly for avoiding bunching of repayments and for maintaining the adequacy of foreign exchange reserves to meet *contractual* obligations.

The projections do not include future debt service obligations out of committed undisbursed balance (disbursement in pipeline) and fresh borrowings. Total annual debt service payments are projected to be around US $ 8.7-9.4 billion between 2001-02 and 2002-03 (Table 22). There could be a hump in debt service payments in 2003-04 (US $ 13.5 billion) and in 2005-06 (US $ 13.1 billion) due to the redemption of Resurgent India Bonds and Indian Millenium Deposits respectively (Figure 15). *However, keeping in view the fact that a significant part of these bonds could be transferred in favour of residents or could be reinvested in the form of NRI Deposits, and in the light of past experience in similar bond issuance like India Development Bonds, the actual debt service may turn out to be much lower.* The projected debt service payments decline steadily since 2006-07.

Table 22 : Projected Debt Service Payments*

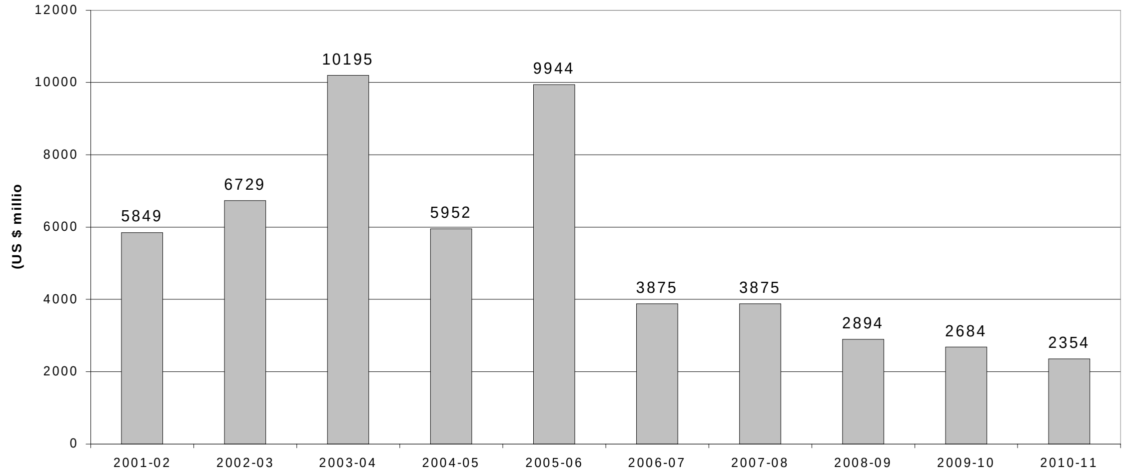
(US $ million)

	Principal	Interest	Total
2001-2002	5849	2859	8708
2002-2003	6729	2671	9400
2003-2004	10195	3297	13492
2004-2005	5952	1811	7763
2005-2006	9944	3113	13058
2006-2007	3875	1121	4996
2007-2008	3875	985	4860
2008-2009	2894	779	3674
2009-2010	2684	667	3351
2010-2011	2354	577	2931

* : The projections on debt servicing are based on the end-March 2001 debt outstanding position.

Projections exclude NRI Deposits and FII investment in Government Debt Securities, which accounted for 13.5 per cent of the total debt service during 2000-01. The projections do not include debt service arising out of committed undisbursed balance (CUB) and fresh borrowings.

Figure 15 : Redemption Profile of External Debt Outstanding as on March 31, 2001.



Note : The redemption profile for the next ten years is based on outstanding debt as on March 31, 2001. The repayments profile does not include principal repayments arising out of NRI Deposits and FII investment in Government securities.

Box 5: Interest Payments by Accrual Basis

Interest payments by accrual basis is a better indicator of the interest burden than data on cash payments basis since the latter might not include interest payments for those instruments, which are accrued over a period of time and are not paid until the maturity date of the debt. Accrual methodology, distributes the interest accruing over the term of the debt. Accrual provisions on interest payments are usually available on securutised instruments like bonds and notes. Interest payments, as shown in Table 18 and 19 on debt service payments are calculated on cash payments basis, except for NRI deposits and could thereby presumed to be an underestimate of actual interest burden by accrual basis. However, given the fact that only 14.1 per cent of the long-term debt are in bonds and notes (i.e., from commercial borrowings) as on end-March 2001, while the remaining debt are in the form of loans (i.e., from external assistance, IMF, trade credit and rupee debt), the difference in interest payments between accrual methodology and cash payments basis has been virtually insignificant.

Table 23 below provide estimates of interest payments by accrual basis as well as cash payment basis. In fact, the maximum difference on interest payments between the two methods has not exceeded US $ 214 million during 1992-93 to 2000-01. This implies that since loans are the most prevalent instruments in India's external debt portfolio, bulk of the interest payments on cash payment basis takes place as accrued as per the loan schedule, whereas interest payments which were accrued but for which cash payment did not take place amounted to less than 5 per cent of interest payment by cash payment basis. In fact, during 1996-97, due to redemption of IDBs, which included accrued interest payments, cash payments exceeded accrual basis by more than US $ 300 million. Similarly, maturity of some public sector bonds during 1997-98, which also included accrued interest payments resulted in the cash payment basis marginally exceeding the accrual basis. However, with the recent issues of RIBs and IMDs, the accrued interest may be higher than that on cash basis in future.

Table 23 : Interest Payments by Accrual Basis

(US $ million)

	Interest Payments		
	Accrual Basis	Cash Payment Basis	Difference
1992-93	3594	3477	117
1993-94	3856	3735	121
1994-95	4303	4184	119
1995-96	4391	4271	120
1996-97	4115	4428	-313
1997-98	4480	4503	-23
1998-99	4562	4557	5
1999-00	4916	4702	214
2000-01*	3984	3823	161

* : *Period 2000-01 denote the first three quarters for the financial year 2000-01, i.e., Apr. 1-Dec. 31, 2000.*

6. External Debt Management

India experienced a near balance of payments crisis in 1991. One of the causes contributing to the crisis was the rapid growth in external indebtedness and the consequent deterioration in key external debt indicators. India was, however, able to avoid a *debt crisis* and never defaulted on her debt obligations.

Following the balance of payments crisis, policy makers adopted a multi-pronged strategy to bring the external debt situation at a more comfortable level. The principal elements of this strategy were:

- Continuation of annual cap, minimum maturity restrictions and prioritising the use of external commercial borrowings;
- LIBOR-based ceilings on interest rates and minimum maturity requirements on foreign currency denominated Non-Resident Indian Deposits to discourage "hot money" component of such deposits;
- reduction in short-term debt together with controls to prevent its undue increase in future;
- retiring/refinancing of more expensive external debt;
- measures to encourage non-debt creating financial flows;
- incentives and schemes to promote exports and other current receipts; and
- conscious build-up of foreign exchange reserves to provide insurance against external sector uncertainties.

Three debt management areas that need highlighting are:

6.1. Annual Cap on External Commercial Borrowings: External Commercial Borrowings (ECBs) are defined to include loans from commercial banks and other financial institutions, export credits and money raised through issuance of securitised instruments like bonds (including IMDs, RIBs and IDBs). It also includes borrowings from International Financial Corporation (Washington) and private sector borrowing from Asian Development Bank. Every year a cap is fixed on ECB sanctions after taking into consideration the requirement of different sectors and the medium term balance of payment projections. The objective is to keep the debt-service ratio within the prudent limits of debt management. ECB approvals are monitored regularly to ensure that the total debt is maintained within such limits.

Table 24 provides data on aggregate approvals, disbursement, debt outstanding and debt service on ECB borrowings. The annual sanctions as well as gross disbursement increased steadily from 1985-86 to 1997-98. While sanctions increased from US $ 1.4 billion in 1985-86 to a peak of US $ 8.7 billion in 1997-98, gross disbursement also increased from US $ 1.5 billion to US $ 7.4 billion during the corresponding period. Accordingly, the ECB debt stock increased from US $ 6.2 billion at end-March 1986 to US $ 24.0 billion at end-March 1998. However, thereafter, the debt stock increased sharply to US $ 30.7 billion at end-March 2001. This is mainly due to raising of nearly US $ 4.2 billion of funds through RIBs and US $ 5.5 billion through IMDs during 1998-99 and 2000-01 respectively. Thus, after excluding such borrowings, data on gross disbursement indicates that the demand for corporate borrowings through ECB window has reduced significantly since 1998-99. Total debt service payments on external commercial borrowings reflected a steady profile around US $ 4-5 billion between 1995-96 and 1999-00. However, during 2000-01, debt service payments increased to US $ 6.5 billion.

Table 24: External Commercial Borrowings

Year	Approvals	Gross Disbursement	Amortisation	Interest	Total Debt Service	Debt Outstanding
1	2	3	4	5	6	7
1985-86	1390	1470	462	499	961	6227
1990-91	1903	1700	1191	1042	2233	13909
1991-92	2127	2798	1146	994	2140	15557
1992-93	2200	1001	1357	917	2274	15818
1993-94	2585	1859	1703	896	2599	16650
1994-95	4469	2670	2513	1091	3603	18037
1995-96	6286	4538	3311	1162	4473	19024
1996-97	8581	7018	4032	1177	5209	20261
1997-98	8712	7400	3411	1406	4817	23946
1998-99*	5200	6927	3153	1575	4728	28182
1999-00	3398	2289	3460	1635	5095	27530
2000-01** P	2837	8075	4866	1681	6547	30742

* : *Disbursement during 1998-99 includes US$ 4074 million drawals on account of RIBs.*

** : *Disbursement during 2000-01 includes US$ 5520 on account of IMDs.*

P : *Provisional.*

Note : *During 1998-99 and 2000-01, disbursement sharply exceeded ECB approvals due to issuance of RIBs and IMDs.*

Box 6 : External Commercial Borrowings Policy

The thrust of the Government policy on External Commercial Borrowings (ECBs) continues to be directed towards allowing ECBs as an additional source of finance for Indian corporate sector and PSUs for financing expansion of existing capacity and for fresh investment to augment resources available domestically. Although till recently, the policy sought to give greater priority for projects in the infrastructure, core and export sectors, all end-use restrictions were relaxed, except prohibiting use of ECB proceeds for investment in capital markets and real estate so as to avoid any speculative activities from the ECB proceeds.

