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Swami Prasad Saxena
Professor, Finance and Macroeconomics, Department of Applied Business Economics, Dayalbagh Educational Institute, Dayalbagh, Agra, Uttar Pradesh, India

Corresponding Author:
Swami Prasad Saxena
Professor, Finance and Macroeconomics, Department of Applied Business Economics, Dayalbagh Educational Institute, Dayalbagh, Agra, Uttar Pradesh, India

Dynamics of external commercial borrowings in India

Swami Prasad Saxena

Abstract
This paper is an attempt to empirically examine the trends and Intricacies of ECB in India. It also tries to analyze the possible effects of new ECB policy announced on 16 January 2019. The study observes that ECB flows in last about three decades have been highly volatile, and the share of ECBs in the total external borrowing in India is rising fast. Though, government is progressively relaxing the ECB norms to boost the economy, there is need of careful management of ECBs by corporates as well as the government. While applying for ECB the corporates need to be cautious about the exchange rate risk and impact on balance sheet debt to use ECBs effectively; the government too should not be unmindful of the dangers of increasing reliance on such borrowings with external risks.

Keywords: External debt, external commercial borrowings, economic development interest rate differential, forex risk

Introduction
The economic development of a country may be financed either by domestic savings or by allowing foreign investment. When there is a gap between domestic savings and investments, and foreign direct investment inflows are not significant, a country may resort to borrowing from internal or external sources. As India embarked on the path of globalization and liberalization following the Balance of Payment (BoP) crisis in the early 1990s, the composition of capital flows witnessed a paradigm shift from official transfers to private capital inflows, and External Commercial Borrowings (ECBs) emerged as the prime component of debt creating capital flows.

ECBs, by nature debt flows, provide an additional source of funds for public sector undertakings and private corporates to finance new investments as well as expansion of the existing capacity when domestic sources fail to meet some of the requirements of funds for such purposes. Domestic corporates take into account the advantages of interest rate differentials between domestic and international markets and opt for foreign borrowings accordingly. On the part of the lenders, interest rate differentials as well as the associated market risks and the need for diversification of portfolios play important roles in extending such debt funds to other countries.

ECBs are loans from commercial banks, other commercial financial institutions, money raised through issue of securitized instruments like bonds including India Development Bonds (IDBs) and Resurgent India Bonds (RIBs), Floating Rate Notes (FRN) and securitized borrowings of commercial banks etc. It also includes borrowings through buyers' credit & suppliers’ credit mechanism of the concerned countries, International Finance Corporation, Washington IFC (W), Nordic Investment Bank and private sector borrowings from Asian Development Bank (ADB). (Department of Economic Affairs, Status Report on India's External Debt, 2018-19).

In India, corporates' access to foreign borrowing was limited to bilateral and multilateral arrangements during the initial three decades post-independence. Though, recourse to such borrowings was started in the 1970s, it got prominence and attention of the policymakers in the 1980s, when due to poor utilization of the funds that came as official flows, inflow of external assistance had gone down and the burden of external debt increased rapidly. Since 1980 there has been significant dependence on private capital flows in the form of ECBs and deposits from NRIs (Reddy, 2001) [10].

Khanna (1992) [8] observed that India’s foreign liabilities till 1983 were within the manageable limits, but, after 1983, the country’s external debt increased with structural changes concerned with short term and commercial borrowings constituting a greater portion of the liabilities led by large trade deficits that occurred due to high import of petroleum and other goods than exports. The situation got aggravated due to economic crisis of 1979-80 and 1990 caused by oil shock. As climate for cheaper and concessional debt was adverse, the country financed its rising deficits by costly ECBs. What that experience taught was that short-term debt could not be rolled over, since panic gripped the markets, aggravating the crisis of liquidity (Sheel, 2019) [12]. After the BoP crisis of 1991-92, India adopted conservative policy regarding ECBs; it imposed annual caps on additional borrowing, particularly on short-term debt, and restricted the end use of ECBs.

