

Report
Of The
TECHNICAL GROUP ON
RECONCILING BALANCE OF
PAYMENTS AND DGCIS DATA ON
MERCHANDISE TRADE



RESERVE BANK OF INDIA
BOMBAY

O. P. Sodhani Report.

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November 1995

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EXECUTIVE SUMMARY

1. INTRODUCTION

In recent years, there has been a growing divergence between the data on merchandise trade compiled by the Directorate General of Commercial Intelligence and Statistics (DGCI&S) and those emanating from the returns submitted to the Reserve Bank of India (RBI). Historically, large differences have existed between the data on physical landing of imports (DGCI&S data) and the data on payments for imports (RBI data). On the other hand, however, the large differences which have appeared between the two sources of data with regard to exports have evoked serious policy concern.

With a view to examining the reasons for the divergence and to suggest means to effect speedy reconciliation between the two sets of data, a Technical Group on Reconciling Balance of Payments and DGCI&S data on Merchandise Trade was constituted in October, 1994 by the RBI under the chairmanship of Shri O.P. Sodhani, Executive Director, RBI. Dr. N.S. Sastry, Director General, DGCI&S, Ministry of Commerce, Shri P.R.V. Ramanan, Joint Secretary (Customs), Central Board of Excise and Customs, Ministry of Finance, Dr. Rajiv Kumar, Economic Adviser, Department of Economic Affairs, Ministry of Finance, Shri B.K. Pal, Chief General Manager, Exchange Control Department, RBI and Dr. A. Vasudevan, Principal Adviser, Department of Economic Analysis and Policy (DEAP), RBI served as members of the Group and Shri M.D. Patra, Director,

DEAP, RBI as Member-Secretary. Subsequently, in place of Dr. Rajiv Kumar, Shri Santosh Kumar, Joint Secretary (FT) and Shri Bibek Debroy from the Department of Economic Affairs, Ministry of Finance were associated with the Group. Shri R.Nagaraja Rao, Principal Adviser, Department of Statistical Analysis and Computer Services (DESACS) participated in the deliberations of the Group as a special invitee till his retirement. Subsequently, Dr. R.B. Barman, Officer-in-Charge, DESACS took part in the Group's discussions.

2. EXPORTS

The Group reviewed the collection, processing and compilation procedures followed in the Customs, the DGCI&S and the RBI relating to the data on exports and found the following factors to be proximate causes of the divergences between the two sets of data:

- (i) under reporting of cancellation, short shipment and shut outs to the RBI by the Customs, especially when the exporter fails to intimate his intention not to export or his inability to export,
- (ii) absence of commonality between the Export bills Negotiated and sent for Collection (ENC) statement and the shipping bill, leaving scope for misuse and impeding matching of documents,
- (iii) immense backlog of unprocessed documents in the RBI, resulting in neglect of counterchecks; absence of common key in the computerised processing systems of the RBI and the DGCI&S,
- (iv) under coverage of certain categories of exports in DGCI&S data base,
- (v) differences in exchange rates used for conversion of foreign currencies by the DGCI&S and the RBI,
- (vi) timing differences in the submission of forms (shipping bill and GR forms),

3. IMPORTS

The Group noted that the Customs/DGCI&S recorded imports on the basis of physical landing while the RBI compiles data on imports on the basis of payments routed through Authorised Dealers (ADs) and other channels.

Causes Underlying the Divergence

The factors underlying the divergence between the two sets of data on imports were identified as

- a) relatively more comprehensive coverage of information on payments for imports by RBI,
- b) different practices of valuation followed by the DGCI&S and the RBI, and
- c) leads and lags involved in the timing of recording the making of payments and the physical landing of goods in the Customs area.

While it was recognised that complete reconciliation of the two sets of data is not feasible, the Group felt that it is desirable that efforts be made to quantitatively identify the reasons for the divergence and to undertake efforts to minimise these differences.

4. RECOMMENDATIONS

In the view of the Group, the paramount need in the light of its terms of reference was to establish commonality between the data recording systems with the long run objective of ensuring on line information transfer between the concerned organisations.

Simultaneously, it was considered essential to eschew duplication of work and to preserve and strengthen counterchecks so that physical shipment or landing can be traced consistently to the realisation of proceeds or the making of payments. Against this background, the Group makes the following recommendations.

