

Invisibles in India's Balance of Payments: 2000-01 and 2001-02*

Introduction

At present balance of payments (BoP) statistics relating to invisibles are published in two formats viz., standard presentation with broad heads and detailed presentation with break-up of broad heads. The standard presentation with broad heads is compiled in accordance with the methodology set out in the IMF Balance of Payments Manual, 5th edition (BPM5) and is published every quarter with a lag of three months as per IMF's Special Data Dissemination Standards (SDDS) requirements. The disaggregated data are finalised and published once the firm data on the components are available. Invisibles chiefly encompass services, transfers and income. Services, on the other hand, comprise travel, transportation, insurance, government not included elsewhere (GNIE) and miscellaneous (i.e. other services); transfers constitute private transfers and official transfers; income includes investment income and compensation of employees.

Sources of Data

Data on invisibles are compiled primarily on the basis of information made available by authorised dealers (ADs), supplemented by information furnished by various Indian embassies, National Association of Software Service Companies (NASSCOM), the Government of India (GoI), financial institutions and the Reserve Bank's own records. ADs report all receipts transactions to Reserve Bank with purpose-wise classification over a threshold transactions limit equivalent to US \$ 10,000 or Rs 5,00,000 (approximately) since January 2001. For small value transactions of under Rs.5,00,000/- (approx.) the Reserve Bank conducts a quarterly survey for apportioning these receipts under various purposes.

Highlights

- During 2001-02, growth rate of invisible receipts decelerated to 3.4 per cent (to US \$ 35.6 billion) from 13.6 per cent (US \$ 34.4 billion) during 2000-01.
- Miscellaneous services and private transfers were major contributors to the invisible receipts during 2001-02. The share of miscellaneous service receipts in invisible receipts increased to 41.2 per cent in 2001-02 from 37.4 per cent in 2000-01, while the share of private transfer receipts in invisible receipts fell to 34.2 per cent in 2001-02 from 37.4 per cent in 2000-01.
- Major components of miscellaneous service receipts viz., software services, management services and communication services, contributed to the extent of 49 per cent, 6.5 per cent and 6.3 per cent, respectively, during 2001-02.
- Software exports recorded a growth of 13.2 per cent to reach US \$ 7.2 billion during 2001-02 over and above an increase of 57.9 per cent in 2000-01.
- Miscellaneous service payments, investment income payments, transportation service payments and travel service payments dominated the invisible payments during 2001-02.
- Major components of miscellaneous service payments viz., financial services, management services and software services contributed to the extent of 21.4 per cent, 16.1 per cent and 6.2 per cent, respectively, during 2001-02.
- Investment income payments showed a reduction to US \$ 5.4 billion in 2001-02 from US \$

6.2 billion in 2000-01 reflecting the softening of interest rates.

Review of Developments during 2000-01 and 2001-02

The statistics on India's invisibles, both receipts and payments, during 1999-2000 to 2001-02 under broad aggregates are presented in **Table 1**.

