SUSTAINABILITY OF INDIA’S EXTERNAL DEBT SINCE 90S

DR. PREETI SINGH

ASSISTANT PROFESSOR
VASANTA COLLEGE FOR WOMEN,
RAJGHAT
(UNDER THE PRIVILEGES OF BANARAS HINDU UNIVERSITY),
VARANASI (U.P.)

ABSTRACT

Though the foreign borrowings help developing countries to achieve their growth targets yet the debt crisis faced by many countries during the past three decades has shown the dangers of resorting to excessive foreign borrowing. Therefore countries make efforts to reduce their debt burden to more manageable levels. India faced extreme external debt situation in 1990 which led the country to make major reforms in its economy. The increased cross border capital flows in India since liberalization has introduced a degree of volatility that requires a continuous assessment of debt sustainability. The purpose of this paper is to determine sustainability of India’s external debt. Various debt-sustainability indicators have been shown to reflect external debt trends since 90s. The paper concludes that prudent external sector policies pursued by the Government of India particularly since 1991 helped maintaining a comfortable external debt position and various debt sustainability indicators have shown an improvement in the last two decades. Besides, India’s external debt indicators compare well with that of other developing countries. However, euro-zone sovereign debt crisis and slow down in global economy has adversely affected debt-sustainability indicators in 2011-12.

KEYWORDS: Foreign-Exchange Reserves, Debt-service Obligations, Debt-Crisis, Present value of Debt.