

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

### I. Introduction

The Invisibles account, as part of India's balance of payments comprises international trade in services, income from financial assets, labour and property and cross border transfers mainly workers' remittances. In recent years, India's balance of payments (BoP) developments in the current account have been characterised by two elements *viz.*, (a) persistence of higher trade deficits, and (b) buoyant invisible surpluses. The persistent and growing invisible surpluses have provided cushion to higher trade deficits and minimised the risks to external payments position. Given the importance of invisibles, the developments in these areas are published by the Reserve Bank of India (RBI) in two stages *viz.*, (i) standard presentation with broad heads on a quarterly basis to meet the IMF's Special Data Dissemination Standards (SDDS) in the RBI's website and subsequently in monthly Bulletin of the RBI, and (ii) detailed presentation with break-up of broad heads in an annual article titled 'Invisibles in India's Balance of Payments' in the RBI's monthly Bulletin<sup>1</sup>.

This article seeks to further contribute to the endeavour of providing the disaggregated information on India's trade in invisibles for the period 2005-06 (revised) and 2006-07 (partially revised) along with the time series data since 1999-2000. The organisation of the article is as follows. Section II presents magnitude and trends in the invisibles

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<sup>1</sup> Previous issue of the article was published in RBI Bulletin, November 2006 covering the data from 1999-2000 to 2005-06. Such data for the period 1997-98 to 1999-2000 were earlier published in January 2001 issue of the RBI Bulletin and for the period 1989-90 to 1996-97 in 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."

at the aggregate level. An analysis of the various components of invisibles is presented in Section III. The relevant policy initiatives regarding services and remittances are given in Section IV. Concluding observations are set out in Section V.

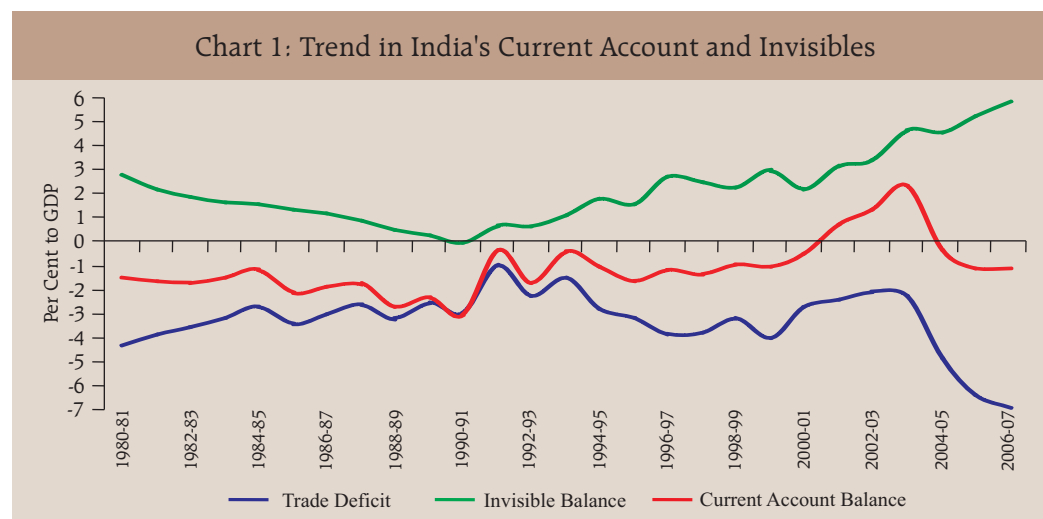
## II. Concepts, Magnitude and Recent Trends in Invisibles

Under the BoP standard presentation, invisibles form part of the current account and have three major heads: services, transfers and income (Box 1). These three major heads are further disaggregated into minor heads (Statements 1 to 6). The definitional aspects of these minor heads are set out in Box 2. The resurgence of invisible surpluses in the 1990s, after a hiatus in the late 1980s, have in fact, restrained the current account deficits within a narrow corridor since the 1990s with surplus in intermittent years (Chart 1). Thus, a sustained rise in invisibles

surplus has significantly minimised the risk to the external payments position. Furthermore, modest current account surpluses during the period 2001-02 to 2003-04, together with significant capital inflows enabled further easing of payment restrictions on current and capital account transactions both for individuals and the corporates.

Another feature of India's invisibles account is that both gross receipts and payments have accelerated particularly since 2002-03. The growth in invisible receipts was led by a strong momentum in exports of software and information technology (IT) services, business services and remittances from overseas Indians. The growth in invisible payments was mainly led by interest payments relating to external debt, dividends/profits paid on foreign investment and payments relating to technology related and business services with growing demand for such services (Table 1).

Chart 1: Trend in India's Current Account and Invisibles



**Box 1: 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 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 in an article titled "Invisibles in India's Balance of Payments" in RBI Bulletin.

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.

In recognition of the growing importance of services and in order to meet the requirements of compilation under extended balance of payments statistics, the Reserve Bank based on the recommendations of a Technical Group on Statistics of International Trade in Services, which submitted its report in 2002, took the lead in putting in place an arrangement to collect comprehensive information on India's trade in services in the context of the ongoing negotiations on international trade in services under the GATS framework. 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 revisions in the data for the financial years 2005-06 and 2006-07, *inter alia*, take into account the issue of potential overlap between business services and software services. Accordingly, the data reported by the 'Authorised Dealers' (ADs) were reviewed and based on the feedback, the revisions have been carried out in various components of business services.

**Box: 2 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 the 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 natural persons as well as other distributive services (such as port charges, bunker fuel, stevedoring, cabotage, warehousing) performed on the 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)' represents 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 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.
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 head, "income" with effect from 1997-98.
3. Transfers	'Transfers' represent one-sided transactions, <i>i.e.</i> , 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 Indian Government to other countries are recorded under official transfer payments.

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)
1	2	3	4	5	6
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
2001-02	36,737	13.9	21,763	-3.2	14,974
2002-03	41,925	14.1	24,890	14.4	17,035
2003-04	53,508	27.6	25,707	3.3	27,801
2004-05	69,533	29.9	38,301	49.0	31,232
2005-06	89,687	29.0	47,685	24.5	42,002
2006-07	115,074	28.3	61,669	29.3	53,405

During 2006-07, invisibles receipts and payments as a percentage of GDP stood at 12.5 per cent and 6.7 per cent, respectively. At this level, invisibles receipts and payments accounted for over 47 per cent and 24 per cent of current account receipts and payments, respectively (Chart 2). On an average, during the period 2000-01 to 2006-07, the invisibles receipts constituted around 45 per cent of current account receipts, while invisibles payments accounted for around 26 per cent of current account payments.

The decomposition of invisible receipts shows that the services exports contributed to this rising invisible receipts, with services-GDP ratio rising to 8.3 per cent in 2006-07 from 1.4 per cent in 1990-91. At this level, services accounted for two-thirds of the total invisible receipts (Table 2).

The net invisibles surpluses (invisibles receipts minus payments) rose to 5.8 per cent of GDP in 2006-07 from 5.2 per cent in 2005-06 and 2.1 per cent in the

Chart 2 : Trends in Invisibles Receipts and Payments

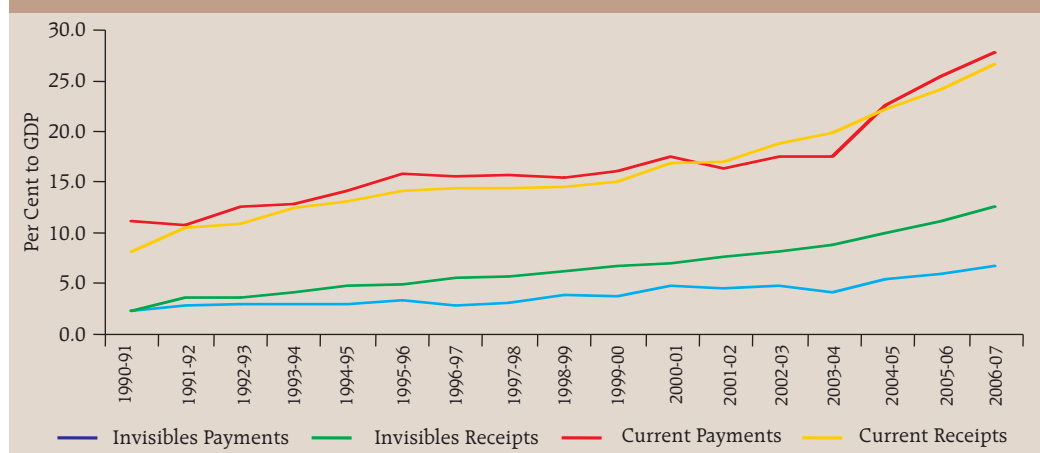


Table 2: Major Components of Invisibles Account in Terms of GDP

(Per cent to GDP)												
Year	Receipts				Payments				Net			
	Services	Transfers	Income	Total	Services	Transfers	Income	Total	Services	Transfers	Income	Total
1	2	3	4	5	6	7	8	9	10	11	12	13
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	1.6
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	3.3
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	1.5	5.6	2.2	3.0	-0.8	4.4
2005-06	7.1	3.2	0.8	11.1	4.3	0.1	1.5	5.9	2.8	3.1	-0.7	5.2
2006-07	8.3	3.2	1.0	12.5	4.8	0.2	1.7	6.7	3.5	3.0	-0.7	5.8

beginning of the current decade. During 2006-07, the net surplus under invisibles financed around 85 per cent of the trade deficit (Table 3).

A marked feature of India's services exports, besides the shift in the level of its exports, has been the reduced volatility in services exports, which has provided stability to current receipts. Another feature of services exports is that India has emerged as a major software exporting country with a level of US \$ 31.3 billion in 2006-07, expanding at a steady rate of over 30 per cent in the recent past despite a global IT slowdown. Again, with workers'

remittances at US \$ 29.0 billion in 2006-07, India continued to retain its position among the leading remittance receiving countries in the world with relative stability in such inflows. 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 (Chart 3).

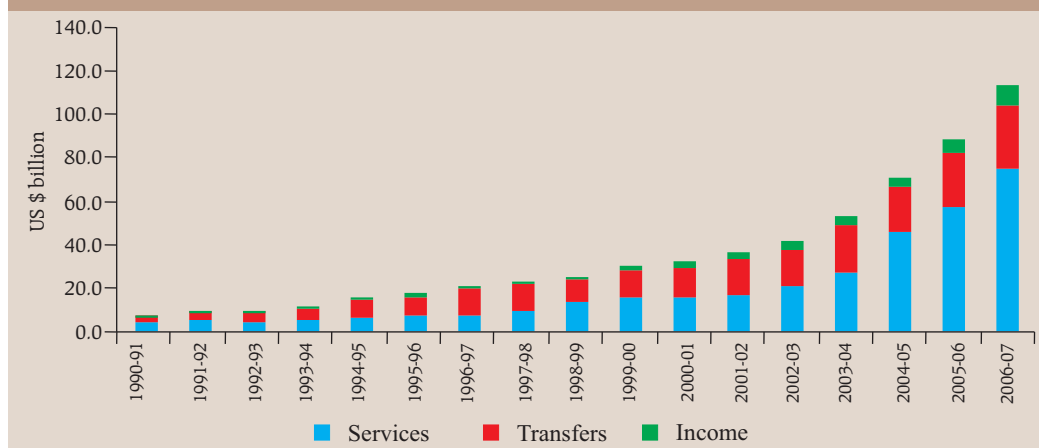
### Latest Trends

Growth in invisible receipts showed a deceleration from 31.0 per cent in

Table 3: Selected Indicators on Invisibles Including Financing Trade Deficit

(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	47.3	24.4

Chart 3: India's Invisibles Receipts: Major Components



April-September 2006 to 23.4 per cent in April-September 2007 mainly on account of deceleration in exports of software and business services (Table 4). The major components of invisible payments were travel payments, business service payments such as payments relating to business and management consultancy, engineering and other technical services

and interest, dividend and profit payments. Invisible payments grew by 13.0 per cent during April-September, 2007 as against 31.2 per cent in April-September 2006.

