

*Invisibles in India's Balance of Payments: An Analysis of Trade in Services, Remittances and Income**

The developments in invisibles, which lend a marked support to India's balance of payments, are reflective of the ongoing structural transformation within the economy as well as its increasing integration with the world economy. With global financial crisis, there was a decline in invisibles, especially during the second half of 2008-09, which has also continued during the first half of the current financial year. Both invisibles receipts and payments have registered declines. The decline in the receipts has mainly been driven by software services and workers' remittances while the decline in invisibles payments was led by travel, transportation and non-software services. Consequently, net invisibles declined, though they continued to lend significant support to India's balance of payments, financing around 68 per cent of India's trade deficit during the first half of 2009-10. Despite the recent slowdown in invisibles, it is expected to make a turnaround in 2010 and beyond in consonance with the global economic recovery, which is gaining momentum. A noticeable development has been the broad basing of invisibles receipts, which hitherto have been dominated by software receipts and workers' remittances, with non-software services gaining in importance in the recent period.

I. Introduction

The invisibles account in balance of payments reflects the combined effects of the transactions relating to international

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trade in services, income associated with non-resident assets and liabilities, labour and property and cross border transfers, mainly workers' remittances. The invisibles have been providing substantial support to India's balance of payments in the recent years and are reflective of the ongoing structural transformation within the economy as well as its increasing integration with the world economy. Receipts under invisibles, particularly in the last one decade, have grown significantly. The emphasis on reforms and liberalization since the early 1990s has not only unfolded newer opportunities for businesses but also for skilled labour as reflected in the direction of India's trade in goods and services and nature of labour migration. This transformation is reflected in the growth of receipts under invisibles, which has kept pace with merchandise exports growth as the principal foreign exchange earners for the country.

However, mirroring the adverse impact of the recent global financial crisis, both invisibles receipts and payments have registered declines during the first half of 2009-10 as compared with the corresponding period of the previous year on top of a significant moderation in growth during 2008-09. Receipts under both software and non-software services declined as invisibles payments too declined mainly due to lower payments towards travel, transportation, non-software services and private transfers. It is noteworthy that software services, which have registered phenomenal growth in the recent years and have been the driver of growth of invisibles receipts, were also adversely affected by the global financial crisis and registered declines

in the first half of 2009-10. Private transfer receipts, which have lent significant strength to India's BoP position in the recent years, also exhibited significant deceleration in growth on account of the global financial crisis.

In view of their importance, the developments in different components of invisibles are analysed and disseminated in two stages *viz.*, (i) standard presentation with broad heads on a quarterly basis to meet the IMF's Special Data Dissemination Standards (SDDS) on the Reserve Bank of India's website and subsequently in the monthly bulletin of the Reserve Bank of India (RBI), and (ii) detailed presentation with break-up of broad heads is published in an annual article titled 'Invisibles in India's Balance of Payments' in the RBI's monthly bulletin¹.

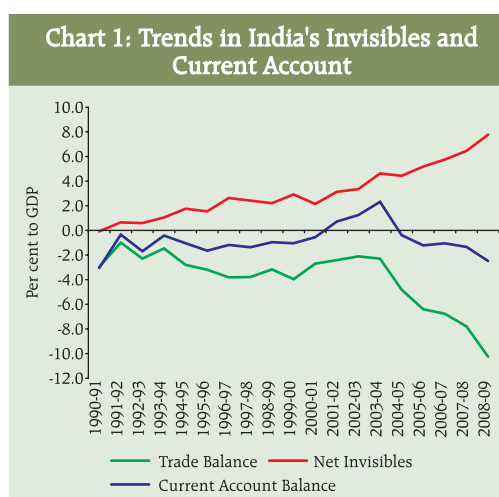
This article seeks to contribute to the endeavour of providing the disaggregated information on India's trade in invisibles for the period 2007-08 (revised), 2008-09 (partially revised) and April-September 2009 (preliminary) along with the time series data since 2000-01. The article is organised as follows. Section II presents the magnitude and trends in the invisibles account at the aggregate level along with their relative importance in terms of GDP. An analysis of the various components of invisibles and

¹ Previous issue of the article was published in RBI Bulletin, March 2009 covering the data for the period 2000-01 to 2007-08. Such data for the period 1999-2000 to 2006-07 were earlier published in the February 2008 issue of RBI Bulletin. Data for the period 1999-2000 to 2005-06 were published in the November 2006 issue of RBI Bulletin, for the period 1997-98 to 1999-2000 in the January 2001 issue of RBI Bulletin and for the period 1989-90 to 1996-97 in the April 1999 issue of the RBI Bulletin. The data for the period 1956-57 to 1989-90 were published in July 1993 in the "Monograph on India's Balance of Payments".

their dynamics is presented in Section III. This section also provides an international perspective to the invisibles account drawing from cross country experiences. Concluding observations and a short-term outlook against the backdrop of the ongoing global financial crisis are set out in Section IV. A detailed enumeration of compilation, dissemination, concepts and definitions of different heads of invisibles accounts are presented in Annex I and II.

II. Magnitude and Trends in Invisibles

The resurgence of invisibles surplus in the 1990s, after a break in the late 1980s, has significantly minimised the risk to the external payments position. Since the early 1990s, as India embarked upon structural reforms, "invisibles balances" have witnessed steady increases not only in absolute terms but also as a per cent to GDP (Table 1 and Chart 1). This, in turn, either



restrained the current account deficit within a narrow corridor or contributed to surplus on current account in intermittent years, despite the widening trade deficit. However, mirroring the impact of the recent global financial crisis, the growth of India's invisibles surplus moderated during 2008-09 and subsequently turned negative during the first half of the current financial year.

Table 1: Trends in India's Invisibles Receipts and Payments

Year	Invisibles Receipts		Invisibles Payments		Invisibles Net	
	Amount (US \$ million)	Growth (%)	Amount (US \$ million)	Growth (%)	Amount (US \$ million)	Growth (%)
1	2	3	4	5	6	7
1990-91	7,464	-0.5	7,706	12.0	-242	-
1995-96	17,664	13.6	12,217	23.7	5,447	-
1999-00	30,312	17.6	17,169	3.7	13,143	-
2000-01	32,267	6.4	22,473	30.9	9,794	-25.5
2001-02	36,737	13.9	21,763	-3.2	14,974	52.9
2002-03	41,925	14.1	24,890	14.4	17,035	13.8
2003-04	53,508	27.6	25,707	3.3	27,801	63.2
2004-05	69,533	29.9	38,301	49.0	31,232	12.3
2005-06	89,687	29.0	47,685	24.5	42,002	34.5
2006-07	114,558	27.7	62,341	30.7	52,217	24.3
2007-08 R	148,875	30.0	73,144	17.3	75,731	45.0
2008-09 PR	163,534	9.8	73,612	0.6	89,923	18.7
2008-09 (Apr.-Sept.) PR	85,267	32.5	36,718	15.0	48,549	49.7
2009-10 (Apr.-Sept.) P	75,368	-11.6	35,770	-2.6	39,599	-18.4

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Notwithstanding some deceleration in invisibles receipts and payments during 2008-09, they constituted a major portion of the current account receipts and payments, respectively. During the period 2001-02 to 2008-09, the invisibles receipts constituted 45.7 per cent of current account receipts, while invisibles payments accounted for 24.2 per cent of current account payments (Table 2). The lower order of payments *vis-à-vis* receipts in the invisibles account contributed to the build up of significant surplus, which has witnessed an average growth of 33.1 per cent during 2001-02 to 2008-09 and financed an average of 113.5 per cent of the trade deficit over the same period. However, invisibles' financing of trade deficit has come down to 75.8 per cent in 2008-09 due to significant increase in trade deficit coupled with lower growth in net invisibles.

As invisibles grew at a faster pace than the overall economic activities, invisibles receipts and payments as a proportion of

GDP rose sharply from 7.7 per cent and 4.6 per cent in 2001-02 to 14.1 per cent and 6.3 per cent, respectively, in 2008-09 (Chart 2).

At a disaggregated level, the major contributor to invisibles receipts in India has been services exports followed by transfers and income (Table 3). Services exports accounted for about 62 per cent of the total invisible receipts in 2008-09. Traditionally, while services relating to trade in goods, such as transportation and financing were the major constituents, the rapid developments in telecommunications and information technology has facilitated the emergence of business and computer services as the main drivers of the growth in invisibles receipts. Thus, the focus of services trade has shifted from facilitating trade in goods to trade in services as an independent entity in itself with the four modes of supply viz., cross-border supply, consumption abroad, commercial presence and presence of a natural person. Reflecting these factors, the importance of services exports in India has grown significantly, with the services-GDP ratio rising from 1.4

Table 2: Selected Indicators on Invisibles

(Per cent)			
Year	Net Invisibles/ Trade Deficit	Invisibles Receipts/ Current Receipts	Invisibles Payments/ Current Payments
1	2	3	4
1990-91	-2.6	28.8	21.6
1995-96	48.0	35.3	21.9
1999-00	73.7	44.7	23.7
2000-01	78.6	41.5	28.0
2001-02	129.4	45.1	27.9
2002-03	159.4	43.8	27.9
2003-04	202.7	44.7	24.3
2004-05	92.7	44.9	24.4
2005-06	80.9	46.0	23.3
2006-07	84.5	47.1	24.6
2007-08 R	82.8	47.3	22.1
2008-09 PR	75.8	46.4	19.3

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Chart 2: Trends in India's Invisibles Receipts and Payments

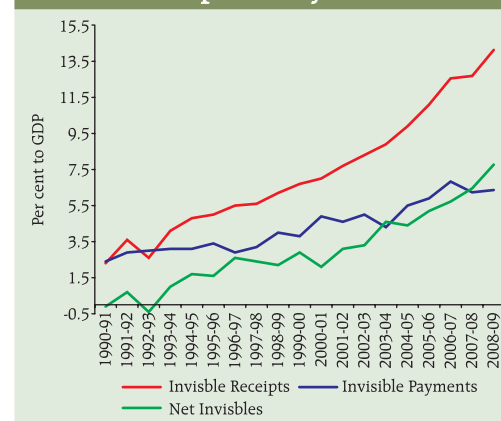


Table 3: Major Components of Invisibles Account in Terms of GDP

Year	Receipts				Payments				Net			
	Services	Transfers	Income	Total	Services	Transfers	Income	Total	Services	Transfers	Income	Total
1990-91	1.4	0.8	0.1	2.3	1.1	0.0	1.3	2.4	0.3	0.8	-1.2	-0.1
1995-96	2.1	2.5	0.4	5.0	2.1	0.0	1.3	3.4	0.0	2.5	-0.9	1.5
1999-00	3.5	2.8	0.4	6.7	2.6	0.0	1.2	3.8	0.9	2.8	-0.8	2.9
2000-01	3.5	2.9	0.6	7.0	3.2	0.0	1.7	4.9	0.3	2.9	-1.1	2.1
2001-02	3.6	3.4	0.7	7.7	2.9	0.1	1.6	4.6	0.7	3.3	-0.9	3.1
2002-03	4.1	3.5	0.7	8.3	3.4	0.2	1.4	5.0	0.7	3.3	-0.7	3.4
2003-04	4.5	3.8	0.6	8.9	2.8	0.1	1.4	4.3	1.7	3.7	-0.8	4.6
2004-05	6.2	3.1	0.7	10.0	4.0	0.1	1.4	5.5	2.2	3.0	-0.7	4.4
2005-06	7.1	3.2	0.8	11.1	4.3	0.1	1.5	5.9	2.9	3.1	-0.7	5.2
2006-07	8.1	3.4	1.0	12.5	4.9	0.2	1.8	6.9	3.2	3.3	-0.8	5.7
2007-08	7.7	3.8	1.2	12.7	4.4	0.2	1.6	6.2	3.3	3.6	-0.4	6.5
2008-09	8.8	4.1	1.2	14.1	4.5	0.2	1.6	6.3	4.3	3.9	-0.4	7.8

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per cent in 1990-91 to 8.8 per cent in 2008-09 driven by software services, which have grown in terms of both size and country of destination. India has emerged as a major software exporting country with an export level of US \$ 46.3 billion in 2008-09, expanding at an average rate of around 28 per cent in the past eight years. With the continued buoyancy in software exports, on an average, they constituted about 44 per cent of total services exports of India during 2001-02 to 2008-09. Apart from software, business services have also grown significantly, reflecting the emergence of India as a preferred investment destination following a greater integration of the domestic economy with the rest of the world and strong macroeconomic fundamentals.

