

# Macroeconomic Policy Choices in South Asia: Ideas and Choices

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# Scheme of the Presentation

- Macroeconomic Challenges- Food inflation, fuel inflation, high debt, etc
- Evolving Growth Areas and Macroeconomic Policy Preparedness
- Prioritizing Actions

# Short-Term Debt in South Asia

## (% of External Debt)

Country	2015	2016	2017	2018	2019	2020	2021
Afghanistan	11.1	13.7	17.1	16.2	15.8	14.3	11.9
Bangladesh	17.1	18.9	21.1	15.8	15.6	14.9	19.8
Bhutan	0.0	0.0	0.1	0.2	1.0	0.0	0.1
India	17.0	18.4	19.1	19.9	19.0	18.3	18.7
Maldives	15.6	10.6	7.3	10.2	12.6	13.0	14.3
Nepal	8.4	8.8	8.5	4.6	6.2	4.6	3.8
Pakistan	9.4	9.5	9.5	8.2	8.8	6.2	6.9
Sri Lanka	17.3	15.9	15.8	15.5	15.0	14.9	15.2

# Short-Term Debt in South Asia (1)

## (% of Total Reserves)

Country	2015	2016	2017	2018	2019	2020	2021
Afghanistan	4.1	4.9	5.8	5.3	4.9	4.5..	
Bangladesh	24.1	24.3	32.2	28.2	29.8	25.4	39.2
Bhutan	0.0	0.0	0.2	0.4	2.2	0.1	0.3
India	23.1	23.2	23.7	26.0	23.0	17.5	18.0
Maldives	27.9	27.8	19.0	33.5	44.7	45.6	68.1
Nepal	4.3	4.3	4.5	3.0	4.6	3.1	3.5
Pakistan	32.3	32.3	47.2	68.3	57.4	39.0	39.4
Sri Lanka	103.9	123.4	100.7	118.2	110.4	148.2	274.9