The Reserve Bank of India (RBI), though conservative by instinct, liberalized ECB policy several time after economic liberalization. The recent changes in ECB regulation include notification of Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, and the amendments made in existing ECB policy, termed as 'New ECB Policy' on 16 January 2019.

Since 1991, though, India's external debt and ECB stock, by and large, remained within prudent levels; the ECB flows have been volatile. It is observed that India's ECB flows had been affected by Current account deficit, policy framework, global economic crisis, industrial production activity, interest rate differential and liquidity in domestic economy. Dev (2013) [5] observed that commercial borrowings have been higher in normal times than in the years of recession. Saxena (2009) [11], and Ghosh & Chandrasekhar (2009) [6] were of the view that declining interest rate in credit market, relaxation of rules and higher interest rate differential have attracted ECB to India. Singh (2007) [13] found that long run demand for the overseas commercial loans is influenced by the pace of domestic activity which in turn is measured by the index of industrial production (IIP), interest rate differential between domestic and international markets, liquidity conditions measured by money supply. Verma & Prakash (2011) [15] also mentioned that the interest rate differential, IIP and Current Account Deficit (CAD) induce ECB, while exchange rate moves opposite to it.

Growth of ECB in India

The net ECB flows in India show declining trend in initial years after liberalization, i.e. from US$ 2248 million in 1991 to US$ 1456 million in 1992, and negative (US$ -358 million) in 1993 (Figure 1). Thereafter, it increased till 1999, probably due to liberalization of policies, such as, raising the scope for overseas borrowings by corporates. This period witnessed increased trade-related credits, bank loans and increased inflows through convertible bonds placed in the Euro market. The turmoil in international financial markets caused by East Asian currency crisis, Argentina's default on its international bond obligations, Iraq conflict followed by global slowdown, high volatility in credit markets, low investors confidence and intense risk aversion interrupted developments in India's capital account and resulted into several fluctuations till 2005.

The ECB flows in India during 2006 were US$ 2759 million; it increased to US$ 22641 million (ever time high) in 2008, but decreased to US$ 6647 million in 2009 and registered several variations thereafter. The ECB flows during 2016 – 2018 were negative; it increased to US$ 9769 million (88.65 percent of debt flows) in the year 2019 (Table 1) probably due to announcement of new ECB Policy. The trend shows that ECB flows in India in last about three decades have been highly volatile.

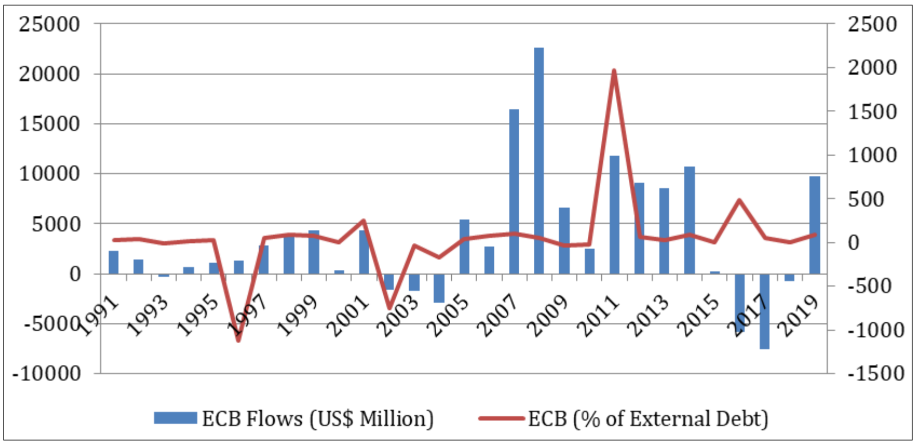

Fig 1: ECB flows (Net) in India

Table 1: Capital inflows in India (US$ Million)