### III. Composition of Invisibles

As explained above, the invisibles account comprises international trade in

Table 4: Invisible Gross Receipts and Payments: Recent Trends

Items	(US \$ million)							
	Invisible Receipts				Invisible Payments			
	2005-06	2006-07	2006-07	2007-08	2005-06	2006-07	2006-07	2007-08
	April-March	April-March	April-Sept	April-Sept	April-March	April-March	April-Sept	April-Sept
1	2	3	4	5	6	7	8	9
1. Travel	7,853	9,123	3,504	4,336	6,638	6,685	3,300	3,960
2. Transportation	6,325	8,050	3,725	4,280	8,337	8,068	3,975	5,594
3. Insurance	1,062	1,202	553	788	1,116	642	283	475
4. Government not included elsewhere	314	250	101	167	529	403	201	245
5. Transfers	25,620	29,589	12,923	19,295	933	1,421	665	852
6. Income	6,408	9,304	3,954	6,431	12,263	15,877	7,275	7,875
Investment Income	6,229	8,908	3,816	6,142	11,491	14,926	6,851	7,383
Compensation of Employees	179	396	138	289	772	951	424	492
7. Miscellaneous	42,105	57,556	25,139	26,295	17,869	28,573	10,766	10,903
Of Which:								
Software	23,600	31,300	14,160	16,317	1,338	2,267	820	1,220
<b>Total (1 to 7)</b>	<b>89,687</b>	<b>115,074</b>	<b>49,899</b>	<b>61,592</b>	<b>47,685</b>	<b>61,669</b>	<b>26,465</b>	<b>29,904</b>

services, income from financial assets, labour and property and cross border transfers mainly workers' remittances. The invisibles receipts have been mainly dominated by software services, business services and private transfers. The invisibles payments were mainly led by interest payments relating to external debt, dividends/profits paid on foreign investment and payments relating to technology related and business services with growing demand for such services. The details of trade in services, private transfers and incomes are set out below.

### III.1 Trade in Services

The trade in services has been dominated mainly by software services and business services. An important feature of service exports has been a structural shift, driven by the emergence of new avenues of service exports. The traditional services have displayed sluggishness, while new services particularly high skill and technology intensive services are rising in importance (Table 5).

Reflecting these positive developments and continued buoyancy of services exports, India has emerged as an important service exporter. Services exports in recent years continued to be led by rapid growth in exports of software services and business and professional services. Within the services exports, the rising prominence of business services reflects high skill intensity of the Indian work force. There has also been a strong revival in international tourist interest in India in recent years.

Reflecting the positive developments in terms of comparative advantage in a number of services exports, India emerged as 11th important service exporter in the world in 2006 with a market share of 2.5 per cent as against 0.6 per cent in 1990 (Table 6).

#### III.1.1 Software Services

Exports of software and IT enabled services reached US \$ 31.3 billion during

Table 5: Composition of India's Services Exports (Receipts)

(Per cent)							
Year	Travel	Transportation	Insurance	G.n.i.e.	Software Services	Non-software Miscellaneous Services*	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	12.0	10.6	1.6	0.3	41.1	34.5	100.0

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

\* Include business and professional services.



Table 6: Comparative Position of India among Top Service Exporters, 2006

Sr.No.	Country	Amount (US \$ billion)	Share (%)
1	2	3	4
1	USA	418.8	14.9
2	UK	229.7	8.2
3	Germany	173.1	6.1
4	France	118.5	4.2
5	Japan	117.3	4.2
6	Spain	106.3	3.8
7	Italy	98.6	3.5
8	China	92.0	3.3
9	Netherlands	84.8	3.0
10	Hong Kong	72.7	2.6
<b>11</b>	<b>India</b>	<b>71.2</b>	<b>2.5</b>
12	Ireland	69.2	2.5
13	Belgium	59.9	2.1

Source : Balance of Payments Statistics Year Book 2007, IMF.

2006-07 (Table 7). Notwithstanding increasing competitive pressures, India remains 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 (Box 3). To withstand global competition, Indian companies have started moving up the value chain by exploring untapped potential in IT consulting and system integration, hardware support and installation and processing services. Security concerns have also been duly recognised to maintain customer confidence. Globally, India is the leading exporter of computer and information services (Table 8).

### III.1.2 Business and Professional Services

The acceleration in non-software services exports partly emanating from underlying dynamism in export of business and professional services has been another important aspect of the invisibles receipts in recent years (Table 9). The category of business services comprises merchanting services, trade related services, operational leasing services without operating crew, including charter hire, legal services, accounting, auditing, book keeping and tax consulting services, advertising, trade fair, market research and public

Table 7: 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

ITES: IT enabled services. BPO: Business Process Outsourcing.

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

## Box 3: India's IT-BPO Services Exports: Performance and Potential

India offers a unique combination of attributes that have established it as the preferred offshore destination for Information Technology-Business Process Outsourcing (IT-BPO). According to the NASSCOM, over the fiscal year 2001-2006, India's share in global outsourcing is estimated to have grown from 62 percent to 65 percent for IT and 39 percent to 45 percent for BPO. The NASSCOM has estimated that the India's IT-BPO sector is on track to achieve its aspired targets of US \$ 60 billion in export revenues and US \$ 13-15 billion in domestic revenues by 2010. The expected key drivers of growth are strong demand outlook, under-penetrated service lines and increasing emphasis on the role of information, communication and Technology (ICT) and innovation with regard to the exports of information technology and software services. The visibly higher preference for India is driven by its unmatched superiority when measured across a range of parameters that determine the attractiveness of a sourcing location. With over half the population of India aged less than 25 years, India's young demographic profile is unique and has an inherent advantage. This is complemented by a vast network of academic infrastructure and an unmatched mix and scale of educated, English-speaking talent (NASSCOM, 2007).

According to the NASSCOM, the Indian IT-BPO sector is expected to grow by 28 percent in the fiscal year 2007-08. Taking into account the domestic revenues, the gross revenues are forecast to reach US \$ 47.8 billion, and direct employment is projected to exceed 1.6 million. It may be mentioned that service and software exports remain the mainstay of the sector accounting for nearly two-third of the total.

During the fiscal year 2007-08, the growth is likely to beat earlier forecasts and exceed 32 percent. The destination-wise analysis indicates that the United States accounts for 67 per cent of exports and United Kingdom accounts for 15 per cent of exports and remain the dominant markets. The recent analysis also indicates that firms are also keenly exploring new geographies for business opportunities and strengthening their global delivery footprint. The sector-wise analysis indicates that Information technology (IT) accounts for 55 per cent of exports.

BPO continues to grow in scale and scope, with firms increasingly adopting vertical focused approach. In this regard, the new areas of application and infrastructure management, and testing are gaining significance. Banking, Financial Services, Insurance, and Technology (Hi-tech/telecom) are the main verticals, accounting for nearly 60 percent of the total of the IT-BPO sector. Sectors like manufacturing, retail, media, utilities, healthcare and transportation are also growing rapidly. Service-line expansion is aiding service providers to take on larger and more complex deals, and is driving up the average ticket size of contracts awarded to Indian firms. High offshore component of delivery and superior execution in multi-location delivery continue to be key differentiators. Broad-based industry structure; IT led by large Indian firms, BPO by a mix of Indian and MNC third-party providers and captives, reflects the depth of the supply-base. The larger players continue to lead growth and their share continues to increase in the industry.

Source: NASSCOM (2007); Strategic Review 2007- The IT Industry in India.

Table 8: Computer and Information  
Services Exports

(US \$ billion)					
Sr. No	Country	2000	2004	2005	2006
1	2	3	4	5	6
1	India	6.3	17.7	23.6	31.3
2	Ireland	7.5	18.8	19.6	21.0
3	U.K.	4.3	11.7	11.2	12.0
4	Germany	3.8	8.1	8.3	9.6
5	U.S.A.	5.6	6.7	7.5	7.6
6	Israel	4.2	4.4	4.5	5.3
7	Canada	2.4	3.1	3.9	4.0
8	Spain	2.0	3.0	3.6	4.0
9	Netherlands	1.2	3.7	3.7	3.9
10	Belgium	-	2.4	2.6	2.8

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

opinion polling service, research and development services, architectural, engineering and other technical services, agricultural, mining and on-site processing services, distribution services, audio-visual and related services, personal and cultural services. The management consultancy services have grown significantly in importance and have witnessed sustained growth

(Box 4). The business services payments have also witnessed sharp increase in the recent period, reflecting the ongoing technological transformation of the economy and modernisation of Indian industry with a great deal of focus on technological up-gradation on a sustained basis.

The details of key components of the business services receipts and payments *viz.*, trade related services, business and management consultancy services, architectural, engineering and other technical services and services relating to maintenance of offices are set out in Table 10.

Engineering services mainly includes consultancy in designing and detailed designing services. 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.

Table 9: Break up of Non-Software Miscellaneous Services Receipts and Payments

(US \$ million)								
Item	Receipts				Payments			
	2005-06	2006-07	2006-07	2007-08	2005-06	2006-07	2006-07	2007-08
	April-March	April-March	April-Sept	April-Sept	April-March	April-March	April-Sept	April-Sept
1	2	3	4	5	6	7	8	9
1. Communication Services	1,575	2,099	1,056	896	289	659	269	281
2. Construction	242	332	158	243	723	737	424	227
3. Financial	1,209	2,913	935	1,510	965	2,087	628	1,481
4. News Agency	185	334	147	237	130	219	74	212
5. Royalties, Copyrights & License Fees	191	97	32	79	594	1,038	353	368
6. Business Services	9,307	19,266	7,954	6,380	7,748	17,093	5,902	6,195
7. Personal, Cultural & Recreational Services	189	173	59	168	84	116	58	81
8. Others	5,607	1,042	638	465	5,998	4,357	2,238	838
<b>Total (1 to 8)</b>	<b>18,505</b>	<b>26,256</b>	<b>10,979</b>	<b>9,978</b>	<b>16,531</b>	<b>26,306</b>	<b>9,946</b>	<b>9,683</b>

Note : Break-up of Business Services (item 6) is given in Table 10.

## Box 4: Export Potential of Management Consultancy Services of India

Management consultancy includes services contracted for and provided to organisations by specially trained and qualified persons, who assist in an objective and independent manner, the client organisation to identify management problems, analyse such problems, recommend solutions to these problems, and help, when requested, in the implementation of solutions. Engineering consultancy is defined as application of physical laws and principles of engineering to a broad range of activities in the areas of construction, manufacturing, mining, transportation and environment.

Over the years, as the Indian industry started maturing, the Indian consulting industry also started expanding, not only in terms of size, but also in terms of the service offerings. Specialist consulting advice was being sought by clients in India and this opened the opportunity for a number of specialist organisations to draw on their specialist knowledge base and resources to meet the demand for specialist consulting services.

*Government's Initiatives*

In the recent period, the trade policy in India reflects the strategic importance of India's comparative advantage of trade in services. The services sector has been identified as a thrust sector for trade policy. The Foreign Trade Policy, 2004-09 has announced the setting up of Services Export Promotion Council to map opportunities for key services in import markets and to develop strategic market access programme. Some of the key initiatives of the government in promoting exports of consultancy services are through Market Development Assistance (MDA), Market Access Initiative (MAI) scheme,

proactive EXIM Policy and EXIM Bank schemes. Government also provides exemption on service tax for export of consultancy services.

Growth potential for consulting services is envisaged to be high in South East Asian and East African countries as these countries are pursuing fast track development plans across diverse sectors. In the Commonwealth of Independent States (CIS) countries, although all of them have development agenda, they are comparatively not as fast paced as the East African countries and the development potential is limited to a few sectors. The key strategies and actionable plans are broadly categorised into four following divided: (i) market understanding includes conducting field based exploratory studies in the target markets, creation of database of local consultants, setting up the mechanism for gathering market intelligence, (ii) promotion includes organizing "Consultancy Trade Marts (CTM)" in the target countries, organizing delegations of Indian industry to target countries, creating awareness of Indian consulting capabilities within the Indian Embassies in these countries, tax benefits, identify and empower a nodal agency for sustainable promotion of Indian consulting business and developing closer ties with bilateral and multilateral institutions, (iii) focused marketing includes strategic alliances with local consulting firms, creation of Consultancy Development Fund (CDF) and merger & acquisition, (iv) quality assurance includes appointment of a regulator for quality assurance.