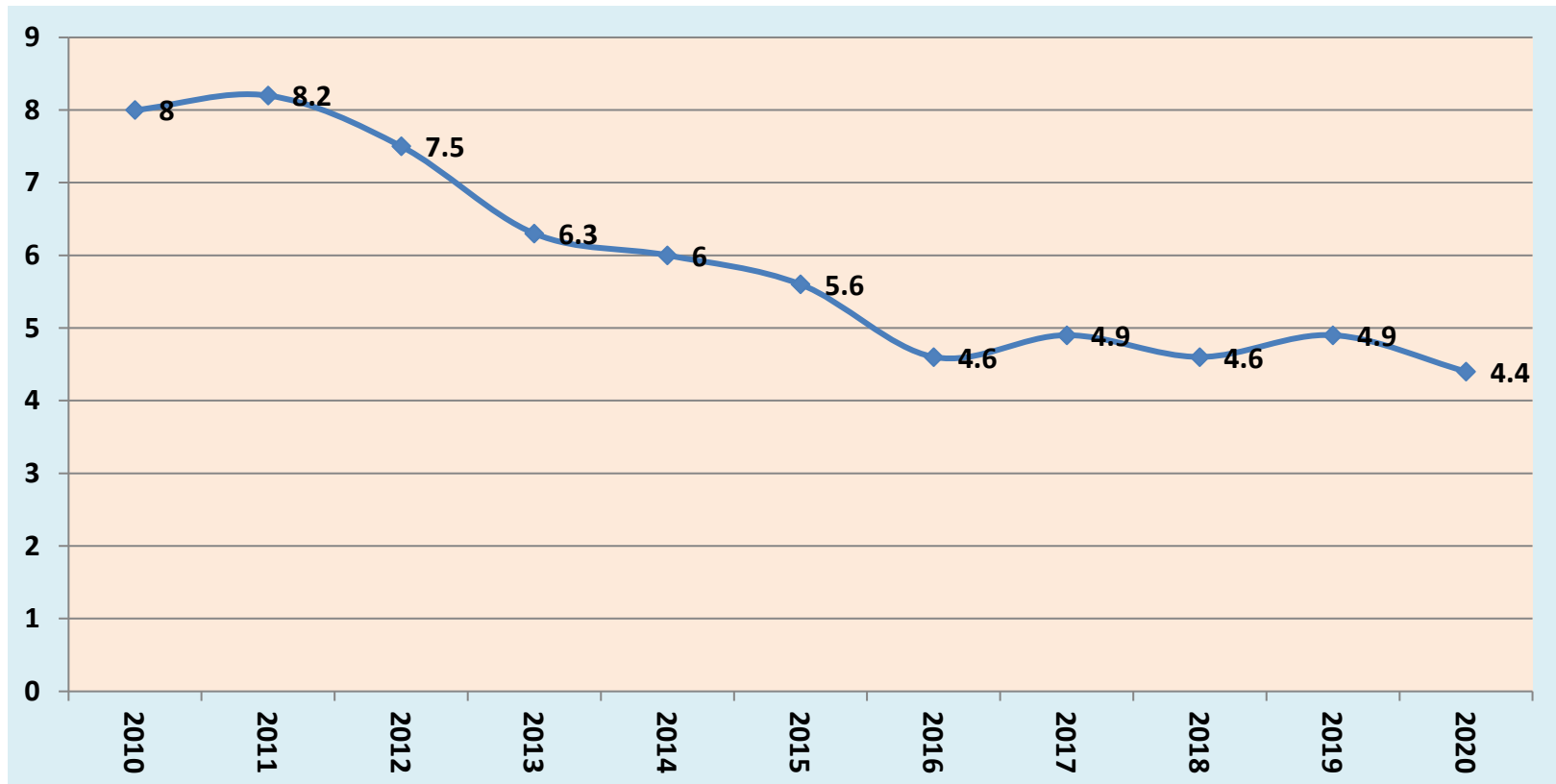
# New Debt Environment

- 60% of 73 DSSI-eligible countries are at high risk of debt distress
- Change in creditor composition in low and middle income countries
  - Share of lending by private creditors in long-term public and public-guaranteed debt up from 46% in 2010 to 61% in 2021
  - Share of debt owed to bond holders up from 29% in 2010 to 47% in 2021
  - Share of debt owed to non-Paris Club creditors increased from 42% in 2010 to 68% in 2021

# Debt Management Choices

- Greater access to lender of last resort financing by IMF
- Sovereign debt restructuring to continue
- DSSI/Common Framework type initiatives with much wider participation of creditors especially private creditors
- G20 Indian Presidency facilitating agreement between Governments of Zambia, Ghana, Ethiopia, Sri Lanka and the official creditor committees
- Global Sovereign Debt Roundtable- Effective debt treatment
- Ongoing efforts of debt transparency

# Sharp Fall in ODA Flows to South Asia (1)



# FDI Flows in South Asia

Year	Inward			Outward		
	Actual	% of GCF	% of GDP (Stock)	Actual	% of GCF	% of GDP (Stock)
2005-07 (Average)	25,789	4.8	6.0	11,943	2.2	0.9
2017	51,643	4.5	13.3	11,493	1.0	4.3
2018	52,262	4.3	13.2	11,632	1.0	4.5
2019	59,115	4.5	13.4	13,275	1.0	4.5
2020	70,997	5.9	15.1	11,736	1.0	4.9



# Currency Swap Arrangements

Country	Country with Agreement Signed	Amount (US\$ Million)
Afghanistan	-	-
Bangladesh	Sri Lanka	200
Bhutan	India	In multiple tranches up to 200 or equivalent
India	Bhutan	In multiple tranches up to 200 or equivalent
	Maldives	400
	Japan*	Up to 75,000
	UAE**	496
Maldives	India	400
Nepal	-	-
Pakistan	China	4500
Sri Lanka	Bangladesh	200
	China	1500
	India	multiple tranches up to a maximum of 400 or its equivalent

# Potential Growth Areas

- Services- Domestic Output & Trade
- Digitalization across sectors- labour market composition, skilling & re-skilling
- Fintech, E-commerce, and advanced digital technology
- Infrastructure development- quality & resilient infrastructure
- Green transition and greater climate consciousness
- Renewable and clear energy solutions

# Key Trends in FinTech Adoption

- Global Fintech sector-currently \$245 billion annual revenue (2% of global financial services revenue) is expected to reach \$1.5 trillion annual revenue by 2030.
- Indian Fintech sector is projected to reach \$200 billion in revenue by 2030.
- Going by the projections, India would account for about 13% of global Fintech sector in 2030.

# Fintech Startups in India

- India a largest Fintech hub- \$17.9 billion cumulative funding since 2020.
- As of 15 May 2023, there are 99,000 startups in India in 673 districts and 57 sectors. Of which, 3000 plus are Fintech startups.
- Share of Fintech startups founded in other cities than Tier-I cities has grown from 22% in 2013-2015 to 46% in 2022-2023.
- Fintechs are serving a diverse class of borrowers including small loans. 71% personal loans originated beyond Tier-I cities in 2020.
- 97% of personal loans are of less than INR 25,000
- 75% of PhonePe UPI transactions originated in Tier-II cities.