Source	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
Net Capital Inflows (A+B)	7188	3777	2936	9694	9156	4690
A. Non-Debt Creating Sources	103	133	557	4233	4922	4803
B. Debt Creating Sources	7085	3644	2379	5461	4234	-113
Debt flows (% of Capital Inflows)	98.57	96.48	81.03	56.33	46.24	-2.41
ECB Inflows (Net)	2248	1456	-358	608	1030	1275
ECB flows (% of Debt Inflows)	31.73	39.96	-15.05	11.13	24.33	-1128.32
Source	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
Net Capital Inflows (A+B)	11412	10010	8260	11100	8534	8357
A. Non-Debt Creating Sources	6154	5390	2412	5191	6791	8146
B. Debt Creating Sources	5258	4620	5848	5909	1743	211
Debt flows (% of Capital Inflows)	46.07	46.15	70.80	53.23	20.42	2.52
ECB Inflows (Net)	2848	3999	4362	313	4308	-1588
ECB flows (% of Debt Inflows)	54.17	86.56	74.59	5.30	247.16	-752.61

Source	2003	2004	2005	2006	2007	2008
Net Capital Inflows (A+B)	10640	17338	28629	24954	46171	107902
A. Non-Debt Creating Sources	6015	15678	15298	21395	29743	62000
B. Debt Creating Sources	4625	1660	13331	3559	16428	45902
Debt flows (% of Capital Inflows)	43.47	9.57	46.56	14.26	35.58	42.54
ECB Inflows (Net)	-1701	-2928	5426	2759	16443	22641
ECB flows (% of Debt Inflows)	-36.78	-176.39	40.70	77.52	100.09	49.32
Source	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
Net Capital Inflows (A+B)	7835	51622	61103	65324	91989	47804
A. Non-Debt Creating Sources	27884	65485	60500	50362	54723	35792
B. Debt Creating Sources	-20050	-13863	603	14962	37266	12013
Debt flows (% of Capital Inflows)	-255.91	-26.86	0.99	22.90	40.51	25.13
ECB Inflows (Net)	6647	2531	11832	9140	8582	10716
ECB flows (% of Debt Inflows)	-33.15	-18.26	1962.28	61.08	23.03	89.20
Source	**2015**	**2016**	**2017**	**2018**	**2019**	
Net Capital Inflows (A+B)	88265	40055	35967	92292	53917	
A. Non-Debt Creating Sources	77476	41264	49981	61595	42898	
B. Debt Creating Sources	10789	-1209	-14013	30696	11019	
Debt flows (% of Capital Inflows)	12.22	-3.02	-38.96	33.26	20.44	
ECB Inflows (Net)	232	-5856	-7590	-799	9769	
ECB flows (% of Debt Inflows)	2.15	484.47	54.16	-2.60	88.65	

Source: Handbook of statistics on Indian economy, RBI (Various issues)

It is important to mention here that ECBs in 2019 touched a historic high. Indian companies, primarily led by large corporates and oil marketing companies, borrowed as much as US$ 41.07 billion during the financial year, registering a 58 per cent increase from the previous year's tally of US$ 25.99 billion. The earlier high was US$ 31.1 billion, achieved in 2015 (Table 2). Figure 2 shows ECB inflows from automatic route and approval route during a period from 2015 to 2019. The top five ECB loan borrowing sectors in 2019 were financial services, petroleum & petroleum products manufacturing, ferrous (iron & steel), telecommunication services, power generation, transmission & distribution; and the top five companies were Arcelor Mittal India Private Limited, Reliance Jio Infocomm Limited, Indian Oil Corporation Limited, Reliance Industries Limited and Tata Sons Limited (Narayanan, 2019) [9].