Source: Export Promotion of Consultancy and Management Services from India, Ministry of Commerce and Industry, Government of India.

Table 10: Business Services

Table 10: Business Services								
(US \$ million)								
Item	Receipts				Payments			
	2005-06	2006-07	2006-07	2007-08	2005-06	2006-07	2006-07	2007-08
	April-March	April-March	April-Sept	April-Sept	April-March	April-March	April-Sept	April-Sept
1	2	3	4	5	6	7	8	9
1. Trade Related	521	940	345	788	1,206	1,655	548	684
2. Business & Management Consultancy	2,320	7,345	2,989	1,783	1,806	5,027	1,452	1,698
3. Architectural, Engineering and other technical	3,193	6,134	2,329	1,392	1,414	3,673	1,194	973
4. Maintenance of offices	1,577	2,335	1,199	975	2,074	3,424	1,349	882
5. Others	1,696	2,512	1,092	1,442	1,248	3,314	1,359	1,958
<b>Total</b>	<b>9,307</b>	<b>19,266</b>	<b>7,954</b>	<b>6,380</b>	<b>7,748</b>	<b>17,093</b>	<b>5,902</b>	<b>6,195</b>

Note : Business Services are part of Non-Software Miscellaneous Services, details of which are given in Table 9.

According to NASSCOM (2006), global spending for engineering services is estimated at US \$ 750 billion in 2006. By 2020, the worldwide spending on engineering services is expected to increase to more than US \$ 1 trillion. Of the US \$ 750 billion, only US \$ 10-15 billion is currently being off-shored. It is envisaged that India has potential to tap this growing market in engineering services exports and off-shoring (Box 5).

The role of trade in services including those of financial services assumes significance in view of emphasis on increasing liberalisation of such services. Liberalisation of trade in financial services is one of the important aspects of negotiations on trade in services as a part of the General Agreement on Trade in Services (GATS), which mainly depends on the multilateral negotiations with WTO members. Keeping in view of the requirements for policy decisions and in conformity with international standards, the consistent and comparable information on financial services

assumes importance (Box 6).

### III.1.2.1 Revision in Data in Business Services

The revisions in the data for the financial years 2005-06 and 2006-07, *inter alia*, take into account the issue of potential overlap between business services and software services. Accordingly, the data reported by the 'Authorised Dealers' (ADs) were reviewed and based on the feedback the revisions have been carried out in various components of business services. The revised data on business services are set out in Table 11.

### 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 continued to benefit from the robust growth in tourist arrivals (Table 12). Tourism earnings continued with their buoyancy witnessed since 2003-04,

## Box 5: Engineering Services - Export Potential

Engineering services mainly includes consultancy in designing and detailed designing, *i.e.*, construction including the erection of plants, turn-key contracting and procurement of capital goods, and other information technology enabled services (ITES). According to the WTO, engineering services include work by engineering firms to provide blueprints and designs for buildings and other structures and by engineering firms to provide planning, design, construction and management services for building structures, installations, civil engineering work and industrial processes. In India, engineering services are reported under the head 'Business Services' which includes architectural, engineering and other technical services. Architectural firms provide blueprints and design for buildings and other structures, while engineering firms provide planning, design, construction and management services for building structures, installations, civil engineering works and industrial processes.

According to a study by the NASSCOM in association with Booz Allen Hamilton, global spending on engineering services is large and rising - constituting about 2 per cent of World GDP (US \$ 750 billion in 2006), which was projected to increase to \$1.1 trillion by 2020. About US \$ 10-15 billion of engineering services is off-shored, the market is expected to grow to US \$ 150 -225 billion by 2020. Companies are increasingly moving these high-value services to emerging markets and India is having comparative advantage to outsource/offshore engineering services to meet the world demand. India is well-positioned to increase its market share of engineering off-shoring from 12 per cent to 30 per cent by 2020. India's current revenue base in the off-shored engineering services market is about US \$ 1.5 billion. The potential engineering market in

India could exceed US \$ 60 billion by 2020. The main reason for expected increase of offshore engineering services has long been the desire to cut costs along with easier access to overseas markets. Engineering services are expensive, and the opportunities for reducing labor costs alone by moving services offshore are significant.

While India outsources engineering services in aerospace, automotive, and industrial/plant automation, the major industries off-shoring engineering services are in the area of construction sector. According to the NASSCOM-Booz Allen Hamilton report on engineering services off-shoring, though the potential for India in engineering services is US \$ 12-16 billion by 2010, the most likely scenario would be US \$ 3-5 billion. Traditional, vertically integrated industries such as automotive, aerospace and marine engineering have been slow to make the move to outsourcing because of the lack of reliable technology linking engineering centers, the inherent complexity of the products being engineered, and competitive, legal or commercial issues. It is expected to change by 2010, as engineering collaboration technology improves and different industries come under increasing competitive pressure to develop products for worldwide markets.

A greater variety of industries are beginning to offshore their engineering services in part because of the trend to outsourcing increasingly complex engineering processes. Areas such as integrated product development of highly engineered goods such as cars and planes have lagged. But that is changing, as the engineering service offerings grow in complexity. Local engineering talent is becoming more sophisticated, and as local markets such as India begin to offer more and more complex products, they attract even more engineering talent.

## Box 6: Trade in Financial Services and Increasing Globalization

Financial services are among those services which have attracted particular attention in international trade in services. Financial services broadly refer to the functions performed by financial institutions, *viz.*, acceptance of deposits, lending, payment services, securities trading, asset management, financial advice/consultancy, settlement and clearing service, etc. and these functions are carried out collectively with non-residents forming part of international trade in financial services. Financial services cover financial intermediation and auxiliary services, except those of life insurance enterprises and pension funds (which are included in life insurance and pension funding) and other insurance services that are conducted between residents and non-residents. Such services may be provided by banks, stock exchanges, factoring enterprises, credit card enterprises and other enterprises.

In recognition of the growing importance of services and in order to meet the requirements of compilation under extended balance of payments statistics, the Reserve Bank of India formed a Technical Group on "Statistics of International Trade in Services" which submitted its report in March 2002. Based on the recommendation of this group, the reporting system was revamped by expanding the classification of transactions, facilitating the collection of disaggregated data in accordance with the extended balance of payments statistics during 2004-05.

Accordingly, as a part of the administrative requirements under the Foreign Exchange Management Act (FEMA 1999), the authorised dealers (ADs) branches, which are authorised to deal in foreign exchange transactions, are needed to report all the foreign exchange transactions, dealt with them, on a fortnightly basis to RBI through Foreign Exchange Transactions Electronic Reporting System (FETERS). Information on financial services are collected, based on this AD reporting under, on three major heads *viz.*, (i) Financial intermediation like Bank charges, collection charges, LC charges, cancellation of forward contracts, commission on financial leasing, *etc.*, (ii) Financial intermediation for investment

banking like brokerage, underwriting commission, *etc.*, and (iii) Auxiliary services like charges on operation & regulatory fees, custodial services, depository services, *etc.*

With the improvements in economic integration of financial markets and activities, the international trade in banking services has significantly increased. Further more, foreign direct investment in banking in the form of branches, agencies and subsidiaries or by means of cross-border mergers and acquisitions, increased between early 1980s and the late 1990s (Gkoutzinis, 2005).

The GATS framework envisages that the delivery of any commercial services can be through four different modes. In the Mode 1 of service, the bank is not present in the territory of the service importing country, but the service is provided to the customer in his/ her country of residence. Defining the place where the service is delivered is often very difficult and, therefore, the cross-border banking service may get mixed up with Mode 2 of service. In Mode 2 supply of service (consumption abroad), the consumer receives the service outside the territory of the resident country. Even though the definition does not say about the movement of the consumer, it is often believed that Mode 2 refers to services provided to consumers traveling abroad. In the Mode 3 of supply of service, the bank has a commercial presence in the territory of the service importing country and the service is delivered therein. The commercial presence can be through various investment vehicles like representative offices, bank branches, subsidiaries, associates and correspondents. In the Mode 4 of supply of service, the bank is commercially present in the importing country and the service is delivered through nationals of the exporting country.

## References:

1. Reserve Bank of India (2007), 'Report of the Technical Group on Statistics for International Trade in Banking Services', March.
2. United Nations (2002), Manual on Statistics of International Trade in Services.

Table 11: Revisions in the Data on Business Services

(US \$ million)				
Item	2005-06		2006-07	
	Published	Revised	Published	Revised
1	2	3	4	5
1. Business Services Receipts	12,858	9,307	23,459	19,266
2. Business Services Payments	10,496	7,748	20,200	17,093
3. Net (1 - 2)	2,362	1,559	3,259	2,173

reflecting both business and leisure travel Liberalisation of payments system, growing globalisation, rising services exports and associated business travel, have led to sustained growth in outbound tourism from India through the 1990s. Concomitantly, travel payments also increased, reflecting rising business and leisure travel in consonance with (i) growing merchandise and services trade and (ii) growing disposable incomes of residents in an environment of liberalised payments regime. The potential for greater leisure tourism and business travel indicate the continuation of sustained growth in this segment in the near future. Travel receipts, as percentage of total services exports have been declining over the years as new form of services exports have emerged

and accounted for 12.0 per cent of total services receipts during 2006-07 as compared to 32.0 per cent in 1990-91. The surplus on travel account increased from US \$ 1.2 billion during 2005-06 to US \$ 2.4 billion during 2006-07. India ranked 18th in the world tourist earnings in 2006 as against 23rd rank in 1990 (Table 13).

#### III.1.4 Transportation

With the rising merchandise trade over the years, the receipts and payments towards transportation which mainly represent carriage of goods and natural persons as well as other distributive services (such as port charges, bunker fuel, stevedoring, cabotage, warehousing) have also shown increase over the years. Both, the receipts and payments towards transportation are increasing, however, the net amount is marginal. During the period 2000-01 to 2006-07, transportation receipts constituted around 12 per cent of total services exports. As proportion of total services exports, the share of transportation receipts has declined from 21.6 per cent in 1990-91 to 10.6 per cent in 2006-07 with emergence of new vistas of services exports.

#### III.1.5 Insurance

Insurance consists of insurance on exports/imports, premium on life and

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	4.40

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



non-life policies and reinsurance premium from foreign insurance companies. Insurance receipts and payments are generally associated with movement in India's merchandise trade. The share of insurance receipts in total services receipts remained in a narrow range of around 2 per cent of total services exports since the early 1990s.

### III.1.6 'Miscellaneous Services' Component

In addition to the software services, business services, travel, transportation and insurance, the 'miscellaneous services' component under trade in services includes a host of other commercial services such as communication, financial, construction and personal, cultural and recreational services. These services, both receipts

and payments, have witnessed significant increase in the recent years, mainly linked to technological transformation of the domestic economy (see Table 9).

### 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. 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 remittance towards family maintenance, and (ii) deposits in the Non-Resident Indian (NRI) deposits schemes with the banks in India. However, remittances from overseas Indian include the inflows towards family maintenance and the funds domestically withdrawn from the Non-Resident Indian (NRI) rupee deposits (NRE(R)A and NRO deposit schemes). Such remittances from overseas Indians 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.

According to the IMF's Balance of Payments Manual, 5th Edition (1993), 'transfers' represent one-sided transactions, *i.e.*, transactions that do not

Table 13: Comparative Position of India among Top Travel Earnings Countries, 2006

Sr.No	Country	US \$ billion	Share in World Travel Earnings (%)
1	2	3	4
1	USA	106.7	14.5
2	Spain	51.3	7.0
3	France	46.5	6.3
4	Italy	38.3	5.2
5	China	33.9	4.6
6	U.K.	33.9	4.6
7	Germany	32.8	4.5
8	Australia	17.9	2.4
9	Turkey	16.9	2.3
10	Canada	14.7	2.0
11	Greece	14.4	2.0
12	Thailand	12.4	1.7
13	Mexico	12.2	1.6
14	Netherlands	11.5	1.6
15	Belgium	11.4	1.5
16	Malaysia	10.4	1.4
17	Sweden	9.1	1.2
18	<b>India</b>	<b>8.6</b>	<b>1.2</b>
19	Portugal	8.4	1.1

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 resident status of migrants.