The policy also aims at maintaining a minimum average maturity while keeping an annual ceiling on approvals. External commercial borrowings with an average maturity of 8 years and above are, however, outside the purview of ECB ceiling. Limits on individual borrowing amounts are linked to average maturity of the borrowing. Based on this linked criterion, ECB guidelines/approval procedure has been substantially liberalised over time with a view to provide corporates greater access to international capital markets. Accordingly, Government have allowed automatic approval of ECB up to US $ 50 million, including refinancing of existing ECB. The Government has also delegated sanctioning power of ECB of up to US $ 100 million to RBI.

Another guiding principle of ECB policy is to keep the costs of borrowings low. Reflecting the gradual liberalisation of ECB policy, the all-in-cost-ceiling was made public. The existing all-in-cost ceilings for normal projects, infrastructure projects and for long-term ECBs, are 300, 400, and 450 basis points respectively over 6-month LIBOR for the respective currencies in which the loan was to be raised.

As announced in the Union Budget 2001-02, tax exemption in respect of interest paid on ECB/ refinancing will not be available for such borrowings made on or after June 1, 2001. Exemption on hedging transactions or other charges payable will also not be available for any agreements entered on or after June 1, 2001.

As part of ECB policy, a corporate can also undertake liability management for hedging the interest and/or exchange rate risk on their underlying foreign currency exposures, in conformity with the guidelines of RBI. These products include interest rate swaps, currency swaps, coupon swaps, interest rate caps/collars and forward rate agreements. Prepayment facilities on ECB debt have also been relaxed significantly. As of now, 100 per cent prepayment is permitted where the source of funds is from Exchange Earners' Foreign Currency account(s) in addition to prepayment out of foreign equity inflow or when residual maturity of such debt is up to one year. Prepayment up to 10 per cent of outstanding ECB is also allowed once during the life of the loan, except for those companies having already availed prepayment of 20 per cent earlier.

6.2. Short-term Debt: Given the volatility of short-term debt flows and the possibility of their non-renewal in times of crisis, such flows are strictly monitored and are permitted only for trade related purposes, besides allowing short-term Rupee denominated non-resident deposits. Therefore, the policy regarding short-term debt highlights the fact that appropriate maturity structure, rather than being a micro decision, has a macro aspect and a *stability* issue. One of the reasons why India could successfully withstand the adverse effects of East Asian economic crisis and its contagion effect was that India had a low proportion of short-term debt.

Box 7 : Short-term Debt Management

The Indian policy on short-term external debt has largely been dictated by the lessons from the payments crisis faced by India in 1991 and continues to be controlled. One of the crucial factors that led to the payments crisis in 1991 was the relatively high level of short-term debt, at $ 8.5 billion at end-March 1991, and the rollover difficulties associated with the short-term liability. Another related problem with the short-term debt was that it was not used purely for trade financing purposes, but also used as a means of protecting the foreign exchange reserves.

Accordingly, the policy regarding short-term debt highlights the fact that appropriate maturity structure, rather than being a micro decision, has a macro aspect and a *stability* issue. Management of short-term external debt now focuses on:

- restricting the quantum of the short-term debt to manageable limits,
- strictly monitoring such liabilities,
- allowing short-term debt transactions only for import purposes,
- a minimum maturity of one year for foreign-currency denominated non-resident deposits,
- discouraging roll-over of short-term liabilities beyond six-months.

6.3. Non-Resident Deposits: Indian banks are permitted to accept foreign currency and local currency denominated deposits from non-resident Indians. Such deposits form a part of country's external debt (except non-repatriable deposits) and have an impact on foreign exchange markets. The policies regarding non-resident deposits aim at providing stability to such flows through a variety of measures. Amongst these policies are:

- a policy induced shift in favour of local currency denominated deposits,
- promotion of non-repatriable deposits,
- rationalisation of interest rates on rupee denominated deposits

- linking of interest rates to LIBOR for foreign currency denominated deposit,
- de-emphasising short-term deposits (of up to 12 months) in case of foreign currency denominated deposits,
- an active use of reserve requirements in relation to the cycle of capital flows has been employed as a part of monetary management,
- to eliminate the foreign exchange risk to the official agencies, exchange guarantees provided by RBI on such deposits were also discontinued.

Box 8 : Recommendations of the Sub-Group on Management of Non-resident Deposits

The sub-Group comprising of officials from the Ministry of Finance, RBI and financial sector, formed under the aegis of the Monitoring Group on External Debt, while analysing various issues of NRI Deposits, made the following recommendations related to management of NRI Deposits.

- The central bank or the Government should refrain from providing exchange rate guarantee to the banks in view of the risk of contingent external liability translating to the central bank or the Government.
- While mobilising NRI deposits, the stress should be more on domestic currency deposits whereby depositors have to bear exchange risks or alternative schemes may have to be devised so that recipient banks and the depositors are subjected to “burden sharing”.
- Commercial banks should be more active in their risk management strategies especially with regard to deployment of foreign currency denominated funds.
- There needs to be alignment of interest rates of both domestic and foreign currency denominated deposits with that of domestic or international rates.
- The focus of these deposits should be on longer maturity and maintenance of steady maturity stream, thereby imparting stability to such deposits.
- Assessment of the degree of substitution between NRI deposits and normal flows from non-residents in the form of private transfers, worker’s remittances and other non-debt creating flows from NRIs would assume importance while devising these schemes.

Box 9 : External Debt Monitoring

Proper coverage, monitoring and timely availability of debt data is a prerequisite for successful debt management. The volume and complexity of loan records have grown so much over time that manual record keeping normally does not allow data to be easily retrievable for analysis. Therefore, computerisation becomes a prerequisite for use of debt data as MIS input for debt management decisions.

The institutional arrangement of external debt data reporting and monitoring is spread out mainly among the Ministry of Finance, the Reserve Bank of India and the Ministry of Defence. External Debt Management Unit (EDMU) in the Ministry of Finance serves as the apex unit for monitoring of external debt with active support from the Reserve Bank of India.

In the area of external debt monitoring, India has come a long way from a modest beginning by adopting Commonwealth Secretariat - Debt Recording and Management System (CS-DRMS), a debt monitoring and management software, in the late 1980s, undertaking periodic study of the need for capturing and refining external debt statistics, and institutionalising the process of effective monitoring. The key areas that required attention and where significant progress have been made are briefly outlined below.

External Debt Statistics: One of the important landmarks in the area of external debt statistics was the “Task Force/Policy Group Report on External Debt Statistics” in 1992, which recommended adoption of internationally accepted classifications and definitions and stressed on transparency. As a follow up, the "Technical Group on External Debt Statistics" that submitted its Report in 1998 took into consideration the changing international requirements for debt data monitoring. The annual Status Report on External Debt, which first came out in 1993, marked the beginning of an exercise towards greater data transparency and raising public awareness about external debt matters. A Monitoring Group on External Debt comprising of members from the Ministry of Finance, Reserve Bank of India and the financial sector has also been set-up for streamlining data reporting and capturing mechanism. Accordingly, two sub-Groups recently submitted their Report on Non-Resident Deposits and Short-term Debt, addressing infirmities related to analytical issues, coverage of data, and data computerisation for such external debt data components. Another sub-Group submitted a Report on "External Sector Contingent Liabilities - A Study on India" with participation from the Ministry of Finance, Reserve Bank of India and The Commonwealth Secretariat, London. All these Reports were undertaken with financial assistance from the IDF Grant of the World Bank. These milestones become important, especially in the context of the need for continuous improvement in the quality and coverage of data and its use as input for debt management decisions. The transparency and awareness also leads to public feedback, which acts as an *early warning system*, especially in situations where key debt indicators are beginning to move in the wrong direction.

Debt Data Computerisation: More than 77 per cent of India's total external debt data has been computerised on the CS:DRMS software for debt monitoring and management. This covers data on External Assistance (credit from Multilateral and Bilateral sources) and External Commercial Borrowings (commercial bank loans, bonds, export credits etc.). Database on sovereign external debt, therefore, is fully computerised which makes it easily accessible for sovereign external debt modelling exercise. Based on the recommendations of two study Groups, efforts are underway to computerise debt data on Non-resident Indian Deposits held by the banking system and short-term debt data. These two components, together accounted for 19 per cent of the total external debt.

Debt Data Availability: For monitoring purpose, data on the CS-DRMS are updated quarterly (March 31, June 30, Sep. 30 & Dec. 31). Data on other components of debt, which are still outside computerisation, are also available on a quarterly basis. Since end-September 1999, external debt statistics are published on a quarterly basis. Exhaustive coverage and classification of external debt data is available and published in the annual Status Report on External Debt. This includes classification by creditor-borrower category; currency, interest and maturity mix of the debt portfolio; debt service payments and its projections; and guarantees on external debt.