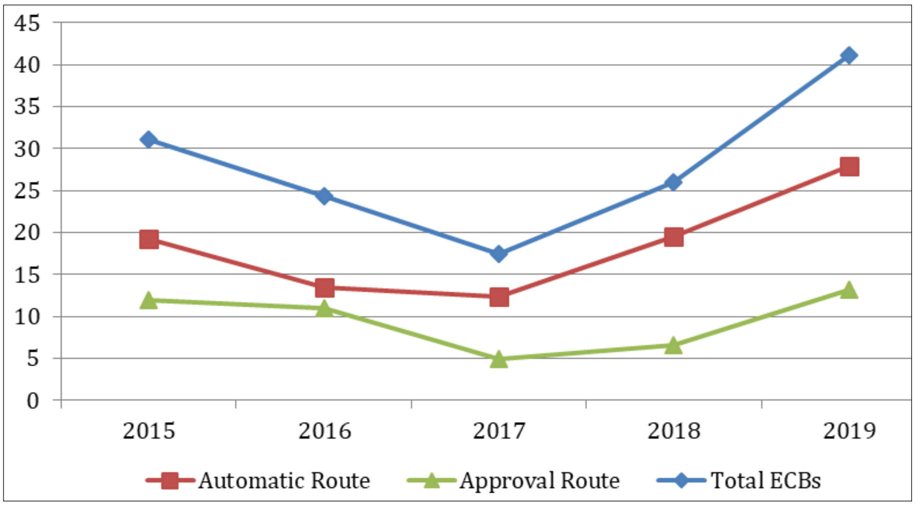

Fig 2: ECB inflows in India (US$ Billion)

Table 2: ECB inflows in India (US$ Billion)

Route	2015	2016	2017	2018	2019
Total ECB (US$ Billion)	31.1	24.37	17.39	25.99	41.07
Automatic	19.22	13.41	12.41	19.46	27.9
Approval	11.88	10.96	4.98	6.53	13.17

***Source*:** RBI, www.rbi.org.in

If we look at India's outstanding ECBs in pre-crisis period (Figure 3), high growth in ECB stock was observed in 1998, 1999 and 2001 mainly due to issue of Resurgent India Bonds (1998) and India Millennium Deposits (2000). The stock of ECB however declined in 2000 and 2002-2004 probably on account of weak demand for ECBs reflecting weakness in domestic investment demand and also because of prepayments of existing ECBs. India's ECB stock at end March 2006 was US$ 26,452 million (19.01 percent of external debt); it increased to US$ 41,443 million in 2007 registering growth of 56.67 percent over previous year (Table 3), and further to US$ 62,334 million at end March 2008. The global financial crisis, began in 2007 with a crisis in the subprime mortgage market in the US, and developed into a full-blown international banking crisis with the collapse of the investment bank Lehman Brothers on September 15, 2008 affected Asian markets also. The Indian economy also showed vulnerability, but, due to increased openness of economy in last two decades, the financial crisis spilled over to India through financial channels. Though, net ECB inflow in post-crisis period reduced, the outstanding ECBs increased continuously. In 2010, ECB stock was US$ 70,726 million (27.10 percent of external debt); it almost doubled and reached to US$ 1,40,125 million in 2013 and crossed US$ 1,80,000 million at end March 2015, probably because India allowed issuance of Rupee Denominated Bonds (Masala Bonds) by the corporate sector. The stock of ECB, recorded at US$ 180480 million in 2016, increased continuously to US$ 201826 million in 2018 and further to US$ 206411 million in 2019; though, a fall of 4.64 percent was observed in the year 2017.

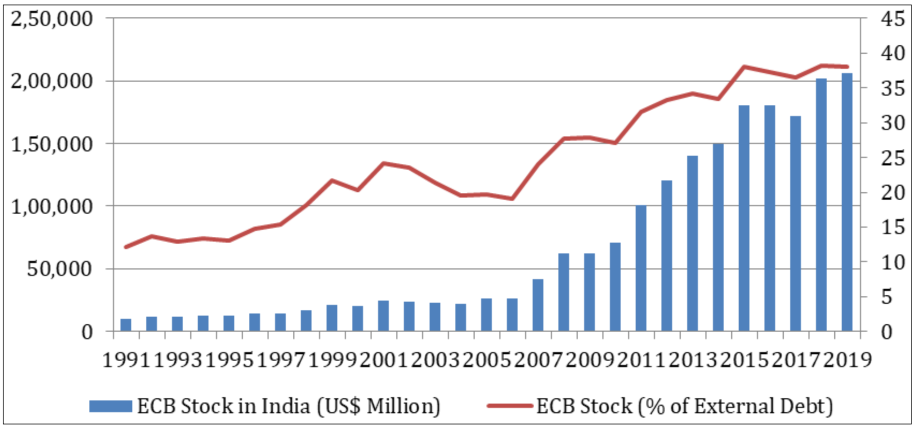

Fig 3: ECB stock in India

Table 3: India's outstanding ECBs (US$ Million)