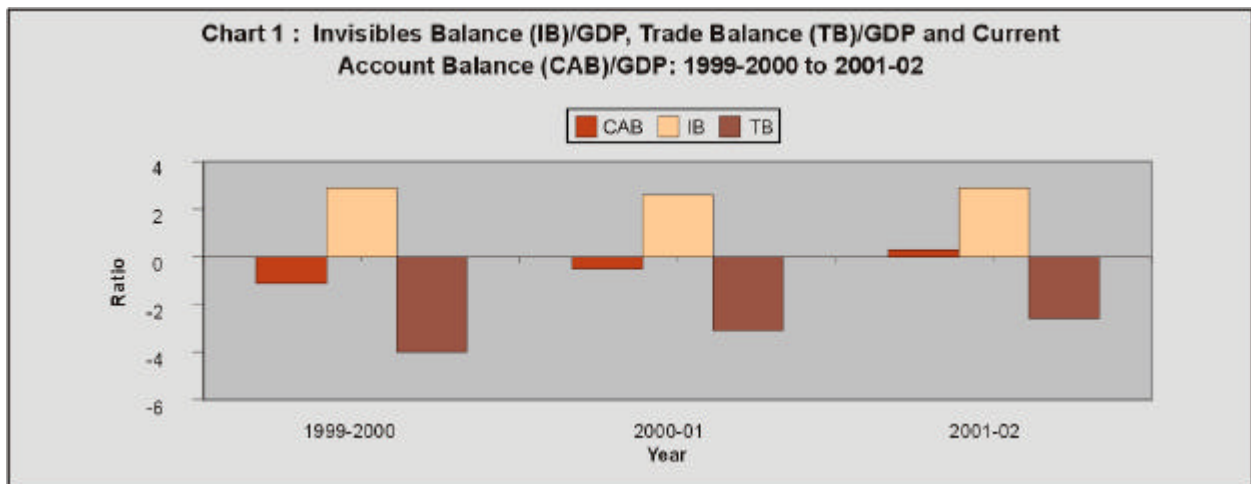
During 2000-01, invisible receipts increased by 13.6 per cent to US \$ 34.4 billion from US \$ 30.3 billion during 1999-2000. The growth rate of invisible receipts decelerated to 3.4 per cent during 2001-02. Invisible payments which were US \$ 17.2 billion during 1999-2000 increased by 32 per cent to US \$ 22.7 billion in 2000-01 before declining to US \$ 21.6 billion during 2001-02.

Table 1 : Invisibles by Category

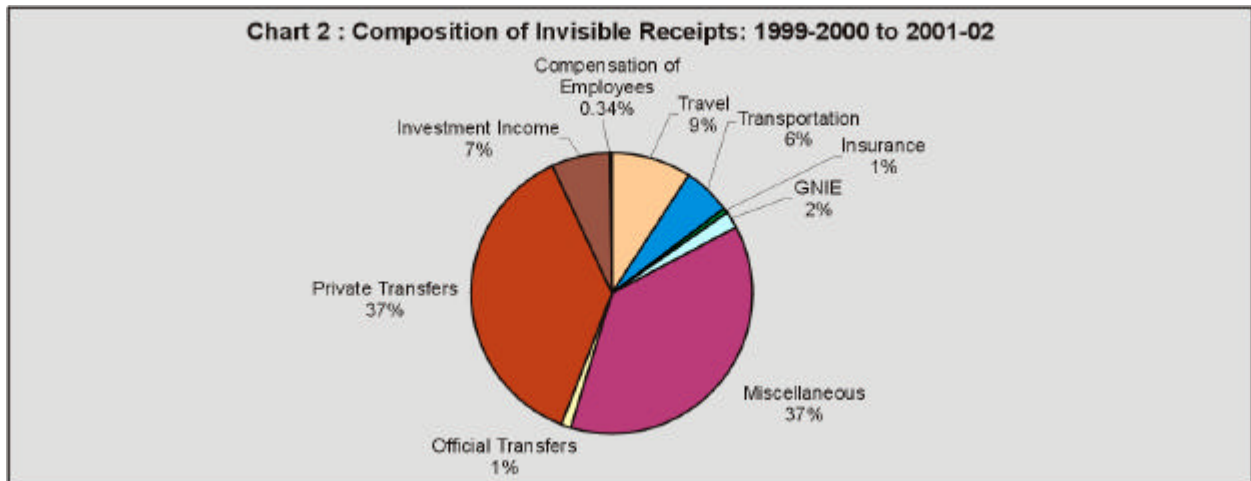
	(Rs.Crore)			(US \$ mn.)		
	1999-00PR	2000-01	2001-02	1999-00PR	2000-01	2001-02
A. Receipts	131449	157748	169841	30312	34447	35612
1. Services	68137	86613	96739	15709	18870	20286
Travel	13166	14505	13880	3036	3168	2910
Transportation	7400	8750	9410	1707	1913	1969
Insurance	1004	1176	1279	231	257	267
GNIE	2523	3012	2235	582	657	469
Miscellaneous	44044	59170	69935	10153	12875	14671
2. Transfers	54939	60312	59987	12672	13211	12577
OfficialTransfers	1659	1556	1851	382	338	385
PrivateTransfers	53280	58756	58136	12290	12873	12192
3. Income	8373	10823	13115	1931	2366	2749
Investment Income	7727	10336	12711	1783	2259	2663
Compensation of Employees	646	487	404	148	107	86
B. Payments	74421	103803	102695	17169	22656	21558
1. Services	50467	75212	76598	11645	16392	16087
Travel	9268	13136	10869	2139	2874	2282
Transportation	10450	14461	11346	2410	3170	2382
Insurance	525	562	1208	122	122	254
GNIE	1167	1557	1293	270	341	272
Miscellaneous	29057	45496	51882	6704	9885	10897
2. Transfers	150	354	319	34	77	68
OfficialTransfers	2	10	4	0	2	1
PrivateTransfers	148	344	315	34	75	67
3. Income	23804	28237	25778	5490	6187	5403
Investment Income	23747	28192	25724	5478	6177	5391
Compensation of Employees	57	45	54	12	10	12
C. Net (A-B)	57028	53944	67146	13143	11791	14054