Debt Data Dissemination: Debt data are currently published for all the four quarterly reference periods in a year in Government of India publications like the Economic Survey (for data as on September 30) and the Status Report on External Debt (for data as on December 31) and also in publications brought out by the Reserve Bank of India like the RBI Annual Report (for data as on March 31) and RBI Bulletin (for data as on June 30). Efforts are currently underway to reduce the lag period between publication and reporting period within three months to make data available on a timely basis. Government Account external debt data is also disseminated on a quarterly basis as per SDDS requirements of the IMF.

We have reached a stage where there is international recognition for India's achievements in the area of debt monitoring and management. Efforts are now underway to make India a "resource centre" and a "centre of excellence" for debt management activities so that we share our experience and expertise with others and also learn from their experience.

7. Sovereign External Debt Management

The need for sovereign external debt management in countries like India, which do not access international capital markets as a sovereign entity, has arisen mainly because borrowers are now required to make their own decisions regarding choice of currency, interest and maturity mix on their IBRD and ADB borrowings. With IBRD and ADB already having offered *free standing hedging products* (derivative products) like interest and currency swap, interest rate caps, collars etc., active management of sovereign external debt portfolio has become imperative.

For this purpose, a Core Group and a Steering Committee comprising Ministry of Finance and Reserve Bank of India officials have been set up. The objective is to develop benchmarks that lead to optimal currency, interest and maturity mix of sovereign external debt so as to minimise costs and risks. Since the debt data on Government Account (external assistance) is 100 per cent computerised, historical data and future projections are readily available for analysis, scenario building and as MIS input for sovereign external debt modelling exercise.

7.1. Sovereign external debt stock

Government of India's external debt is mainly accounted for by external assistance from multilateral and bilateral sources. Such debt, monitored by the Office of Controller Aid, Accounts and Audit in the Ministry of Finance is generally called external debt on Government Account. Other components of internal debt of the Government comprises of debt from sources take IMF, defence and met F11 investment in Government securities. Table 25 shows total external debt of the Government along with break-up by major creditor sources of Government Account External debt. The total external debt on Government Account declined from US $ 41.6 billion at end-March 1997 to US $ 40.8 billion at end-March 1998, before increasing to US $ 41.3 billion at end-March 2001. Total external debt of the Government, however declined from US $ 49.1 billion at end-March 1997 to US $ 44.6 billion at end-March 2001, mainly due to prepayment of IMF debt and steady liquidation of rupee-denominated debt from Russia through exports.

Table 25: External Debt Outstanding of Government

(US $ million)

		End-March				
		1997	1998	1999	2000	2001 P
I.	**Multilateral**	**26369**	**26344**	**26967**	**27584**	**27389**
	IDA	17337	17541	18301	18964	18799
	IBRD	6772	6430	6062	5810	5643
	ADB	1961	2078	2309	2505	2680
	IFAD	208	211	221	237	214
	Others	91	84	74	68	53
II.	**Bilateral**	**15223**	**14461**	**14929**	**15239**	**13917**
1.	Japan	6423	6506	7441	8690	7514
2.	Germany	3165	2853	2789	2374	2693
3.	United States	1824	1693	1574	1447	1298
4.	France	1001	925	891	762	688
5.	Netherlands	756	654	629	524	447
6.	Russian Federation	654	556	482	445	417
7.	Others	1400	1274	1123	997	860
III.	**Govt. Debt from External Assistance (I+II)***	**41592**	**40805**	**41896**	**42823**	**41306**
IV.	**Other Govt. External Debt****	**7468**	**5715**	**4241**	**4029**	**3282**
V.	**Total Government External Debt (III+IV)**	**49060**	**46520**	**46137**	**46852**	**44588**

* : External debt on Government Account represent borrowings from external assistance.

** : Other Government External Debt comprises of Defence debt, loans from IMF, and FII investment in Government debt securities under the 100% route.

P : Provisional.

7.2. External Debt Service on Government Account

Table 26 shows annual debt service on Government Account external debt. The debt service payments remained stable at around US $ 3 billion during 1996-97 to 2000-01.

Table 26 : Government Account External Debt Service*

(US $ million)

	1996-97	1997-98	1998-99	1999-00	2000-01 P
Multilateral :	1849	1808	1800	1863	1912
Principal	1053	1078	1117	1191	1305
Interest	796	730	683	672	607
Bilateral :	1173	1115	1154	1184	1113
Principal	784	740	802	817	804
Interest	389	375	352	367	339
Total Govt. Account :	3022	2923	2954	3047	3055
Principal	1837	1818	1919	2008	2109
Interest	1185	1105	1035	1039	946

* : Government Account external debt is the main component of total Government external debt and represent borrowings from external assistance as mentioned in Table 13. It does not include other components of Government external debt service payments on account of borrowing from IMF, Defence debt, and FII investment in Government securities.

P : Provisional.

7.3. Debt Service Projections on Government External Debt

Table 27 below shows sovereign external debt service projections for the next ten years based on the debt outstanding as on March 31, 2001. Total debt service payments is projected to be around US $ 3 billion over the next four years and decline since 2005-06. The redemption profile of Government external debt also shows a steady repayment profile of around US $ 2 billion over the next ten years (Figure 16). Total repayment over the next ten years amounts to only US $ 21.1 billion or 47.2 per cent of outstanding debt stock as on end-March 2001, thereby reflecting concentration of long-tenor loans.

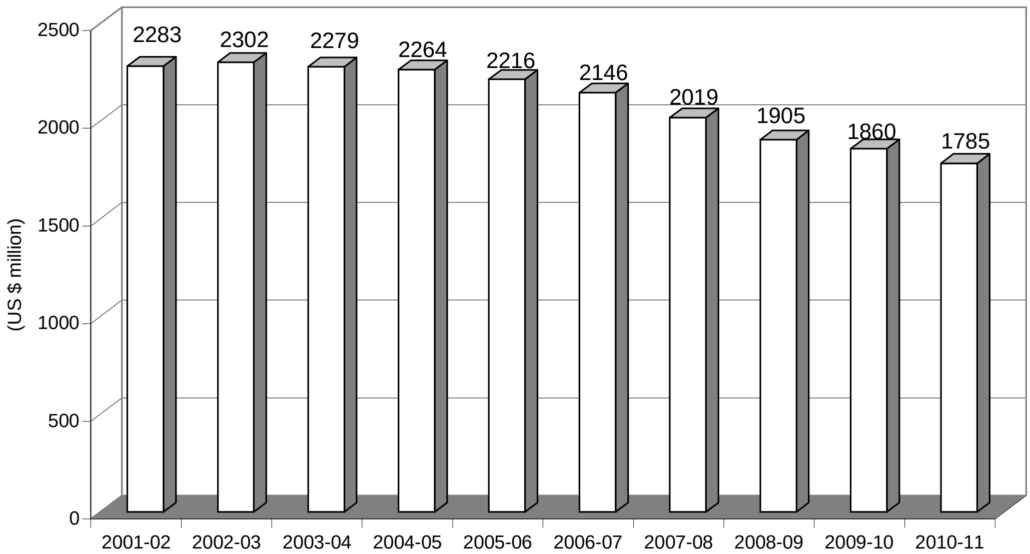
Table 27 : Projected Debt Service Payments on Government External Debt

(US $ million)

	External Assistance			Other External Debt			Total External Debt		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2001-02	1947	918	2865	336	26	362	2283	944	3227
2002-03	2013	861	2875	289	16	305	2302	878	3180
2003-04	2064	791	2855	214	12	226	2279	803	3082
2004-05	2081	726	2806	183	9	192	2264	734	2998
2005-06	2078	659	2736	138	4	142	2216	663	2878
2006-07	2044	594	2638	102	1	103	2146	595	2740
2007-08	1961	532	2492	58	0	59	2019	532	2551
2008-09	1859	476	2335	46	0	46	1905	476	2381
2009-10	1815	422	2237	44	0	45	1860	422	2282
2010-11	1742	373	2115	43	0	43	1785	373	2158

* : The projections are based on the end-March 2001 debt outstanding position of Government Account multilateral and bilateral debt (external assistance) maintained by the O/o CAA&A and other components of Government external debt like Defence debt. It does not include FII Investment in Government securities. The projections also do not include debt service arising out of committed undisbursed balance (CUB) and fresh borrowings.

Figure 16 : Redemption Profile of Governement External Debt



Note : Govt. External debt refers to multilateral and bilateral debt maintained by the O/o CAA&A and defence debt. Projections does not include amortisation payments arsising out of committed undisbursed balance and fresh disbursements.

Box 10 : Sovereign Credit Rating

Table 28 below provides a snapshot of sovereign rating assigned by Standard & Poor's and Moody's Investor Service, the two major rating agencies, to top 15 debtor countries. The rating applies to long-term foreign currency sovereign debt issue by the respective countries. Investors, often base their decision on such ratings for investment in international bonds and other debt instruments. The pricing of international bonds is governed by such ratings. The rating is *implicit* in the case of country like India, which do not access international capital markets as a sovereign entity. The rating agencies usually assign different grades of ratings like "investment" and "speculative" with further gradations according to risk perceptions. India's sovereign rating was Ba2 with *stable* outlook by Moody's and BB with *negative* outlook by Standard & Poor in August, 2001.