### *III.2.1.1 Trends in Private Transfers (Workers' Remittances)*

Workers' remittances have remained buoyant in recent years. 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 highest remittance receiving countries in the World. Demand for semi-skilled/unskilled labour from Middle East started in mid-1970s and peaked in the early 1980s, which was followed by the second wave in mid-1990s, led by information technology boom. Remittance inflows from overseas Indians reached US \$ 29.0 billion in 2006-07 from US \$ 2.1 billion in 1990-91 as the second wave of migrant workers started in the mid-1990s towards information technology sectors in the America (Table 14). Thus, the migration pattern changed from unskilled/semi-skilled to highly skilled workers to America.

Workers' remittances have been around three per cent of India's GDP since 1999-2000 and have provided considerable support to India's balance of payments. They have offset India's merchandise trade deficit to a large extent, thereby keeping the current account deficits at modest levels since the 1990s. Private transfers were also less volatile in relation to other capital account items such as NRI deposits, foreign direct investment and portfolio investment. A significant share of remittances to India continues to be contributed by inflows from the oil exporting countries of Middle East. Thus, the behaviour of remittances to India is likely to be influenced by growth patterns in these countries, best represented in the form of oil prices. 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.

Several factors account for the remarkable increase in workers' remittances. First, in the 1990s, migration to Australia, Canada, and the United

Table 14: 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	29.0	11.9	3.2

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 regulations and controls, more flexible exchange rates, and gradual opening of the capital account. The convenient remittance services provided by Indian and international banks have also shifted such remittance flows from informal hawala channels to formal channels. Third, nonresident Indians have also responded to several attractive deposit schemes.

### III.2.1.2 Composition of Remittances

The details of private transfers comprising those 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 are set out below.

### III.2.1.2.1 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 47 per cent in 2006-07 (Table 15). In the first half of 2007-08, the share of remittances repatriated for family maintenance was about 50 per cent of total remittance flows to India.

An analysis of the high value transactions under remittances for family maintenance route was undertaken for the quarter July-September 2007. It may be mentioned that total private transfers during this quarter amounted to US \$ 10.4 billion out of which US \$ 5.5 billion was due to remittances for family maintenance. The share of high value transaction (US \$ 1.2 billion) in total remittance inflows for family

Table 15: 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	13,561	13,208	27	2,155	28,951
2007-08 (April-Sep)	9,434	8,300	17	1,241	18,992
2006-07 (April-Sep)	6,607	5,123	11	992	12,733

maintenance is relatively small (about 20 per cent). Thus, such remittances are mainly low value transfers from NRIs to their families and are stable flows.

### *III.2.1.2.2 Local Withdrawals from Non-Resident Rupee Deposit Schemes*

Local withdrawals from non-resident rupee deposit schemes, as part of worker remittances, are the withdrawals from Non-Resident (External) Rupee Account [NR(E)RA] and Non-Resident Ordinary (NRO) Rupee Account by the non-residents or his dependent for local use. Since 2003-04, there has been relatively rising significance of local withdrawal route as a conduit to remittance inflows to India. Although the average contribution of local withdrawals to total private transfers declined from 50 per cent in the first half of 1990s to only 29 per cent in the latter half of 1990s a reversal in this trend has been witnessed in the recent period. The phenomenon of local withdrawals from non-resident rupee deposits schemes exceeding those through direct remittances for family maintenance and savings was particularly

pronounced in 2005-06 and 2006-07 (Table 16) as a significant part of the redemption of IMDs was repatriated to India in the form of rupee deposits, which were subsequently withdrawn in local currency. The gross inflows to NRI deposits and steady trend in local withdrawal indicate that remittance inflows may be sustainable over a medium term (Box 7).

### *III.2.1.2.3 Gold and Silver brought through Passenger Baggage*

Under the liberalised policy for imports, 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.

Table 16: Inflows and Outflows from NRI Deposits and Local Withdrawals

(US \$ million)			
Year	Inflows	Outflows	Local Withdrawals
1	2	3	4
1999-00	7,405	5,865	4,120
2000-01	8,988	6,672	4,727
2001-02	11,435	8,681	8,546
2002-03	10,214	7,236	6,644
2003-04	14,281	10,639	10,585
2004-05	8,071	9,035	8,907
2005-06	17,835	15,046	12,454
2006-07	19,914	15,593	13,208
2007-08(Apr-Sep)	10,768	10,846	8,300
2006-07(Apr-Sep)	8,431	6,221	5,123

#### *III.2.1.2.4 Personal gifts/donations to charitable/religious institutions*

In the recent years, the inflows under this channel have also increased. The money repatriated is predominantly donations to charitable/religious institutions/NGOs.

#### *III.2.1.3 Cross Country Position on Remittances*

In recent years, there has been significant increase in the workers' remittances particularly in developing countries. Remittances provide a safety net to migrant households in times of hardship and these flows typically do not suffer from the governance problems that may be

associated with official aid flows. According to available estimates, officially recorded data for workers' remittances to developing countries are expected to exceed US \$ 240 billion in 2007, up from US \$ 221 billion in 2006 and more than double the level reached in 2002. In 2007, India and Mexico are likely to be the top two recipients of remittances, accounting for nearly one-third of remittances received by the developing countries. In India, remittances accounted for 3.2 per cent of GDP during 2006-07. Remittances as a share of GDP amounted to 3.5 per cent in low income countries in 2005 and 1.5 per cent in middle income countries

#### Box 7: Remittances Growth and Local Withdrawals

The Non-Resident (External) Rupee Account [NR(E)RA] and Non-Resident Ordinary (NRO) Rupee Account deposits have facility of domestic withdrawal either by the NRI or his dependent family members. A part of the inflows to such deposits are subsequently locally withdrawn, which becomes a part of workers remittances. It is observed that NRI deposits are held by two categories of NRIs (a) those who want to come back to India, and (b) others who have acquired permanent interest abroad. The local withdrawal component is significant in the former category. Secondly, safety and cost are important consideration for repatriation of remittances to India through the NRE deposit route. Thus, the funds credited to NR(E)RA and NRO deposits get quickly withdrawn domestically by the dependents for domestic investment.

Since 2003-04, there has been relatively rising significance of local withdrawal route as a conduit to remittance inflows to India. Although the average contribution of local

withdrawals to total private transfers declined from 50 per cent in the first half of 1990s to only 29 per cent in the latter half, a reversal in this trend has been witnessed in the recent period. The share of local withdrawals in private transfers has again risen to about 45 per cent, on an average, during the period 2000-01 to 2006-07.

In the recent past, a rising trend of local withdrawals can be attributed to the income levels of migrants, ease of transferring money through NRE deposits and rising investment opportunities domestically. It may be noted that a major part of outflows from NRI deposits (on the average 85 per cent of total outflows) is in the form of local withdrawal from NRI deposits. These outflows, however, are not actually repatriated and are utilised domestically. Furthermore, given the better investment opportunities domestically and higher interest rates, it is expected that the inflows may continue through the route of local withdrawals. Therefore, the issue of local withdrawals assumes significance.

(World Bank, 2007). Remittances are the largest source of external financing in many poor countries. Also remittances have been less volatile than other sources of foreign exchange earnings in developing countries (World Bank, 2006). A cross country comparison of recent flow of remittances to developing countries reveals that India is the leading remittance receiving country in the world with relative stability in such inflows (Table 17).

### III.3 Investment income

Investment income receipts mainly include interest and discount earnings on RBI investment of foreign exchange reserves and reinvested earnings of the Indian companies investing abroad and dividends and profits received by Indian companies on foreign investment. Investment income receipts rose significantly since the late 1990s due to build up of foreign

exchange reserves (Table 18). The rise in reinvested earnings reflects the upward trend in Indian overseas investment by the Indian companies to take advantage of access to markets, natural resources, distribution networks, foreign technologies and other strategic assets such as brand names.

Investment income payments mainly include interest payments on external commercial borrowings (ECBs), external assistance, NRI deposits and other short term liabilities. In addition, it includes dividend and profit payments on liabilities such as foreign direct investment and portfolio investment and reinvested earnings of the foreign direct investment (FDI) enterprises operating in India.

While interest payments depend on the level of debt and the interest rate environment, the reinvested earning payments are influenced by the

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

(US \$ million)					
Sr. No.	Country	1996	2004	2005	2006
1	2	3	4	5	6
1	<b>India*</b>	<b>8,453</b>	<b>20,012</b>	<b>23,518</b>	<b>27,607</b>
2	Mexico	4,224	16,613	20,035	23,054
3	Philippines	569	8,617	10,668	12,481
4	China	1,672	4,627	5,495	6,830
5	Spain	2,749	5,196	5,339	6,057
6	Indonesia	796	1,700	5,296	5,560
7	Romania	10	18	3,754	5,506
8	Morocco	2,165	4,221	4,589	5,454
9	Egypt	3,107	3,341	5,017	5,330
10	Pakistan	1,284	3,943	4,277	5,113

Source: Balance of Payments Statistics Yearbook, IMF.

\* Sourced from data on India's balance of payments published in RBI Monthly Bulletin.

Table 18: 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	6,370	-2,965
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	8,908	14,926	-6,018
2007-08 (Apr-Sep)	6,142	7,383	-1,241
2006-07(Apr-Sep)	3,816	6,851	-3,035

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

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 details of receipts and payments of investment income are set out in Table 18.

Though both investment income receipts and payments are rising, the excess of investment income payments over investment income receipts led to deficit on net basis in the investment income. During 2006-07, the deficit in net investment income stood at US \$ 6.0 billion as compared with a deficit of US \$ 5.3 billion in 2005-06. The growth in investment income receipts is mainly led by interest earnings on foreign exchange reserves, dividend

and profits and reinvested earnings, while investment income payments increased mainly on account of reinvested earnings and dividends and profits (Table 19).

#### IV. Policy Initiatives

##### IV.1 Trade in Services

Among the measures to facilitate services exports, the Services Export Promotion Council set up by the Government of India aims to: (i) map opportunities for key services in key markets and develop strategic market access programmes for each component of the matrix, (ii) co-ordinate with sectoral players in undertaking intensive brand building and marketing programmes in target markets, (iii) make necessary interventions with regard to policies, procedures and bilateral/multilateral issues, in co-ordination with recognised nodal bodies of the services industry.

In the Foreign Trade Policy (2004-09), the Government announced to promote the establishment of Common Facility Centres in state and district-level towns for use by home-based service providers, particularly in areas like engineering and architectural design, multi-media operations and software developers. This would help to draw in a vast multitude of home-based professionals into the services export arena. The objective is to accelerate the growth in export of services so as to create a powerful and unique 'Served from India' brand. Service providers of services listed in Handbook of Procedures who has a total foreign exchange earning or earning in Indian rupees which are otherwise considered

as having been paid for in free foreign exchange by RBI, of at least Rs. 10 lakh in the preceding or current financial year shall be eligible to qualify for duty credit scrip. All service providers, including healthcare and educational service providers, engineering process outsourcing (EPO) and knowledge process outsourcing (KPO) service providers, of services listed in the Handbook of Procedures shall be entitled to duty credit scrip equivalent to 10 per cent of the foreign exchange earned by them in the preceding financial year .

AD category-I banks were permitted to allow BPO companies in India to make remittances towards the cost of equipment to be imported and installed

Table 19 : Details of Receipts and Payments of Investment Incomes

(US \$ million)							
Item	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6	7	8
<b>Investment Income Receipts</b>							
1. Interest receipts on loans to non-residents	84	201	154	198	65	101	159
2. Dividend and profit	11	57	34	40	92	225	464
3. Reinvested Earning	340	700	1,104	552	248	1,092	1,076
4. Interest/discount Earnings on RBI investment	1,950	1,757	1,835	2,115	3,014	4,519	6,640
5. Others	169	539	278	869	705	292	569
6. Total Receipts (1 to 5)	2,554	3,254	3,405	3,774	4,124	6,229	8,908
<b>Investment Income Payments</b>							
1. Interest Payment on NRI deposits	1,811	1,808	1,413	1,642	1,353	1,497	1,971
2. Interest Payment on ECBs	2,020	1,945	1,486	2,584	1,283	3,148	1,685
3. Interest Payments on External Assistance	827	792	1,111	822	710	825	982
4. Interest on others (ST) Loans/Bonds	80	80	22	80	400	347	635
5. Dividends and Profits	1,047	711	462	878	1,991	2,502	3,485
6. Reinvested Earnings	1,350	1,645	1,832	1,459	1,903	2,760	5,091
7. Others	83	117	44	66	579	412	1,077
8. Total Payments (1 to 7)	7,218	7,098	6,370	7,531	8,219	11,491	14,926



at their overseas sites, subject to the following conditions: (i) the BPO company should have obtained necessary approval from the Ministry of Communications and Information Technology, Government of India and other authorities concerned for setting up of the International Call Centre (ICC); (ii) the remittance is made directly to the account of the overseas supplier; and (iii) obtain a certificate as evidence of import from the Chief Executive Officer (CEO) or auditor of the importer company that the goods for which remittance was made have actually been imported and installed at overseas sites.