PR : Partially revised.

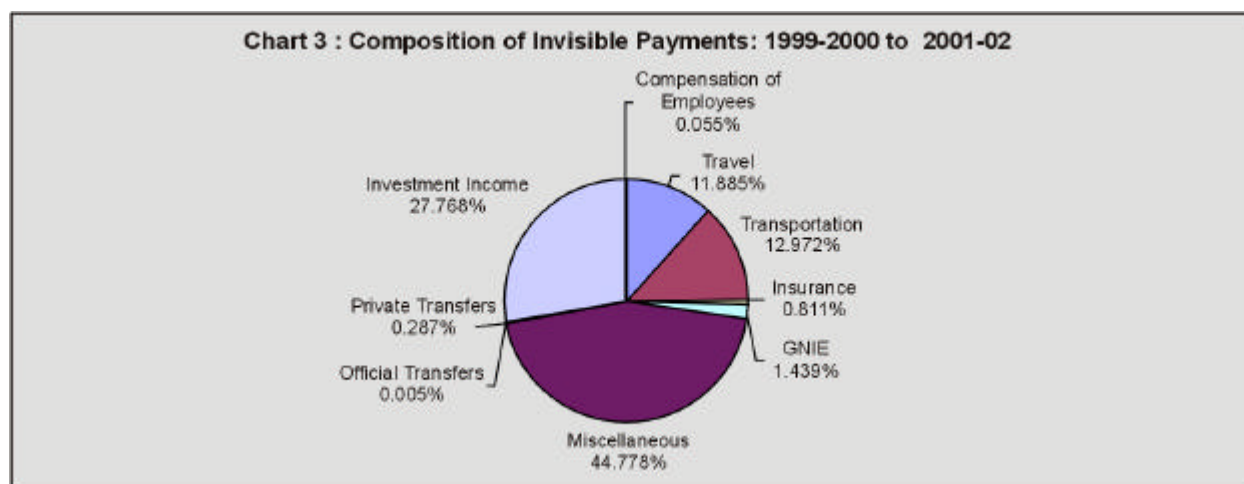
The ratio of invisibles balance to GDP, which along with the ratio of trade balance to GDP determines the ratio of current account to GDP. This is presented in **Chart 1**.



Continuing the past trend, private transfers and miscellaneous services were major contributors to invisible receipts (**Chart 2**).



Miscellaneous service payments, investment income payments, transportation service payments and travel service payments dominated the invisibles payments (**Chart 3**).



As regards the composition, the share of services in gross invisible receipts increased to 57 per cent in 2001-02 from 54.8 per cent in 2000-01 and 51.8 per cent in 1999-2000. This is mainly on account of increase in miscellaneous receipts which include receipts from software services.