Table 28 : International Comparison of Sovereign Credit Ratings

S.No.	Country	Standard & Poor's		Moody's	
		Ratings	Grade	Ratings	Grade
1	Brazil	BB-	Speculative	B1	Speculative
2	Russian Federation	B	Speculative	B2	Speculative
3	Mexico	BB+	Speculative	Baa3	Investment
4	China	BBB	Investment	A3	Investment
5	Indonesia	CCC+	Speculative	B3	Speculative
6	Argentina	B-	Speculative	Caa1	Speculative
7	Korea, Rep.	BBB	Investment	Baa2	Investment
8	Turkey	B-	Speculative	B1	Speculative
9	Thailand	BBB-	Investment	Baa3	Investment
10	**India**	**BB***	Speculative	**Ba2**	Speculative
11	Poland	BBB+	Investment	Baa1	Investment
12	Philippines	BB+	Speculative	Ba1	Speculative
13	Malaysia	BBB	Investment	Baa2	Investment
14	Chile	A-	Investment	Baa1	Investment
15	Venezuela, RB	B	Speculative	B2	Speculative

Note : Sovereign credit ratings refer to the sovereign ceiling for foreign currency ratings on long-term bonds & notes as on August, 17 2001 for S&P and on July 31, 2001 for Moody's for top 15 debtor countries.

* : Outlook on India's foreign currency long-term rating was revised from stable to negative by S&P on August 7, 2001 and from positive to stable by Moody's on August 8, 2001.

Source: Web sites of S&P and Moody's Rating Services.

8. Contingent Liability on External Debt

8.1. Credit Guarantees on External Debt

Government of India provides guarantees on a selective basis on external borrowings by public sector enterprises, developmental financial institutions and in some instances to private sector companies. While all loans under the external assistance window, i.e. from multilateral and bilateral creditors involve credit guarantees by the Government, commercial borrowings by some public sector enterprises and financial institutions also involved credit guarantees provided by the Government. Such credit guarantees are to be invoked in the case of default by the borrower and therefore, constitute *explicit contingent liability* of the Government, which have direct implications for the budget in the event of default.

Table 29 provides data on such outstanding direct guarantees on external debt provided to creditors by Government for financial sector and the non-financial public sector and private sector enterprises borrowers (i.e., on account of external assistance and external commercial borrowings) since end-March 1994. There has been a steady decline in Government guarantees from US $ 10.7 billion at the end of March 1995 to US $ 7.1 billion at the end of March 2001 (Figure 17). The share of Government guaranteed debt in non-Government debt declined from 28.8 per cent at end-March 1994 to 12.7 per cent at end-March 2001 (Table 29).

Table 29 : Central Government Credit Guarantees on External Debt

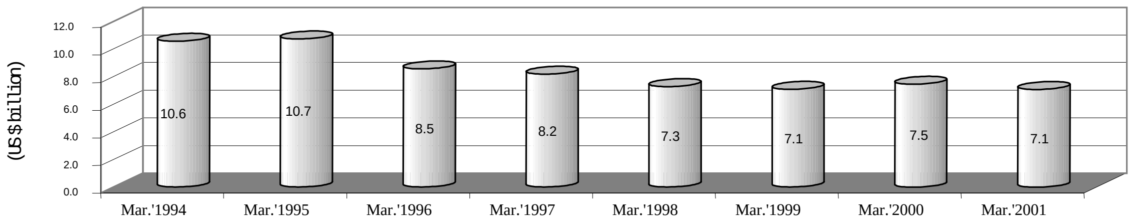
(US $ million)

		(End-March)							
		1994	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001 P**
1.	**Govt. Debt**	55943	59502	53095	49060	46520	46137	46852	44588
2.	**Non-Govt. Debt**	36752	39506	40635	44410	47011	50749	51411	55768
3.	of which with Govt. Guarantee*: (a+b+c)	10568	10733	8545	8170	7270	7071	7450	7073
a.	Financial Sector	1709	1695	1098	2259	2323	2420	2673	2526
b.	Public Sector	8533	8671	7070	5545	4605	4336	4504	4297
c.	Private Sector	326	367	377	366	341	315	273	250
4.	**Total External Debt (1+2)**	92695	99008	93730	93470	93531	96886	98263	100356
5.	Govt. Debt and Guaranteed Debt (1+3)	66511	70235	61640	57230	53790	53208	54302	51661
	(ratios as per cent)								
6.	Govt. Debt and Guaranteed Debt to Total External Debt (5/4)	71.8	70.9	65.8	61.2	57.5	54.9	55.3	51.5
7.	Govt. Guaranteed Debt to Non-Govt. Debt (3/2)	28.8	27.2	21.0	18.4	15.5	13.9	14.5	12.7

* : Direct credit guarantees on external debt provided by the Central Government.

P : Provisional

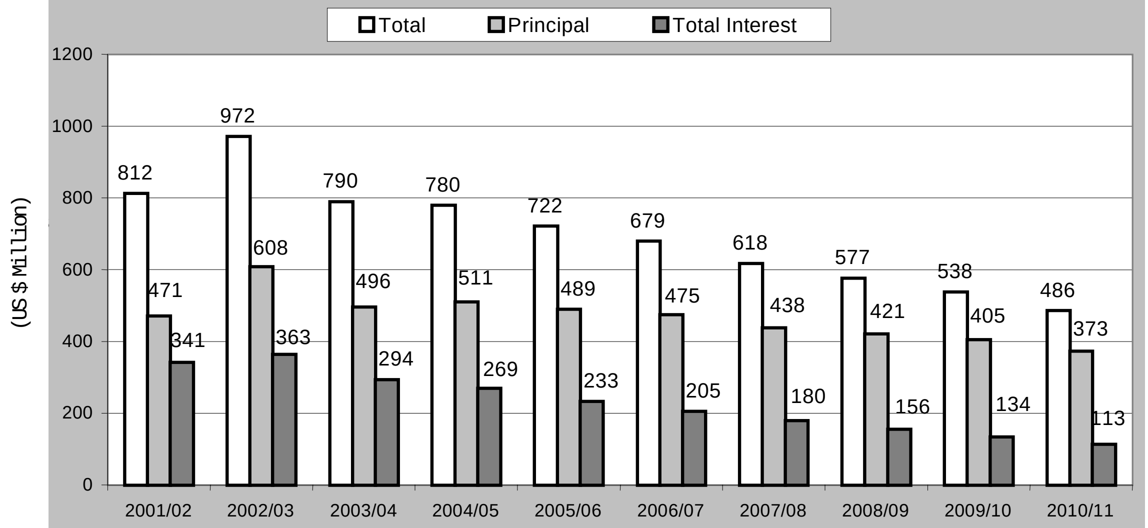
Figure 17 : Government Credit Guarantees on External Debt*



Note : Government guarantees are explicit credit guarantees on external debt provided by the Central Government

The debt service profile of credit guarantees provided by Government on external debt outstanding as on March 31, 2001 during the next ten years is provided in figure 18. Figure 18 shows that the total projected debt service obligations on credit guaranteed by the Government increases from US $ 0.8 billion in 2001-02 to US $ 1.0 billion in 2002-03 and declines steadily thereafter.

Figure 18 : Credit Guarantee on External Debt by Government - Projected Debt Service Profile



Note : Government guarantees are explicit credit guarantees on external debt provided by the Central Government.

8.2. Exchange Rate Guarantee on External Debt

Another source of contingent liability in the area of external debt, in the form of guarantee on exchange risk to the borrowers, could be important in the context of external liability management, especially when the local currency is depreciating. Such guarantees are usually provided to borrowers for enabling them to make debt-service payments at *agreed* exchange rate, with the guarantor bearing the loss in local currency on the additional debt service obligations to the borrower due to exchange rate differential between agreed and prevailing exchange rates.

Table 30: Outstanding Exchange Rate Guarantees on External Debt

(US $ million)

Components	End - March						
of External Debt	1995	1996	1997	1998	1999	2000	2001 P
FCNR(A) Deposit	7051	4255	2306	1	0	0	0
FC(B&O) Deposit	0	0	0	0	0	0	0
India Development Bonds	1596	1582	0	0	0	0	0
Resurgent India Bonds	0	0	0	0	4231	4228	4195
India Millennium Deposits	0	0	0	0	0	0	5501
External Assistance	454	408	365	325	285	245	206
Total Guarantee:	9101	6245	2671	326	4516	4473	9902
By Government	7505	4663	2671	326	4516	4473	9902
By Reserve Bank of India	1596	1582	0	0	0	0	0

P : Provisional

Total stock of non-Government debt, on which the Central Government or the Reserve Bank of India provided exchange rate guarantee declined from US $ 9.1 billion to US $ 0.3 billion at end-March 1998 (Table 30). Thereafter, however, outstanding debt carrying exchange rate guarantee increased sharply to US $ 9.9 billion at the end of March 2001, mainly on account of exchange rate guarantee provided by the Central Government on RIB and IMD issued during 1998-99 and 2000-01 respectively. Since depreciation of the local currency would imply an exchange loss to be borne by the Government, there is an actual budgetary implication for the Government, unlike credit guarantees, on which payment obligations would arise only when the borrower defaults on honouring such obligations. The fiscal cost of exchange loss, however, would be partially offset by the transfer of dividends by such public sector enterprises/banks, which have been provided exchange guarantees.

Instances of exchange rate guarantees by the Indian authorities could be traced back to as early as November 1975, when the Reserve Bank of India introduced Foreign Currency Non-Resident Accounts [FCNR(A)] deposits to provide an attractive foreign-currency denominated deposit avenue for inward remittances from Non-Resident Indians and guaranteed the exchange rate risk on such deposits to the borrowing banks. The exchange guarantee had quasi-fiscal cost for the central bank's balance sheet. Given the increasing size of these losses in a market determined exchange rate system, the Government of India agreed to assume the losses on FCNR(A) deposits with effect from July 1, 1993 and was met by transfer of additional profits by the RBI to the Government to make it budget neutral. Simultaneously, the deposit scheme was wound up in a phased manner during May 15, 1993 to August 15, 1994. The deposit scheme was replaced by Foreign Currency Non-Resident Banks Accounts [FCNR(B)] deposit under which foreign exchange risk was borne by the borrower banks based on their risk perception. Notwithstanding the closure of the FCNR(A) deposit scheme in August 1994, the previous outstanding balances on such account continued in the banks' balance sheet and were finally extinguished in 1997. Accordingly, the maturing deposits continued to be a burden on RBI's balance sheet. The total exchange loss amounted to nearly US $ 7.5 billion (Rs. 234 billion) during 1991-92 to 1997-98 (July-June period).