In order to give proper direction, guidance and encouragement to the services sector, the Government on the recommendations of a Task Force constituted in this regard has announced setting up of an exclusive Export Promotion Council for Services (SEPC). The Government has initially identified the following 11 services sectors being supported through the SEPC. These includes Health Care Services; Educational Services; Entertainment Services; Consultancy Services; Architectural Services/Interior Decoration; Distribution Services; Accounting/Auditing and Book Keeping Maritime Transport Services; Marketing Research & Management Services and Printing and Publishing Legal Services.

#### *IV. 2 Remittances from Overseas Indians*

A number of initiatives have been undertaken in the past to facilitate remittances. These include market-based exchange rate, current account

convertibility<sup>2</sup>, regulatory measures to facilitate the institutional development for wider access to remittance services, policy initiatives to facilitate speedier and cost effective money transfer arrangements.

In the recent past, measures have been taken in the forms of facilitating infrastructure for receiving remittances. The bulk of the inward remittances to India now take place through the banking channels. Two schemes, viz., Money Transfer Service Scheme (MTSS) and Rupee Drawing Arrangements (RDA) have recently gained momentum on account of their speed and ease of operation. (Table 20A and Table 20B)

Under MTSS, only personal remittances such as remittances towards family maintenance and remittances favouring foreign tourists visiting India are permissible. The system envisages a tie-up between reputed money transfer companies abroad and agents in India who have to be an Authorised Dealer, Full Fledged Money Changer (FFMCs), registered NBFC or International Air Transport Association (IATA) approved travel agent with a minimum net worth of Rs. 25 lakh. The Indian agent requires the Reserve Bank approval to enter into such an arrangement. Remittances up to Rs.50,000 can be paid in cash, while any amounts in excess of this amount have to be necessarily paid by cheque/demand draft.

<sup>2</sup> Duty credit scrip may be used for import of any capital goods including spares, office equipment and professional equipment, office furniture and consumables. The imports shall relate to any service sector business of the applicant. Utilization of duty free credit scrip earned under the scheme financing shall also be permitted for payment of duty in case of import of capital goods under lease financing.

Table 20A :Remittances Received Under Rupee  
Drawing Arrangements (RDA)

(US \$ million)	
Period	Amount
October - December 2005	2,094
January - March 2006	1,809
April - June 2006	2,216
July - September 2006	2,059
October - December 2006	1,807
January - March 2007	2,314
April - June 2007	2,279
July - September 2007	3,049

Rupee Drawing Arrangements (RDA) are entered into by banks in India with Private Exchange Houses in the Gulf Region, Singapore and HongKong for channelising inward remittances. Authorised Dealers need the prior approval of the Reserve Bank to enter into RDA with Exchange Houses and open vostro accounts in their name. Inward remittances under the scheme are normally personal remittances from NRIs from the above countries. Trade remittances up to Rs.2 lakh per transaction can also be funded through these arrangements. Under RDA, banks may enter into arrangements under Designated Depository Agency (DDA), Non-Designated Depository Agency, or Speed Remittance procedures. Under DDA procedure, the Exchange House issues rupee drafts to the beneficiary and at the end of each day arrives at the total drawings and deposits their daily collections on the next working day in the DDA account (this account is a designated account opened in the name of the drawee bank by the Exchange House with a bank acceptable to the drawee bank at a centre mutually agreed upon). No collateral security is

Table 20B :Remittances Received Under Money  
Transfer Service Scheme (MTSS)

(US \$ million)	
Period	Amount
July - December 2005	1,131
January - December 2006	3,090
January - June 2007	2,076

to be placed by the Exchange House under this kind of arrangement in the normal course. Under Non-DDA procedure, the Exchange House directly credits the nostro account of the bank with the total of daily drawings. Collateral deposits equivalent to one month projected drawings are insisted upon. (15 days cash and 15 days bank guarantee). Under Speed Remittance, the Exchange House sends instructions electronically to the bank with complete details of the beneficiary and funds their rupee account through the bank's nostro account well in advance before issuing payment instructions.

It may be mentioned that recognising the importance of migrant Indians and remittances, Government of India has set up a Ministry of Overseas Indian Affairs to promote all matters relating to Overseas Indians comprising Persons of Indian Origin (PIO) and Non-Resident Indians (NRIs). The ministry also aims at promotion of investment by Overseas Indians including innovative investments and policy initiatives consistent with the overall Government policies particularly in areas such as exclusive Special Economic Zones (SEZs) for Overseas Indians.

## V. Conclusion

The strength in invisibles account in India's balance of payments may be seen from the fact that private transfers in the form of remittances from overseas Indian has remained stable flow over the years while the services exports continued to remain buoyant, facilitated by exports of software services and business services. Within the services exports, rising prominence of business services reflects high skill intensity of the Indian work force. India has emerged as major software exporting countries, expanding at a steady rate of over 30 per cent in the recent past despite a global IT slowdown. The remittances from overseas Indian workers are also likely to remain an important and stable source of financial inflows with continuous transition to higher skill categories of the Indian migrant workers. Thus, a marked feature of India's invisibles is the buoyant services exports and private transfers which are characterised by a shift in the level as well as reduced volatility, providing stability to current receipts. The net invisibles (receipts minus payments) in 2006-07 financed around 85 per cent of India's merchandise trade deficits and

constituted over 47 per cent of current account receipts.

The cross country position with regard to remittances reveals that India is the leading remittances receiving country in the world with relative stability in such flows. Further, in exports of computer and information services India also ranked first in recent years. As far as total services exports are concerned, India emerged as 11th important services exporters in the world in 2006 with a market share of 2.5 per cent as against 0.6 per cent in 1990-91.

For the full potential of earnings from exports of services to be realised, issues relating to skill enhancement and quality of education assume greater importance. Demand for education, especially higher education, is expected to grow immensely in the coming years in view of the demand emanating from knowledge intensive nature of the services sector as well as demands from the manufacturing sector. The focus of external sector policy will have to continue to be on maintaining competitiveness in terms of expansion of trade in goods and services on a sustained basis (Reddy, 2006).

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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 PR
1	2	3	4	5	6	7	8	9
<b>I. Invisibles Receipts (A+B+C)</b>	<b>30,312</b>	<b>32,267</b>	<b>36,737</b>	<b>41,925</b>	<b>53,508</b>	<b>69,533</b>	<b>89,687</b>	<b>115,074</b>
<b>A. Services</b>	<b>15,709</b>	<b>16,268</b>	<b>17,140</b>	<b>20,763</b>	<b>26,868</b>	<b>43,249</b>	<b>57,659</b>	<b>76,181</b>
1) Travel	3,036	3,497	3,137	3,312	5,037	6,666	7,853	9,123
2) Transportation	1,707	2,046	2,161	2,536	3,207	4,683	6,325	8,050
3) Insurance	231	270	288	369	419	870	1,062	1,202
4) GNIE	582	651	518	293	240	401	314	250
5) Miscellaneous	10,153	9,804	11,036	14,253	17,965	30,629	42,105	57,556
<b>B. Transfers</b>	<b>12,672</b>	<b>13,317</b>	<b>16,218</b>	<b>17,640</b>	<b>22,736</b>	<b>21,691</b>	<b>25,620</b>	<b>29,589</b>
1) Official Transfers	382	252	458	451	554	616	669	638
2) Private Transfers	12,290	13,065	15,760	17,189	22,182	21,075	24,951	28,951
<b>C. Income</b>	<b>1,931</b>	<b>2,682</b>	<b>3,379</b>	<b>3,522</b>	<b>3,904</b>	<b>4,593</b>	<b>6,408</b>	<b>9,304</b>
1) Investment Income	1,783	2,554	3,254	3,405	3,774	4,124	6,229	8,908
2) Compensation of Employees	148	128	125	117	130	469	179	396
<b>II. Invisibles Payments (A+B+C)</b>	<b>17,169</b>	<b>22,473</b>	<b>21,763</b>	<b>24,890</b>	<b>25,707</b>	<b>38,301</b>	<b>47,685</b>	<b>61,669</b>
<b>A. Services</b>	<b>11,645</b>	<b>14,576</b>	<b>13,816</b>	<b>17,120</b>	<b>16,724</b>	<b>27,823</b>	<b>34,489</b>	<b>44,371</b>
1) Travel	2,139	2,804	3,014	3,341	3,602	5,249	6,638	6,685
2) Transportation	2,410	3,558	3,467	3,272	2,328	4,539	8,337	8,068
3) Insurance	122	223	280	350	363	722	1,116	642
4) GNIE	270	319	283	228	212	411	529	403
5) Miscellaneous	6,704	7,672	6,772	9,929	10,219	16,902	17,869	28,573
<b>B. Transfers</b>	<b>34</b>	<b>211</b>	<b>362</b>	<b>802</b>	<b>574</b>	<b>906</b>	<b>933</b>	<b>1,421</b>
1) Official Transfers	0	0	0	0	0	356	475	411
2) Private Transfers	34	211	362	802	574	550	458	1,010
<b>C. Income</b>	<b>5,490</b>	<b>7,686</b>	<b>7,585</b>	<b>6,968</b>	<b>8,409</b>	<b>9,572</b>	<b>12,263</b>	<b>15,877</b>
1) Investment Income	5,478	7,218	7,098	6,370	7,531	8,219	11,491	14,926
2) Compensation of Employees	12	468	487	598	878	1,353	772	951
<b>Net Invisibles (I-II)</b>	<b>13,143</b>	<b>9,794</b>	<b>14,974</b>	<b>17,035</b>	<b>27,801</b>	<b>31,232</b>	<b>42,002</b>	<b>53,405</b>

PR: Partially Revised.