Source	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
External Debt	83,801	85,285	90,023	92,695	99,008	93,730
ECBs	10,209	11,715	11,643	12,363	12,991	13,873
GDP (At Current Price)	270,105	288,208	279,296	327,276	360,282	392,897
External Debt (% of GDP)	31.03	29.59	32.23	28.32	27.48	23.86
ECB Growth (%)	---	14.75	-0.61	6.18	5.08	6.79
ECB (% of External Debt)	12.18	13.74	12.93	13.34	13.12	14.80
ECB (% of GDP)	3.78	4.06	4.17	3.78	3.61	3.53
Source	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
External Debt	93,470	93,531	96,886	98,263	101,326	98,843
ECBs	14,335	16,986	20,978	19,943	24,408	23,320
GDP (At Current Price)	415,868	421,351	458,820	468,395	485,441	514,938
External Debt (% of GDP)	22.48	22.20	21.12	20.98	20.87	19.20
ECB Growth (%)	3.33	18.49	23.50	-4.93	22.39	-4.46
ECB (% of External Debt)	15.34	18.16	21.65	20.30	24.09	23.59
ECB (% of GDP)	3.45	4.03	4.57	4.26	5.03	4.53
Source	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
External Debt	104,914	112,653	134,002	139,114	172,360	224,407
ECBs	22,472	22,007	26,405	26,452	41,443	62,334
GDP (At Current Price)	607,699	709,149	820,382	940,260	1,216,735	1,198,896
External Debt (% of GDP)	17.26	15.89	16.33	14.80	14.17	18.72
ECB Growth (%)	-3.64	-2.07	19.98	0.18	56.67	50.41
ECB (% of External Debt)	21.42	19.54	19.70	19.01	24.04	27.78
ECB (% of GDP)	3.70	3.10	3.22	2.81	3.41	5.20
Source	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
External Debt	224,498	260,935	317,891	360,766	409,374	446,178
ECBs	62,461	70,726	100,476	120,136	140,125	149,375
GDP (At Current Price)	1,341,887	1,675,615	1,823,050	1,827,638	1,856,722	2,039,127
External Debt (% of GDP)	16.73	15.57	17.44	19.74	22.05	21.88
ECB Growth (%)	0.20	13.23	42.06	19.57	16.64	6.60
ECB (% of External Debt)	27.82	27.10	31.61	33.30	34.23	33.48
ECB (% of GDP)	4.65	4.22	5.51	6.57	7.55	7.33
Source	**2015**	**2016**	**2017**	**2018**	**2019**	
External Debt	474,675	484,791	471,012	529,290	543,001	
ECBs	180,295	180,480	172,045	201,826	206,411	
GDP (At Current Price)	2,103,588	2,290,432	2,652,551	2,726,323	2,935,570	
External Debt (% of GDP)	22.57	21.17	17.76	19.41	18.50	
ECB Growth (%)	20.70	0.10	-4.67	17.31	2.27	
ECB (% of External Debt)	37.98	37.23	36.53	38.13	38.01	

ECB (% of GDP)	8.57	7.88	6.49	7.40	7.03	

Source: 1. Data on ECB and external debt is compiled from RBI Database. 2. GDP data for 1991-2018 is compiled from World Bank Database and GDP for 2019 is taken from IMF estimates.