Similarly, RBI extended exchange guarantees to borrowing banks for mobilising Foreign Currency (Banks and Others) Deposits [FC(B&O)D] and Foreign Currency (Ordinary) Account [FCON], which were introduced in November 1990 and June 1991 respectively. The schemes were however discontinued in July 1992 and August 1994 respectively. During the balance of payments crisis in 1991, Indian Development Bonds [IDBs] were raised with a total subscription of US $ 1627 million with a tenor of 5 years. The bonds, which were redeemed in January-February 1997 also entailed exchange guarantee from RBI. The RBI no longer provides exchange rate guarantees on any schemes.

The Government of India, on the other hand provided selective exchange rate guarantee on multilateral loans raised by public sector enterprises, banks or financial institutions during the regime of pegged exchange rate. With a market-determined exchange rate policy in place, the Government no longer provides exchange guarantee on external loans raised by corporates. However, in recent times, as an precautionary motive to build foreign exchange reserves to comfortable levels, the Government provided exchange rate guarantee to the State Bank of India for raising resources through issuance of RIBs in August 1998 and IMDs in October/ November 2000. For both the bond issues, in the event of exchange rate depreciation, the loss up to 1 per cent per annum on a compounded basis would be borne by the SBI and the balance by the Government. Under an arrangement between the Government of India and the Reserve Bank of India, a "maintenance of value" (MOV) account has been worked out, which ensures that there is no cash burden on the Government of India budget. However, the Government will issue non-negotiable, non-interest bearing special securities without specified maturity in favour of the RBI to the extent of exchange losses to be borne by the Government. Thus, internal liability of the Government increases to the extent of the exchange losses.

Box 11: Management of External Sector Contingent Liabilities

A Group with representation from the Ministry of Finance, Reserve Bank of India and the Commonwealth Secretariat constituted to study management of contingent liabilities submitted its Report entitled, "External Sector Contingent Liabilities – A Study on India" in January 2001. The Report, while analysing credit or exchange rate guarantees on external debt, also focussed on guarantees related to private investment in infrastructure sector. Key elements of external contingent liability related to infrastructure sector are assured minimum rate of returns or counter-guarantees to private investors, or agreement by the Government or its representative organisation to bear fully or partially the costs of sunk-in investment in the face of any event or circumstances which may materially and adversely affect the investor from performing its obligation. The principal recommendations of the Group are summarised below.

- Identification, measurement and quantification of all explicit and implicit contingent liabilities.
- Application of risk management techniques keeping in view the specific requirements of the country.
- Creating an institutional structure with a centralised risk management unit having necessary expertise to monitor and manage contingent liabilities.
- Making provision for such contingent liabilities in the budget so that the Government is not caught off-guard in honouring them.
- Avoiding issue of ad-hoc guarantees while adopting a clear and transparent policy for issuing guarantees.
- Identify and prioritise areas and sectors that are key for developmental process and where private sector participation is important and would require guarantees.
- Encouraging increasing interface between insurance sector and capital markets for absorbing such risks through appropriate instruments.
- Adopting accrual based accounting for Government balance sheet to capture the real implication of contingent liabilities on Government finances.
- To avoid the problem of moral hazard and to ensure investors evaluate the projects properly, it is necessary that a "risk-sharing" approach between the Government and the investors is adopted. Where guarantees are absolutely necessary, it would be better if blanket guarantees for assured minimum returns are avoided.

9. Conclusions

The external debt management policy initiated in the 1990s that sought to restrict the debt stock within manageable limits was well calibrated to respond to the state of economy and have paid rich dividends over time. India's external indebtedness position improved significantly in terms of key debt indicators. This has earned India the recent upgradation by the World Bank from a moderately indebted country to a less indebted country at the end of 1999. The prudent policy in respect of debt management also contributed in withstanding the effects of global contagion during 1997-1999.

With gradual liberalisation of external borrowings policy, overriding concerns like avoiding borrowings at excessive premium over market-related rates, restricting short-term debt, encouraging long-tenor debt, end-use restrictions on channelling funds for speculative purposes ensured that unsustainable interest burden, maturity mismatch, liquidity risk as well as an irrational boom in external borrowings were controlled over time.

At the same time comprehensive coverage, monitoring and computerisation of external debt data facilitated complete and timely information of data on debt stock and debt service payments, which provided important inputs for policy decisions. Projected debt service payments provided early warning against bunching of repayment liabilities and interest burden so that the corrective steps could be taken in advance. The computerised data also permitted scenario-building and simulation exercises, which provided the MIS input for future borrowing decisions.

We now have to look ahead for further consolidating the gains already made. This would mean extending the scope of computerisation to areas still reported on manual basis, more timely reporting of debt data and greater use of computerised data as MIS input for debt management decisions. Simultaneously, the framework of external debt management policy will continue to be in place to further steer our progress on external debt front. Greater focus needs to be accorded to micro-management of external debt by borrowers and encouraging use of risk management practices. Development of the financial market and access of risk management instruments by borrowers in a cost effective manner will also play a crucial role towards this objective. For effective liability management of the Government balance sheet, efforts to activate and institutionalise sovereign external debt management will be a priority with particular emphasis on an integrated approach of overall sovereign debt management.

ANNEX 1

India's External Debt Outstanding (Annual)

(Rs. crores)

	End - March										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001P
I. MULTILATERAL	40,386	68,262	77,758	82,199	89,819	98,173	105,066	116,904	**129,682**	**137,132**	**145,099**
A. Government Borrowing	38,429	63,787	72,286	75,617	82,223	89,428	94,824	104,218	**114,531**	**120,321**	**127,765**
(i) Concessional	25,849	40,990	48,206	50,250	55,963	60,425	63,418	70,560	**78,979**	**84,051**	**88,943**
a) IDA	25,221	40,017	47,167	49,238	54,897	59,349	62,343	69,392	**77,725**	**82,721**	**87,697**
b) Others	628	973	1,039	1,012	1,066	1,076	1,075	1,168	**1,254**	**1,330**	**1,246**
ii) Non-concessional	12,580	22,797	24,080	25,367	26,260	29,003	31,406	33,658	**35,552**	**36,270**	**38,822**
a) IBRD	12,161	21,134	21,602	22,518	22,442	23,721	24,354	25,438	**25,747**	**25,343**	**26,320**
b) Others	419	1,663	2,478	2,849	3,818	5,282	7,052	8,220	**9,805**	**10,927**	**12,502**
B. Non-Government Borrowing	1,957	4,475	5,472	6,582	7,596	8,745	10,242	12,686	**15,151**	**16,811**	**17,334**
(i) Concessional	0	0	0	0	0	0	0	0	**0**	**0**	**0**
ii) Non-concessional	1,957	4,475	5,472	6,582	7,596	8,745	10,242	12,686	**15,151**	**16,811**	**17,334**
a) Public Sector	303	1,424	1,777	2,786	3,248	4,628	4,738	8,765	**10,716**	**12,183**	**12,474**
i) IBRD	303	962	1,300	2,158	2,013	2,942	3,341	5,217	**6,349**	**6,931**	**7,165**
ii) Others	0	462	477	628	1,235	1,686	1,397	3,548	**4,367**	**5,252**	**5,309**
b) Financial Institutions	1,270	2,345	2,883	2,718	2,559	2,464	2,391	2,171	**2,723**	**3,099**	**3,374**
i) IBRD	872	1,720	1,791	1,667	1,605	1,643	1,618	1,011	**1,057**	**999**	**1,017**
ii) Others	398	625	1,092	1,051	954	821	773	1,160	**1,666**	**2,100**	**2,357**
c) Private Sector	384	706	812	1,078	1,789	1,653	3,113	1,750	**1,712**	**1,529**	**1,486**
i) IBRD	330	628	709	953	1,610	1,244	1,639	1,321	**1,312**	**1,173**	**1,148**
ii) Others	54	78	103	125	179	409	1,474	429	**400**	**356**	**338**
II. BILATERAL	27,378	47,603	50,258	54,580	63,761	65,740	62,891	67,104	**74,304**	**79,278**	**77,549**
A. Government borrowing	23,065	40,371	42,220	45,387	52,965	53,119	49,092	51,420	**57,106**	**60,920**	**59,387**
(i) Concessional	23,065	40,371	42,220	45,387	52,965	52,078	48,165	50,583	**56,425**	**59,380**	**58,089**
ii) Non-concessional	0	0	0	0	0	1,041	927	837	**681**	**1,540**	**1,298**
B. Non-Government borrowing	4,313	7,232	8,038	9,193	10,796	12,621	13,799	15,684	**17,198**	**18,358**	**18,162**
(i) Concessional	514	928	1,243	1,453	1,896	3,088	3,409	1,770	**2,738**	**4,022**	**3,830**
a) Public Sector	0	0	0	190	654	376	1,054	192	**526**	**1,488**	**1,502**
b) Financial Institutions	514	928	1,243	1,263	1,242	2,712	2,355	1,578	**2,212**	**2,534**	**2,328**
c) Private Sector	0	0	0	0	0	0	0	0	**0**	**0**	**0**
ii) Non-concessional	3,799	6,304	6,795	7,740	8,900	9,533	10,390	13,914	**14,460**	**14,336**	**14,332**
a) Public Sector	2,957	4,472	4,726	5,475	6,120	5,602	5,216	5,360	**5,197**	**4,752**	**5,037**
b) Financial Institutions	527	1,236	1,571	1,718	1,883	2,197	2,436	4,216	**4,363**	**4,151**	**4,276**
c) Private Sector	315	596	498	547	897	1,734	2,738	4,338	**4,900**	**5,433**	**5,019**
III. IMF	5,132	8,934	14,985	15,812	13,545	8,152	4,714	2,622	**1,218**	**113**	**0**
IV. EXPORT CREDIT	8,374	12,418	13,484	16,307	20,876	18,432	21,044	25,783	**28,812**	**29,564**	**27,228**
a) Buyers' credit	2,230	3,566	3,989	5,474	6,227	7,216	11,184	15,433	**18,097**	**18,734**	**17,267**
b) Suppliers' credit	933	1,380	2,050	4,129	6,432	5,382	4,791	5,453	**5,532**	**5,582**	**4,850**
c) Export credit component of bilateral credit	1,390	2,428	3,671	3,947	4,604	4,529	4,189	4,399	**4,905**	**5,165**	**5,052**
d) Export credit for defence purchases	3,821	5,044	3,774	2,757	3,613	1,305	880	498	**278**	**83**	**59**
V. COMMERCIAL BORROWINGS	19,727	35,711	36,367	38,782	40,915	47,642	51,454	67,086	**89,019**	**86,963**	**112,885**
a) Commercial bank loans #	13,200	20,933	20,156	18,694	18,384	23,120	29,968	39,419	**43,892**	**44,015**	**46,340**
b) Securitized borrowings ##	5,840	13,219	13,990	16,557	16,935	19,790	17,320	23,786	**41,464**	**39,564**	**63,676**
c) Loans/securitized borrowings etc., with multilateral/bilateral guarantee + IFC(W)	687	1,512	2,105	2,430	2,998	3,050	3,521	3,451	**3,430**	**3,271**	**2,869**
d) Self-Liquidating Loans	0	47	116	1,101	2,598	1,682	645	430	**233**	**113**	**0**