## ARTICLE

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

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 PR
1	2	3	4	5	6	7	8	9
<b>Invisibles Receipts ( A + B + C )</b>	<b>30,312</b>	<b>32,267</b>	<b>36,737</b>	<b>41,925</b>	<b>53,508</b>	<b>69,533</b>	<b>89,687</b>	<b>115,074</b>
<b>A) Services ( 1 to 5 )</b>	<b>15,709</b>	<b>16,268</b>	<b>17,140</b>	<b>20,763</b>	<b>26,868</b>	<b>43,249</b>	<b>57,659</b>	<b>76,181</b>
<b>1) Travel Account</b>								
i) Tourist Expenses in India	3,036	3,497	3,137	3,312	5,037	6,666	7,853	9,123
<b>Total</b>	<b>3,036</b>	<b>3,497</b>	<b>3,137</b>	<b>3,312</b>	<b>5,037</b>	<b>6,666</b>	<b>7,853</b>	<b>9,123</b>
<b>2) Transportation Account</b>								
a) Sea Transport								
i) Surplus remitted by Indian companies operating abroad	61	34	71	50	36	208	451	461
ii) Operating expenses of foreign companies in India	161	87	103	145	289	462	638	966
iii) Charter hire charges	42	99	85	83	94	48	144	98
b) Air Transport								
i) Surplus remitted by Indian companies operating abroad	180	185	154	170	97	130	200	317
ii) Operating expenses of foreign Companies in India	20	22	10	5	18	107	37	83
iii) Charter hire charges	24	4	18	5	18	20	21	35
c) Freight on exports	1,065	1,458	1,476	1,815	2,470	3,660	4,407	5,481
d) Others	154	157	244	263	185	48	427	609
<b>Total ( a to d )</b>	<b>1,707</b>	<b>2,046</b>	<b>2,161</b>	<b>2,536</b>	<b>3,207</b>	<b>4,683</b>	<b>6,325</b>	<b>8,050</b>
<b>3) Insurance Account</b>								
a) Insurance on export	192	243	247	303	373	478	575	717
b) Premium								
i) Life	1	1	5	21	0	25	37	64
ii) Non-life	7	5	8	6	12	289	78	113
iii) Reinsurance from foreign companies	10	4	8	16	9	19	200	82
c) Commission on Business received from foreign companies	0	2	4	4	5	29	85	79
d) Others	21	15	16	19	20	30	87	147
<b>Total ( a to d )</b>	<b>231</b>	<b>270</b>	<b>288</b>	<b>369</b>	<b>419</b>	<b>870</b>	<b>1,062</b>	<b>1,202</b>
<b>4) Government Not Included Elsewhere</b>								
a) Maintenance of foreign embassies and diplomatic missions in India	205	222	195	178	185	229	208	138
b) Maintenance of international and regional institutions in India	377	429	323	115	55	172	106	112
<b>Total ( a to b )</b>	<b>582</b>	<b>651</b>	<b>518</b>	<b>293</b>	<b>240</b>	<b>401</b>	<b>314</b>	<b>250</b>

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 PR
1	2	3	4	5	6	7	8	9
<b>5) Miscellaneous Account</b>								
a) Communication services	1,064	1,138	752	812	990	1,384	1,575	2,099
b) Construction services	389	536	144	178	458	491	242	332
c) Financial services	361	347	292	676	299	512	1,209	2,913
d) Software services	3,962	6,341	7,556	9,600	12,800	17,700	23,600	31,300
<i>of which: IT Services</i>	3,397	5,411	6,061	7,100	9,200	13,100	17,300	22,900
<i>ITES-BPO</i>	565	930	1,495	2,500	3,600	4,600	6,300	8,400
e) News agency services	342	114	9	59	69	171	185	334
f) Royalties, copyright and license fees	54	60	22	23	32	71	191	97
g) Business services (i to xii)\$	643	334	519	807	1,296	5,167	9,307	19,266
i) Merchanting services						278	389	188
ii) Trade related services						429	521	939
iii) Operational Leasing Services						28	107	100
iv) Legal services						257	277	548
v) Accounting/ Auditing services						38	68	176
vi) Business Management & consultancy services	643	334	519	807	1,296	1,556	2,320	7,346
vii) Advertising/ trade fair						162	342	666
viii) Research & Development services						221	395	760
ix) Architectural Engineering & other technical services						1,417	3,193	6,134
x) Agricultural Mining & on-site processing services						52	32	48
xi) Maintenance of offices abroad services						724	1,577	2,334
xii) Environmental services						5	86	27
h) Personal, Cultural & Recreational services						105	189	173
i) Refunds/rebates	53	52	54	44	51	380	75	297
j) Other services\$\$	3,285	882	1,688	2,054	1,970	4,648	5,532	745
<b>Total (a to j)</b>	<b>10,153</b>	<b>9,804</b>	<b>11,036</b>	<b>14,253</b>	<b>17,965</b>	<b>30,629</b>	<b>42,105</b>	<b>57,556</b>
<b>B) Transfers</b>	<b>12,672</b>	<b>13,317</b>	<b>16,218</b>	<b>17,640</b>	<b>22,736</b>	<b>21,691</b>	<b>25,620</b>	<b>29,589</b>
<b>1) Official Transfers</b>								
i) Donations received from Non-residents	40	85	44	32	90	63	53	65
ii) Grant under PL 480 II	96	97	68	58	33	30	38	31
iii) Grants from other Governments	246	70	346	361	431	523	578	542
<b>Total (i to iii)</b>	<b>382</b>	<b>252</b>	<b>458</b>	<b>451</b>	<b>554</b>	<b>616</b>	<b>669</b>	<b>638</b>

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 PR
1	2	3	4	5	6	7	8	9
<b>2) Private Transfers</b>								
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	13,561
ii) Local withdrawals/redemptions from non-resident deposits	4,120	4,727	8,546	6,644	10,585	8,907	12,454	13,208
iii) Gold and silver brought through passenger baggage	13	10	13	18	19	27	16	27
iv) Personal gifts/donations to charitable/religious institutions in India.	734	581	623	613	1,199	2,168	2,026	2,155
<b>Total (i to iv)</b>	<b>12,290</b>	<b>13,065</b>	<b>15,760</b>	<b>17,189</b>	<b>22,182</b>	<b>21,075</b>	<b>24,951</b>	<b>28,951</b>
<b>C) Income Account</b>	<b>1,931</b>	<b>2,682</b>	<b>3,379</b>	<b>3,522</b>	<b>3,904</b>	<b>4,593</b>	<b>6,408</b>	<b>9,304</b>
<b>1) Compensation of Employees</b>								
i) Wages received by Indians working on foreign contracts	148	128	125	117	130	469	179	396
<b>Total</b>	<b>148</b>	<b>128</b>	<b>125</b>	<b>117</b>	<b>130</b>	<b>469</b>	<b>179</b>	<b>396</b>
<b>2) Investment Income</b>								
i) Interest received on loans to non-residents	59	84	201	154	198	65	101	159
ii) Dividend/profit received by Indians on foreign investment	16	11	57	34	40	92	225	464
<i>Of which:</i>								
<i>Dividend received by Indians on foreign investment ++</i>						44	28	132
<i>Profit received by Indians on foreign investment ++</i>						48	197	332
iii) Reinvested Earning	0	340	700	1,104	552	248	1,092	1,076
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
v) Interest received on overdraft of VOSTRO accounts of foreign correspondents/ branches by the ADs	10	6	30	40	95	333	110	267
vi) Payment of taxes by the non-residents/refund of taxes by foreign governments to Indians	195	70	131	21	157	173	58	225
vii) Interest/discount earnings etc. earnings on RBI investment	1,383	1,950	1,757	1,835	2,115	3,014	4,519	6,640
viii) Interest/remuneration on SDR holdings	9	8	7	13	10	17	20	13
ix) Others	100	67	358	190	576	0	0	0
<b>Total (i to ix)</b>	<b>1,783</b>	<b>2,554</b>	<b>3,254</b>	<b>3,405</b>	<b>3,774</b>	<b>4,124</b>	<b>6,229</b>	<b>8,908</b>

PR : Partially Revised

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

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

++ : The break-up is available only since 2004-05.



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 PR
1	2	3	4	5	6	7	8	9
<b>Invisibles Payments (A+B+C)</b>	<b>17,169</b>	<b>22,473</b>	<b>21,763</b>	<b>24,890</b>	<b>25,707</b>	<b>38,301</b>	<b>47,685</b>	<b>61,669</b>
<b>A) Services (1 to 5)</b>	<b>11,645</b>	<b>14,576</b>	<b>13,816</b>	<b>17,120</b>	<b>16,724</b>	<b>27,823</b>	<b>34,489</b>	<b>44,371</b>
<b>1) Travel Account</b>								
i) Business	1,268	1,586	1,471	1,987	2,712	3,222	3,452	3,073
ii) Health Related	3	4	4	4	6	14	38	13
iii) Education Related	61	95	249	169	237	642	1,114	1,105
iv) Basic travel quota ( BTQ)	379	381	518	796	449	1,164	1,240	1,800
v) Pilgrimage	137	187	113	125	16	31	27	117
vi) Others	291	551	659	260	182	176	767	577
<b>Total (i to vi)</b>	<b>2,139</b>	<b>2,804</b>	<b>3,014</b>	<b>3,341</b>	<b>3,602</b>	<b>5,249</b>	<b>6,638</b>	<b>6,685</b>
<b>2) Transportation Account</b>								
a. Sea Transport								
i) Surplus remitted by Foreign companies operating in India	387	408	474	330	148	1,009	1,636	2,113
ii) Operating expenses of Indian companies abroad	406	831	446	505	364	333	1,005	551
iii) Charter hire charges	116	157	112	111	100	87	83	84
iv) Freight on imports @						876	1,504	1,347
v) Freight on Exports +						519	581	710
vi) Remittance of passage booking abroad #						26	12	5
b. Air Transport								
i) Surplus remitted by Foreign companies operating in India	821	1,236	1,362	1,410	652	1,147	2,194	1,935
ii) Operating expenses of Indian companies abroad	134	98	111	112	132	102	286	250
iii) Charter hire charges	75	73	70	82	60	48	141	254
iv) Freight on imports @						118	125	176
v) Freight on Exports +						59	41	32
vi) Remittance of passage booking abroad #						31	8	13
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	598
<b>Total (a to e)</b>	<b>2,410</b>	<b>3,558</b>	<b>3,467</b>	<b>3,272</b>	<b>2,328</b>	<b>4,539</b>	<b>8,337</b>	<b>8,068</b>
<b>3) Insurance Account</b>								
a. Premium								
i) Life	1	0	0	0	1	10	15	28
ii) Non-life	10	9	25	5	10	336	243	82
iii) Reinsurance	76	180	178	295	266	299	581	382
b. Commission on Business	6	0	3	0	0	12	28	23
c. Others	29	34	74	50	86	65	249	127
<b>Total (a to c)</b>	<b>122</b>	<b>223</b>	<b>280</b>	<b>350</b>	<b>363</b>	<b>722</b>	<b>1,116</b>	<b>642</b>

## 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 (Contd.)

(US \$ million)								
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 PR
1	2	3	4	5	6	7	8	9
<b>4) Government Not Included Elsewhere</b>								
a. Maintenance of Indian embassies and diplomatic mission abroad	237	262	209	195	186	339	445	285
b. Remittances by foreign embassies and missions in India	33	57	74	33	26	72	84	118
<b>Total (a to b)</b>	<b>270</b>	<b>319</b>	<b>283</b>	<b>228</b>	<b>212</b>	<b>411</b>	<b>529</b>	<b>403</b>
<b>5) Miscellaneous Account</b>								
a) Communication services	190	127	370	965	772	738	289	659
b) Construction services	51	166	517	1,326	655	716	723	737
c) Financial services	1,632	1,973	1,264	1,388	700	832	965	2,087
d) Software services	138	591	672	737	476	800	1,338	2,267
e) News agency services	90	256	163	232	235	281	130	219
f) Royalties, copyright and license fees	311	235	361	352	444	712	594	1,038
g) Business services (i to xii)\$	1,152	1,022	1,501	1,812	2,550	7,318	7,748	17,093
i) Merchanted services						235	123	224
ii) Trade related services						1,052	1,207	1,655
iii) Operational Leasing Services						355	462	865
iv) Legal services						73	82	148
v) Accounting / Auditing services						13	20	58
vi) Business Management & consultancy services	795	546	533	648	814	1,279	1,806	5,027
vii) Advertising/ trade fair						514	420	1,737
viii) Research & Development services						57	116	201
ix) Architectural Engineering & other technical services						1,111	1,414	3,673
x) Agricultural Mining & on-site processing services						7	15	74
xi) Maintenance of offices abroad services	357	476	968	1,164	1,736	2,618	2,074	3,424
xii) Environmental services						4	9	7
h) Personal, Cultural & Recreational services						102	84	116
i) Refunds/rebates	89	64	150	152	365	762	45	365
j) Other services\$\$	3,051	3,238	1,774	2,965	4,022	4,641	5,953	3,992
<b>Total (a to j)</b>	<b>6,704</b>	<b>7,672</b>	<b>6,772</b>	<b>9,929</b>	<b>10,219</b>	<b>16,902</b>	<b>17,869</b>	<b>28,573</b>
<b>B) Transfers</b>	<b>34</b>	<b>211</b>	<b>362</b>	<b>802</b>	<b>574</b>	<b>906</b>	<b>933</b>	<b>1,421</b>
<b>1) Official Transfers</b>								
i) Grants/donations from official sector	0	0	0	0	0	356	475	411
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>356</b>	<b>475</b>	<b>411</b>