Exports

Past Divergences: Reconciliation Exercise

In view of the fact that divergences between the DGCIS and the RBI in the data on exports were persistently large since 1991-92, an exercise was undertaken by the RBI, for the period April-June 1994 and with regard to Bombay Sea Port, to match GR Originals (GR(O) and Daily Trade Returns (DTRs) and ENC's. The exercise revealed significant divergences between the value of exports recorded in the GR(O) and the DTRs on the one hand, and between DTRs and ENC's on the other. As the magnitude of divergence was too large to be explained by exchange rate variations and freight and insurance, the Group recommends that the data reported in the various returns be subjected to intensive scrutiny by the RBI and the Customs. The Group also noted the deficiencies and short falls in the data reporting and recording systems brought to light in the reconciliation exercise. While efforts need to be made to ascertain the specific avenues through which the divergences occurred, it was important to move away from

the existing data recording system to a more viable system as recommended by the Group under its long term approach.

The Data Recording Procedure: The Group felt that the duplicate copy of the shipping bill ideally meets the requirements of both the organisations and should be the unique basis of recording exports.

Daily Trade Return(DTR): Common Basis of Physical Shipment: The Customs should furnish DTRs which is prepared by the Customs on the basis of the duplicate copy of the shipping bill simultaneously to the RBI and to the DGCI&S. The DTR should be modified to incorporate information which is essential for the RBI's purposes. The transactions reported in the DTRs would be used by the RBI only for matching transactions reported by the Authorised Dealers (ADs) at the negotiation stage. Such matched transactions, but not the transactions in DTRs would be the basis of recording export receipts in balance of payments statistics.

Data Recording System for Negotiation of Export Documents and Realisation of Proceeds: The Group felt that it is necessary to put in place arrangements with the objective of instituting a fully integrated networking system involving the Customs, the RBI and the ADs .

The Recommended Arrangements Effective
April 1, 1996

(i) By April 1, 1996, it is expected that along with all regional offices of the RBI, ADs which are critical in terms of the volume of foreign exchange transactions would be able to use the network for transmission of data.

(ii) The GR (O) would be discontinued.

(iii) The GR Duplicate form would be replaced by the Exchange Control (EC) copy of Shipping Bill. The Customs authorities will ensure that the EC copy of the shipping bill is subjected to exactly the same process of appraisal by Customs, certification by shipping agents, port authorities and Custom officials up to the final stage of sailing of the vessel as is presently done for the duplicate copy of the shipping bill. Thus the EC copy of the shipping bill will be the exact replica of the duplicate copy of the shipping bill which is used for preparation of DTRs.

(iv) The EC copy of the shipping bill will be returned to the exporter who in turn will submit it to the AD for negotiation/realisation.

(v) The existing procedures to be followed by the AD at the negotiation/realisation stages would remain unchanged.

The Transitional Arrangements for 1995-96

Recognising the fact that the recommended arrangements can be in place only by 1996-97, the Group

is of the view that existing procedures followed for the collection, processing and compilation of data on exports should continue. On the recommendations of the Group, the ENC has been modified to include provision for recording of the shipping bill number and date, and importer/exporter code number given by the Directorate General of Foreign Trade (DGFT). The processing of GR duplicates should incorporate details of the shipping bill number and date given on the GR duplicate forms. In the view of the Group, computerisation of Customs and RBI offices needs to be completed well in advance of the institution of the recommended arrangement by April 1, 1996.

The recommendations of the Sub-Group for Compatibility of Systems in pursuance of the long run objective of establishing compatibility of hardware and software and on line information transfer between the Customs, the DGCIS and the RBI were accepted by the Group and endorsed.

The Group recommended that as a matter of the highest priority, the RBI should take steps to complete computerisation of its regional offices. For the purpose of decentralisation of data entry and processing operations Local Area Networking Systems with adequate number of nodes commensurate with volume of work in regional offices of the RBI should be installed. The elaborate manual work connected with data transcription, assigning of numerical codes for data items, preparation

of code-sheets in the prescribed form etc., should be totally eliminated resulting in enhanced speed and reduced scope for mistakes. There would be on line validation, updating and processing simultaneous with the transfer of data from regional offices to the central data pool.