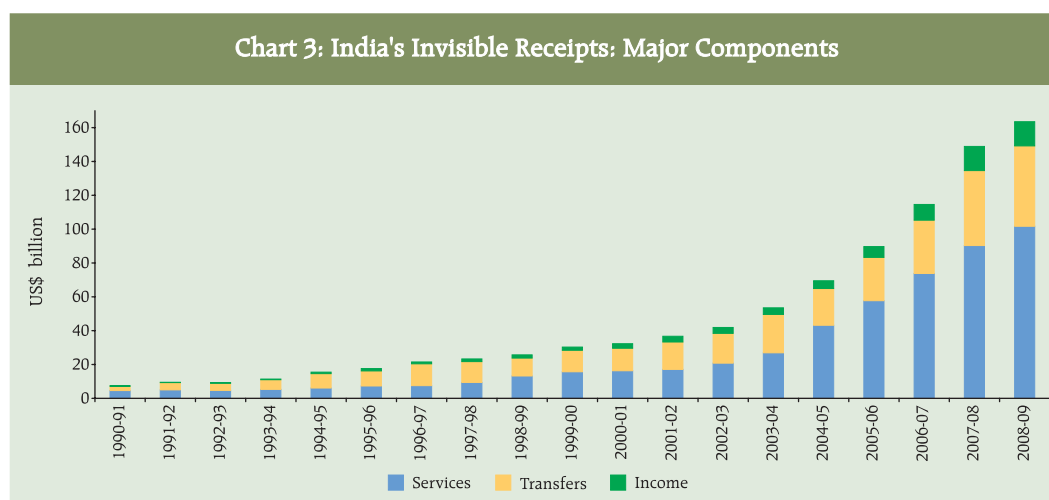
Within invisibles, 'transfer receipts' account for about 29 per cent of the total receipts that constituted about 4 per cent of GDP in 2008-09. Private transfers have relatively been a more stable component of invisibles receipts and it grew from US\$ 13.1 billion in 2000-01 to US\$ 46.9 billion 2008-09, broadly in consonance with rise

in overall economic activity. This reflects a steady increase in inward remittances for family maintenance and higher local withdrawals under NRI deposits on the back of better investment opportunities. With steady increase in private transfers, India continued to retain its prominent position among the leading remittance receiving countries in the world. The sustained expansion in remittances since the 1990s was underpinned by structural reforms, including a market-based exchange rate, current account convertibility as well as shifts in the labour migration pattern to increasingly high skilled categories. However, reflecting the adverse impact of the recent global economic crisis, receipts under private transfers moderated during the second half of 2008-09 as compared with the first half of the year.

Receipts under the income account have also increased substantially in the recent years, except in 2008-09 when it virtually remained stagnant, reflecting mainly higher earnings on deployment of foreign currency assets. Large-scale monetary easing by the major advanced

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economies and resultant lower level of interest rates led to stagnant interest income during 2008-09 (Chart 3).

In line with the increase in invisibles receipts, invisibles payments have also risen in recent years though the increase has been lower than that of receipts. The services payments that constituted about 71 per cent of total invisibles payments in 2008-09, are primarily driven by payments on account of business, transportation and travel services. The services payments increased from 3.2 per cent of GDP in 2000-01 to 4.5 per cent of GDP in 2008-09 reflecting increased business activity and strong growth in imports. On the other hand, payments under two other sub-heads, viz., income and transfers have been broadly stable, moving in a narrow range of 1.4-1.8 per cent of GDP and 0.1-0.2 per cent of GDP, respectively, during the period. Thus, overall rise in invisibles payments from 4.9 per cent of GDP in 2000-01 to 6.3 per cent of GDP in 2008-09 has been much lower than the growth in invisibles receipts resulting in a significant improvement in

net invisibles from 2.1 per cent of GDP in 2000-01 to 7.8 per cent of GDP in 2008-09.

Latest Developments

The robust growth trend observed in invisibles receipts and payments in the past few years was reversed during the first half (April-September) of 2009-10, reflecting a lagged impact of slowdown in the advanced economies following the financial crisis (Table 4). Invisibles receipts declined by 11.6 per cent during April-September 2009 as compared with the corresponding period of the previous year (32.5 per cent growth during April-September 2008). The decline in invisibles receipts was mainly attributed to the lower receipts under almost all the components of services. Though, invisibles payments also declined, due to lower payments towards travel, transportation, non-software services and private transfers, on net basis, invisibles stood lower during the first half of 2009-10 as compared with the corresponding period of the previous year. At this level, the invisibles surplus financed about 68.0 per cent of trade deficit

Table 4: Invisibles Gross Receipts and Payments: Recent Trend

(US \$ million)								
Items	Invisibles Receipts				Invisibles Payments			
	2007-08	2008-09	2008-09	2009-10	2007-08	2008-09	2008-09	2009-10
	April-March (R)	April-March (PR)	April-Sept (PR)	April-Sept (P)	April-March (R)	April-March (PR)	April-Sept (PR)	April-Sept (P)
1	2	3	4	5	6	7	8	9
A. Services	90,342	101,678	50,979	40,057	51,490	52,047	25,870	24,686
1. Travel	11,349	10,894	5,290	4,805	9,258	9,425	4,874	4,397
2. Transportation	10,014	11,286	5,656	5,056	11,514	12,820	7,079	4,998
3. Insurance	1,639	1419	727	771	1,044	1130	533	655
4. Government not included elsewhere	331	389	211	200	376	793	206	232
5. Miscellaneous	67,010	77,691	39,095	29,225	29,298	27,879	13,177	14,404
Of which:								
Software	40,300	46,300	24,201	21,409	3,358	2,814	1,778	829
B. Transfers	44261	47,547	26,570	27,612	2,316	2,749	1,485	1,032
C. Income	14,272	14,309	7,718	7,700	19,339	18,816	9,363	10,052
1. Investment Income	13,811	13,483	7,273	7,267	18,244	17,506	8,704	9,358
2. Compensation of Employees	461	825	444	433	1,095	1309	659	695
Total (A+B+C)	148,875	163,534	85,267	75,368	73,144	73,612	36,718	35,770

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during April-September 2009 as against 75.4 per cent during April-September 2008.

A detailed component-wise analysis of invisibles receipts and payments is discussed below for a better understanding of the dynamics of India's invisibles account, especially from a cross-country perspective.

III. Composition of Invisibles

III.1 Trade in Services

The trade in services comprises of commercial services categorised under transportation, travel and other commercial services, and Government services not included elsewhere (GNIE). Other commercial services comprise of communication, construction, insurance,

royalties and licence fees, other business services, personal, cultural and recreational services, and computer and information services.

An important feature of services exports of India has been a structural shift since 2003-04, driven by the emergence of new avenues of services exports attributed to a rapid expansion in international trade and investment facilitated by an increased liberalization and the use of technology. According to the latest data published by the IMF, India's share in world exports of services has more than doubled between 2003 and 2008 to reach 2.7 per cent (Table 5).

Reflecting the positive developments in terms of the comparative advantage and the continued buoyancy of India's services exports, India was ranked at the 10th

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Table 5: Trade in Services Exports of India

Year	Exports (US \$ billion)	Share in World Exports (%)
1	2	3
2001	17.3	1.1
2002	19.5	1.2
2003	23.9	1.3
2004	38.3	1.7
2005	55.8	2.2
2006	75.4	2.6
2007	87.0	2.6
2008	104.2	2.7

Source: Reserve Bank of India and Balance of Payments Statistics, December 2009, IMF.

position in terms of its market share in the World services exports during 2008, which is an improvement over its 11th position last year (Table 6).

At a disaggregated level, the trade in services has been dominated mainly by software services and non-software miscellaneous services, which include business and professional services (Table 7). Software services continued to be buoyant, with its share in total services exports

Table 6: Comparative Position of India among Top Service Exporters, 2008

Sr. No.	Country	Exports (US \$ billion)	Share (%)
1	2	3	4
1.	USA	545.6	14.1
2.	UK	287.7	7.5
3.	Germany	246.7	6.4
4.	France	164.9	4.3
5.	Japan	148.8	3.9
6.	China	147.1	3.8
7.	Spain	143.6	3.7
8.	Italy	120.2	3.1
9.	Netherlands	105.6	2.7
10.	India	104.2	2.7
11.	Ireland	101.6	2.6
12.	Hong Kong	92.3	2.4
13.	Belgium	86.5	2.2

Source: Balance of Payments Statistics, December 2009, IMF.

increasing to 45.5 per cent in 2008-09 from 44.6 percent in 2007-08. Despite a decline in software exports during the first half of 2009-10, its share in total services exports increased to 53.4 per cent during the period indicating that the decline in other categories of services exports has been

Table 7: Composition of India's Services Exports (Receipts)

Year	Travel	Transportation	Insurance	G.n.i.e	Software Services	Non-software Miscellaneous Services*	(Per cent)
							Total Services
1	2	3	4	5	6	7	8
1990-91	32.0	21.6	2.4	0.3	-	43.6	100.0
1995-96	36.9	27.4	2.4	0.2	-	33.1	100.0
2000-01	21.5	12.6	1.7	4.0	39.0	21.3	100.0
2001-02	18.3	12.6	1.7	3.0	44.1	20.3	100.0
2002-03	16.0	12.2	1.8	1.4	46.2	22.4	100.0
2003-04	18.7	11.9	1.6	0.9	47.6	19.2	100.0
2004-05	15.4	10.8	2.0	0.9	40.9	29.9	100.0
2005-06	13.6	11.0	1.8	0.5	40.9	32.1	100.0
2006-07	12.4	10.8	1.6	0.3	42.4	32.4	100.0
2007-08 (R)	12.6	11.1	1.8	0.4	44.6	29.6	100.0
2008-09 (PR)	10.7	11.1	1.4	0.4	45.5	30.9	100.0

G.n.i.e: Government not included elsewhere.

* : Include business and professional services.

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higher. Within the services exports, the rising prominence of business services reflects the high skill intensity of the Indian work force. The shares of travel in total services export has generally exhibited declining trend in the past two decades despite a revival in international tourist interest in India in recent years. The share of travel in total services exports declined while that of transportation remained constant during 2008-09.

III.1.1 Software Services

Exports of software and IT-enabled services (ITES) increased to US \$ 46.3 billion in 2008-09 as compared to US \$ 40.3 billion during 2007-08 (Table 8). The Indian IT-BPO industry, which experienced exceptional growth benefitting from growing globalization, has emerged over time as a key sector of the economy in terms of contribution to growth, export earnings, investment, employment and overall economic and social development. Notwithstanding increasing competitive

pressures, India continues to remain as an attractive source due to its low cost of operations, high quality of product and services, and readily available skilled manpower. Furthermore, a favourable time zone difference with North America and Europe helps Indian companies achieve round the clock international operations and customer service. India's software exports have been offsetting trade deficit significantly in recent years, which has helped in containing current account deficit at comfortable level. Despite the global economic and financial crisis and the related pressures on external demand, exports of software and IT-enabled services exhibited a steady growth of around 15 per cent during 2008-09. Although India's software exports remained strong over the years, slowdown in global demand due to the crisis did affect the export performance to some extent. According to National Association of Software and Service Companies (NASSCOM), while the US (60 per cent) and the UK (22 per cent) remained India's largest markets for IT-BPO exports in 2008-09, the industry has also

Table 8: Software Services Exports of India

(US \$ million)			
Year	IT Services Exports	ITES-BPO Exports	Total Software Services Exports
1	2	3	4
1995-96	754	-	754
1999-00	3,397	565	3,962
2000-01	5,411	930	6,341
2001-02	6,061	1,495	7,556
2002-03	7,100	2,500	9,600
2003-04	9,200	3,600	12,800
2004-05	13,100	4,600	17,700
2005-06	17,300	6,300	23,600
2006-07	22,900	8,400	31,300
2007-08 R	29,400	10,900	40,300
2008-09 PR	33,600	12,700	46,300

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Source: National Association of Software and Service Companies (NASSCOM).

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been steadily expanding to other regions - with exports to continental Europe, in particular, growing significantly in the recent years. The strategy of geographical diversification along with strong focus on productivity, benchmarking and enhanced operational efficiencies has helped the industry to retain its competitive edge as the global leader in software services exports.

According to the NASSCOM, the industry's vertical market exposure was well diversified across several mature and emerging sectors. Banking, financial services and insurance (BFSI) remained the largest vertical market for Indian IT-BPO exports (50.4 per cent), followed by high-technology and telecommunications (22 per cent) in 2008-09. From a customers' point of view, the focus has been on consolidation, integration and regulation – all of which are expected to drive newer business opportunities for the Indian IT industry.

Broad-based growth, across all the segments of IT services, BPO, product development and engineering services, has

reinforced India's leadership as the key sourcing location for a wide range of technology related services. Accordingly, India has continued to be ranked first in the exports of computer and information services in the international economy since 2005 (Table 9). According to a recent NASSCOM Report titled "IT-BPO Sector in India-Strategic Review 2010", software export revenues are estimated to be around US\$ 49.7 billion in 2009-10, registering a growth of about 7 per cent over the previous year, and contributing about 67 per cent of the total IT-BPO revenues. IT and ITES exports are expected to account for over 99 per cent of total software services exports, employing around 1.8 million employees. In terms of geographical coverage, the year 2009-10 was characterised by a strong revival in the US, which increased its share to around 61 per cent. Emerging markets of Asia Pacific also contributed significantly to overall growth. However, revenues from Continental Europe and UK, which registered the highest growth in the last five years, have lagged behind during 2009-10 due to the lingering of

Table 9: Computer and Information Services Exports*

(US \$ billion)						
Sr. No.	Country	2000	2005	2006	2007	2008
1	2	3	4	5	6	7
1.	India	6.3	22.0	29.2	37.0	48.3
2.	Ireland	7.5	19.6	21.0	26.1	34.2
3.	Germany	3.8	8.4	9.7	12.2	15.1
4.	U.K.	4.3	11.2	13.0	14.1	12.9
5.	U.S.A.	5.6	7.3	10.3	12.7	12.6
6.	Finland	0.2	1.5	1.5	1.3	8.2
7.	Sweden	1.2	2.7	3.6	6.5	7.6
8.	Israel	4.2	4.5	5.3	5.8	6.9
9.	Netherlands	1.2	3.7	3.9	4.2	6.7
10.	China,P.R. Mainland	0.4	1.8	3.0	4.3	6.3

*: Ranking is for the year 2008.