Services

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 constituted the second largest share in services receipts. In recent years, there has been a deceleration in travel earnings on account of highly uncertain climate for international tourism vitiated by the terrorist attacks in the US. Travel receipts largely depend on the arrival of foreign tourists in India during a given period. Among travel payments, business related and basic travel quota (BTQ) payments were major constituents (**Table 2**). The lower proportion of travel by Indians could be attributed to the adverse international environment.

Table 2 : Travel

	(Rs Crore)			(US \$ mn)		
	1999-00PR	2000-01	2001-02	1999-00PR	2000-01	2001-02
A Receipts						
Tourist Expenses in India	13166	14505	13880	3036	3168	2910
TOTAL-A	13166	14505	13880	3036	3168	2910
B Payments						
Business	5490	7177	6098	1268	1570	1281
Health Related	13	15	9	3	3	2
EducationRelated	263	378	582	61	83	122
Basic travel quota (BTQ)	1638	2977	2293	379	652	483
Pilgrimage	602	819	333	137	179	69
Others (includes settlements of international credit cards)	1262	1770	1554	291	387	325
TOTAL-B	9268	13136	10869	2139	2874	2282
C. Travel Net (A-B)	3898	1369	3011	897	294	628

PR : Partially revised.

Transportation records receipts and payments on account of the carriage of goods and natural persons as well as other distributive services (like port charges, bunker fuel, stevedoring, cabotage, warehousing etc.) performed on merchandise trade (**Table 3**). The share of freight on exports in total transportation receipts has

Table 3 : Transportation

	(Rs.Crore)			(US \$ mn)		
	1999- 00PR	2000- 01	2001- 02	1999- 00PR	2000- 01	2001- 02
A. Receipts						
a. Sea Transport						
Surplus remitted by Indian companies operating abroad	262	250	322	61	55	68
Operating expenses of foreign companies in India.	696	539	665	161	118	137
Charter hire charges	181	214	250	42	47	52
b. Air Transport						
Surplus remitted by Indian companies operating abroad	781	804	835	180	176	175
Operating expenses of foreign companies in India.	87	89	41	20	20	9
Charter hire charges	103	19	76	24	4	16
c. Freight on exports	4617	6177	6498	1065	1350	1361
d. Others (includes port charges, bunker, Stevedoring, demurrage and other port facilities)	673	658	723	155	143	152
TOTAL-A	7400	8750	9410	1707	1913	1969
B. Payments						
a. Sea Transport						
Surplus remitted by Foreign companies operating in India	1681	1841	1464	387	404	308
Operating expenses of Indian companies abroad	1757	2058	1506	406	450	315
Charter hire charges	501	720	826	116	161	175
b. Air Transport						
Surplus remitted by Foreign companies operating in India	3561	5936	4074	821	1299	854
Operating expenses of Indian companies abroad	580	435	346	134	95	73
Charter hire charges	324	307	234	75	67	49
c. Freight on imports	1317	2807	2369	304	615	497
d. Remittance of passage booking abroad.	104	34	94	24	7	20
e. Others (includes port charges, bunker, Stevedoring, demurrage and other port facilities)	625	324	433	144	72	91
TOTAL - B	10450	14461	11346	2410	3170	2382
C. Transportation Net (A - B)	-3050	-5711	-1936	-703	-1257	-413

PR : Partially revised.

averaged at 69.8 per cent, during 2000-02, followed by sea transport (12.3 per cent) and air transport (10.3 per cent). As regards transportation payments, air transport accounted for 43.9 per

cent followed by sea transport (32.6 per cent) and freight on imports (20.0 per cent) during 2000-02.

Insurance receipts consist of insurance on exports, premium on life and non-life policies and reinsurance premium from foreign insurance companies. Insurance on exports is directly linked to total exports from India. During 2001-02, insurance receipts on account of exports remained at US \$ 232 million, *i.e.* almost the similar level obtained during the previous year (**Table 4**). Insurance payments more than doubled to US \$ 254 million during 2001-02 as compared with US \$ 122 million reported during both 1999-2000 and 2000-01.