Imports

As regards imports, the Group makes the following recommendations :

A Sub-Group on Defence Imports set up by the Group comprising representatives of the Ministry of Finance, the Ministry of Defence (MOD), the DGCI&S and the Ministry of Home Affairs and the RBI should finalise the procedure of reporting information on defence imports by the concerned agencies to the RBI by the end of March 1996. Foreign Trade Division in the Ministry of Finance should act as the nodal agency for setting up a suitable reporting mechanism and procedures relating to Defence transactions from all the concerned Ministries/Organisations for smooth transmission to the RBI on a regular basis for inclusion in BOP statistics. The same arrangement would apply to defence exports.

In pursuance of the recommendations of the High Level Committee on Balance of Payments, imports not passing through Customs, or exempted from Customs declaration would be collected by the DGCI&S directly from concerned agencies. The DGCI&S may also undertake steps to make reporting by these agencies mandatory.

The RBI should include data on imports of gold and silver under overall imports in the BoP. Efforts should be taken to institute a monthly reporting arrangement on inflow of gold and silver between the Customs and the RBI.

Recommendations Common to Both Exports and Imports

i). The RBI should consider the incorporation in its BoP statistics the data on Indo-Nepal trade as published by the DGCI&S.

ii) The use of common exchange rates should be explored and the feasibility of the proposal should be assessed from the Customs' point of view.

CHAPTER - I

INTRODUCTION

1.1 In recent years, there has been a growing divergence between the data on merchandise trade compiled by the Directorate General of Commercial Intelligence and Statistics (DGCI&S) and those emanating from the returns submitted to the Reserve Bank of India (RBI) for the purposes of exchange control and the compilation of balance of payments statistics. Historically, large differences have existed between the data on physical landing of imports (DGCI&S data) and the data on payments for imports (RBI data). Factors underlying the differences have been examined in the past and there are ongoing efforts to secure reconciliation to the extent feasible. On the other hand, however, the large differences which have appeared between the two sources of data with regard to exports have evoked serious policy concern, given that the generation of statistics for both the DGCI&S and the RBI originates from the presentation of goods for exports at the Customs frontier. Preventing the attenuation of monitoring of export transactions has emerged as an imperative, particularly in view of the progressive liberalisation of the trade and payments regime which marks the transition of the economy towards a greater degree of openness.

1.2 With a view to examining the reasons for the divergence and to suggest means to effect speedy reconciliation between the two sets of data, a Technical Group on Reconciling Balance of Payments and DGCI&S data on Merchandise Trade was constituted in October, 1994 by the RBI under the chairmanship of Shri O.P. Sodhani, Executive Director, RBI. Dr. N.S. Sastry, Director General, DGCI&S, Ministry of Commerce, Shri P.R.V. Ramanan, Joint Secretary (Customs), Central Board of Excise and Customs, Ministry of Finance, Dr. Rajiv Kumar, Economic Adviser, Department of Economic Affairs, Ministry of Finance, Shri B.K. Pal, Chief General Manager, Exchange Control Department, RBI and Dr. A. Vasudevan, Principal Adviser, Department of Economic Analysis and Policy (DEAP), RBI served as members of the Group and Shri M.D. Patra, Director, DEAP, RBI as Member-Secretary. Subsequently, Dr. Rajiv Kumar was replaced by Shri Bibek Debroy, Consultant and Shri Santosh Kumar, Joint Secretary (Foreign Trade) both from the Department of Economic Affairs, Ministry of Finance.

The following are the terms of reference of the Group :

- a) To review the existing arrangements for collection and processing of data on exports and imports by the DGCI &S and the RBI;

- b) to identify factors responsible for divergence between the two sets of data particularly, on exports;
- c) to suggest changes in the existing data collection and compilation procedures in the DGC I & S and the RBI with a view to securing complete reconciliation of the two sets of data relating to imports and exports;
- d) to suggest measures to avoid duplication of work between the two sources of data; and
- e) any other matter of relevance to the broad terms of reference.