Source: Balance of Payments Statistics Year Book 2009, IMF and Reserve Bank of India.

recessionary conditions coupled with loss of revenue on account of currency fluctuations in these regions.

The year 2009 reportedly saw increased adoption of outsourcing from not only the biggest segment i.e., BFSI, but also new emerging verticals of retail, healthcare and utilities. India topped the list accounting for more than half of global market in technology and business process outsourcing (around US\$ 47 billion of US\$ 94 billion global sourcing revenue). NASSCOM expects IT services to grow by 2.4 per cent in 2010, and 4.2 per cent in 2011 as companies coming out of recession tend to harness the need for information technology to create competitive advantage.

III.1.2 Business and Professional Services

Business, professional and technical services are among the most thriving services sectors in developed countries as

well as in some developing countries like Brazil and India. These services range from legal to management services, and from architectural to advertising services. India's non-software services constituted almost 31 per cent of total services exports in 2008-09, which in turn, have supported steady growth in invisibles receipts. Within non-software services exports, the share of business and professional services, which had grown significantly in recent years and constituted around 63 per cent in 2007-08, declined to around 52 per cent in 2008-09, mirroring the impact of global financial crisis (Table 10). Both business services receipts and payments, which increased significantly in the recent years, declined during 2008-09.

The major constituents of business services have been management consultancy, architectural engineering and other technical services, maintenance of offices abroad and trade-related services

Table 10: Break up of Non-Software Miscellaneous Receipts and Payments

Item	(US \$ million)							
	Receipts				Payments			
	2007-08	2008-09	2008-09	2009-10	2007-08	2008-09	2008-09	2009-10
	April-March (R)	April-March (PR)	April-Sept (PR)	April-Sept (P)	April-March (R)	April-March (PR)	April-Sept (PR)	April-Sept (P)
1	2	3	4	5	6	7	8	9
1. Communication Services	2,408	2,172	1,250	725	860	1,087	523	625
2. Construction	764	867	372	299	708	896	349	641
3. Financial	3,217	3,948	2,288	1,402	3,133	2,958	1,586	2,062
4. News Agency	503	800	397	172	506	386	165	162
5. Royalties, Copyrights & License Fees	157	132	71	116	1,038	1,721	805	823
6. Business Services	16,772	16,445	8,410	4,847	16,553	15,435	7,251	8,477
7. Personal, Cultural & Recreational Services	562	729	297	234	211	322	173	147
8. Others	2,327	6,298	1,809	21	2,931	2,260	546	638
Total (1 to 8)	26,710	31,391	14,894	7,816	25,940	25,065	11,398	13,575

R : Revised. PR : Partially Revised. P : Preliminary.
Note: Break-up of Business Services (item 6) is given in Table 11.

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Table 11: Business Services

Table 11: Business Services								
(US \$ million)								
Item	Receipts				Payments			
	2007-08	2008-09	2008-09	2009-10	2007-08	2008-09	2008-09	2009-10
	April-March (R)	April-March (PR)	April-Sept (PR)	April-Sept (P)	April-March (R)	April-March (PR)	April-Sept (PR)	April-Sept (P)
1	2	3	4	5	6	7	8	9
1. Trade Related	2,234	2,016	1,150	675	2,285	1,651	828	1,036
2. Business & Management Consultancy	4,433	5,017	2,605	1,549	3,422	3,530	1,355	2,324
3. Architectural, Engineering and other Technical Services	3,145	1,766	903	655	3,090	3,130	1,498	1,939
4. Maintenance of Offices abroad	2,861	2,984	1,269	704	2,761	2,673	1,150	1,152
5. Others	4,099	4,662	2,483	1,265	4,995	4,451	2,420	2,026
Total (1 to 5)	16,772	16,445	8,410	4,847	16,553	15,435	7,251	8,477

P : Preliminary. PR : Partially Revised. R : Revised.

(Table 11). These reflect the underlying momentum in trade in professional and technology related services. While receipts under business and management consultancy services increased, the receipts under trade related services, architectural, engineering, and other technical services declined during 2008-09. Business services payments also declined during 2008-09 mainly on account of decline in trade related services and expenses on account of maintenance of offices abroad. With the rising demand for infrastructure and as a favourable destination for international companies for meeting the IT needs, India is emerging as an important country for trade in engineering services. Engineering services mainly include consultancy in designing and detailed designing services.

III.1.3 Travel

Receipts under travel represent expenditure by foreign tourists towards

hotel expenses and goods and services purchased including domestic travel. Travel receipts, which had benefited from robust growth in tourist arrivals in the recent years (Table 12), however, declined during 2008-09. Travel receipts at US\$ 10.9 billion during 2008-09 declined by 4.0 per cent as against an increase of 24.4 per cent in 2007-08,

Table 12: Foreign Tourist Arrivals In India

Year	Arrivals (millions)
1	2
1991	1.68
1995	2.12
2000	2.65
2001	2.54
2002	2.38
2003	2.73
2004	3.46
2005	3.90
2006	4.45
2007	5.08
2008	5.28

Source: Ministry of Tourism and Culture, Government of India.

reflecting a slowdown in tourist arrivals in the country, particularly during the second half of the year, as a result of global economic slowdown and scare created by the outbreak of swine flu. According to the data released by the Ministry of Tourism, foreign tourist arrivals declined by 8.6 per cent in the second half of 2008-09 as against an increase of 8.3 per cent in the first half of 2008-09.

Even travel payments, which have increased in the recent years, reflecting liberalization of the payments system, growing globalization, rising services exports and associated business travel as well as the preference for higher studies abroad, also came under pressure during 2008-09. Travel payments growth remained lower at 1.8 per cent during 2008-09 (38.5 per cent in 2007-08) reflecting a sharp reduction in outbound travels.

India's share in world tourists' earnings remained at 1.3 per cent in 2008, the same as in 2007. However, India's ranking in the world tourist earnings slipped to 20th position in 2008 from 17th in 2007 (23rd in 1990) (Table 13).

III.1.4 Transportation

In view of the rising merchandise trade over the years, the receipts and payments towards transportation, which mainly represent carriage of goods and people as well as other distributive services (such as port charges, bunker fuel, stevedoring, cabotage, warehousing), have also increased over the years. Receipts under transportation increased to US\$ 11.3 billion during 2008-09 from US\$ 10.0 billion in 2007-08, while payments were higher at

Table 13: Comparative Position of India among Top Travel Earnings Countries, 2008

Sr. No	Country	US \$ million	Share in World Travel Earnings (%)
1	2	3	4
1.	USA	134,910	14.3
2.	Spain	61,978	6.6
3.	France	56,270	5.9
4.	Italy	46,192	4.9
5.	China	40,843	4.3
6.	Germany	40,020	4.2
7.	United Kingdom	36,420	3.9
8.	Australia	25,062	2.7
9.	Turkey	21,951	2.3
10.	Austria	21,630	2.3
11.	Thailand	17,646	1.9
12.	Greece	17,416	1.8
13.	Malaysia	15,293	1.6
14.	Canada	15,267	1.6
15.	Switzerland	14,464	1.5
16.	Netherlands	13,346	1.4
17.	Mexico	13,289	1.4
18.	Sweden	12,631	1.3
19.	Russia	11,944	1.3
20.	India	11,832	1.3
21.	Belgium	11,810	1.2
22.	Poland	11,771	1.2
23.	Croatia	11,267	1.2
24.	Egypt	10,985	1.2
25.	Portugal	10,980	1.2

Source: Balance of Payments Statistics, December 2009, IMF and Reserve Bank of India.

US\$ 12.8 billion as compared with US\$ 11.5 billion during the same period. At this level, the transportation receipts constituted 11.1 per cent of total services exports during 2008-09, the same as in the previous year.

III.1.5 Insurance

Insurance consists of insurance on exports/imports, premium on life and non-life policies and reinsurance premium from foreign insurance companies. Insurance receipts and payments are generally

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associated with the movement in India's merchandise trade. The share of insurance receipts in total services receipts, which had remained in a narrow range of around 2 per cent of total services exports since the early 1990s, decreased to around 1.4 per cent in 2008-09.

III.1.6 'Other' Component in Services

In addition to the software services, business services, travel, transportation and insurance, the other component under trade in services includes a host of other commercial services such as financial, communication, construction and personal, cultural and recreational services. However, financial and communication services are the two major components (Table 10). Under financial services, both receipts and payments have

witnessed a significant increase in recent years reflecting greater merger and acquisition activities by domestic companies abroad as well as increasing access by Indian corporates and banks to international financial markets. Financial services cover financial intermediation and auxiliary services provided by banks, stock exchanges, factoring enterprises, credit card enterprises and other enterprises. The receipts relating to financial services increased during 2008-09 while payments registered decline, mainly on account of significant decline during the last quarter of the year. Both financial services exports and imports were around US \$ 3.9 billion and 3.0 billion, respectively, in 2008-09. India ranked 8th position in terms of financial services exports and 5th position in terms of import of financial services (Table 14).

Table 14: Comparative Position of India among Top Financial Services Providers, 2007

Rank	Exporters	Value (US \$ million)	Share in 15 Economies	Rank	Importers	Value (US \$ million)	Share in 15 Economies
1	2	3	4	5	6	7	8
1.	European Union (27)	160,187	56.9	1.	European Union (27)	71,061	62.5
2.	United States	58,266	20.7	2.	United States	18,928	16.7
3.	Switzerland	20,517	7.3	3.	Canada	4,072	3.6
4.	Hong Kong, China	12,425	4.4	4.	Japan	3,610	3.2
5.	Singapore	6,547	2.3	5.	India	3,262	2.9
6.	Japan	6,207	2.2	6.	Hong Kong, China	2,807	2.5
7.	Korea, Republic of	4,001	1.4	7.	Switzerland	1,790	1.6
8.	India	3,886	1.4	8.	Singapore	1,754	1.5
9.	Canada	3,234	1.1	9.	Russian Federation	1,472	1.3
10.	Taipei, Chinese	1,302	0.5	10.	Norway	1,122	1.0
11.	Russian Federation	1,174	0.4	11.	Ukraine	887	0.8
12.	Brazil	1,090	0.4	12.	Brazil	807	0.7
13.	Norway	1,021	0.4	13.	Taipei, Chinese	782	0.7
14.	South Africa	876	0.3	14.	Korea, Republic of	696	0.6
15.	Australia	856	0.3	15.	Turkey	623	0.5
	Above 15	281,590	100		Above 15	113,675	100

Source: International Trade Statistics 2009, WTO.

Communication services exports have also increased significantly in recent years, reflecting technological transformation of the domestic economy as well as significant liberalization of the telecom sector. However, during 2008-09 communication services exports declined by around 10 per cent. India ranked 6th amongst the world's top 15 telecommunication exporters in 2007 (Table 15).

III.2 Transfers

Transfers comprise official transfers and private transfers. Private transfers, mainly workers' remittances, have remained buoyant in recent years on the back of robust global output growth, amidst constant improvement in remittance infrastructure domestically. However, in the aftermath of global economic slowdown, the growth of remittances, though positive,

significantly decelerated to 7.8 per cent in 2008-09 from 41.1 per cent in the previous year. The details of private transfers are set out below.

III.2.1 Private Transfers: Remittances for Family Maintenance and Local Withdrawals from NRI Deposits

Inflows from overseas Indians are mainly in the form of: (i) inward remittances towards family maintenance, and (ii) deposits in the Non-Resident Indian (NRI) deposit schemes with the banks in India. Transfers represent one-sided transactions, *i.e.*, transactions that do not have any *quid pro quo*, such as grants, gifts, and migrants' transfers by way of remittances for family maintenance, repatriation of savings and transfer of financial and real resources linked to change in the resident status of migrants. Accordingly, remittances from overseas Indians towards family maintenance and the funds domestically withdrawn from the NRE deposits and NRO deposit schemes are treated as private transfers, which are included in the current account of the balance of payments. As against this, the inflows from overseas Indians for deposits in the NRI deposit schemes are treated as capital account transactions.

III.2.2 Trends and Composition of Workers' Remittances

III.2.2.1 Trends

Workers' remittances to India have shown buoyancy in the recent years and have imparted significant resilience and strength to India's balance of payments in the past,

Table 15: Comparative Position of India among Top Telecommunication Exporters, 2007

Sr. No.	Country/Region	Value (US \$ million)	Share in 15 Economies	Annual percentage change
1	2	3	4	5
1.	European Union (27)	34,028	61.8	18
2.	United States	8,283	19.0	14
3.	Kuwait	4,667	15.0	37
4.	Canada	1,505	8.5	..
5.	Russian Federation	1,184	2.7	60
6.	India	1,144	2.1	..
7.	Malaysia	599	2.1	-7
8.	Hong Kong, China	556	1.1	-2
9.	Philippines	517	1.0	-10
10.	Turkey	506	0.9	22
11.	Korea, Republic of	482	0.9	14
12.	Norway	465	0.9	46
13.	Morocco	401	0.8	4
14.	Mexico	400	0.7	-14
15.	Croatia	360	0.7	23
	Above 15	55,100	100	-

Source: International Trade Statistics 2009, WTO.