Government not included elsewhere (GNIE) receipts represent inward remittance towards maintenance of foreign embassies, diplomatic missions and international/ regional institutions in India, while GNIE payments record the remittances on account of maintenance of Indian embassies and diplomatic missions abroad and remittances by foreign embassies on their account (**Table 5**). Receipts and payments of GNIE transactions declined on 2001-02 over those recorded in 2000-01 as also the net receipts.

Table 4 : Insurance

	(Rs.Crore)			(US \$ mn)		
	1999-00PR	2000-01	2001-02	1999-00PR	2000-01	2001-02
A. Receipts						
a. Insurance on export	832	1056	1110	192	231	232
b. Premium						
Life	3	5	25	1	1	5
Non-life	31	22	26	7	5	5
Reinsurance from foreign Companies	43	18	36	10	4	8
c. Commission on Business received from foreign companies	2	7	14	0	2	3
d. Others (includes settlement of claims on account of insurance & reinsurance)	93	68	68	21	15	14
TOTAL-A	1004	1176	1279	231	257	267
B. Payments						
a. Premium						
Life	3	1	3	1	0	1
Non-life	45	43	123	10	9	26
Reinsurance	328	344	780	76	75	163
b. Commission on Business	24	1	11	6	0	2
c. Others (includes settlement of claims on Account of insurance & reinsurance)	125	173	291	29	38	62
TOTAL-B	525	562	1208	122	122	254
C. Insurance Net (A-B)	479	614	71	109	135	13

PR : Partially revised.

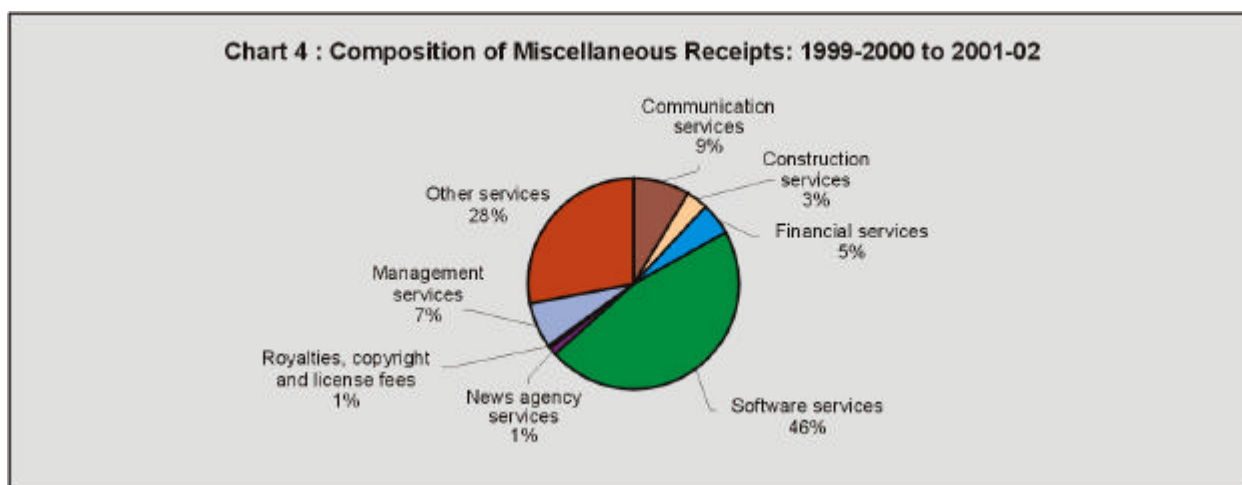
Table 5 : Government Not Included Elsewhere

	(Rs Crore)	(US \$ mn)
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	1999- 00PR	2000- 01	2001- 02	1999- 00PR	2000- 01	2001- 02
A. Receipts						
a. Maintenance of foreign embassies and diplomatic missions in India	887	1016	853	205	222	178
b. Maintenance of international and regional institutions in India	1636	1996	1382	377	435	291
TOTAL-A	2523	3012	2235	582	657	469
B. Payments						
a. Maintenance of Indian embassies and diplomatic missions abroad	1023	1232	956	237	270	201
b. Remittances by foreign embassies and missions in India	144	325	337	33	71	71
TOTAL-B	1167	1557	1293	270	341	272
C. GNIE Net (A-B)	1356	1455	942	312	316	197

PR : Partially revised.