1.3 Several officials of the Reserve Bank of India were involved in the preparation of this report. Not only did they participate in the deliberations of the Group but also gave considerable technical (statistical and operational) support. The Group is highly thankful to Sarvashri A.V. Sardesai, General Manager and Shri A.R. Patankar, Deputy General Manager, ECD for participation as well as for providing clarifications on a number of operational issues and to Shri S.N. Sharma, Deputy General Manager, who assisted the Group in various aspects of computerisation. The Group also expresses gratitude to Sarvashri B.N. Ananthaswamy, Assistant Adviser, Rajiv Ranjan, Research Officer and S.B. Gogate, Assistant Research Officer in the DEAP, RBI, who assisted in the preparation of background papers, undertook visits to authorised dealers (ADs), the Collectorate of Customs, Bombay and provided efficient secretarial support. Their active cooperation greatly helped the Group in its work.

1.4 The Group held four meetings at Bombay. The Group had the benefit of the views of Shri R. Nagaraja Rao, Principal Adviser, DESACS, RBI who attended the second and third meeting of the Group and Dr. R.B. Barman, Officer-in-Charge, DESACS who attended the fourth meeting as a special invitee. In view of the fact that reconciliation of the two sets of data involved technological issues relating to hardware and software compatibility and on-line information transfer, a Technical Sub-Group for Compatibility of Systems was constituted with Shri P.R.V.Ramanan, heading it and with Shri S.N. Sharma, Deputy General Manager, ECD, RBI, Shri S. Chakraborty, Deputy Manager, DGCI&S and Shri M.D. Patra, as members. The Sub-Group went into details of common hardware and software, establishment of an on-line networking environment between the Customs, the RBI and the DGCI&S, centralisation vis-a-vis decentralisation of data transfer and related issues. A Sub Group on Defence Imports was also constituted, headed by Shri Santosh Kumar, Joint Secretary, Department of Economic Affairs, Ministry of Finance with Shri D. Lahiri, Additional Financial Adviser and Joint Secretary, Ministry of Defence, Shri Hans Raj, Deputy Secretary, Ministry of Home Affairs and Shri M.D. Patra, as members.

1.5 The Group was required to submit its report by the end of December, 1994. In view of the sweeping modifications envisaged in the reporting forms, the legal implications thereof, the wide ramifications arising from computer connectivity, especially the synchronisation of technological upgradation in the Customs and in the RBI, the completion of the reconciliation exercise relating to data on exports reported by the Customs and those of the RBI and the unfinished work relating to reporting arrangements for defence imports, the Group has sought an extension of time up to the end of October, 1995 for submission of the final report. In the meantime, the Group submitted an interim report in February 1995 carrying its major recommendations.

1.6 The rest of the report is divided into three Chapters. The following two chapters contain an analysis of the problem. They review data collection procedure followed in the Customs, the DGCI&S and the RBI and address the causes underlying the divergences between the two sets of data. The final chapter contains the Group's recommendations.

CHAPTER II

EXPORTS

The Data Collection Procedure

2.1 Customs: The primary point of generation of export statistics is the Customs area of control at Indian ports viz., land, sea, air, Inland Container Depots, Free Trade Zones, Export Processing Zones, foreign post offices, etc. A small proportion of aggregate exports is also routed through satellite and post offices. The primary basis for registration of exports is the shipping bill which bears the declaration made by exporters to Customs authorities and contains the Customs permission to ship the goods. The shipping bill is submitted in triplicate by the exporter and is of three types i.e. for dutiable goods, for duty free goods and for duty free goods ex-bond. The exporter also submits GR forms, original and duplicate to the Customs. A chart showing various documents presented by the exporter to the Customs office is given in Exhibit I.

2.2 In the Customs office, details on GR forms and shipping bills are examined by the Appraiser Officers with reference to other documents as to the