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especially under adverse external conditions. At present, India is among the top remittance receiving countries in the World. Remittances have helped in offsetting India's merchandise trade deficit to a large extent. The significance of remittances can be gauged from the increase in the share of private transfer receipts in India's GDP from 0.7 per cent in 1990-91 to 4.1 per cent in 2008-09. The relative stability in such transfers reflected the steady increase in inward remittances for family maintenance and higher local withdrawals on the back of better domestic investment opportunities. From the sources side, a significant share of remittances to India continued to be from the oil exporting countries of the Middle East. Another important source of remittance inflows to India is the US. In the Indian context, a major part of funds remitted by expatriate workers is channelised through inflows to non-resident deposits in the form of local withdrawals. During 2008-09, private transfer receipts, comprising mainly remittances from Indians working overseas, increased over the previous year. However, there was a moderation in remittances inflows during the second half of 2008-09, with deepening global financial crisis affecting the employment prospects and sharp decline in oil prices affecting the demand for expatriate labour in the oil exporting Gulf countries from where a significant share of remittances to India originates. As a result, there has been moderate rise in remittance inflows from overseas Indians to US \$ 46.9 billion during 2008-09 as compared with US \$ 43.5 billion in 2007-08 (Table 16). Similarly, private transfer receipts increased to 27.5 billion in April-September 2009 from US\$ 26.4 billion

Table 16: Select Indicators of Private Transfers to India

Year	Amount (US \$ billion)	Share in Current Receipts (Per cent)	Private Transfers (Per cent to GDP)
1	2	3	4
1990-91	2.1	8.0	0.7
1995-96	8.5	17.1	2.4
1999-00	12.3	18.3	2.7
2000-01	13.1	16.8	2.8
2001-02	15.8	19.4	3.3
2002-03	17.2	18.0	3.4
2003-04	22.2	18.5	3.7
2004-05	21.1	13.6	3.0
2005-06	25.0	12.8	3.1
2006-07	30.8	12.7	3.4
2007-08 (R)	43.5	13.8	3.7
2008-09 (PR)	46.9	13.3	4.1

R: Revised. PR: Partially Revised.

in the corresponding period of the preceding year. The share of private transfers in the current receipts declined marginally to 13.3 per cent from 13.8 per cent during 2007-08.

Remarkable increase in workers' remittances could be traced to a few structural factors. First, in the 1990s, migration to Australia, Canada, and the United States increased significantly, particularly among information technology (IT) workers on temporary work permits. Second, the swelling of migrants' ranks coincided with better incentives to send and invest money, liberalisation of regulations and controls and more flexible exchange rates. The convenient remittance services provided by Indian and international banks have also shifted such remittance flows from informal channels to banking channels. Third, non-resident Indians have also responded to several attractive deposit schemes and the policy initiatives on this

front. Apart from these structural factors, some current developments that guided the remittances flows include: depreciation of the rupee, hike in interest rate ceilings on NRI deposits since September 2008 and uncertainties in oil-prices, which might have induced the workers to remit their money to India as a hedging mechanism due to its relatively better growth prospects.

According to the World Bank, India continues to be the top remittance receiving country in the world and it received significantly higher remittances to the tune of US\$ 51.6 billion in 2008 as compared with US\$ 37.2 billion in 2007 (Table 17). As per World Bank's estimates, remittances to India declined to US\$ 47.0 billion in 2009 reflecting a lagged response to weak global economy (Box I).

III.2.2.2 Composition

Private transfers primarily comprise of remittances for Family Maintenance, Local Withdrawals from Non-Resident Rupee Account, Gold and Silver brought through Passenger Baggage, and Personal gifts/donations to charitable/religious institutions.

III.2.2.2.1 Remittances for Family Maintenance

The share of remittances repatriated by the overseas Indians for family maintenance, which contributed a significant share of remittance flows to India at about 60 per cent in 1999-2000 declined to around 42 per cent in 2005-06. Subsequently, however, its share increased and reached 51.0 per cent during 2008-09. (Table 18).

Table 17: Workers' Remittances - Top Ten Receiving Countries*

(US \$ million)						
Sr. No.	Country	2001	2005	2006	2007	2008
1	2	3	4	5	6	7
1.	India	14,273	22,125	28,334	37,217	51,581
2.	China	7,037	24,102	27,954	38,791	48,524
3.	Mexico	10,146	23,062	26,877	27,136	26,304
4.	Philippines	6,164	13,566	15,251	16,302	18,643
5.	France	9,194	11,945	13,031	14,513	15,908
6.	Spain	4,720	7,961	8,890	10,739	11,776
7.	Germany	3,933	6,933	7,585	9,839	11,064
8.	Poland	1,995	6,482	8,496	10,496	10,727
9.	Nigeria	1,167	3,329	5,435	9,221	9,980
10.	Romania	116	4,733	6,718	8,539	9,380

* : Ranking is for the year 2008.

Source: Migration and Development Brief (No. 11), World Bank.

III.2.2.2.2 Local Withdrawals from Non-Resident Rupee Deposits

Local withdrawals from non-resident rupee deposit schemes, as part of workers' remittances, are the withdrawals from Non-Resident (External) Rupee Account [NR(E)RA] and Non-Resident Ordinary (NRO) Rupee Account by the non-resident or his dependent for local use. Such local withdrawals/redemptions from NRI deposits cease to exist as liability in the capital account of the balance of payments and assume the form of private transfers, which is included in the current account of the balance of payments.

Although the average contribution of local withdrawals to total private transfers declined from 50 per cent in the first half of the 1990s to only 29 per cent in the latter half, a reversal in this trend has been witnessed in the recent period. Since 2003-04, there has been relatively rising

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Box I: Impact of Global Crisis on Remittances

Remittance flows to developing countries had shown relative stability during the past crises and were also countercyclical during downturns in the recipient economy. However, during the recent global economic crisis, with both the developed and developing countries, *albeit* to different degrees, facing economic slowdown, it was argued that remittances to developing countries could witness a significant slowdown.

According to the latest World Bank estimates (November 2009), from a regional perspective, East Asia and Pacific, and South Asia regions are expected to record the lowest decline of close to 2 per cent, while Europe and Central Asia may witness the highest decline of about 15 per cent. Apart from falling income on account of jobless growth, the increased uncertainty about exchange rates during periods of heightened volatility and immigration controls are expected to depress remittance flows. Remittance flows to developing countries, in fact increased to US\$ 338 billion in 2008 from US\$ 289 billion in 2007 and are projected to decline only moderately by about 6 per cent to US\$ 317 billion in 2009. This is mainly attributed to the fact that while fresh migration has fallen, there is no evidence of existing migrants returning even though the job market has been weak in many destination countries.

Indian Scenario

In the past, workers' remittances to India have imparted significant resilience and strength to India's balance of payments, particularly during periods of notable capital outflows or adverse external shocks. The surge in workers' remittances to India, responding to oil boom in the Middle East during the 1980s, and the information technology revolution in the 1990s, has put India among the top remittance receiving countries in the World. Remittances have also helped to a large extent in offsetting India's merchandise trade deficit. The relative stability in such transfers, compared to other capital account items such as NRI deposits, foreign direct investment and portfolio investment, has also enabled the containment of the current account deficits at modest levels in the face of pressures on other accounts of balance of payments (BoP).

During the current crisis, however, there has been a significant deceleration in the rate of growth of remittance flows to India, especially since the second half of 2008-09. Notwithstanding this trend, India retained its top position as the largest recipient of remittances in 2008 at US\$ 51.6 billion, as per the World Bank data. Moreover, as per the balance of payments (BoP) data released by the RBI, remittances have increased further during the first half of 2009-10 (April-September) as compared to the second half of 2008-09. Thus, the apprehension that global recession and the weakening employment prospects in the host countries could affect India's inward remittance flows significantly during 2009-10 appears to have been unfounded.

The higher remittance flows to India could be attributed to a number of factors, such as, relatively higher growth performance of the Indian economy making it an attractive investment destination, the hike in interest rate ceilings on NRI deposits since September 2008 and uncertainties in oil-prices, which might have induced the workers to remit their money to India as a hedging mechanism due to its relatively better growth prospects. According to a recent RBI Survey on Remittances by Overseas Indian (November, 2009), North America continued to be the most important source region of remittances to India accounting for nearly 38 per cent of the total remittances, followed by the Gulf region (27 per cent) and Europe (18 per cent). In view of the above, any further improvement in the outlook for remittances to India would critically hinge upon the economic recovery in the advanced economies. Moreover, the recent increase in international oil prices is likely to support remittances from Indian workers in the Gulf region. Going by the latest trend, India could retain its position as the largest remittance recipient country even during 2009, thereby providing resilience to the invisibles account.

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1. Ratha, D., S. Mohapatra and A. Silwal (2009), "Migration and Remittance Trends 2009", *Migration and Development Brief 11*, World Bank, November.
2. World Bank (2009), *Global Development Finance 2009*.

Table 18: Trend and Composition of Private Transfers to India

(US \$ million)					
Year	Inward remittances for family maintenance	Local withdrawals/redemptions from NRI Deposits	Gold and silver brought through passenger baggage	Personal gifts/donations to charitable/religious institutions in India	Total
1	2	3	4	5	6
1999-00	7,423	4,120	13	734	12,290
2000-01	7,747	4,727	10	581	13,065
2001-02	6,578	8,546	13	623	15,760
2002-03	9,914	6,644	18	613	17,189
2003-04	10,379	10,585	19	1,199	22,182
2004-05	9,973	8,907	27	2,168	21,075
2005-06	10,455	12,454	16	2,026	24,951
2006-07	14,740	13,208	27	2,860*	30,835
2007-08 (R)	21,922	18,919	26	2,641*	43,508
2008-09 (PR)	23,886	20,617	19	2,381*	46,903
2008-09(Apr-Sep) (PR)	13,882	11,168	12	1,309*	26,371
2009-10(Apr-Sep) (P)	14,677	11,818	56	964*	27,515

*: Including adjustment from the total.
R: Revised. PR: Partially Revised. P: Preliminary.

significance of the local withdrawal route as a conduit to remittance inflows to India (Table 19). The share of local withdrawals in the total private transfers increased marginally to 44.0 per cent during 2008-09 as compared to 43.5 per cent during 2007-08.

Table 19: Inflows and Outflows from NRI Deposits, Local Withdrawals and Remittances

(US \$ million)					
Year	Inflows	Outflows	Local Withdrawals/Redemption from NRI Deposits	Private Transfers (included in current Account of BoP)	Local Withdrawal as % of Private Transfers (4)/(5) (Per cent)
1	2	3	4	5	6
1999-00	7,405	5,865	4,120	12,290	33.5
2000-01	8,988	6,672	4,727	13,065	36.2
2001-02	11,435	8,681	8,546	15,760	54.2
2002-03	10,214	7,236	6,644	17,189	38.7
2003-04	14,281	10,639	10,585	22,182	47.7
2004-05	8,071	9,035	8,907	21,075	42.3
2005-06	17,835	15,046	12,454	24,951	49.9
2006-07	19,914	15,593	13,208	30,835	42.8
2007-08 (R)	29,400	29,222	18,919	43,508	43.5
2008-09 (PR)	37,147	32,858	20,617	46,903	44.0
2008-09 (Apr-Sept) (PR)	18,274	17,202	11,168	26,371	42.3
2009-10 (Apr-Sept) (P)	21,513	18,649	11,818	27,515	43.0

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The rising trend in local withdrawals could be attributed to higher income levels of migrants in the recent past as well as better domestic investment opportunities engendered by robust growth and relatively benign inflation conditions. Even during the current global financial and economic crisis, the gross inflows to NRI deposits and the steady trend in local withdrawals indicate the stability and sustainability of remittance inflows over the medium term. It may be noted that a major part of outflows from NRI deposits (constituting about 85 per cent, on an average) is in the form of local withdrawals from NRI deposits. However, during 2007-08, the share declined significantly to around 65 per cent and further to 63 per cent in 2008-09, reflecting higher outflows under the FCNR (B) accounts.

III.2.2.2.3 Gold and Silver brought through Passenger Baggage

Under the liberalised policy for imports, the Government of India permitted import of gold by certain nominated agencies for sale to jewellery manufacturers, exporters, NRIs, holders of special import licences and domestic users. Nominated agencies/banks were permitted to import gold under different arrangements such as suppliers/buyers credit basis, consignment basis and outright purchase. Thus, after 1997-98 gold imports through passenger baggage by the returning Indians lost its importance as a conduit of remittance flows.

III.2.2.2.4 Personal gifts/donations to charitable/religious institutions

The inflows under this channel, which had generally increased upto 2006-07, came

under some strain subsequently. The money repatriated is predominantly donations to charitable/religious institutions/NGOs.

III.3 Investment income

Investment income receipts are mainly driven by the interest and discount earnings on the RBI investment of foreign exchange reserves and reinvested earnings of the Indian direct investment enterprises abroad. Investment income receipts rose significantly since the late 1990s due to the build-up of foreign exchange reserves. The rise in reinvested earnings reflects the upward trend in Indian overseas investment by the Indian companies to take advantage of their access to international markets, natural resources, distribution networks, foreign technologies and other strategic assets such as brand names.