Miscellaneous services comprise of a host of business services. Miscellaneous services encompass communication services, construction services, financial services, software services, news agency services, royalties, copyright and license fees, management services and others (**Table 6**). Under miscellaneous receipts, software services have the largest share (**Chart 4**).



Software services, which had earlier recorded a significant growth of around 58 per cent in 2000-01 decelerated to 13.2 per cent during 2001-02 to reach US \$ 7.2 billion. Financial services, management services, software services constituted 41 per cent of miscellaneous payments, while other services accounted for 45 per cent (**Chart 5**).

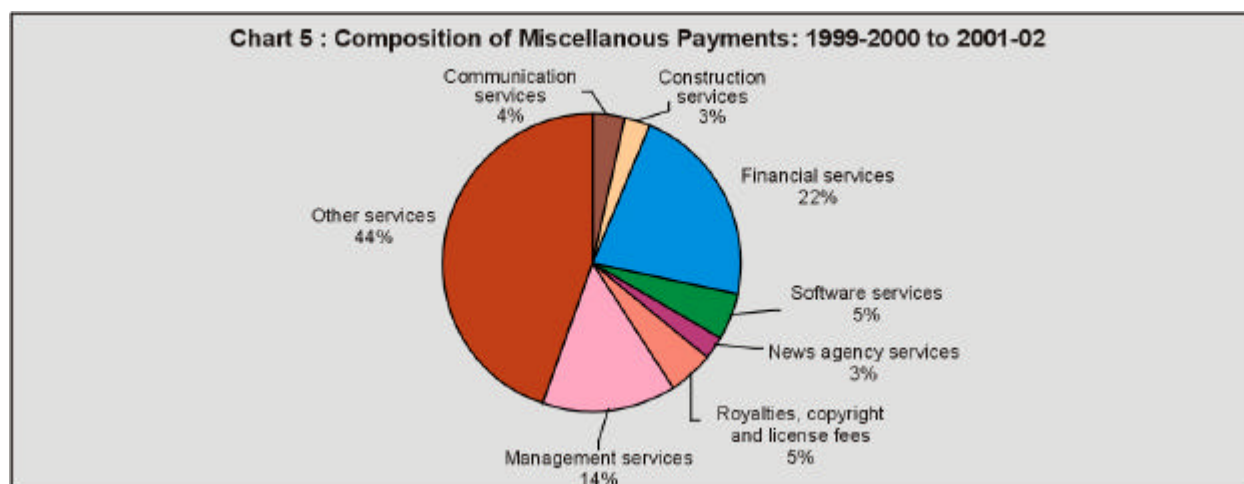


Table 6 : Miscellaneous Services

	(Rs Crore)			(US \$ mn)		
	1999- 00PR	2000- 01	2001- 02	1999- 00PR	2000- 01	2001- 02
A. Receipts						
Communication services	4601	5949	4377	1064	1288	921
Construction services	1691	3081	803	389	671	167
Financial services	1569	3193	3719	361	696	780
Software services	17412	29014	34216	4016	6341	7175
News agency services	1485	511	35	342	114	7
Royalties, copyright and license fees	237	280	400	54	62	84
Management services	2790	4471	4546	643	970	951
Other services (Advertising, rentals, office maintenance, prizes, exhibitions & other services not enumerated elsewhere)	14259	12671	21839	3284	2733	4586
TOTAL-A	44044	59170	69935	10153	12875	14671
B. Payments						
Communication services	826	1138	2719	190	247	571
Construction services	220	996	2462	51	216	517
Financial services	5785	9221	11117	1632	2003	2335
Software services	1600	2706	3202	138	590	672
News agency services	693	1378	1509	90	299	317
Royalties, copyright and license fees	1351	2367	2671	311	514	561
Management services	3456	6376	8341	795	1385	1752
Other services (Advertising, rentals, office maintenance, prizes, exhibitions & other services not enumerated elsewhere)	15126	21314	19861	3497	4631	4172
TOTAL-B	29057	45496	51882	6704	9885	10897
C. Miscellaneous Net (A-B)	14987	13674	18053	3449	2990	3774

PR : Partially revised.

