

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1874
ANSWERED ON:02.12.2011
STEPS TO REDUCE EXTERNAL DEBT
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Will the Minister of FINANCE be pleased to state:

- (a) the total quantum of external debt in the first six months of current fiscal year;
- (b) the reasons for increase in India`s external debt with details of long term debt and short term debt, if any; and
- (c) the steps taken or proposed to be taken by the Government to reduce the external debt?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

- (a) India`s external debt stock stood at US\$ 316.9 billion at end-June 2011,
- (b) The increase in external debt to US\$ 316.9 billion at end-June 2011 from US\$ 306.5 billion at end-March 2011 was largely on account of rise in commercial borrowings and short-term trade credits. Out of the total external debt of US\$ 316.9 billion, long term external debt stood at US\$ 248.4 billion while short term external debt accounted for US\$ 68.5 billion.
- (c) The prudent external debt management policy followed by the Government of India emphasizes monitoring of long and short term debt, raising sovereign loans on concessional terms with long maturities, regulating external commercial borrowings through end-use and all-in-cost restrictions and rationalizing interest rates on Non-Resident Indian (NRI) Deposits. As a result, the external debt to GDP ratio has declined from 21.1 per cent in 2001-02 and to 17.3 percent in 2010-11.