Investment income payments mainly include payment of interest on commercial borrowings, external assistance, NRI deposits and other short-term liabilities. In addition, more importantly, it includes reinvested earnings of the FDI enterprises operating in India as well as dividend and profit payments on liabilities such as FDI and portfolio investments. While the interest payments depend on the level of debt and the interest rate environment, the reinvested earning payments are influenced by the profitability, and reinvestment decisions of FDI enterprises operating in India. A shift in the level of investment income payments since 2000-01 partly reflects the inclusion of reinvested earnings of FDI enterprises as per the revised procedure of recording FDI in India in line with the international best practices. The

Table 20 : Details of Receipts and Payments of Investment Income

(US \$ million)									
Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (R)	2008-09 (PR)
1	2	3	4	5	6	7	8	9	10
A. Total Receipts (1 to 5)	2,554	3,254	3,405	3,774	4,124	6,229	8,926	13,811	13,483
1. Interest Receipts on loans to Non-residents	84	201	154	198	65	101	163	1,469	951
2. Dividend and Profits	11	57	34	40	92	225	450	476	401
3. Reinvested Earnings	340	700	1,104	552	248	1,092	1,076	1,084	1,084
4. Interest/Discount Earnings on Foreign Exchange Reserves	1,950	1,757	1,835	2,115	3,014	4,519	6,641	10,124	10,480
5. Others	169	539	278	869	705	292	596	658	567
B. Total Payments (1 to 7)	7,218	7,098	6,370	7,531	8,219	11,491	15,688	18,244	17,506
1. Interest Payment on NRI Deposits	1,811	1,808	1,413	1,642	1,353	1,497	1,969	1,813	1,547
2. Interest Payment on ECBs	2,020	1,945	1,486	2,584	1,283	3,148	1,709	2,647	2,702
3. Interest Payments on External Assistance	827	792	1,111	822	710	825	982	1,143	1,010
4. Interest on others (ST) Loans/Bonds	80	80	22	80	400	347	200	415	120
5. Dividends and Profits	1,047	711	462	878	1,991	2,502	3,486	3,226	3,172
6. Reinvested Earnings	1,350	1,645	1,832	1,459	1,903	2,760	5,828	7,679	6,428
7. Others	83	117	44	66	579	412	1,514	1,321	2,527
C. Net Investment Income (A-B)	-4,664	-3,844	-2,965	-3,757	-4,095	-5,262	-6,762	-4,433	-4,023

R: Revised. PR : Partially Revised.

growth in investment income payments, especially since 2004-05, has been mainly led by reinvested earnings and dividends and profits reflecting higher returns in the Indian capital market and improved corporate profitability (Table 20).

While both receipts and payments under the investment account have increased in recent years, except during 2008-09, the higher payments relative to receipts have resulted in net deficit (Table 21). During 2008-09, lower global interest rates resulting from significant monetary easing by advanced economies to contain the adverse impact of the global financial crisis resulted in a marginal decline in investment income receipts to US\$ 13.5 billion from US\$ 13.8 billion in 2007-08. Similarly, investment income payments declined marginally to US\$ 17.5 billion during 2008-09 (US\$ 18.2 billion in 2007-08) mainly

due to decline in profit and dividends, and reinvested earnings of FDI companies in India.

Table 21: Investment Income

(US \$ million)			
Year	Receipts	Payments	Net
1	2	3	4
1990-91	368	4,120	-3,752
1995-96	1,429	4,634	-3,205
1999-00	1,783	5,478	-3,695
2000-01	2,554	7,218	-4,664
2001-02	3,254	7,098	-3,844
2002-03	3,405	6,949	-3,544
2003-04	3,774	7,531	-3,757
2004-05	4,124	8,219	-4,095
2005-06	6,229	11,491*	-5,262
2006-07	8,926	15,688	-6,762
2007-08 R	13,811	18,244	-4,433
2008-09 PR	13,483	17,506	-4,023
2008-09 (Apr-Sept)PR	7,273	8,704	-1,431
2009-10 (Apr-Sept)P	7,267	9,358	-2,090

* Includes, *inter alia*, interest payments (US\$ 1,718 million) of India Millennium Deposits.

R: Revised. PR: Partially Revised. P: Preliminary.

IV. Concluding Remarks and Outlook

The revival of invisibles surplus since the 1990s has lent considerable support to India's balance of payments position. The persistence of invisibles surplus coupled with significant capital inflows have facilitated the process of forward movement in regard to easing of payment restrictions on current and capital account transactions both for individuals and corporates. It is noteworthy that both gross receipts and payments in India's invisibles accounts have risen significantly over the years reflecting gradual opening up of Indian economy and growing volume of economic activity. The strong growth in services exports, especially of software and information technology services, and buoyant remittances from overseas Indians have imparted stability to invisibles receipts. On the other hand, the growth in invisibles payments has been mainly led by interest payments relating to external debt, dividends/profits paid on foreign investment, and payments relating to technology related and business services. Not only in absolute terms but also as a per cent of GDP, net invisibles have witnessed a significant improvement in recent years.

The two major components of India's invisibles, *viz.*, software services and private transfers have provided stability to India's current receipts. The significant technological transformation of the Indian economy as well as the growth in skilled manpower has enabled this process. India continued to be a leader in software exports as well as private transfer receipts during 2008-09. Notwithstanding the adverse impact of the global crisis, software services exports (4.0 per cent of GDP) and private

transfer receipts (4.1 per cent of GDP) were higher during 2008-09 than the previous year, though, with the deepening of the global financial crisis, some moderation was witnessed during the second half of the year.

The robust growth trend observed in invisibles receipts and payments in the past few years was reversed during the first half (April-September) of 2009-10, reflecting a lagged impact of slowdown in the advanced economies following the financial crisis. Both invisibles receipts and payments declined as compared with the corresponding period of the preceding year as a result of which, net invisibles surplus stood lower during the first half of 2009-10.

All the components of services, including software services, registered lower receipts during the first half of the year as compared with the corresponding period of the previous year. Private transfer receipts, which have lent considerable support and stability to India's balance of payments in the recent years, also came under strain registering significantly decelerated growth during the first half of the current financial year. However, improving global economic conditions signifying return of consumer confidence and renewal of business growth is expected to drive IT spending in the foreseeable future.

The pickup in demand, both external and internal, on the back of global economic recovery and strong growth performance of the Indian economy should augur well for the growth prospects of other services during 2010. The hardening of global interest rates as major economies exit the accommodative monetary policy stance

could lead to an increase in investment income receipts. Even in the case of private transfers, the deceleration in growth in the current financial year in lagged response to a weak global economy will reverse slowly but reverting to the pre-crisis growth levels may take some time and would depend on the pace of the global economic recovery. Thus, India's invisibles sector, which has come under some pressure during 2009-10, is expected to make a turnaround in 2010 and beyond and will continue to lend considerable support to India's balance of payments position in future.

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ARTICLE

Invisibles in India's
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Statement 1: Invisibles by Category

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
I. Invisibles Receipts (A+B+C)	30,312	32,267	36,737	41,925	53,508	69,533	89,687	114,558	148,875	163,534
A. Services	15,709	16,268	17,140	20,763	26,868	43,249	57,659	73,780	90,342	101,678
1) Travel	3,036	3,497	3,137	3,312	5,037	6,666	7,853	9,123	11,349	10,894
2) Transportation	1,707	2,046	2,161	2,536	3,207	4,683	6,325	7,974	10,014	11,286
3) Insurance	231	270	288	369	419	870	1,062	1,195	1,639	1,419
4) GNIE	582	651	518	293	240	401	314	253	331	389
5) Miscellaneous	10,153	9,804	11,036	14,253	17,965	30,629	42,105	55,235	67,010	77,691
<i>Of which:</i>										
<i>Software Services</i>	<i>3,962</i>	<i>6,341</i>	<i>7,556</i>	<i>9,600</i>	<i>12,800</i>	<i>17,700</i>	<i>23,600</i>	<i>31,300</i>	<i>40,300</i>	<i>46,300</i>
B. Transfers	12,672	13,317	16,218	17,640	22,736	21,691	25,620	31,470	44,261	47,547
1) Official Transfers	382	252	458	451	554	616	669	635	753	645
2) Private Transfers	12,290	13,065	15,760	17,189	22,182	21,075	24,951	30,835	43,508	46,903
C. Income	1,931	2,682	3,379	3,522	3,904	4,593	6,408	9,308	14,272	14,309
1) Investment Income	1,783	2,554	3,254	3,405	3,774	4,124	6,229	8,926	13,811	13,483
2) Compensation of Employees	148	128	125	117	130	469	179	382	461	825
II. Invisibles Payments (A+B+C)	17,169	22,473	21,763	24,890	25,707	38,301	47,685	62,341	73,144	73,612
A. Services	11,645	14,576	13,816	17,120	16,724	27,823	34,489	44,311	51,490	52,047
1) Travel	2,139	2,804	3,014	3,341	3,602	5,249	6,638	6,684	9,258	9,425
2) Transportation	2,410	3,558	3,467	3,272	2,328	4,539	8,337	8,068	11,514	12,820
3) Insurance	122	223	280	350	363	722	1,116	642	1,044	1,130
4) GNIE	270	319	283	228	212	411	529	403	376	793
5) Miscellaneous	6,704	7,672	6,772	9,929	10,219	16,902	17,869	28,514	29,298	27,879
<i>Of which:</i>										
<i>Software Services</i>	<i>138</i>	<i>591</i>	<i>672</i>	<i>737</i>	<i>476</i>	<i>800</i>	<i>1,338</i>	<i>2,267</i>	<i>3,358</i>	<i>2,814</i>
B. Transfers	34	211	362	802	574	906	933	1,391	2,316	2,749
1) Official Transfers	0	0	0	0	0	356	475	381	514	413
2) Private Transfers	34	211	362	802	574	550	458	1,010	1,802	2,336
C. Income	5,490	7,686	7,585	6,968	8,409	9,572	12,263	16,639	19,339	18,816
1) Investment Income	5,478	7,218	7,098	6,370	7,531	8,219	11,491	15,688	18,244	17,506
2) Compensation of Employees	12	468	487	598	878	1,353	772	951	1,095	1,309
Net Invisibles (I-II)	13,143	9,794	14,974	17,035	27,801	31,232	42,002	52,217	75,731	89,923

R : Revised.

PR : Partially Revised.

Statement 2: Invisibles Receipts by Category of Transactions

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
Invisibles Receipts (A+B+C)	30,312	32,267	36,737	41,925	53,508	69,533	89,687	114,558	148,875	163,534
A) Services	15,709	16,268	17,140	20,763	26,868	43,249	57,659	73,780	90,342	101,678
1) Travel Account										
i) Tourist Expenses in India	3,036	3,497	3,137	3,312	5,037	6,666	7,853	9,123	11,349	10,894
Total	3,036	3,497	3,137	3,312	5,037	6,666	7,853	9,123	11,349	10,894
2) Transportation Account										
a) Sea Transport										
i) Surplus remitted by Indian companies operating abroad	61	34	71	50	36	208	451	452	507	578
ii) Operating expenses of foreign companies in India	161	87	103	145	289	462	638	924	773	1,023
iii) Charter hire charges	42	99	85	83	94	48	144	97	207	193
b) Air Transport										
i) Surplus remitted by Indian companies operating abroad	180	185	154	170	97	130	200	307	690	448
ii) Operating expenses of foreign companies in India	20	22	10	5	18	107	37	83	155	129
iii) Charter hire charges	24	4	18	5	18	20	21	35	42	19
c) Freight on exports	1,065	1,458	1,476	1,815	2,470	3,660	4,407	5,481	6,921	7,502
d) Others	154	157	244	263	185	48	427	595	717	1,394
Total (a to d)	1,707	2,046	2,161	2,536	3,207	4,683	6,325	7,974	10,014	11,286
3) Insurance Account										
a) Insurance on export	192	243	247	303	373	478	575	717	964	1,047
b) Premium										
i) Life	1	1	5	21	0	25	37	64	98	56
ii) Non-life	7	5	8	6	12	289	78	113	132	77
iii) Reinsurance from foreign companies	10	4	8	16	9	19	200	82	185	81
c) Commission on Business received from foreign companies	0	2	4	4	5	29	85	79	125	54
d) Others	21	15	16	19	20	30	87	140	136	104
Total (a to d)	231	270	288	369	419	870	1,062	1,195	1,639	1,419
4) Government Not Included Elsewhere										
a) Maintenance of foreign embassies and diplomatic missions in India	205	222	195	178	185	229	208	139	197	261
b) Maintenance of international and regional institutions in India	377	429	323	115	55	172	106	114	134	128
Total (a to b)	582	651	518	293	240	401	314	253	331	389

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Statement 2: Invisibles Receipts by Category of Transactions (Contd.)