The share of ECBs in India's total external debt is also increasing continuously and is significant (more than 55 percent) in last decade. It increased from 27.8 percent in 2009 to 34.23 percent in 2013, 37.98 percent in 2015 and further to 38.13 percent in 2018. The continuous increase in ECB is due to favorable global rates of interest, policy liberalization, huge demand for funds due to increase in domestic industrial activity coupled with resilient corporate performance, a positive investment climate, a long-term view of India as an investment destination and the improved sovereign risk.

Policy framework

ECBs in India can be obtained through two routes, the automatic route and approval route. The ECB flows in India are regulated and monitored by RBI in consultation with the Ministry of Finance, Government of India, and are managed by the broad guidelines that govern the capital flows to India and fall within the framework of the Foreign Exchange Management Act, 1999 (FEMA). The RBI, on 17 December 2018 notified the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, and in continuation it amended the existing ECB policy, termed as 'New ECB Policy' on 16 January 2019. Some of the key changes introduced are as follows.

- Earlier, the foreign currency (FCY) denominated ECB could be availed under Track I (short-term foreign currency ECB) and Track II (long-term foreign currency ECB) respectively. Now, the FCY denominated ECBs are merged into a single track. Further, Track III (Rupee denominated ECB) and the framework on Rupee denominated bonds (Masala Bonds) are also merged as 'Rupee denominated ECB'.
- Earlier, in Track I and Track III ECBs were required to have a minimum average maturity period (MAMP) of 3 or 5 years, and 10 years under Track II (except specifically prescribed by RBI). Now, MEMP is prescribed as 3 years for all ECBs. However, for ECBs raised from foreign equity holders and utilized for working capital purposes/general corporate purposes/repayment of rupee loans, the MAMP will be 5 years. The MAMP for ECB up to US$ 50 million per financial year raised by companies in the manufacturing sector will continue to be 1 year as before.
- ECB up to US$ 750 million per financial year can be raised under the automatic route irrespective of specified activities/ sector. In case of oil marketing companies, the limit is US$ 10 billion). Earlier, there were different limits for ECB, such as, US$ 200 million for software sector, US$ 100 million for micro finance activities etc., up to maximum limit of US$ 500 million under the automatic route.
- The list of 'eligible borrowers' has been expanded to include all entities eligible to receive foreign direct investment (FDI). Additionally, port trusts, units in special economic zones (SEZ), SIDBI, EXIM Bank, registered entities engaged in micro-finance activities, *viz*., registered not for profit companies, registered societies/trusts/cooperatives and non-government organizations can now avail ECB. Now, the companies in sectors such as animal husbandry, agriculture, petroleum and natural gas, broadcasting, insurance etc. can also avail ECB.
- The RBI has specified categories of entities which can provide ECB to eligible Indian borrowers; these include any resident of Financial Action Task Force (FATF) or International Organization of Securities Commission compliant country, Multilateral and regional financial institutions, (where India is a member country), Individuals holding foreign equity/bonds/debentures listed abroad, foreign branches/subsidiaries of Indian banks (except for FCCBs and FCEBs).
- As before, any entity recognized by the Central Government as a 'start-up' is allowed to raise ECB up to US$ 3 million per financial year. It is clarified that startups under the special dispensation or other start-ups eligible to receive FDI, can also raise ECB under the general ECB Framework.
- As before, both FCY ECB and INR ECB can be availed by way of loans including bank loans, securitized instruments, such as, floating/fixed rate bonds, non-convertible, partly convertible or convertible debentures, trade credits beyond 3 years or financial lease. In addition, INR ECB can also be availed in the form of preference shares. Foreign Currency Convertible Bonds (FCCBs) as well as Foreign Currency Exchangeable Bonds (FCEBs) continue to be a mode for availing FCY ECB.
- Any entity which is under restructuring scheme/corporate insolvency resolution process (CIRP) under the Insolvency and Bankruptcy Code, 2016 can raise ECB only if specifically permitted under the resolution plan.

