CHAPTER 12

Macroeconomic Variables Affecting External Commercial Borrowings: An Investigation

Pooja Misra and Jagdish Shettigar

Introduction

India's external debt was USD 529.7 billion in end March 2018, registering a rise of $58.4 billion from March 2017. The rise was due to an increase in commercial borrowings, deposits by NRIs, and short-term debt. The composition of external borrowings reflected that long-term borrowings was approximately 80.7% of the total external debt, balance consisted of debt which is short term in nature. The country's long-term debt comprises debt sourced from global financial institutions, that is, IMF, World Bank, and so on, external commercial borrowings, private banks funding, trade credit, NRI deposits, and so on. It is the prudent external debt management policy which has served well and helped in ensuring that external debt is within manageable limits. With regard to the ratio of reserves in the form of foreign exchange with the Reserve Bank of India (RBI) to external debt, India stood at the sixth position at 69.7% in 2015 (Indiamacroadvisors, 2018). In end March 2018, external debt to Gross Domestic Product (GDP) ratio was 20.5%.

P. Misra (✉) • J. Shettigar
Birla Institute of Management Technology, Greater Noida, India
e-mail: pooja.misra@bimtech.ac.in; j.shettigar@bimtech.ac.in

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