

# Book Review - India's External Commercial Borrowing : Features, Trends, Policy, and Issues

P. P. Ramachandran<sup>1</sup>

## Abstract

The book, *India's External Commercial Borrowing: Features, Trends, Policy, and Issues* gives a multi-faceted view of India's external commercial borrowing and throws a flood of light on it. It discusses the features and pertinent issues in India's external debt management, focusing on ECB with comprehensive analysis and making recommendations for policy framework. The scholarly prowess of the author is reflected in the concise and lucid presentation. The book will be useful for students, business persons, researchers, and CFOs.

About the Author, Dr. Ashutosh Raravikar :

- ↳ Director, DEPR, Reserve Bank of India. He also worked as Director at the Ministry of Finance, Government of India.
- ↳ Rich educational and scholarly background, gold medallist.
- ↳ Eminent economist, central banker, and author with a contribution to international fora.
- ↳ Winner of several prestigious awards. Versatile personality - educationist, spiritualist, literary writer, popular speaker, classical singer

**Keywords :** Concept, trends in external commercial borrowing, policy perspectives, external debt management, issues, policy prescriptions

JEL Classification Codes : F2, F3, H6

Book Review Submission Date : January 20, 2022 ; Book Review sent back for Revision : January 23, 2022 ; Book Review Acceptance Date : January 30, 2022 ; Book Review Published Online : February 15, 2022

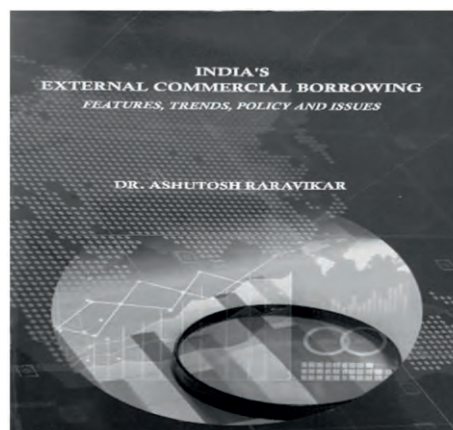
**Author : Dr. Ashutosh Raravikar**

**Published by : Ultimate Associates in  
December 2020**

**ISBN : 978 – 81 – 948184 – 0 – 3 (Paperback)**

**Pages : 56**

**Price : ₹ 100 in India**



<sup>1</sup> Former Deputy General Manager, Reserve Bank of India, Mumbai - 400 001, Maharashtra.  
(Email : pprchandru@gmail.com)

DOI : <https://doi.org/10.17010/ijf/2022/v16i2/168260>

It is a matter of joy that Governor C.D.Deshmukh - visionary that he was - started strengthening the Department of Research of the Reserve Bank of India by recruiting young and promising economists. At that time there were, in RBI, outstanding economists like J.V.Joshi (a star pupil of J.M. Keynes) and Dr. B.K. Madan. The Research Department was one of the most creative and effective departments, even amongst other central banks of developing and even developed countries. As a distinguished Deputy Governor, Shri. S. S. Tarapore wrote, "During the period 1953 –1972, the Economic Department was at its productive peak. The RBI was the *avant-garde* of pioneering work undertaken by the Indian economists". Writings by leading RBI economists such as Messrs Chandavarkar, Bhatt, and Khatkhate were published in a number of reputed international journals.

Dr. Raravikar is heir to such a high tradition which is proved by his nine books and articles, which are rich in ideas. He has held several exalted positions, including a Directorship in the Ministry of Finance. Presently he is Director, DEPR of the central bank of the country. The author is a Gold Medallist and has bagged several awards-to name a few: The Amartya Sen Award, the Chaitra Gaurav Award, etc.

When an impecunious nation gets embroiled into massive commercial borrowing, the problems it gets entangled with is lucidly explained by Dr. Raravikar. What is external commercial borrowing? ECB is a cost-effective mode of funding for corporates and firms because of the difference in interest rates between India and other countries, such as those having surplus in capital. It reduces their financing cost structure. But the borrowers need to be aware of the downside risk arising from movement in exchange rates, which can adversely impact them during repayment of these loans if there is no hedging cover taken in the currency of borrowing.

The author is eloquently brief. He encapsulates ECBs in five chapters — "The Conceptual Framework," "The Journey of ECB in India," "Evolution of India's ECB Policy," "Empirical Studies," and "India's External Debt Management: Issues and Policy Prescriptions." He has embellished the book with charts and tables. The author has explained the definition of ECB in simple terms and has cautioned its users. Presently, as the interest rates in several regions of the world are lower than those in India; hence, ECB may sound like a cost-effective or profitable proposition, even after incorporating the transaction and coverage costs. But Dr. Raravikar sounds the alarm that excessive borrowing through this mode may prove risky if or when the tide turns adverse.

ECB being the largest part of India's external debt, the author opines that the large foreign borrowing can pressurize the rupee, thereby adversely affecting the exports. Hence, keeping such borrowing within prudent limits is advisable. He observes that when the central bank cannot allow high liquidity due to inflation concerns, ECB would be the best way to raise productive financing. He suggests developing the ECB framework to minimize the need for manual interaction between the regulator and borrowers. That would boost the business sentiment. Moreover, ECB can bridge the credit gap arising from risk aversion by domestic banks.

With the downward revision in rating under pandemic for some borrowers, Dr. Raravikar argues for policy initiatives such as an upward adjustment in the all-in-cost ceiling. This would boost economic growth. This book throws a flood of light on external commercial borrowing and will be useful for students, business persons, and CFOs. The balanced views, beautiful narrative style, incorporation of all current issues, policy measures, and constructive policy recommendations are the beauty spots of this all-in-one book.

## Author's Contribution

Mr. P. P. Ramachandran conceived the idea and wrote this book review.

## Conflict of Interest

This review is written and published for spreading information about this highly informative book among

students, business persons, researchers, and CFOs. The author certifies that he has no financial or non-financial interest involved in writing the book review.

## **Funding Acknowledgement**

The author received no financial support for the research, authorship, and/or for the publication of this book review.

## **References**

Raravikar, A. (2020). *India's external commercial borrowing: Features, trends, policy, and issues*. Ultimate Associates.

### **About the Author**

**P. P. Ramachandran is a post-graduate in economics and mythology and is a diploma holder in Sanskrit from Mumbai University. After four decades of service, he retired from the Reserve Bank of India as Deputy General Manager. He is a winner of several prizes, a gifted orator, and a prolific author with literary flavor; he has to his credit two books, several articles, and over 1,000 book reviews.**