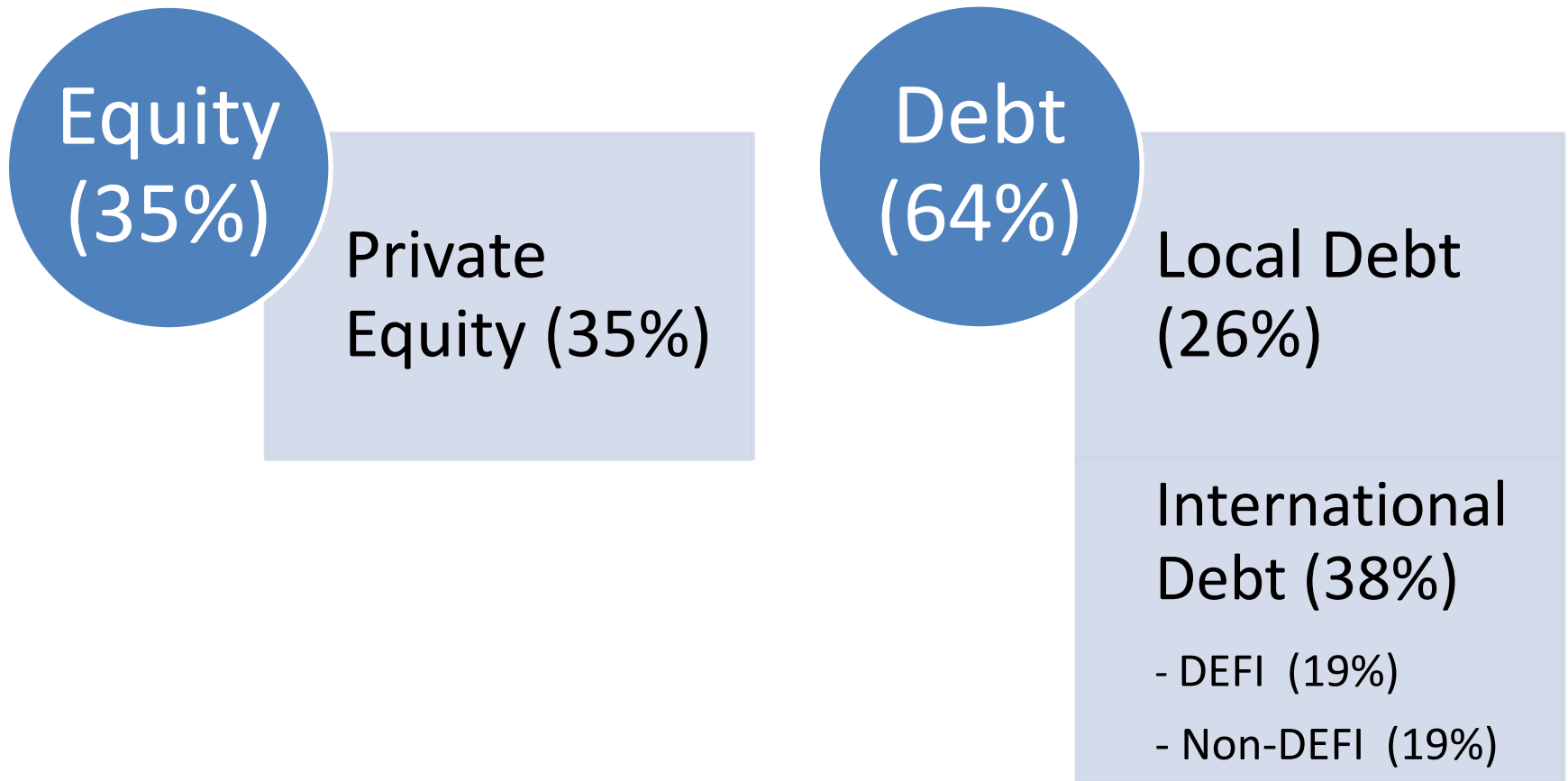
# Fintech Value Chain

- Financial literacy
- Access to banking services
- Access to credit and payments
- Access to insurance
- Creating investment habit

# Captive Market for Fintechs (Underserved Segments)

- Street vendors
- Agri-community
- Migrant/gig workers
- Hilly area population
- Home makers

# Financing of Infrastructure Projects in LICs with Private Participation (2021)



# Policy Priorities before South Asia

- Keep Growing- Leveraging more on productive and new sectors
- Securing supplies of essential goods, fuel, energy, etc through diversified supply chains
- Minimizing vulnerabilities- Short-term stabilization
- Regional Financial cooperation (Trade and other payment settlements in local currency)



**Thank You**