Statement 3 : Invisibles Payments 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 PR
1	2	3	4	5	6	7	8	9
<b>2) Private Transfers</b>								
a) Remittance by non-residents towards family maintenance and savings	29	124	292	757	522	421	354	822
b) Personal gifts/donations to charitable/religious institutions	5	87	70	45	52	129	104	188
<i>Of which:</i>								
i) Remittance towards personal gifts and donations ++						108	96	158
ii) Remittance towards donations to religious & charitable institutions abroad ++						17	7	18
iii) Remittance towards grants and donations to other governments & charitable institutions established by the governments ++						4	1	12
<b>Total (a to b)</b>	<b>34</b>	<b>211</b>	<b>362</b>	<b>802</b>	<b>574</b>	<b>550</b>	<b>458</b>	<b>1,010</b>
<b>C) Income</b>	<b>5,490</b>	<b>7,686</b>	<b>7,585</b>	<b>6,968</b>	<b>8,409</b>	<b>9,572</b>	<b>12,263</b>	<b>15,877</b>
a) Compensation of Employees								
i) Payment of wages/salary to Non-residents working in India	12	468	487	598	878	1,353	772	951
<b>Total</b>	<b>12</b>	<b>468</b>	<b>487</b>	<b>598</b>	<b>878</b>	<b>1,353</b>	<b>772</b>	<b>951</b>
b) Investment Income								
i) Payment of interest on NRI deposits	1,742	1,811	1,808	1,413	1,642	1,353	1,497	1,971
ii) Payment of interest on loans from non-residents	3,037	2,930	2,855	2,594	3,469	2,450	4,320	3,501
iii) Payment of dividend/profit to non-resident share holder	537	1,047	712	462	878	1,991	2,502	3,485
<i>Of which:</i>								
<i>Payment of dividend to non-resident share holder++</i>						1,578	2,400	3,235
<i>Payment of profit to non-resident share holder++</i>						413	102	250
iv) Reinvested Earning		1,352	1,644	1,832	1,460	1,904	2,760	5,091
v) Payment of interest on debentures, FRNs, CPs fixed deposits, etc.	119	60	23	43	42	170	100	39
vi) Charges on SDRs	30	16	52	20	16	19	17	30
vii) Interest paid on overdraft on VOSTRO a/c Holders/OD on NOSTRO a/c	0	0	0	4	20	255	212	667
ix) Payment of taxes by the Indians/refund of taxes by government to non-residents	13	2	4	2	4	77	83	142
<b>Total (i to ix)</b>	<b>5,478</b>	<b>7,218</b>	<b>7,098</b>	<b>6,370</b>	<b>7,531</b>	<b>8,219</b>	<b>11,491</b>	<b>14,926</b>

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 were included under the head 'freight on imports'. [Item A(2)(c)].

+ 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' [Item A(2)(d)].

@ @ Since 2004-05, presented under the heads 'sea transport' and 'air transport', separately.

\$ 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 &amp; other services not included elsewhere.

++ The break-up is available only since 2004-05.

## ARTICLE

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

Statement 4 : Invisibles by Category

(Rs. crore)

Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 PR
1	2	3	4	5	6	7	8	9
<b>I. Invisibles Receipts (A+B+C)</b>	<b>1,31,449</b>	<b>1,47,778</b>	<b>1,75,108</b>	<b>2,02,757</b>	<b>2,45,413</b>	<b>3,11,550</b>	<b>3,97,660</b>	<b>5,19,425</b>
<b>A. Services</b>	<b>68,137</b>	<b>74,555</b>	<b>81,739</b>	<b>1,00,419</b>	<b>1,23,175</b>	<b>1,93,711</b>	<b>2,55,668</b>	<b>3,43,895</b>
1) Travel	13,166	16,064	14,975	15,991	23,054	29,858	34,871	41,127
2) Transportation	7,400	9,364	10,326	12,261	14,714	21,021	28,023	36,394
3) Insurance	1,004	1,234	1,374	1,783	1,922	3,913	4,694	5,434
4) GNIE	2,523	2,986	2,467	1,417	1,105	1,797	1,396	1,130
5) Miscellaneous	44,044	44,907	52,597	68,967	82,380	137,122	186,684	259,810
<b>B. Transfers</b>	<b>54,939</b>	<b>60,948</b>	<b>77,289</b>	<b>85,289</b>	<b>1,04,329</b>	<b>97,201</b>	<b>1,13,566</b>	<b>1,33,530</b>
1) Official Transfers	1,659	1,156	2,197	2,174	2,531	2,762	2,970	2,877
2) Private Transfers	53,280	59,792	75,092	83,115	1,01,798	94,439	1,10,596	1,30,653
<b>C. Income</b>	<b>8,373</b>	<b>12,275</b>	<b>16,080</b>	<b>17,049</b>	<b>17,909</b>	<b>20,638</b>	<b>28,426</b>	<b>42,000</b>
1) Investment Income	7,727	11,690	15,487	16,484	17,314	18,538	27,633	40,218
2) Compensation of Employees	646	585	593	565	595	2,100	793	1,782
<b>II. Invisibles Payments (A+B+C)</b>	<b>74,421</b>	<b>1,02,639</b>	<b>1,03,727</b>	<b>1,20,400</b>	<b>1,18,044</b>	<b>1,71,959</b>	<b>2,11,733</b>	<b>2,78,492</b>
<b>A. Services</b>	<b>50,467</b>	<b>66,650</b>	<b>65,850</b>	<b>82,775</b>	<b>76,794</b>	<b>1,24,880</b>	<b>1,53,057</b>	<b>2,00,291</b>
1) Travel	9,268	12,741	14,336	16,155	16,534	23,571	29,432	30,253
2) Transportation	10,450	16,172	16,486	15,828	10,688	20,363	36,928	36,504
3) Insurance	525	1,004	1,339	1,687	1,672	3,249	4,965	2,903
4) GNIE	1,167	1,460	1,349	1,105	976	1,843	2,343	1,825
5) Miscellaneous	29,057	35,273	32,340	48,000	46,924	75,854	79,389	1,28,806
<b>B. Transfers</b>	<b>150</b>	<b>981</b>	<b>1,729</b>	<b>3,886</b>	<b>2,633</b>	<b>4,066</b>	<b>4,134</b>	<b>6,423</b>
1) Official Transfers	2	0	0	0	0	1,598	2,103	1,858
2) Private Transfers	148	981	1,729	3,886	2,633	2,468	2,031	4,565
<b>C. Income</b>	<b>23,804</b>	<b>35,008</b>	<b>36,148</b>	<b>33,739</b>	<b>38,617</b>	<b>43,013</b>	<b>54,542</b>	<b>71,778</b>
1) Investment Income	23,747	32,885	33,830	30,847	34,586	36,947	51,112	67,483
2) Compensation of Employees	57	2,123	2,318	2,892	4,031	6,066	3,430	4,295
<b>Net Invisibles (I-II)</b>	<b>57,028</b>	<b>45,139</b>	<b>71,381</b>	<b>82,357</b>	<b>1,27,369</b>	<b>1,39,591</b>	<b>1,85,927</b>	<b>2,40,933</b>

PR: Partially Revised.

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 PR
1	2	3	4	5	6	7	8	9
<b>Invisibles Receipts (A+B+C)</b>	<b>1,31,449</b>	<b>1,47,778</b>	<b>1,75,108</b>	<b>2,02,757</b>	<b>2,45,413</b>	<b>3,11,550</b>	<b>3,97,660</b>	<b>5,19,425</b>
<b>A) Services (1 to 5)</b>	<b>68,137</b>	<b>74,555</b>	<b>81,739</b>	<b>100,419</b>	<b>123,175</b>	<b>193,711</b>	<b>255,668</b>	<b>343,895</b>
<b>1) Travel Account</b>								
i) Tourist Expenses in India	13,166	16,064	14,975	15,991	23,054	29,858	34,871	41,127
<b>Total</b>	<b>13,166</b>	<b>16,064</b>	<b>14,975</b>	<b>15,991</b>	<b>23,054</b>	<b>29,858</b>	<b>34,871</b>	<b>41,127</b>
<b>2) Transportation Account</b>								
a) Sea Transport								
i) Surplus remitted by Indian companies operating abroad	262	157	344	241	170	932	2,000	2,079
ii) Operating expenses of foreign companies in India	696	398	495	695	1,325	2,075	2,824	4,371
iii) Charter hire charges	181	453	407	401	433	217	637	440
b) Air Transport								
i) Surplus remitted by Indian companies operating abroad	781	851	739	820	444	589	885	1,435
ii) Operating expenses of foreign companies in India	87	94	44	21	84	479	165	375
iii) Charter hire charges	103	19	85	21	81	82	93	155
c) Freight on exports	4,617	6,670	7,053	8,775	11,329	16,445	19,524	24,791
d) Others	673	722	1,159	1,287	848	202	1,895	2,748
<b>Total (a to d)</b>	<b>7,400</b>	<b>9,364</b>	<b>10,326</b>	<b>12,261</b>	<b>14,714</b>	<b>21,021</b>	<b>28,023</b>	<b>36,394</b>
<b>3) Insurance Account</b>								
a) Insurance on export	832	1,111	1,179	1,466	1,711	2,148	2,548	3,243
b) Premium								
i) Life	3	4	26	101	3	114	166	294
ii) Non-life	31	24	32	28	54	1,302	346	514
iii) Reinsurance from foreign companies	43	18	40	76	40	87	876	366
c) Commission on Business received from foreign companies	2	7	15	18	23	131	375	358
d) Others	93	70	82	94	91	131	383	659
<b>Total (a to d)</b>	<b>1,004</b>	<b>1,234</b>	<b>1,374</b>	<b>1,783</b>	<b>1,922</b>	<b>3,913</b>	<b>4,694</b>	<b>5,434</b>
<b>4) Government Not Included Elsewhere</b>								
a) Maintenance of foreign embassies and diplomatic missions in India	887	1,019	935	860	850	1,025	923	625
b) Maintenance of international and regional institutions in India	1,636	1,967	1,532	557	255	772	473	505
<b>Total (a to b)</b>	<b>2,523</b>	<b>2,986</b>	<b>2,467</b>	<b>1,417</b>	<b>1,105</b>	<b>1,797</b>	<b>1,396</b>	<b>1,130</b>

## ARTICLE

Invisibles in India's  
Balance of Payments:  
An Analysis of Trade in  
Services, Remittances  
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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 PR
1	2	3	4	5	6	7	8	9
<b>5) Miscellaneous Account</b>								
a) Communication services	4,601	5,262	3,585	3,931	4,535	6,191	7,000	9,506
b) Construction services	1,691	2,430	696	863	2,097	2,184	1,074	1,500
c) Financial services	1,569	1,577	1,387	3,276	1,372	2,279	5,355	13,062
d) Software services	17,412	29,013	36,038	46,424	58,781	79,404	1,04,632	1,41,356
of which: <i>IT Services</i>	14,929	24,758	28,908	34,334	42,249	58,768	76,667	1,03,484
<i>ITES-BPO</i>	2,483	4,255	7,130	12,090	16,532	20,636	27,965	37,872
e) News agency services	1,485	511	43	284	321	769	818	1,509
f) Royalties, copyright and license fees	237	272	104	111	146	316	862	435
g) Business services (i to xii)\$	2,790	1,522	2,464	3,890	5,937	23,067	41,356	86,928
i) Merchancing services						1,248	1,725	850
ii) Trade related services						1,923	2,310	4,229
iii) Operational Leasing Services						123	476	450
iv) Legal services						1,126	1,230	2,485
v) Accounting / Auditing services						170	302	796
vi) Business Management & consultancy services	2,790	1,522	2,464	3,890	5,937	6,955	10,285	33,107
vii) Advertising / trade fair						726	1,528	2,985
viii) Research & Development services						985	1,754	3,431
ix) Architectural Engineering & other technical services						6,325	14,163	27,690
x) Agricultural Mining & on- site processing services						236	143	218
xi) Maintenance of offices abroad services						3,227	7,051	10,562
xii) Environmental services						23	389	125
h) Personal, Cultural & Recreational services						466	838	780
i) Refunds/rebates	231	238	258	213	234	1,716	332	1,330
j) Other services\$\$	14,028	4,082	8,022	9,975	8,957	20,730	24,417	3,404
<b>Total (a to j)</b>	<b>44,044</b>	<b>44,907</b>	<b>52,597</b>	<b>68,967</b>	<b>82,380</b>	<b>137,122</b>	<b>186,684</b>	<b>259,810</b>
<b>B) Transfers</b>	<b>54,939</b>	<b>60,948</b>	<b>77,289</b>	<b>85,289</b>	<b>104,329</b>	<b>97,201</b>	<b>113,566</b>	<b>133,530</b>
<b>1) Official Transfers</b>								
i) Donations received from Non-residents	174	393	211	156	413	256	236	295
ii) Grant under PL 480 II	414	439	323	280	153	135	169	142
iii) Grants from other Governments	1,071	324	1,663	1,738	1,965	2,371	2,565	2,440
<b>Total (i to iii)</b>	<b>1,659</b>	<b>1,156</b>	<b>2,197</b>	<b>2,174</b>	<b>2,531</b>	<b>2,762</b>	<b>2,970</b>	<b>2,877</b>