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
5) Miscellaneous Account										
a) Communication services	1,064	1,138	752	812	990	1,384	1,575	2,262	2,408	2,172
b) Construction services	389	536	144	178	458	491	242	700	764	867
c) Financial services	361	347	292	676	299	512	1,209	3,106	3,217	3,948
d) Software services	3,962	6,341	7,556	9,600	12,800	17,700	23,600	31,300	40,300	46,300
<i>of which: IT Services</i>	3,397	5,411	6,061	7,100	9,200	13,100	17,300	22,900	29,400	33,600
<i>ITES-BPO</i>	565	930	1,495	2,500	3,600	4,600	6,300	8,400	10,900	12,700
e) News agency services	342	114	9	59	69	171	185	334	503	800
f) Royalties, copyright and license fees	54	60	22	23	32	71	191	97	157	133
g) Business services (i to xii)\$	643	334	519	807	1,296	5,167	9,307	14,544	16,772	16,445
i) Merchenting services						278	389	239	417	1,067
ii) Trade related services						429	521	1,325	2,233	2,016
iii) Operational Leasing Services						28	107	101	476	471
iv) Legal services						257	277	605	702	721
v) Accounting / Auditing services						38	68	176	228	228
vi) Business Management & Consultancy services	643	334	519	807	1,296	1,556	2,320	4,476	4,433	5,017
vii) Advertising/ trade fair						162	342	694	712	508
viii) Research & Development services						221	395	760	1,335	1,385
ix) Architectural Engineering & other technical services						1,417	3,193	3,457	3,144	1,766
x) Agricultural Mining & on-site processing services						52	32	46	57	85
xi) Maintenance of offices abroad services						724	1,577	2,638	2,861	2,984
xii) Environmental services						5	86	27	174	198
h) Personal, Cultural & Recreational services						105	189	243	562	729
i) Refunds/rebates	53	52	54	44	51	380	75	293	270	291
j) Other services\$\$	3,285	882	1,688	2,054	1,970	4,648	5,532	2,357	2,057	6,006
Total (a to j)	10,153	9,804	11,036	14,253	17,965	30,629	42,105	55,235	67,010	77,691
B) Transfers	12,672	13,317	16,218	17,640	22,736	21,691	25,620	31,470	44,261	47,547
1) Official Transfers										
i) Donations received from Non-residents	40	85	44	32	90	63	53	61	67	58
ii) Grant under PL 480 II	96	97	68	58	33	30	38	31	28	7
iii) Grants from other Governments	246	70	346	361	431	523	578	543	658	579
Total (i to iii)	382	252	458	451	554	616	669	635	753	645
2) Private Transfers										
i) Inward remittance from Indian workers abroad for family maintenance etc.	7,423	7,747	6,578	9,914	10,379	9,973	10,455	14,740	21,920	23,886
ii) Local withdrawals/redemptions from non-resident deposits	4,120	4,727	8,546	6,644	10,585	8,907	12,454	13,208	18,919	20,617

Statement 2: Invisibles Receipts by Category of Transactions (Concl'd.)

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
iii) Gold and silver brought through passenger baggage	13	10	13	18	19	27	16	27	26	19
iv) Personal gifts/donations to charitable/religious institutions in India.	734	581	623	613	1,199	2,168	2,026	2,860	2,644	2,381
Total (i to iv)	12,290	13,065	15,760	17,189	22,182	21,075	24,951	30,835	43,508	46,903
C) Income Account	1,931	2,682	3,379	3,522	3,904	4,593	6,408	9,308	14,272	14,309
1) Compensation of Employees										
i) Wages received by Indians working on foreign contracts	148	128	125	117	130	469	179	382	461	825
2) Investment Income										
i) Interest received on loans to Non-residents	59	84	201	154	198	65	101	163	1,467	951
ii) Dividend/profit received by Indians on foreign investment	16	11	57	34	40	92	225	450	476	401
<i>Of which:</i>										
<i>Dividend received by Indians on foreign investment</i>	#	#	#	#	#	44	28	137	131	167
<i>Profit received by Indians on foreign investment</i>	#	#	#	#	#	48	197	313	345	234
iii) Reinvested Earnings	0	340	700	1,104	552	248	1,092	1,076	1,084	1,083
iv) Interest received on debentures, FRNs, CPs, fixed deposits and funds held abroad by ADs out of foreign currency loans/export proceeds	11	18	13	14	31	182	104	64	106	83
v) Interest received on overdraft of VOSTRO accounts of foreign correspondents/branches by the ADs	10	6	30	40	95	333	110	262	227	229
vi) Payment of taxes by the Non-residents/refund of taxes by foreign governments to Indians	195	70	131	21	157	173	58	257	322	253
vii) Interest/discount earnings etc. earnings on RBI investment	1,383	1,950	1,757	1,835	2,115	3,014	4,519	6,641	10,124	10,480
viii) Interest/remuneration on SDR holdings	9	8	7	13	10	17	20	13	4	3
ix) Others	100	67	358	190	576	0	0	0	0	0
Total (i to ix)	1,783	2,554	3,254	3,405	3,774	4,124	6,229	8,926	13,808	13,483

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Statement 3: Invisibles Payments by Category of Transactions

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
Invisibles Payments (A+B+C)	17,169	22,473	21,763	24,890	25,707	38,301	47,685	62,341	73,144	73,612
A) Services	11,645	14,576	13,816	17,120	16,724	27,823	34,489	44,311	51,490	52,047
1) Travel Account										
i) Business	1,268	1,586	1,471	1,987	2,712	3,222	3,452	2,822	3,296	1,908
ii) Health Related	3	4	4	4	6	14	38	13	18	25
iii) Education Related	61	95	249	169	237	642	1,114	1,105	2,826	2,247
iv) Basic Travel Quota (BTQ)	379	381	518	796	449	1,164	1,240	1,800	1,967	2,399
v) Pilgrimage	137	187	113	125	16	31	27	117	88	174
vi) Others	291	551	659	260	182	176	767	827	1,063	2,671
Total (i to vi)	2,139	2,804	3,014	3,341	3,602	5,249	6,638	6,684	9,258	9,425
2) Transportation Account										
a) Sea Transport										
i) Surplus remitted by Foreign companies operating in India	387	408	474	330	148	1,009	1,636	1,913	1,663	1,838
ii) Operating expenses of Indian companies abroad	406	831	446	505	364	333	1,005	551	901	1,014
iii) Charter hire charges	116	157	112	111	100	87	83	84	148	128
iv) Freight on imports	@	@	@	@	@	876	1,504	1,347	2,952	4,064
v) Freight on exports	..	..	..	..	..	519	581	710	779	1,026
vi) Remittance of passage booking abroad	#	#	#	#	#	26	12	5	4	7
b) Air Transport										
i) Surplus remitted by Foreign companies operating in India	821	1,236	1,362	1,410	652	1,147	2,194	1,835	2,637	2,376
ii) Operating expenses of Indian companies abroad	134	98	111	112	132	102	286	240	565	674
iii) Charter hire charges	75	73	70	82	60	48	141	239	513	387
iv) Freight on imports	@	@	@	@	@	118	125	176	556	271
v) Freight on exports	..	..	..	..	..	59	41	32	27	16
vi) Remittance of passage booking abroad	#	#	#	#	#	31	8	13	25	38
c) Freight on imports	304	647	732	600	763	@@	@@	@@	@@	@@
d) Remittance of passage booking abroad	24	12	29	17	11	##	##	##	##	##
e) Others	143	96	131	105	98	184	721	923	743	981
Total (a to e)	2,410	3,558	3,467	3,272	2,328	4,539	8,337	8,068	11,514	12,820
3) Insurance Account										
a. Premium										
i) Life	1	0	0	0	1	10	15	28	102	77
ii) Non-life	10	9	25	5	10	336	243	82	128	100
iii) Reinsurance	76	180	178	295	266	299	581	382	567	530
b. Commission on Business	6	0	3	0	0	12	28	23	27	43
c. Others	29	34	74	50	86	65	249	127	220	381
Total (a to c)	122	223	280	350	363	722	1,116	642	1,044	1,130

Statement 3: Invisibles Payments by Category of Transactions (Contd.)

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
4) Government Not Included Elsewhere										
a. Maintenance of Indian embassies and diplomatic missions abroad	237	262	209	195	186	339	445	285	272	646
b. Remittances by foreign embassies and missions in India	33	57	74	33	26	72	84	118	104	147
Total (a to b)	270	319	283	228	212	411	529	403	376	793
5) Miscellaneous Account										
a) Communication services	190	127	370	965	772	738	289	796	860	1,087
b) Construction services	51	166	517	1,326	655	716	723	737	707	896
c) Financial services	1,632	1,973	1,264	1,388	700	832	965	2,991	3,133	2,958
d) Software services	138	591	672	737	476	800	1,338	2,267	3,358	2,814
e) News agency services	90	256	163	232	235	281	130	226	506	385
f) Royalties, copyright and license fees	311	235	361	352	444	712	594	1,030	1,037	1,722
g) Business services (i to xii)\$	1,152	1,022	1,501	1,812	2,550	7,318	7,748	15,866	16,553	15,435
i) Merchanting services						235	123	295	717	735
ii) Trade related services						1,052	1,207	1,801	2,286	1,651
iii) Operational Leasing Services						355	462	941	1,166	1,012
iv) Legal services						73	82	161	482	336
v) Accounting / Auditing services						13	20	58	69	132
vi) Business Management & Consultancy services	795	546	533	648	814	1,279	1,806	3,486	3,422	3,530
vii) Advertising/ trade fair						514	420	1,786	1,302	912
viii) Research & Development services						57	116	201	405	432
ix) Architectural Engineering & other technical services						1,111	1,414	3,025	3,091	3,130
x) Agricultural Mining & on-site processing services						7	15	74	50	169
xi) Maintenance of offices abroad services	357	476	968	1,164	1,736	2,618	2,074	4,032	3,555	3,387
xii) Environmental services						4	9	6	9	9
h) Personal, Cultural & Recreational services						102	84	117	211	322
i) Refunds/rebates	89	64	150	152	365	762	45	365	561	550
j) Other services\$\$	3,051	3,238	1,774	2,965	4,022	4,641	5,953	4,119	2,372	1,707
Total (a to j)	6,704	7,672	6,772	9,929	10,219	16,902	17,869	28,514	29,298	27,879
B) Transfers	34	211	362	802	574	906	933	1,391	2,316	2,749
1) Official Transfers										
i) Grants/donations from official sector	0	0	0	0	0	356	475	381	514	413
Total	0	0	0	0	0	356	475	381	514	413
2) Private Transfers										
i) Remittance by Non-residents towards family maintenance and savings	29	124	292	757	522	421	354	823	1,585	1,928
ii) Personal gifts/donations to charitable/religious institutions	5	87	70	45	52	129	104	187	216	409

ARTICLE

Invisibles in India's
Balance of Payments:
An Analysis of Trade
in Services, Remittances
and Income

Statement 3: Invisibles Payments by Category of Transactions (Concl.)

(US \$ million)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
<i>Of which:</i>										
iii) Remittance towards personal gifts and donations						108	96	157	182	373
iv) Remittance towards donations to religious & charitable institutions abroad						17	7	18	24	24
v) Remittance towards grants and donations to other governments & charitable institutions established by the governments						4	1	12	10	12
Total (i to v)	34	211	362	802	574	550	458	1,010	1,802	2,336
C) Income	5,490	7,686	7,585	6,968	8,409	9,572	12,263	16,639	19,339	18,816
a) Compensation of Employees										
i) Payment of wages/ salary to Non-residents working in India	12	468	487	598	878	1,353	772	951	1,095	1,309
Total	12	468	487	598	878	1,353	772	951	1,095	1,309
b) Investment Income										
i) Payment of interest on NRI deposits	1,742	1,811	1,808	1,413	1,642	1,353	1,497	1,969	1,813	1,547
ii) Payment of interest on loans from Non-residents	3,037	2,930	2,855	2,594	3,469	2,450	4,320	3,792	5,062	5,268
iii) Payment of dividend/profit to Non-resident share holders	537	1,047	712	462	878	1,991	2,502	3,486	3,226	3,171
<i>Of which:</i>										
Payment of dividend to Non-resident share holder						1,578	2,400	3,235	2,998	2,893
Payment of profit to Non-resident share holder						413	102	251	228	278
iv) Reinvested Earning	0	1,352	1,644	1,832	1,460	1,904	2,760	5,828	7,680	6,426
v) Payment of interest on debentures, FRNs, CPs, fixed deposits, Government securities etc.	119	60	23	43	42	170	100	35	57	120
vi) Charges on SDRs	30	16	52	20	16	19	17	30	21	28
vii) Interest paid on overdraft on VOSTRO a/c Holders/ OD on NOSTRO a/c	0	0	0	4	20	255	212	406	238	510
ix) Payment of taxes by the Indians/refund of taxes by government to Non-residents	13	2	4	2	4	77	83	142	148	436
Total (i to ix)	5,478	7,218	7,098	6,370	7,531	8,219	11,491	15,688	18,244	17,506

R : Revised.

PR : Partially Revised.

@ : For the period prior to 2004-05, the break up of 'freight on imports' between the sea transport and the air transport is not separately available. Therefore, these have been included under the head 'freight on imports'.

+ : The category 'freight on exports' was introduced in 2004-05 with a view to improve the data coverage.

: For the period prior to 2004-05, the break up between the sea transport and the air transport is not separately available. Therefore, these have been included under the head 'remittance on passage booking abroad'.

@@ : Included under the heads 'sea transport' and 'air transport'.

: Included under the heads 'sea transport' and 'air transport'.

\$: These new categories of services are available since 2004-05 as the reporting system was put in place to record such transactions.