Transfers

Transfers represent one-sided transactions, i.e., transactions which do not have any quid pro quo, such as grants, gifts, remittances for family maintenance, repatriation of savings and migrant transfer (financial and real resources transferred as a result of the migration from one economy to another). Official transfer receipts record grants and donations from non-residents to the Government and other assistance received by the Government from bilateral and multilateral institutions. Similarly, payments by India to other countries are recorded under official transfer payments (Table 7).

Private transfers from expatriate Indians is traditionally a major source of invisible receipts. In recent years, however, the share of private transfers in gross invisible receipts has declined from 40.5 per cent in 1999-2000 to 34.2 per cent in 2001-02. Among the various components of private transfer receipts, inward remittances constituted the largest part of transfer receipts (Chart 6) (Table 8).

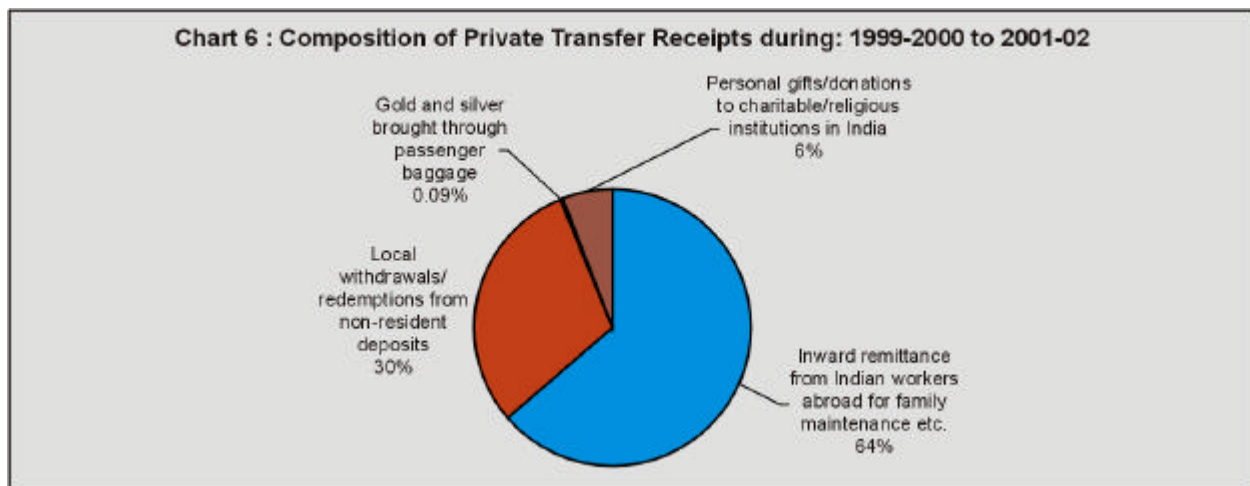


Table 7 : Official Transfers

	(Rs.Crore)			(US \$ mn)		
	1999-00PR	2000-01	2001-02	1999-00PR	2000-01	2001-02
A. Receipts						
Donations received from Non- residents	174	489	29	40	107	6
Grant under PL 480 II	414	439	279	96	95	58
Grants from other Governments	1071	628	1543	246	136	321
TOTAL-A	1659	1556	1851	382	338	385
B. Payments						
Grants/donations from official sector	2	10	4	0	2	1
TOTAL-B	2	10	4	0	2	1
C. Official Transfers Net (A-B)	1657	1546	1847	382	336	384

PR : Partially revised.