The key changes in new policy include expansion in the list of eligible borrowers, raising the cap on such borrowings and reducing the minimum maturity period for such borrowings. The new guidelines, therefore, allow Indian entities to borrow more under the ECB route and with a shorter maturity period.

Key concerns

As India embarked on the path of globalization and liberalization following the BoP crisis in the early 1990s, the composition of capital flows witnessed a paradigm shift from official transfers to private capital inflows. ECB emerged as an important item of the capital account in India's BoP and is a key channel to facilitate access to foreign capital by Indian corporates. But, the rising share of ECB is an indication of the nature of pressure ECBs could put on India's management of the external sector. Some important areas of concern are as follows.

- India's demand for ECB is increasing rapidly. It is evident from the number of ECB registration which was on declining trend for three consecutive years from 2014-15, i.e., by 14 percent to US$ 28.38 billion in 2014-15, 14 percent to US$ 24.37 billion in 2015-16 and further by almost 10 percent to US$ 21.98 billion in 2016-17. The trend changed from 2017-18, when the ECB registrations shot up by 31 percent to US$

28.87 billion, and by 45 percent to US$ 41.92 billion in 2018-19.

- Another aspect of ECB registrations is concerned with rapid decline in maturity period of borrowings. The average maturity period of ECB in 2014-15 was about 6.5 years which declined to 6.1 years in 2017-18 and further to 5.22 years in 2018-19. Interestingly, out of total 1012 registrations in 2018-19, only 17 had applied for borrowings above US$ 500 million and these accounted for US$ 18.1 billion of registrations. In other words, less than 2 per cent of the applicants had accounted for 43 per cent of the total borrowing amount registered last year (Bhattacharya, 2019) [1].
- In the year of economic crisis 1990-91, the debt-creating inflows of all kinds (including 15.2 percent short term credits) in India were 83 percent (US$ 71) of the total capital inflows to finance the current account deficits of 3.2 percent of GDP. This led policy makers to shift focus from debt-creating inflows to non-debt creating inflows [1] in post reform period. Accordingly, various policies were designed to encourage non-debt capital inflows along with discouraging debt creating inflows (Srinivasan & Bhavani, 2007) [14]. Though, importance of debt-creating flows has declined steadily in initial years till 1996, but high fluctuations were observed in following years. In 2018, the share of debt-creating flows in net capital flows was 33.26 percent; it reduced to 20.44 percent in 2019 (Table 1).
- Another important aspect of foreign borrowing is concerned with concessional debt. Since 1991, the share of concessional debt in total external debt has reduced continuously (Table 4) from 45.9 percent in 1991 to 19.7 percent in 2008, and 9.4 percent in 2017. In 2019, it was ever time low recorded as 8.7 percent of total external debt.
- The Reserve Bank of India on 20 December 2018 announced a cap on the outstanding stock of ECB at 6.5 per cent of GDP at current market prices (RBI Circular, 20 December 2019). The statistics show that the stock of ECB as percent to GDP since 2012 had been more than the specified limit (Table 3). The government could not contain the cap even after 2018. The stock of ECB was recorded as 7.4 percent and 7.03 percent of GDP in 2018 and 2019 respectively.
- ECB was primarily taken for import of capital goods, modernization, project financing, local sourcing of capital goods etc. Though, some companies used to borrow for meeting miscellaneous needs such as buybacks of Foreign Currency Convertible bonds (FCCBs), expansion activities, budget financing etc. But, now refinancing of loans, working capital, leasing & hire purchase, financial lease and general corporate purposes have turned out to be the most popular reasons for taking ECBs by firms. The trend indicates that ECBs are not used primarily for capacity creation in the Indian economy. In last few years, firms' have shifted focus of ECBs capital expenditure and project financing to refinancing, on-lending and general corporate purposes.
- The reduced maturity period for ECB may have adverse impact on India's overall external debt profile and the exchange rate fluctuations. There had been an annual depreciation of around 3 percent in Rupee against the US dollar in last about five years. There is no guarantee that the exchange rate would not fluctuate by a higher margin in future. Since, borrowings are foreign currency denominated; their repayment (principal and interest) needs to be made in foreign currency. The payments in foreign currency expose to exchange rate risk and incur hedging costs; which if goes against, may end-up negative for the borrowers.
- This rapid growth of ECBs has happened in a period when domestic credit growth from banks has been slowing down. The domestic bank credit growth touched 5.08 percent in 2016-17, the lowest growth rate achieved in the last 60 years (Hindu Business Line, 16 April, 2017) [7]. Though, alternative sources of finance, such as bonds and ECBs have reduced dependence of the Indian corporate sector on banks for raising money, it is important to mention that ECBs come with higher level of risk compared to domestic borrowing. The borrowers bear dual risk arising out of movements in foreign exchanges and the interest rates. Further, the relaxed policy environment enables Indian corporates to prefer ECB as a striking route for meeting their funds requirements. This may be an indication of the inability of Indian banking sector to meet the financial needs on attractive terms of Indian companies and also the tight liquidity position in the economy.
- CARE (2019) [3] observed few factors responsible for the sharp rise in ECBs. These are: high interest rates, tightening liquidity in the domestic economy putting pressure on companies to look for external sources of financing, slowing activity in the corporate bonds market, and the continued stress in the banking sector. All this is an advance indication of the nature of pressure ECBs could put on India's external debt profile, the exchange rate fluctuations and overall management of the external sector.