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

(Rs. crore)

Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 PR
1	2	3	4	5	6	7	8	9
<b>2) Private Transfers</b>								
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	61,195
ii) Local withdrawals/redemptions from non-resident deposits	17,849	21,577	40,654	32,147	48,565	40,105	55,269	59,595
iii) Gold and silver brought through passenger baggage	57	44	61	89	86	118	69	122
iv) Personal gifts/donations to charitable/religious institutions in India.	3,182	2,664	3,016	2,964	5,499	9,657	8,968	9,741
<b>Total (i to iv)</b>	<b>53,280</b>	<b>59,792</b>	<b>75,092</b>	<b>83,115</b>	<b>101,798</b>	<b>94,439</b>	<b>110,596</b>	<b>130,653</b>
<b>C) Income Account</b>	<b>8,373</b>	<b>12,275</b>	<b>16,080</b>	<b>17,049</b>	<b>17,909</b>	<b>20,638</b>	<b>28,426</b>	<b>42,000</b>
<b>1) Compensation of Employees</b>								
i) Wages received by Indians working on foreign contracts	646	585	593	565	595	2,100	793	1,782
<b>2) Investment Income</b>								
i) Interest received on loans to non-residents	256	384	959	745	910	293	449	719
ii) Dividend/profit received by Indians on foreign investment	68	54	273	64	184	407	992	2,101
<i>Of which:</i>								
<i>Dividend received by Indians on foreign investment ++</i>						194	122	595
<i>Profit received by Indians on foreign investment ++</i>						213	870	1,506
iii) Reinvested Earning	0	1,553	3,339	5,342	2,536	1,114	4,835	4,869
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	286
v) Interest received on overdraft of VOSTRO accounts of foreign correspondents/branches by the ADs	38	26	3	5	1	1,518	488	1,200
vi) Payment of taxes by the non-residents/refund of taxes by foreign governments to Indians	854	313	626	100	720	774	256	1,009
vii) Interest/discount earnings etc. earnings on RBI investment	5,992	8,927	8,344	8,885	9,708	13,543	20,070	29,975
viii) Interest/remuneration on SDR holdings	37	35	37	64	46	76	90	59
ix) Others	432	312	1,843	1,210	3,072	0	0	0
<b>Total (i to ix)</b>	<b>7,727</b>	<b>11,690</b>	<b>15,487</b>	<b>16,484</b>	<b>17,314</b>	<b>18,538</b>	<b>27,633</b>	<b>40,218</b>

PR : Partially Revised

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

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

+ + : The break-up is available only since 2004-05.

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 PR
1	2	3	4	5	6	7	8	9
<b>Invisibles Payments (A + B + C)</b>	<b>74,421</b>	<b>1,02,639</b>	<b>1,03,727</b>	<b>1,20,400</b>	<b>1,18,044</b>	<b>1,71,959</b>	<b>2,11,733</b>	<b>2,78,492</b>
<b>A) Services (1 to 5)</b>	<b>50,467</b>	<b>66,650</b>	<b>65,850</b>	<b>82,775</b>	<b>76,794</b>	<b>124,880</b>	<b>153,057</b>	<b>200,291</b>
<b>1) Travel Account</b>								
i) Business	5,490	7,200	7,001	9,617	12,449	14,451	15,296	13,878
ii) Health Related	13	18	18	18	26	59	167	61
iii) Education Related	263	435	1,182	818	1,082	2,892	4,921	5,009
iv) Basic Travel Quota ( BTQ)	1,638	1,738	2,465	3,830	2,063	5,226	5,473	8,154
v) Pilgrimage	602	867	541	604	72	144	122	527
vi) Others	1,262	2,483	3,129	1,268	842	799	3,453	2,624
<b>Total (i to vi)</b>	<b>9,268</b>	<b>12,741</b>	<b>14,336</b>	<b>16,155</b>	<b>16,534</b>	<b>23,571</b>	<b>29,432</b>	<b>30,253</b>
<b>ii) Transportation Account</b>								
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	9,523
ii) Operating expenses of Indian companies abroad	1,757	3,736	2,125	2,439	1,670	1,493	4,455	2,486
iii) Charter hire charges	501	700	534	540	459	389	369	383
iv) Freight on imports @						3,924	6,659	6,076
v) Freight on Exports +						2,328	2,573	3,210
vi) Remittance of passage booking abroad #						114	53	25
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	8,761
ii) Operating expenses of Indian companies abroad	580	444	529	539	611	459	1,268	1,131
iii) Charter hire charges	324	336	333	391	280	217	626	1,143
iv) Freight on imports @						528	557	792
v) Freight on Exports +						264	180	144
vi) Remittance of passage booking abroad #						138	37	58
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	2,772
<b>Total (a to e)</b>	<b>10,450</b>	<b>16,172</b>	<b>16,486</b>	<b>15,828</b>	<b>10,688</b>	<b>20,363</b>	<b>36,928</b>	<b>36,504</b>
<b>3) Insurance Account</b>								
a. Premium								
i) Life	3	1	3	2	4	42	64	128
ii) Non-life	45	37	123	22	47	1,511	1,076	372
iii) Reinsurance	328	805	850	1,421	1,224	1,350	2,588	1,729
b. Commission on Business	24	1	15	3	2	54	124	103
c. Others	125	160	348	239	395	292	1,113	571
<b>Total (a to c)</b>	<b>525</b>	<b>1,004</b>	<b>1,339</b>	<b>1,687</b>	<b>1,672</b>	<b>3,249</b>	<b>4,965</b>	<b>2,903</b>
<b>4) Government Not Included Elsewhere</b>								
a. Maintenance of Indian embassies and diplomatic missions abroad	1,023	1,199	1,002	938	855	1,516	1,971	1,284
b. Remittances by foreign embassies and diplomatic missions in India	144	261	347	167	121	327	372	541
<b>Total (a to b)</b>	<b>1,167</b>	<b>1,460</b>	<b>1,349</b>	<b>1,105</b>	<b>976</b>	<b>1,843</b>	<b>2,343</b>	<b>1,825</b>



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 PR
1	2	3	4	5	6	7	8	9
<b>5) Miscellaneous Account</b>								
a) Communication services	826	583	1,767	4,704	3,547	3,298	1,285	2,980
b) Construction services	220	757	2,446	6,391	2,995	3,217	3,209	3,337
c) Financial services	5,785	8,991	6,046	6,765	3,217	3,735	4,265	9,352
d) Software services	1,600	2,705	3,202	3,565	2,175	3,579	5,954	10,212
e) News agency services	693	1,167	777	1,122	1,080	1,251	576	983
f) Royalties, copyright and license fees	1,351	1,073	1,723	1,703	2,039	3,185	2,640	4,668
g) Business services (i to xii)\$	5,003	4,674	7,154	8,768	11,711	32,807	34,428	72,638
i) Merchanted services						1,055	547	1,009
ii) Trade related services						4,741	5,352	7,461
iii) Operational Leasing Services						1,584	2,052	3,908
iv) Legal services						327	363	666
v) Accounting / Auditing services						58	89	264
vi) Business Management & consultancy services	3,456	2,499	2,537	3,135	3,734	5,708	10,769	22,747
vii) Advertising/ trade fair						2,298	1,860	7,751
viii) Research & Development services						254	515	907
ix) Architectural Engineering & other technical services						4,987	6,293	16,509
x) Agricultural Mining & on-site processing services						30	67	335
xi) Maintenance of offices abroad services	1,547	2,175	4,617	5,633	7,977	11,746	6,480	11,054
xii) Environmental services						19	41	27
h) Personal, Cultural & Recreational services						461	371	525
i) Refunds/rebates	387	292	715	736	1,677	3,437	201	1,655
j) Other services\$\$	13,192	15,031	8,510	14,246	18,483	20,884	26,460	22,456
<b>Total (a to j)</b>	<b>29,057</b>	<b>35,273</b>	<b>32,340</b>	<b>48,000</b>	<b>46,924</b>	<b>75,854</b>	<b>79,389</b>	<b>128,806</b>

## ARTICLE

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

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

(Rs. crore)								
Items	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 PR
1	2	3	4	5	6	7	8	9
<b>B) Transfers</b>	<b>150</b>	<b>981</b>	<b>1,729</b>	<b>3,886</b>	<b>2,633</b>	<b>4,066</b>	<b>4,134</b>	<b>6,423</b>
<b>1) Official Transfers</b>								
i) Grants/donations from official sector	2	0	0	0	0	1,598	2,103	1,858
<b>Total</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,598</b>	<b>2,103</b>	<b>1,858</b>
<b>2) Private Transfers</b>								
a) Remittance by non-residents towards family maintenance and savings	125	581	1,392	3,668	2,387	1,887	1,569	3,717
b) Personal gifts/donations to charitable/religious institutions	23	400	337	218	246	581	462	848
<i>Of which:</i>								
i) Remittance towards personal gifts and donations ++						488	426	713
ii) Remittance towards donations to religious & charitable institutions abroad ++						75	32	79
iii) Remittance towards grants and donations to other governments & charitable institutions established by the governments ++						18	4	56
<b>Total (a to b)</b>	<b>148</b>	<b>981</b>	<b>1,729</b>	<b>3,886</b>	<b>2,633</b>	<b>2,468</b>	<b>2,031</b>	<b>4,565</b>
<b>Income</b>	<b>23,804</b>	<b>35,008</b>	<b>36,148</b>	<b>33,739</b>	<b>38,617</b>	<b>43,013</b>	<b>54,542</b>	<b>71,778</b>
<b>i) Compensation of Employees</b>								
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
<b>Total (i to v)</b>	<b>57</b>	<b>2,123</b>	<b>2,318</b>	<b>2,892</b>	<b>4,031</b>	<b>6,066</b>	<b>3,430</b>	<b>4,295</b>
<b>b) Investment Income</b>								
i) Payment of interest on NRI deposits	7,549	8,276	8,621	6,845	7,536	6,071	6,634	8,923
ii) Payment of interest on loans from non-residents	13,167	13,401	13,599	12,565	15,920	11,001	19,215	15,818
iii) Payment of dividend/profit to non-resident share holder	2,333	4,676	3,397	2,237	4,041	8,969	11,123	15,770
<i>Of which:</i>								
Payment of dividend to non-resident share holder ++						7,120	10,674	14,634
Payment of profit to non-resident share holder ++						1,849	449	1,136
iv) Reinvested Earning	0	6,177	7,841	8,866	6,710	8,555	12,219	23,028
v) Payment of interest on debentures, FRNs, CPs fixed deposits, etc.	512	271	103	207	192	766	532	179
vi) Charges on SDRs	132	73	248	96	73	86	75	135
vii) Interest paid on overdraft on VOSTRO a/c Holders/ OD on NOSTRO a/c	2	2	2	22	92	1,154	945	2,986
ix) Payment of taxes by the Indians/refund of taxes by government to non-residents	52	9	19	9	22	345	369	644
<b>Total (i to ix)</b>	<b>23,747</b>	<b>32,885</b>	<b>33,830</b>	<b>30,847</b>	<b>34,586</b>	<b>36,947</b>	<b>51,112</b>	<b>67,483</b>

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 were included under the head 'freight on imports' [Item A(2)(c)].

+ 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' [Item A(2)(d)].

@@ Since 2004-05, presented under the heads 'sea transport' and 'air transport', separately.

\$ 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.

+ + The break-up is available only since 2004-05.