(Rs. crores)

	End - March										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001P
VI. NRI & FC(B&O) DEPOSITS@ (Above one year maturity)	20,030	27,384	34,941	39,729	39,006	37,802	39,527	47,050	**50,048**	**59,137**	**71,975**
a) NRI deposits@@	19,843	26,737	34,113	39,729	39,006	37,802	39,527	47,050	**50,048**	**59,137**	**71,975**
b) FC(B&O)deposits	187	647	828	0	0	0	0	0	**0**	**0**	**0**
VII. RUPEE DEBT*	25,199	31,956	33,149	31,634	30,315	28,150	26,978	23,204	**20,077**	**19,218**	**17,225**
a) Defence	22,875	28,796	30,177	28,735	27,603	25,602	24,590	20,976	**18,004**	**17,290**	**15,438**
b) Civilian	2,324	3,160	2,972	2,899	2,712	2,548	2,388	2,228	**2,073**	**1,928**	**1,787**
VIII. TOTAL LONG TERM DEBT (I TO VII)	146,226	232,268	260,942	279,043	298,237	304,091	311,674	349,753	**393,160**	**411,405**	**451,961**
IX. SHORT-TERM DEBT	16,775	20,642	19,804	11,375	13,448	16,637	24,153	19,929	**18,137**	**17,150**	**16,147**
a) NRI deposits (up to one year maturity)@	7,018	6,517	8,131	4,078	7,176	9,896	13,547	8,657	**8,852**	**5,970**	**3,689**
b) FC(B&O) Deposits (up to one-year maturity)	328	924	2,433	1,672	0	0	0	0	**0**	**0**	**0**
c) Others (trade-related)**	9,429	13,201	9,240	5,625	6,272	6,741	10,606	11,272	**9,285**	**11,180**	**12,458**
of which, short-term debt over 6 months	4,976	4,738	5,601	5,625	6,272	6,741	10,606	11,272	**9,285**	**11,180**	**12,458**
X. GRAND TOTAL (VIII+IX)	163,001	252,910	280,746	290,418	311,685	320,728	335,827	369,682	**411,297**	**428,555**	**468,108**
Memo Items :											
Concessional Debt***	74,627	114,245	124,818	128,724	141,139	143,741	141,970	146,117	**158,219**	**166,671**	**168,087**
As % of Total Debt	45.8	45.2	44.5	44.3	45.3	44.8	42.3	39.5	**38.5**	**38.9**	**35.9**
Short-Term Debt	16,775	20,642	19,804	11,375	13,448	16,637	24,153	19,929	**18,137**	**17,150**	**16,147**
As % of Total Debt	10.3	8.2	7.1	3.9	4.3	5.2	7.2	5.4	**4.4**	**4.0**	**3.4**

IFC(W): International Finance Corporation (Washington).

FC(B&O) Deposits : Foreign Currency (Banks & Others) Deposits

P : Provisional

\# *Includes financial lease since 1996.*

\## *Includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Bonds (IMDs). Also includes Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds. FCCB debt has been adjusted since End-March, 1998 after netting out conversion into equity and redemptions.*

@ *Figures include accrued interest.*

@@ *The estimates for NRI deposits do not include Non- Resident Non-Repatriable Deposits (NRNRD) which is not repatriable. However, interest service for NRNRD, which is repatriable, is included as part of debt service payments.*

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

** *This does not include Suppliers' credits of up to 180 days since end-March 1994.*

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

Source : *Ministry of Finance (Department of Economic Affairs), Ministry of Defence, Reserve Bank of India, Securities & Exchange Board of India and State Bank of India.*

ANNEX 2

India's External Debt Outstanding (Annual)

(US $ million)

	End - March										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001P
I. MULTILATERAL	20,900	23,090	25,008	26,263	28,542	28,616	29,218	29,553	**30,534**	**31,438**	**31,104**
A. Government Borrowing	19,887	21,651	23,247	24,158	26,127	26,059	26,369	26,344	**26,967**	**27,584**	**27,388**
(i) Concessional	13,377	14,320	15,503	16,044	17,777	17,576	17,636	17,836	**18,596**	**19,269**	**19,066**
a) IDA	13,052	13,974	15,169	15,721	17,438	17,263	17,337	17,541	**18,301**	**18,964**	**18,799**
b) Others	325	346	334	323	339	313	299	295	**295**	**305**	**267**
ii) Non-concessional	6,510	7,331	7,744	8,114	8,350	8,483	8,733	8,508	**8,371**	**8,315**	**8,322**
a) IBRD	6,293	6,796	6,947	7,203	7,136	6,938	6,772	6,430	**6,062**	**5,810**	**5,642**
b) Others	217	535	797	911	1,214	1,545	1,961	2,078	**2,309**	**2,505**	**2,680**
B. Non-Government Borrowing	1,013	1,439	1,761	2,105	2,415	2,557	2,849	3,209	**3,567**	**3,854**	**3,716**
(i) Concessional	0	0	0	0	0	0	0	0	**0**	**0**	**0**
ii) Non-concessional	1,013	1,439	1,761	2,105	2,415	2,557	2,849	3,209	**3,567**	**3,854**	**3,716**
a) Public Sector	157	458	572	891	1,033	1,353	1,318	2,216	**2,523**	**2,793**	**2,674**
i) IBRD	157	308	418	690	640	860	929	1,319	**1,495**	**1,589**	**1,536**
ii) Others	0	150	154	201	393	493	389	897	**1,028**	**1,204**	**1,138**
b) Financial Institutions	657	754	928	869	813	721	665	550	**641**	**710**	**723**
i) IBRD	451	553	576	533	510	481	450	256	**249**	**229**	**218**
ii) Others	206	201	352	336	303	240	215	294	**392**	**481**	**505**
c) Private Sector	199	227	261	345	569	483	866	443	**403**	**351**	**319**
i) IBRD	171	202	228	305	512	364	456	334	**309**	**269**	**246**
ii) Others	28	25	33	40	57	119	410	109	**94**	**82**	**73**
II. BILATERAL	14,168	15,466	16,154	17,450	20,270	19,213	17,494	16,969	**17,499**	**18,175**	**16,624**
A. Government borrowing	11,936	13,099	13,578	14,519	16,841	15,535	13,652	12,998	**13,447**	**13,966**	**12,730**
(i) Concessional	11,936	13,099	13,578	14,519	16,841	15,232	13,394	12,786	**13,286**	**13,613**	**12,452**
ii) Non-concessional	0	0	0	0	0	303	258	212	**161**	**353**	**278**
B. Non-Government borrowing	2,232	2,367	2,576	2,931	3,429	3,678	3,842	3,971	**4,052**	**4,209**	**3,894**
(i) Concessional	266	348	400	465	603	903	948	448	**645**	**922**	**821**
a) Public Sector	0	0	0	61	208	110	293	49	**124**	**341**	**322**
b) Financial Institutions	266	348	400	404	395	793	655	399	**521**	**581**	**499**
c) Private Sector	0	0	0	0	0	0	0	0	**0**	**0**	**0**
ii) Non-concessional	1,966	2,019	2,176	2,466	2,826	2,775	2,894	3,523	**3,407**	**3,287**	**3,073**
a) Public Sector	1,530	1,432	1,513	1,745	1,943	1,631	1,453	1,358	**1,224**	**1,089**	**1,080**
b) Financial Institutions	273	396	503	547	598	639	678	1,067	**1,028**	**952**	**917**
c) Private Sector	163	191	160	174	285	505	763	1,098	**1,155**	**1,246**	**1,076**
III. IMF	2,623	3,451	4,799	5,040	4,300	2,374	1,313	664	**287**	**26**	**0**
IV. EXPORT CREDIT	4,301	3,990	4,322	5,203	6,629	5,376	5,861	6,526	**6,789**	**6,780**	**5,838**
a) Buyers' credit	1,154	1,142	1,277	1,745	1,977	2,101	3,116	3,908	**4,265**	**4,297**	**3,702**
b) Suppliers' credit	483	442	656	1,316	2,042	1,567	1,335	1,380	**1,303**	**1,280**	**1,040**
c) Export credit component of bilateral credit	719	791	1,181	1,263	1,464	1,325	1,165	1,112	**1,155**	**1,184**	**1,083**
d) Export credit for defence purchases	1,945	1,615	1,208	879	1,146	383	245	126	**66**	**19**	**13**
V. COMMERCIAL BORROWINGS	10,209	11,715	11,643	12,363	12,991	13,873	14,335	16,986	**20,978**	**19,943**	**24,203**
a) Commercial bank loans #	6,831	6,704	6,453	5,959	5,837	6,731	8,349	9,981	**10,343**	**10,094**	**9,936**
b) Securitized borrowings ##	3,022	4,512	4,479	5,278	5,377	5,751	4,825	6,022	**9,772**	**9,073**	**13,652**
c) Loans/securitized borrowings etc., with multilateral/bilateral guarantee + IFC(W)	356	484	674	775	952	888	981	874	**808**	**750**	**615**
d) Self-Liquidating Loans	0	15	37	351	825	503	180	109	**55**	**26**	**0**