\$\$: Till 2003-04, others included advertising, rentals, office maintenance, prizes, exhibitions & other services not included elsewhere.

Statement 4: Invisibles by Category

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
I. Invisibles Receipts (A+B+C)	1,31,449	1,47,778	1,75,108	2,02,757	2,45,413	3,11,550	3,97,660	5,17,146	5,98,088	7,50,333
A. Services	68,137	74,555	81,739	1,00,419	1,23,175	1,93,711	2,55,668	3,33,093	3,63,042	4,67,915
1) Travel	13,166	16,064	14,975	15,991	23,054	29,858	34,871	41,127	45,526	50,226
2) Transportation	7,400	9,364	10,326	12,261	14,714	21,021	28,023	36,049	40,199	51,952
3) Insurance	1,004	1,234	1,374	1,783	1,922	3,913	4,694	5,403	6,586	6,518
4) GNIE	2,523	2,986	2,467	1,417	1,105	1,797	1,396	1,143	1,331	1,771
5) Miscellaneous	44,044	44,907	52,597	68,967	82,380	1,37,122	1,86,684	2,49,371	2,69,400	3,57,447
<i>Of which:</i>										
<i>Software Services</i>	17,412	29,013	36,038	46,424	58,781	79,404	1,04,632	1,41,356	1,62,020	2,12,242
B. Transfers	54,939	60,948	77,289	85,289	1,04,329	97,201	1,13,566	1,42,037	1,77,745	2,16,906
1) Official Transfers	1,659	1,156	2,197	2,174	2,531	2,762	2,970	2,864	3,024	3,029
2) Private Transfers	53,280	59,792	75,092	83,115	101,798	94,439	110,596	1,39,173	1,74,721	2,13,877
C. Income	8,373	12,275	16,080	17,049	17,909	20,638	28,426	42,016	57,300	65,512
1) Investment Income	7,727	11,690	15,487	16,484	17,314	18,538	27,633	40,297	55,451	61,722
2) Compensation of Employees	646	585	593	565	595	2,100	793	1,719	1,849	3,790
II. Invisibles Payments (A+B+C)	74,421	1,02,639	1,03,727	1,20,400	1,18,044	1,71,959	2,11,733	2,81,567	2,93,902	3,38,789
A. Services	50,467	66,650	65,850	82,775	76,794	1,24,880	1,53,057	2,00,029	2,06,798	2,39,606
1) Travel	9,268	12,741	14,336	16,155	16,534	23,571	29,432	30,249	37,191	43,336
2) Transportation	10,450	16,172	16,486	15,828	10,688	20,363	36,928	36,504	46,278	58,531
3) Insurance	525	1,004	1,339	1,687	1,672	3,249	4,965	2,903	4,192	5,230
4) GNIE	1,167	1,460	1,349	1,105	976	1,843	2,343	1,825	1,518	3,777
5) Miscellaneous	29,057	35,273	32,340	48,000	46,924	75,854	79,389	1,28,548	1,17,618	1,28,731
<i>Of which:</i>										
<i>Software Services</i>	1,600	2,705	3,202	3,565	2,175	3,579	5,954	10,212	13,494	12,702
B. Transfers	150	981	1,729	3,886	2,633	4,066	4,134	6,288	9,293	12,568
1) Official Transfers	2	0	0	0	0	1,598	2,103	1,723	2,073	1,900
2) Private Transfers	148	981	1,729	3,886	2,633	2,468	2,031	4,565	7,220	10,668
C. Income	23,804	35,008	36,148	33,739	38,617	43,013	54,542	75,250	77,811	86,615
1) Investment Income	23,747	32,885	33,830	30,847	34,586	36,947	51,112	70,955	73,410	80,597
2) Compensation of Employees	57	2,123	2,318	2,892	4,031	6,066	3,430	4,295	4,402	6,018
Net Invisibles (I-II)	57,028	45,139	71,381	82,357	1,27,369	1,39,591	1,85,927	2,35,579	3,04,185	4,11,544

R : Revised.

PR : Partially Revised.

ARTICLE

Invisibles in India's
Balance of Payments:
An Analysis of Trade
in Services, Remittances
and Income

Statement 5: Invisibles Receipts by Category of Transactions

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
Invisibles Receipts (A+B+C)	1,31,449	1,47,778	1,75,108	2,02,757	2,45,413	3,11,550	3,97,660	5,17,146	5,98,088	7,50,333
A) Services	68,137	74,555	81,739	1,00,419	1,23,175	1,93,711	2,55,668	3,33,093	3,63,042	4,67,915
1) Travel Account										
i) Tourist Expenses in India	13,166	16,064	14,975	15,991	23,054	29,858	34,871	41,127	45,526	50,226
Total	13,166	16,064	14,975	15,991	23,054	29,858	34,871	41,127	45,526	50,226
2) Transportation Account										
a) Sea Transport										
i) Surplus remitted by Indian companies operating abroad	262	157	344	241	170	932	2,000	2,038	2,037	2,696
ii) Operating expenses of foreign companies in India	696	398	495	695	1,325	2,075	2,824	4,181	3,105	4,706
iii) Charter hire charges	181	453	407	401	433	217	637	435	832	874
b) Air Transport										
i) Surplus remitted by Indian companies operating abroad	781	851	739	820	444	589	885	1,389	2,751	2,039
ii) Operating expenses of foreign companies in India	87	94	44	21	84	479	165	375	625	589
iii) Charter hire charges	103	19	85	21	81	82	93	156	167	90
c) Freight on exports	4,617	6,670	7,053	8,775	11,329	16,445	19,524	24,791	27,796	34,447
d) Others	673	722	1,159	1,287	848	202	1,895	2,684	2,888	6,512
Total (a to d)	7,400	9,364	10,326	12,261	14,714	21,021	28,023	36,049	40,199	51,952
3) Insurance Account										
a) Insurance on export	832	1,111	1,179	1,466	1,711	2,148	2,548	3,243	3,874	4,780
b) Premium										
i) Life	3	4	26	101	3	114	166	294	393	269
ii) Non-life	31	24	32	28	54	1,302	346	514	534	361
iii) Reinsurance from foreign companies	43	18	40	76	40	87	876	366	738	385
c) Commission on Business received from foreign companies	2	7	15	18	23	131	375	358	501	243
d) Others	93	70	82	94	91	131	383	628	546	479
Total (a to d)	1,004	1,234	1,374	1,783	1,922	3,913	4,694	5,403	6,586	6,518
4) Government Not Included Elsewhere										
a) Maintenance of foreign embassies and diplomatic missions in India	887	1,019	935	860	850	1,025	923	625	796	1,187
b) Maintenance of international and regional institutions in India	1,636	1,967	1,532	557	255	772	473	518	535	584
Total (a to b)	2,523	2,986	2,467	1,417	1,105	1,797	1,396	1,143	1,331	1,771

Statement 5: Invisibles Receipts by Category of Transactions (Contd.)

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
5) Miscellaneous Account										
a) Communication services	4,601	5,262	3,585	3,931	4,535	6,191	7,000	10,227	9,682	9,903
b) Construction services	1,691	2,430	696	863	2,097	2,184	1,074	3,156	3,056	4,053
c) Financial services	1,569	1,577	1,387	3,276	1,372	2,279	5,355	14,010	12,917	18,060
d) Software services	17,412	29,013	36,038	46,424	58,781	79,404	1,04,632	1,41,356	1,62,020	2,12,242
<i>of which: IT Services</i>	14,929	24,758	28,908	34,334	42,249	58,768	76,667	1,03,484	1,18,366	43,884
<i>ITES-BPO</i>	2,483	4,255	7,130	12,090	16,532	20,636	27,965	37,872	1,54,537	58,411
e) News agency services	1,485	511	43	284	321	769	818	1,509	2,035	3,683
f) Royalties, copyright and license fees	237	272	104	111	146	316	862	435	631	610
g) Business services (1 to 12)\$	2,790	1,522	2,464	3,890	5,937	23,067	41,356	65,738	67,430	75,632
i) Merchanting services						1,248	1,725	1,071	1,680	4,887
ii) Trade related services						1,923	2,310	5,960	8,956	9,194
iii) Operational Leasing Services						123	476	451	1,900	2,156
iv) Legal services						1,126	1,230	2,736	2,824	3,306
v) Accounting / Auditing services						170	302	795	918	1,066
vi) Business Management & Consultancy services	2,790	1,522	2,464	3,890	5,937	6,955	10,285	20,231	17,841	23,031
vii) Advertising/ trade fair						726	1,528	3,122	2,869	2,347
viii) Research & Development services						985	1,754	3,430	5,338	6,308
ix) Architectural Engineering & other technical services						6,325	14,163	15,678	12,689	8,113
x) Agricultural Mining & on-site processing services						236	143	217	227	397
xi) Maintenance of offices abroad services						3,227	7,051	11,924	11,489	13,912
xii) Environmental services						23	389	125	700	917
h) Personal, Cultural & Recreational services						466	838	1,094	2,249	3,399
i) Refunds/rebates	231	238	258	213	234	1,716	332	1,312	1,083	1,351
j) Other services\$\$	14,028	4,082	8,022	9,975	8,957	20,730	24,417	10,532	8,296	28,515
Total (a to j)	44,044	44,907	52,597	68,967	82,380	1,37,122	1,86,684	2,49,371	2,69,400	3,57,448
B) Transfers	54,939	60,948	77,289	85,289	1,04,329	97,201	1,13,566	1,42,037	1,77,745	2,16,906
1) Official Transfers										
i) Donations received from Non-residents	174	393	211	156	413	256	236	281	270	265
ii) Grant under PL 480 II	414	439	323	280	153	135	169	142	113	34
iii) Grants from other Governments	1,071	324	1,663	1,738	1,965	2,371	2,565	2,441	2,641	2,730
Total (i to iii)	1,659	1,156	2,197	2,174	2,531	2,762	2,970	2,864	3,024	3,029

ARTICLE

Invisibles in India's
Balance of Payments:
An Analysis of Trade
in Services, Remittances
and Income

Statement 5: Invisibles Receipts by Category of Transactions (Concl.)

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
2) Private Transfers										
i) Inward remittance from Indian workers abroad for family maintenance etc.	32,192	35,507	31,361	47,915	47,648	44,559	46,290	73,518	88,049	1,08,598
ii) Local withdrawals/redemptions from non-resident deposits	17,849	21,577	40,654	32,147	48,565	40,105	55,269	59,594	75,968	94,315
iii) Gold and silver brought through passenger baggage	57	44	61	89	86	118	69	121	106	86
iv) Personal gifts/donations to charitable/religious institutions in India.	3,182	2,664	3,016	2,964	5,499	9,657	8,968	5,940	10,598	10,878
Total (i to iv)	53,280	59,792	75,092	83,115	101,798	94,439	1,10,596	1,39,173	1,74,721	2,13,877
C) Income Account	8,373	12,275	16,080	17,049	17,909	20,638	28,426	42,016	57,300	65,512
1) Compensation of Employees										
i) Wages received by Indians working on foreign contracts	646	585	593	565	595	2,100	793	1,719	1,849	3,790
2) Investment Income										
i) Interest received on loans to Non-residents	256	384	959	745	910	293	449	739	5,895	4,405
ii) Dividend/profit received by Indians on foreign investment	68	54	273	64	184	407	992	2,036	1,908	1,852
<i>Of which:</i>										
<i>Dividend received by Indians on foreign investment</i>	#	#	#	#	#	194	122	618	526	790
<i>Profit received by Indians on foreign investment</i>	#	#	#	#	#	213	870	1,418	1,382	1,062
iii) Reinvested Earning	0	1,553	3,339	5,342	2,536	1,114	4,835	4,869	4,364	4,982
iv) Interest received on debentures, FRNs, CPs, fixed deposits and funds held abroad by ADs out of foreign currency loans/export proceeds	50	86	63	69	137	813	453	289	422	389
v) Interest received on overdraft of VOSTRO accounts of foreign correspondents/ branches by the ADs	38	26	3	5	1	1,518	488	1,177	907	1,055
vi) Payment of taxes by the Non-residents/refund of taxes by foreign governments to Indians	854	313	626	100	720	774	256	1,148	1,291	1,164
vii) Interest/discount earnings etc. earnings on RBI investment	5,992	8,927	8,344	8,885	9,708	13,543	20,070	29,980	40,648	47,856
viii) Interest/remuneration on SDR holdings	37	35	37	64	46	76	90	59	16	14
ix) Others	432	312	1,843	1,210	3,072	0	0	0	0	0
Total (i to ix)	7,727	11,690	15,487	16,484	17,314	18,538	27,633	40,297	55,451	61,722

