INTEREST RATE ADVANTAGE USING EXTERNAL COMMERCIAL BORROWINGS – EMPIRICAL EVIDENCE FROM INDIA

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ABSTRACT:
The interest rates in the international markets and the domestic markets in India vary significantly. Several companies have tapped the international capital markets for their debt program to take advantage of the significantly low cost of funds. But the exchange rate fluctuations play an important role in determining if the advantage of low cost funds available in the international market is really low when we consider the exchange rate. This paper analyzes the interest paid by the companies which have gone to international markets for borrowing and companies which have not done so. The paper concludes that there is an interest rate differential between these two categories of companies.