(US $ million)

	End - March										
	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001P
VI. NRI & FC(B&O) DEPOSITS@	10,209	10,083	11,141	12,665	12,383	11,011	11,012	11,913	**11,794**	**13,562**	**15,432**
(Above one year maturity)											
a) NRI deposits	10,114	9,833	10,876	12,665	12,383	11,011	11,012	11,913	**11,794**	**13,562**	**15,432**
b) FC(B&O)deposits	95	250	265	0	0	0	0	0	**0**	**0**	**0**
VII. RUPEE DEBT*	12,847	10,420	10,616	10,084	9,624	8,233	7,511	5,874	**4,731**	**4,406**	**3,693**
a) Defence	11,645	9,222	9,661	9,160	8,763	7,488	6,847	5,311	**4,243**	**3,964**	**3,310**
b) Civilian	1,202	1,198	955	924	861	745	664	563	**488**	**442**	**383**
VIII. TOTAL LONG TERM DEBT (I TO VII)	75,257	78,215	83,683	89,068	94,739	88,696	86,744	88,485	**92,612**	**94,330**	**96,894**
IX. SHORT-TERM DEBT	8,544	7,070	6,340	3,627	4,269	5,034	6,726	5,046	**4,274**	**3,933**	**3,462**
a) NRI deposits (up to one year maturity)@	3,577	2,486	2,603	1,300	2,278	2,883	3,773	2,192	**2,086**	**1,369**	**791**
b) FC(B&O) Deposits (up to one-year maturity)	167	357	779	533	0	0	0	0	**0**	**0**	**0**
c) Others (trade-related)**	4,800	4,227	2,958	1,794	1,991	2,151	2,953	2,854	**2,188**	**2,564**	**2,671**
of which, short-term debt over 6 months	2,533	1,517	1,793	1,794	1,991	2,151	2,953	2,854	**2,188**	**2,564**	**2,671**
X. GRAND TOTAL (VIII+IX)	83,801	85,285	90,023	92,695	99,008	93,730	93,470	93,531	**96,886**	**98,263**	**100,356**
Memo Items :											
Concessional Debt***	38,426	38,187	40,097	41,112	44,845	41,944	39,489	36,944	**37,258**	**38,210**	**36,032**
As % of Total Debt	45.9	44.8	44.5	44.4	45.3	44.7	42.2	39.5	**38.5**	**38.9**	**35.9**
Short-Term Debt	8,544	7,070	6,340	3,627	4,269	5,034	6,726	5,046	**4,274**	**3,933**	**3,462**
As % of Total Debt	10.2	8.3	7.0	3.9	4.3	5.4	7.2	5.4	**4.4**	**4.0**	**3.4**

IFC(W): International Finance Corporation (Washington).

FC(B&O) Deposits : Foreign Currency (Banks & Others) Deposits

P : Provisional

\# *Includes financial lease since 1996.*

\## *Includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Bonds (IMDs). Also includes Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds. FCCB debt has been adjusted since End-March, 1998 after netting out conversion into equity and redemptions.*

@ *Figures include accrued interest.*

@@ *The estimates for NRI deposits do not include Non- Resident Non-Repatriable Deposits (NRNRD) which is not repatriable. However, interest service for NRNRD, which is repatriable, is included as part of debt service payments.*

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

** *This does not include Suppliers' credits of up to 180 days since end-March 1994.*

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

Source : *Ministry of Finance (Department of Economic Affairs), Ministry of Defence, Reserve Bank of India, Securities & Exchange Board of India and State Bank of India.*

ANNEX 3

India's External Debt Outstanding (Quarterly position)

(Rs. crores)

	End - Period						
	Sept.1999	Dec.1999	Mar.2000	June,2000 R.E.	Sept.2000 R.E.	Dec.2000 P	Mar.2001 P
I. MULTILATERAL	**134,563**	**135,480**	**137,132**	**139,701**	**141,514**	**145,360**	**145,099**
A. Government Borrowing	118,555	118,739	120,321	122,521	124,618	127,866	127,765
(i) Concessional	82,916	82,787	84,051	86,112	87,449	89,494	88,943
a) IDA	81,581	81,492	82,721	84,880	86,166	88,241	87,697
b) Others	1,335	1,295	1,330	1,232	1,283	1,253	1,246
ii) Non-concessional	35,639	35,952	36,270	36,409	37,169	38,372	38,822
a) IBRD	25,262	25,133	25,343	25,137	25,575	25,892	26,320
b) Others	10,377	10,819	10,927	11,272	11,594	12,480	12,502
B. Non-Government Borrowing	16,008	16,741	16,811	17,180	16,896	17,494	17,334
(i) Concessional	0	0	0	0	0	0	0
ii) Non-concessional	16,008	16,741	16,811	17,180	16,896	17,494	17,334
a) Public Sector	11,520	11,979	12,183	12,474	12,090	12,433	12,474
i) IBRD	6,771	6,854	6,931	7,073	7,154	7,192	7,165
ii) Others	4,749	5,125	5,252	5,401	4,936	5,241	5,309
b) Financial Institutions	2,799	3,175	3,099	3,128	3,240	3,505	3,374
i) IBRD	1,034	1,025	999	1,002	1,026	1,015	1,017
ii) Others	1,765	2,150	2,100	2,126	2,214	2,490	2,357
c) Private Sector	1,689	1,587	1,529	1,578	1,566	1,556	1,486
i) IBRD	1,300	1,220	1,173	1,201	1,190	1,202	1,148
ii) Others	389	367	356	377	376	354	338
II. BILATERAL	**80,922**	**80,944**	**79,278**	**79,877**	**79,768**	**78,966**	**77,549**
A. Government borrowing	62,543	62,503	60,920	61,303	61,434	60,745	59,387
(i) Concessional	60,984	60,970	59,380	60,060	60,152	59,444	58,089
ii) Non-concessional	1,559	1,533	1,540	1,243	1,282	1,301	1,298
B. Non-Government borrowing	18,379	18,441	18,358	18,574	18,334	18,221	18,162
(i) Concessional	3,425	3,713	4,022	4,201	4,289	4,064	3,830
a) Public Sector	883	1,089	1,488	1,588	1,641	1,524	1,502
b) Financial Institutions	2,542	2,624	2,534	2,613	2,648	2,540	2,328
c) Private Sector	0	0	0	0	0	0	0
ii) Non-concessional	14,954	14,728	14,336	14,373	14,045	14,157	14,332
a) Public Sector	5,217	5,024	4,752	4,721	4,517	4,814	5,037
b) Financial Institutions	4,399	4,285	4,151	4,145	4,089	4,088	4,276
c) Private Sector	5,338	5,419	5,433	5,507	5,439	5,255	5,019
III. IMF	**581**	**229**	**113**	**0**	**0**	**0**	**0**
IV. EXPORT CREDIT	**30,099**	**30,447**	**29,564**	**30,697**	**30,006**	**28,831**	**27,228**
a) Buyers' credit	18,835	19,387	18,734	19,884	19,167	18,314	17,267
b) Suppliers' credit	5,783	5,674	5,582	5,529	5,547	5,286	4,850
c) Export credit component of bilateral credit	5,303	5,301	5,165	5,223	5,231	5,169	5,052
d) Export credit for defence purchases	178	85	83	61	61	62	59
V. COMMERCIAL BORROWINGS	**90,631**	**88,278**	**86,963**	**86,760**	**89,445**	**113,734**	**112,885**
a) Commercial bank loans #	46,410	45,657	44,015	44,412	46,255	46,477	46,340
b) Securitized borrowings ##	40,623	39,119	39,564	38,998	39,972	64,169	63,676
c) Loans/securitized borrowings etc., with multilateral/bilateral guarantee + IFC(W)	3,419	3,347	3,271	3,261	3,154	3,055	2,869
d) Self-Liquidating Loans	179	155	113	89	64	33	0

ANNEX 3

India's External Debt Outstanding (Quarterly position)

(Rs. crores)

