Recent Advances and Challenges in Finance and Marketing for New India @ 2022

Chief Editor
Dr. Harpreet Kaur
Editors

Dr. Renu Arora
Dr. Sharda Garg
Dr. Sapna Dhaliwal
Ms. Parvinder Kaur

Mata Sundri College for Women

Abstract

Capital market flows refers to the movement of money for the purpose of investment, trade and business production, including flow of capital within corporations in the form of investment capital, capital spending on operations and R&D.Capital flows can be domestic or international. The international capital market flow is financial side of international trade. It can take place in three main forms: a.) FDI: An investment in the form of a controlling ownership in a business in one country by an entity based in another country, b.) FPI: An investment in various securities and other financial assets aimed at getting profits from shares, interest from deposits etc. and c.) External debt: An amount of loan /debt payable by one residence of one country to the residence of another country.The present paper basically deals with last form i.e. debt or external debt. The paper covers various aspects: meaning of external debt, its components or elements, classification of external debt, reasons behind international borrowings/ lendings and risk associated with international lending.The paper also deals with the concept of sustainable external debt or simply called sustainable debt i.e. the level of debt, which allows a debtor country to meet its current and future service obligation in full.

Keywords: - External debt, Sustainable debt, International capital flows.

INTRODUCTION TO CAPITAL MARKET FLOWS

Capital market flows refers to the movement of money for the purpose of investment, trade and business production, including flow of capital within the corporations in the form of investment capital, capital on operations and R&D. This capital market flows can either be domestic i.e. within the country or can be international i.e. across countries.

As per IFC (2016), Developing domestic capital markets have an important role to play in mobilizing private capital to finance domestic development. Development of domestic capital market is a priority for international finance corporation (IFC). Deep, efficient local capital market create access to long term currency finance, mobilize funds for key sectors such as infrastructure, reduce dependency on foreign debt, and protect economies from sudden swings in international capital flows.

The term international capital movement refers o borrowing and lending between countries. These capital movements are recorded in the capital