Q63

Consider the following statements: 1. Most of India's external debt is owed by governmental entities. 2. All of India's external debt is denominated in US dollars. Which of the statements given above is/are correct? (a) 1 only (b) 2 only (c) Both 1 and 2 (d) Neither 1 nor 2 Official key: D.

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Explanation

(a)

(a) 1 only. Most of India's external debt is owed by the private and non-government sector (commercial borrowings, NRI deposits, trade credit), not by governmental entities. Statement 1 is false.

(b)

(b) 2 only. External debt is multi-currency: the US dollar is the largest share, not the whole. Rupee, SDR, yen, euro and others also appear. Statement 2 is false.

(c)

(c) Both 1 and 2. Both statements fail, so this option is not the key.

(d) Official key

(d) Neither 1 nor 2. Government is not the main debtor, and the stock is not all dollar-denominated. That is the official key.

Summary

Official key is (d). India's external debt is led by commercial borrowings, NRI deposits and trade credit, not by the sovereign. The dollar is the largest currency of denomination, not the only one. Both statements are therefore false. Honour (d).

Related possible facts

These can be asked in a future Prelims paper.

Largest component
Commercial borrowings, then NRI deposits and short-term trade credit

Sovereign share
Government debt is a minority of the external-debt stock

Currency mix
USD largest; also INR, SDR, yen, euro

Compiler
RBI and Ministry of Finance quarterly external-debt status

Residual maturity
Short-term debt on residual-maturity basis is the liquidity watch