Statement 6: Invisibles Payments by Category of Transactions

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
Invisibles Payments (A+B+C)	74,421	1,02,639	1,03,727	1,20,400	1,18,044	1,71,959	2,11,733	2,81,567	2,93,902	3,38,789
A) Services	50,467	66,650	65,850	82,775	76,794	1,24,880	1,53,057	2,00,029	2,06,798	2,39,606
1) Travel Account										
i) Business	5,490	7,200	7,001	9,617	12,449	14,451	15,296	12,758	13,268	15,887
ii) Health Related	13	18	18	18	26	59	167	61	71	116
iii) Education Related	263	435	1,182	818	1,082	2,892	4,921	5,009	11,304	10,369
iv) Basic Travel Quota (BTQ)	1,638	1,738	2,465	3,830	2,063	5,226	5,473	8,154	7,928	10,961
v) Pilgrimage	602	867	541	604	72	144	122	527	352	827
vi) Others	1,262	2,483	3,129	1,268	842	799	3,453	3,740	4,269	5,177
Total (i to vi)	9,268	12,741	14,336	16,155	16,534	23,571	29,432	30,249	37,191	43,336
2) Transportation Account										
a) Sea Transport										
i) Surplus remitted by Foreign companies operating in India	1,681	1,872	2,245	1,603	683	4,529	7,274	8,640	6,685	8,313
ii) Operating expenses of Indian companies abroad	1,757	3,736	2,125	2,439	1,670	1,493	4,455	2,486	3,627	4,634
iii) Charter hire charges	501	700	534	540	459	389	369	383	595	578
iv) Freight on imports	@	@	@	@	@	3,924	6,659	6,076	11,851	18,507
v) Freight on exports	..	..	..	..	..	2,328	2,573	3,210	3,128	4,673
vi) Remittance of passage booking abroad	#	#	#	#	#	114	53	25	17	30
b) Air Transport										
i) Surplus remitted by Foreign companies operating in India	3,561	5,632	6,477	6,827	2,999	5,156	9,683	8,320	10,632	10,814
ii) Operating expenses of Indian companies abroad	580	444	529	539	611	459	1,268	1,086	2,267	3,146
iii) Charter hire charges	324	336	333	391	280	217	626	1,077	2,063	1,780
iv) Freight on imports	@	@	@	@	@	528	557	792	2,222	1,255
v) Freight on exports	..	..	..	..	..	264	180	144	110	73
vi) Remittance of passage booking abroad	#	#	#	#	#	138	37	58	102	177
c. Freight on imports	1,317	2,970	3,482	2,895	3,503	@@	@@	@@	@@	@@
d. Remittance of passage booking abroad	104	52	136	80	48	##	##	##	##	##
e. Others	625	430	625	514	435	824	3,192	4,207	2,978	9,298
Total (a to e)	10,450	16,172	16,486	15,828	10,688	20,363	36,928	36,504	46,278	58,531
3) Insurance Account										
a. Premium										
i) Life	3	1	3	2	4	42	64	128	409	346
ii) Non-life	45	37	123	22	47	1,511	1,076	372	512	449
iii) Reinsurance	328	805	850	1,421	1,224	1,350	2,588	1,729	2,278	2,467
b. Commission on Business	24	1	15	3	2	54	124	103	108	194
c. Others	125	160	348	239	395	292	1,113	571	885	1,773
Total (a to c)	525	1,004	1,339	1,687	1,672	3,249	4,965	2,903	4,192	5,230

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Statement 6: Invisibles Payments by Category of Transactions (Contd.)

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
4) Government Not Included Elsewhere										
a. Maintenance of Indian embassies and diplomatic missions abroad	1,023	1,199	1,002	938	855	1,516	1,971	1,284	1,099	3,093
b. Remittances by foreign embassies and missions in India	144	261	347	167	121	327	372	541	419	684
Total (a to b)	1,167	1,460	1,349	1,105	976	1,843	2,343	1,825	1,518	3,777
5) Miscellaneous Account										
a) Communication services	826	583	1,767	4,704	3,547	3,298	1,285	3,589	3,462	5,025
b) Construction services	220	757	2,446	6,391	2,995	3,217	3,209	3,337	2,844	4,168
c) Financial services	5,785	8,991	6,046	6,765	3,217	3,735	4,265	13,460	12,560	13,568
d) Software services	1,600	2,705	3,202	3,565	2,175	3,579	5,954	10,212	13,494	12,702
e) News agency services	693	1,167	777	1,122	1,080	1,251	576	1,015	2,040	1,793
f) Royalties, copyright and license fees	1,351	1,073	1,723	1,703	2,039	3,185	2,640	4,632	4,167	7,937
g) Business services (i to xii)\$	5,003	4,674	7,154	8,768	11,711	32,807	34,428	71,500	66,469	71,436
i) Merchenting services						1,055	547	1,324	2,885	3,439
ii) Trade related services						4,741	5,352	8,118	9,189	7,587
iii) Operational Leasing Services						1,584	2,052	4,249	4,675	4,586
iv) Legal services						327	363	724	1,938	1,551
v) Accounting / Auditing services						58	89	263	276	609
vi) Business Management & Consultancy services	3,456	2,499	2,537	3,135	3,734	5,708	10,769	15,739	13,754	16,579
vii) Advertising/trade fair						2,298	1,860	7,974	5,236	4,158
viii) Research & Development services						254	515	906	1,628	1,941
ix) Architectural Engineering & other technical services						4,987	6,293	13,630	12,399	14,479
x) Agricultural Mining & on-site processing services						30	67	333	202	752
xi) Maintenance of offices abroad services	1,547	2,175	4,617	5,633	7,977	11,746	6,480	18,215	14,250	15,717
xii) Environmental services						19	41	27	38	40
h) Personal, Cultural & Recreational services						461	371	525	848	1,478
i) Refunds/rebates	387	292	715	736	1,677	3,437	201	1,655	2,240	2,500
j) Other services\$\$	13,192	15,031	8,510	14,246	18,483	20,884	26,460	18,621	9,494	8,123
Total (a to j)	29,057	35,273	32,340	48,000	46,924	75,854	79,389	1,28,548	1,17,618	1,28,731
B) Transfers	150	981	1,729	3,886	2,633	4,066	4,134	6,288	9,293	12,568
1) Official Transfers										
i) Grants/donations from official sector	2	0	0	0	0	1,598	2,103	1,723	2,073	1,900
Total	2	0	0	0	0	1,598	2,103	1,723	2,073	1,900
2) Private Transfers										
i) Remittance by Non-residents towards family maintenance and savings	125	581	1,392	3,668	2,387	1,887	1,569	3,719	6,348	8,822
ii) Personal gifts/donations to charitable/religious institutions	23	400	337	218	246	581	462	846	872	1,846

Statement 6: Invisibles Payments by Category of Transactions (Concl.)

(Rs. crore)										
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 R	2008-09 PR
1	2	3	4	5	6	7	8	9	10	11
<i>Of which:</i>										
iii) Remittance towards personal gifts and donations						488	426	714	593	1,549
iv) Remittance towards donations to religious & charitable institutions abroad						75	32	79	97	106
v) Remittance towards grants and donations to other governments & charitable institutions established by the governments						18	4	53	44	43
Total (i to v)	148	981	1,729	3,886	2,633	2,468	2,031	4,565	7,220	10,668
C) Income	23,804	35,008	36,148	33,739	38,617	43,013	54,542	75,250	77,811	86,615
a) Compensation of Employees										
i) Payment of wages/salary to Non-residents working in India	57	2,123	2,318	2,892	4,031	6,066	3,430	4,295	4,402	6,018
Total	57	2,123	2,318	2,892	4,031	6,066	3,430	4,295	4,402	6,018
b) Investment Income										
i) Payment of interest on NRI deposits	7,549	8,276	8,621	6,845	7,536	6,071	6,634	8,909	7,315	7,142
ii) Payment of interest on loans from Non-residents	13,167	13,401	13,599	12,565	15,920	11,001	19,215	17,136	20,356	24,248
iii) Payment of dividend/profit to Non-resident share holders	2,333	4,676	3,397	2,237	4,041	8,969	11,123	15,774	12,961	14,244
<i>Of which:</i>										
Payment of dividend to Non-resident share holders						7,120	10,674	14,634	12,048	12,997
Payment of profit to Non-resident share holders						1,849	449	1,140	913	1,247
iv) Reinvested Earning	0	6,177	7,841	8,866	6,710	8,555	12,219	26,371	30,920	29,705
v) Payment of interest on debentures, FRNs, CPs fixed deposits, Government securities etc.	512	271	103	207	192	766	532	158	227	559
vi) Charges on SDRs	132	73	248	96	73	86	75	135	85	130
vii) Interest paid on overdraft on VOSTRO a/c Holders/OD on NOSTRO a/c	2	2	2	22	92	1,154	945	1,829	954	2,466
ix) Payment of taxes by the Indians/refund of taxes by government to Non-residents	52	9	19	9	22	345	369	643	592	2,105
Total (i to ix)	23,747	32,885	33,830	30,847	34,586	36,947	51,112	70,955	73,410	80,597

R : Revised.

PR : Partially Revised.

@ : For the period prior to 2004-05, the break up of 'freight on imports' between the sea transport and the air transport is not separately available. Therefore, these have been included under the head 'freight on imports'.

+ : The category 'freight on exports' was introduced in 2004-05 with a view to improve the data coverage.

: For the period prior to 2004-05, the break up between the sea transport and the air transport is not separately available. Therefore, these have been included under the head 'remittance on passage booking abroad'.

@@ : Included under the heads 'sea transport' and 'air transport'.

: Included under the heads 'sea transport' and 'air transport'.

\$: These new categories of services are available since 2004-05 as the reporting system was put in place to record such transactions.

\$\$: Till 2003-04, others included advertising, rentals, office maintenance, prizes, exhibitions & other services not included elsewhere.

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Annex I : Compilation and Dissemination of India's Invisibles

India's invisibles details form part of India's Balance of Payments (BoP) and are released in two stages *viz.*, (i) standard presentation with broad heads and (ii) detailed presentation with break-up of broad heads. In the first stage, major components of invisibles are released as part of the BoP on a quarterly basis to meet the IMF's Special Data Dissemination Standards (SDDS). These quarterly details are released through the Reserve Bank of India (RBI) website and also published in the RBI Bulletin. In the first stage, the coverage is limited under broad heads of services (travel, transportation, insurance, government not included elsewhere and miscellaneous services including those of software services, business services, financial services and communication services), transfers (private and official transfers) and income (investment income and compensation of employees). In the second stage, when the data firm up and more details are available, the disaggregated details on invisibles are compiled and provided on an annual basis. These disaggregated data are published as an article titled "Invisibles in India's Balance of Payments" in the RBI Bulletin. The details regarding new reporting arrangements which were put in place in 2004-05, wherein a number of new purpose codes were introduced with a view to collect data

separately for a number of emerging business services including those of merchanting services, trade related services, operational leasing services, legal services, accounting services, business and management services, advertising services, research and development services, architectural and engineering services, agricultural services, office maintenance services, environmental services and personal and cultural services, were published in the previous issue of the article published in the RBI Bulletin, November 2006.

The details on invisibles are extracted from India's Balance of Payments records and the balance of payments details are compiled in accordance with the guidelines in the IMF's Balance of Payments Manual, 5th Edition (BPM5), 1993, with minor modifications to adapt to the specifics of the Indian situation. The Manual defines BoP as a statistical statement that systematically summarises, for a specific time period, the economic transactions of an economy with the rest of the world. Transactions between residents and non-residents consist of those involving goods, services, and income; involving financial claims on and liabilities to the rest of the world; and those classified as transfers, involving offsetting entries to balance one-sided transactions.

Annex II: Details on Definitional Aspect of Components of Invisibles

Item	Description
1. Services	
(i) Travel	'Travel' represents all expenditure by foreign tourists in India on the receipts side and all expenditure by Indian tourists abroad on payments side. Travel receipts largely depend on the arrival of foreign tourists in India during a given time period.
(ii) Transportation	'Transportation' records receipts and payments on account of the carriage of goods and people as well as other distributive services (such as port charges, bunker fuel, stevedoring, cabotage, warehousing) performed on merchandise trade.
(iii) Insurance	'Insurance' consists of insurance on exports/imports, premium on life and non-life policies and reinsurance premium from foreign insurance companies.
(iv) Government Not Included Elsewhere (GNIE)	'Government not included elsewhere (GNIE)' represent remittances towards maintenance of foreign embassies, diplomatic missions and international/regional institutions, while payments record the remittances on account of maintenance of embassies and diplomatic missions abroad.
(v) Miscellaneous Services	'Miscellaneous services' encompass communication services, construction services, financial services, software services, news agency services, royalties, copyright and license fees, management services and business services. Business services comprise merchanting services, trade related services, operational leasing services, legal services, accounting services, business and management consultancy services, advertising services, research and development services, architectural and engineering services, agricultural services, mining and on-site processing services, office maintenance services, environmental services, distribution services, audio-visual and related services and personal and cultural services.
2. Investment Income	'Investment income' represents the servicing of capital transactions (both debt and non-debt). These transactions are in the form of interest, dividend, profit and others for servicing of capital transactions. Interest payments represent servicing of debt liabilities, while the dividend and profit payments reflect the servicing of non-debt (foreign direct investment and portfolio investment) liabilities. Investment income payments move in tandem with India's external liabilities, while investment income receipts get linked to India's external assets including foreign exchange reserves. In accordance with the BPM5, 'compensation of employees' has been shown under the heading, "income" with effect from 1997-98.
3. Transfers	'Transfers' represent one-sided transactions, i.e., transactions that do not have any <i>quid pro quo</i> , such as grants, gifts, and migrants' transfers by way of remittances for family maintenance, repatriation of savings and transfer of financial and real resources linked to change in resident status of migrants. Official transfer receipts record grants, donations and other assistance received by the Government from bilateral and multilateral institutions. Similar transfers by the Indian Government to other countries are recorded under official transfer payments.