	End - Period						
	Sept.1999	Dec.1999	Mar.2000	June,2000 R.E.	Sept.2000 R.E.	Dec.2000 P	Mar.2001 P
VI. NRI & FC(B&O) DEPOSITS@	**52,110**	**55,156**	**59,137**	**62,971**	**67,042**	**69,865**	**71,975**
(Above one year maturity)							
a) NRI deposits@@	52,110	55,156	59,137	62,971	67,042	69,865	71,975
b) FC(B&O)deposits	0	0	0	0	0	0	0
VII. RUPEE DEBT*	**19,780**	**19,641**	**19,218**	**17,367**	**17,330**	**17,553**	**17,225**
a) Defence	17,758	17,830	17,290	15,441	15,434	15,647	15,438
b) Civilian	2,022	1,811	1,928	1,926	1,896	1,906	1,787
VIII. TOTAL LONG TERM DEBT							
(I TO VII)	**408,686**	**410,175**	**411,405**	**417,373**	**425,105**	**454,309**	**451,961**
IX. SHORT-TERM DEBT	**20,439**	**18,516**	**17,150**	**18,691**	**20,440**	**17,908**	**16,147**
a) NRI deposits (up to one							
year maturity) @	9,897	7,922	5,970	5,421	4,207	3,655	3,689
b) FC(B&O) Deposits							
(up to one-year maturity)	0	0	0	0	0	0	0
c) Others (trade-related)**	10,542	10,594	11,180	13,270	16,233	14,253	12,458
of which, short-term debt							
over 6 months	10,542	10,594	11,180	13,270	16,233	14,253	12,458
X. GRAND TOTAL (VIII+IX)	**429,125**	**428,691**	**428,555**	**436,064**	**445,545**	**472,217**	**468,108**
Memo Items :							
Concessional Debt***	167,105	167,111	166,671	167,740	169,220	170,555	168,087
As % of Total Debt	38.9	39.0	38.9	38.5	38.0	36.1	35.9
Short-Term Debt	20,439	18,516	17,150	18,691	20,440	17,908	16,147
As % of Total Debt	4.8	4.3	4.0	4.3	4.6	3.8	3.4

IFC(W): International Finance Corporation (Washington).

FC(B&O) Deposits : Foreign Currency (Banks & Others) Deposits

P : Provisional

\# *Includes financial lease since 1996.*

\## *Includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Bonds (IMDs). Also includes Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds. FCCB debt has been adjusted since End-March, 1998 after netting out conversion into equity and redemptions.*

@ *Figures include accrued interest.*

@@ *The estimates for NRI deposits do not include Non- Resident Non-Repatriable Deposits (NRNRD) which is not repatriable. However, interest service for NRNRD, which is repatriable, is included as part of debt service payments.*

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

** *This does not include Suppliers' credits of up to 180 days since end-March 1994.*

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

Source : *Ministry of Finance (Department of Economic Affairs), Ministry of Defence, Reserve Bank of India, Securities & Exchange Board of India and State Bank of India.*

ANNEX 4

India's External Debt Outstanding (Quarterly position)

(US $ million)

	End - Period						
	Sept.1999	Dec.1999	Mar.2000	June,2000 RE	Sept.2000 RE	Dec.2000 P	Mar.2001 P
I. MULTILATERAL	**30,836**	**31,102**	**31,438**	**31,254**	**30,645**	**31,119**	**31,104**
A. Government Borrowing	27,167	27,259	27,584	27,410	26,986	27,374	27,388
(i) Concessional	19,000	19,005	19,269	19,265	18,937	19,159	19,066
a) IDA	18,694	18,708	18,964	18,989	18,659	18,891	18,799
b) Others	306	297	305	276	278	268	267
ii) Non-concessional	8,167	8,254	8,315	8,145	8,049	8,215	8,322
a) IBRD	5,789	5,770	5,810	5,623	5,538	5,543	5,642
b) Others	2,378	2,484	2,505	2,522	2,511	2,672	2,680
B. Non-Government Borrowing	3,669	3,843	3,854	3,844	3,659	3,745	3,716
(i) Concessional	0	0	0	0	0	0	0
ii) Non-concessional	3,669	3,843	3,854	3,844	3,659	3,745	3,716
a) Public Sector	2,640	2,750	2,793	2,791	2,618	2,662	2,674
i) IBRD	1,552	1,573	1,589	1,582	1,549	1,540	1,536
ii) Others	1,088	1,177	1,204	1,209	1,069	1,122	1,138
b) Financial Institutions	642	728	710	700	701	750	723
i) IBRD	237	235	229	224	222	217	218
ii) Others	405	493	481	476	479	533	505
c) Private Sector	387	365	351	353	340	333	319
i) IBRD	298	280	269	269	258	257	246
ii) Others	89	85	82	84	82	76	73
II. BILATERAL	**18,545**	**18,586**	**18,175**	**17,870**	**17,280**	**16,903**	**16,624**
A. Government borrowing	14,332	14,350	13,966	13,714	13,304	13,004	12,730
(i) Concessional	13,974	13,997	13,613	13,436	13,026	12,726	12,452
ii) Non-concessional	358	353	353	278	278	278	278
B. Non-Government borrowing	4,213	4,236	4,209	4,156	3,976	3,899	3,894
(i) Concessional	785	852	922	940	929	870	821
a) Public Sector	202	250	341	355	355	326	322
b) Financial Institutions	583	602	581	585	574	544	499
c) Private Sector	0	0	0	0	0	0	0
ii) Non-concessional	3,428	3,384	3,287	3,216	3,047	3,029	3,073
a) Public Sector	1,196	1,154	1,089	1,056	980	1,030	1,080
b) Financial Institutions	1,008	984	952	927	886	875	917
c) Private Sector	1,224	1,246	1,246	1,233	1,181	1,124	1,076
III. IMF	**133**	**53**	**26**	**0**	**0**	**0**	**0**
IV. EXPORT CREDIT	**6,903**	**6,997**	**6,780**	**6,870**	**6,511**	**6,169**	**5,838**
a) Buyers' credit	4,320	4,456	4,297	4,450	4,161	3,918	3,702
b) Suppliers' credit	1,326	1,304	1,280	1,238	1,204	1,131	1,040
c) Export credit component of bilateral credit	1,216	1,217	1,184	1,168	1,133	1,107	1,083
d) Export credit for defence purchases	41	20	19	14	13	13	13
V. COMMERCIAL BORROWINGS	**20,787**	**20,292**	**19,943**	**19,418**	**19,417**	**24,331**	**24,203**
a) Commercial bank loans #	10,645	10,495	10,094	9,940	10,041	9,943	9,936
b) Securitized borrowings ##	9,317	8,992	9,073	8,728	8,677	13,727	13,652
c) Loans/securitized borrowings etc., with multilateral/bilateral guarantee + IFC(W)	784	769	750	730	685	654	615
d) Self-Liquidating Loans	41	36	26	20	14	7	0

ANNEX 4

India's External Debt Outstanding (Quarterly position)

(US $ million)

	Sept.1999	Dec.1999	Mar.2000	June,2000 RE	Sept.2000 RE	Dec.2000 P	Mar.2001 P
	End - Period						
VI. NRI & FC(B&O) DEPOSITS@	**11,952**	**12,678**	**13,562**	**14,094**	**14,553**	**14,946**	**15,432**
(Above one year maturity)							
a) NRI deposits	11,952	12,678	13,562	14,094	14,553	14,946	15,432
b) FC(B&O)deposits	0	0	0	0	0	0	0
VII. RUPEE DEBT*	**4,535**	**4,516**	**4,406**	**3,887**	**3,761**	**3,755**	**3,693**
a) Defence	4,072	4,100	3,964	3,456	3,350	3,347	3,310
b) Civilian	463	416	442	431	411	408	383
VIII. TOTAL LONG TERM DEBT							
(I TO VII)	**93,691**	**94,224**	**94,330**	**93,393**	**92,167**	**97,223**	**96,894**
IX. SHORT-TERM DEBT	**4,688**	**4,256**	**3,933**	**4,183**	**4,438**	**3,831**	**3,462**
a) NRI deposits (up to one							
year maturity)@	2,270	1,821	1,369	1,213	914	782	791
b) FC(B&O) Deposits (up to							
one-year maturity)	0	0	0	0	0	0	0
c) Others (trade-related)**	2,418	2,435	2,564	2,970	3,524	3,049	2,671
of which, short-term debt							
over 6 months	2,418	2,435	2,564	2,970	3,524	3,049	2,671
X. GRAND TOTAL (VIII+IX)	**98,379**	**98,480**	**98,263**	**97,576**	**96,605**	**101,054**	**100,356**
Memo Items :							
Concessional Debt***	38,294	38,370	38,210	37,528	36,653	36,510	36,032
As % of Total Debt	38.9	39.0	38.9	38.5	37.9	36.1	35.9
Short-Term Debt	4,688	4,256	3,933	4,183	4,438	3,831	3,462
As % of Total Debt	4.8	4.3	4.0	4.3	4.6	3.8	3.4

IFC(W): International Finance Corporation (Washington).

FC(B&O) Deposits : Foreign Currency (Banks & Others) Deposits

P : Provisional

\# *Includes financial lease since 1996.*

\## *Includes India Development Bonds (IDBs), Resurgent India Bonds (RIBs), India Millennium Bonds (IMDs). Also includes Foreign Currency Convertible Bonds (FCCBs) and net investment by 100% FII debt funds. FCCB debt has been adjusted since End-March, 1998 after netting out conversion into equity and redemptions.*

@ *Figures include accrued interest.*

@@ *The estimates for NRI deposits do not include Non- Resident Non-Repatriable Deposits (NRNRD) which is not repatriable. However, interest service for NRNRD, which is repatriable, is included as part of debt service payments.*

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

** *This does not include Suppliers' credits of up to 180 days since end-March 1994.*

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

Source : *Ministry of Finance (Department of Economic Affairs), Ministry of Defence, Reserve Bank of India, Securities & Exchange Board of India and State Bank of India.*