Table 8 : Private Transfers

	(Rs. Crore)			(US \$ mn)		
	1999-00PR	2000-01	2001-02	1999-00PR	2000-01	2001-02
A. RECEIPTS						
Inward remittance from Indian workers abroad for family maintenance etc.	32192	37681	38514	7423	8255	8076
Local withdrawals/redemptions from Non-resident deposits	17849	17305	16422	4120	3791	3444
Gold and silver brought through passenger baggage	57	41	62	13	9	13
Personal gifts/donations to charitable/Religious institutions in India.	3182	3729	3138	734	818	659
TOTAL –A	53280	58756	58136	12290	12873	12192
B. PAYMENTS						
Remittance by foreign workers for family maintenance etc.	125	201	172	29	44	37
Personal gifts/donations to charitable/religious institutions in India.	23	143	143	5	31	30
TOTAL –B	148	344	315	34	75	67
C. PRIVATE TRANSFERS NET (A-B)	53132	58412	57821	12256	12798	12125

PR : Partially revised.

Investment income

Investment income transactions represent the servicing of capital transactions (both debt and non-debt). Investment income 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. Total investment income payments rose from US \$ 5.5 billion in 1999-2000 to US \$ 6.2 billion during 2000-01. However, it has declined to US \$ 5.4 billion during 2001-02 (**Table 9**). Investment income payments declined by 12.7 per cent from US \$ 6.2 billion in 2000-01 to US \$ 5.4 billion during 2001-02, mainly due to softening of interest rates in international markets.

Table 9 : Income

	(Rs. Crore)			(US \$ mn)		
	1999-00PR	2000-01	2001-02	1999-00PR	2000-01	2001-02
Receipts (I+II)	8373	10823	13115	1931	2366	2749
Payments (I+II)	23804	23237	25778	5490	6187	5403
Net	-15431	-17414	-12663	-3559	-3821	-2654
I. Compensation of Employees						
A. Receipts						
Wages received by Indians working on foreign contracts or the foreigners working in India on foreign contracts.	646	487	404	148	107	86
B. Payments						
Payment of wages/salary to Non-residents working in India or Indians working on projects abroad	57	45	54	12	10	12

Compensation of Employees Net (A-B)	589	442	350	136	97	74
II. Investment Income						
A. Receipts						
Interest received on loans to non-residents	688	741	2041	159	163	428
Dividend/profit received by Indians on foreign investment	68	113	230	16	16	48
Interest received on debentures,FRNs,CPs, fixed deposits and funds held abroad by ADs out of foreign currency loans/export proceeds	50	10	61	11	3	13
Interest received on overdraft of VOSTRO accounts of foreign correspondents / branches by the ADs	38	21	52	10	6	11
Payment of taxes by the non-residents/refund of taxes by foreign governments to Indians	854	456	691	195	104	145
Interest/discount etc. earnings on RBI investment	5992	8926	9597	1383	1951	2010
Interest/remuneration on SDR holdings	37	69	39	9	16	8
TOTAL-A	7727	10336	12711	1783	2259	2663
B. Payments						
Payment of interest on non-resident deposits	7549	7803	7613	1742	1710	1596
Payment of interest on loans from non-residents	13167	15048	13401	3037	3297	2808
Payment of dividend/profit to non-resident share holders	2333	4395	3756	537	963	787
Payment of interest on debentures, FRNs, CPs, fixed deposits, Government securities etc	512	571	468	119	125	98
Charges on SDRs	132	183	243	30	40	51
Interest paid on overdraft on NOSTRO Account	2	0	0	0	0	0
Payment of taxes by the Indians/refund of taxes by government to non-residents	52	192	243	13	42	51
TOTAL-B	23747	28192	25724	5478	6177	5391
C. Investment Income Net (A-B)	-16020	-17856	-13013	-3695	-3918	-2728

PR : Partially revised.

* Prepared in the Division of International Finance (DIF), Department of Economic Analysis and Policy (DEAP). Such data for the period 1997-98 to 1999-2000 were published in RBI Bulletin, January 2001 in an article entitled "Invisibles in India's Balance of Payments: 1997-98 to 1999-2000" and for the period 1989-90 to 1996-97 in RBI Bulletin, April 1999. Data for the period 1956-57 to 1989-90 were published in July 1993 in the "Monograph on India's Balance of Payments".