1 Non-debt creating sources include components of foreign investment, *viz*., Foreign Direct Investment and Foreign Portfolio Investment, while the components of Debt creating sources include External Assistance, ECBs, Short-term Credits, Banking Capital (NRI Deposits) and Rupee Debt Service.

Table 4: Share of concessional debt in total external debt

Component	US$ Billion					
	1991	1996	1998	1999	2001	2002
Total External Debt	83.80	93.73	93.53	96.89	101.13	98.76
Concessional Debt	38.43	41.94	36.94	37.26	35.89	35.52
Non-concessional Debt	45.37	51.79	56.59	59.63	65.24	63.24
Concessional Debt (% of Total Debt)	45.9	44.8	39.5	38.5	35.5	36.0
Component	**US$ Million**					
	2003	**2004**	**2005**	**2006**	**2007**	**2008**
Total External Debt	104,914	112,653	1,34,002	139,114	172,360	224,407
Concessional Debt	38,614	40,277	41,107	39,559	39,567	44,164
Non-concessional Debt	66,300	72,376	92,895	99,555	1,32,793	1,80,243
Concessional Debt (% of Total Debt)	36.8	35.8	30.7	28.4	23.0	19.7
Component	**US$ Million**					
	2009	**2010**	**2011**	**2012**	**2013**	**2014**
Total External Debt	224,498	260,935	317,891	360,766	409,374	446,178
Concessional Debt	41,899	43,931	47,499	48,063	45,517	46,454
Non-concessional Debt	182,599	217,004	270,392	312,703	363,856	399,724
Concessional Debt (% of Total Debt)	18.7	16.8	14.9	13.3	11.1	10.4
Component	**US$ Million**					
	2015	**2016**	**2017**	**2018**	**2019**	
Total External Debt	474,675	484,791	471,012	529,290	543,001	
Concessional Debt	41,916	43,526	44,077	48,324	47,452	
Non-concessional Debt	432,759	441,265	426,935	480,966	495,549	
Concessional Debt (% of Total Debt)	8.8	9.0	9.4	9.1	8.7	

Source: Handbook of statistics on Indian economy, RBI (Various issues)

Conclusion

ECBs are classified as medium or long-term loans that are subject to early repayment only with RBI's approval. Thus, ECBs are less prone to generating external crisis; their importance in foreign capital cannot be ignored. The share of ECB in India's total external debt is on the rise and is expected to accelerate in future. While applying for ECB the companies need to be cautious about the exchange rate risk and impact on balance sheet debt to use ECBs effectively, the government too should not be unmindful of the dangers of increasing reliance on such borrowings with external risks.

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