EXHIBIT I

E-port Documents and Users

USER

Sr.No.	Documents	Central Excise	Export Inspection Agency	Forwarder	Insurance company	Shipping Line	Customs	Port Trust	Chamber of Commerce	Bank	R.D.I.	No. of Users concerned
1	Proforma Invoice											0
2	Invoice	•	•	•	•		•			•		6
3	Packing List	•	•	•	•		•			•		6
4	Intimation of Inspection		•									1
5	Certificate of Inspection		•	•			•					3
6	Shipping Instructions			•								1
7	Insurance Declaration				•							1
8	Certificate of Insurance				•					•		2
9	Shipping Order			•		•						2
10	Mate's Receipt			•		•		•				3
11	Bill of Lading/CTD			•	•	•			•	•		5
12	Application for Certificate of Origin								•			1
13	Certificate of Origin								•	•		2
14	Bill of Exchange									•		1
15	Shipment Advice									•		1
16	Letter to Bank for Negotiation/Collection									•		1
17	Gate Pass	•		•			•					3
18	AR4/4A Form	•		•			•					3
19	Insurance Premium Certificate									•	•	2
20	Freight Premium Certificate									•	•	2
21	GR Form			•			•			•	•	4
22	Shipping Bill			•		•	•	•		•		5
23	PT Copy Shipping Bill/ EA/DC			•		•		•				3
24	Vehicle Ticket			•				•				2
25	Receipt for Port Charges			•				•				2

accuracy/reasonableness of details following which the Customs Appraisers certify the GR forms and shipping bills. While the GR (O) form is sent to the RBI, the original copy of shipping bill and invoice are kept with the Customs. The other copies of shipping bills, the GR duplicate forms and other documents are returned to the exporter for approaching the port authorities who examine and appraise the goods. This is followed by the loading of good on board the vessel under supervision of the port authorities. The shipping agents then file with the customs the duplicate copy of the shipping bill along with the export general manifest (within five days of the date of clearance). The duplicate is then compared with the vessel's manifest after which it is registered as a final record of shipment. It is important to note that the GR duplicate form which is returned to the exporter after appraisal by the Customs authorities is not certified by Port authorities for actual shipment of goods.

2.3 Thus, the original copy of the shipping bill indicates only an intention to export and is not considered for the purpose of compilation of export statistics. The duplicate copy of the shipping bill adjusted for short and shut out shipments is used for the preparation of Daily Trade

Returns (DTRs) and such DTRs are forwarded to the DGCI&S. The function of major Customs offices i.e. at Calcutta, Bombay, Madras, Cochin and Delhi are computerised. Presently, the Sperry-Mapper system is used in the Customs offices. Computerised Customs formations send computer generated DTRs on magnetic tapes to the DGCI&S while other formations send manually written DTRs. Data sent in the form of magnetic tapes constitutes about 80 per cent of total export transactions while the remaining 20 per cent transactions are received in the DGCI&S in the form of manually written DTRs.

2.4 DGCI&S: The DTR is the basic document for the generation of export statistics by the DGCI&S. As the DTR is itself based on the duplicate copy of the shipping bill which is registered as a final record on the basis of the date of sailing of the vessel, the DGCI&S record exports on a post-shipment basis.

2.5 A layout of the DTR showing the various fields of information required by the DGCI&S is at Annexure I. The data received from the Customs are subjected to a three-tier system of manual checking in the DGCI&S as follows :

- (i) Primary scrutiny of DTRs/data,
- (ii) Checking of sorted commodity and country listings for unit value, classification, etc.
- (iii) Final checking of aggregated summary tabulations for plausibility of trade, etc.

2.6 After these detailed checks foreign trade data are generated with the help of the main frame computer (Medha-930/931) installed in the DGCI&S. These data are published by DGCI&S in 3 phases. In the first phase, the aggregate data are made available within 30 days in the form of a Press Release. In the second phase, principal commodity, country and portwise data are generated within about six to seven weeks. The details of commodity/country-wise data at ultimate level of trade classification are published in about 4 months.

2.7 RBI: The compilation of data on receipts from exports in the RBI emerges from its statutory responsibility under the Foreign Exchange Regulation Act. Data on exports generated in the process are included in the balance of payments statistics.

2.8 Under the procedure, called the New Export Procedure, introduced with effect from October 1, 1983, the exporter is required to submit GR forms in duplicate at the time of the presentation of goods at the Customs frontier. The GR form contains information relating to the name of the exporter, exporter code number, invoice number, shipping bill number and date, f.o.b. value of goods to be exported, description of goods exported, nature of contract and other such details. Running customs numbers are provided by Customs authorities. The

first copy of the GR form known as the GR original, duly certified by Customs authorities for value is sent to the RBI, while the second copy, called the duplicate, after due certification, is returned to the exporter. GR Originals are collected by the Bank on a weekly and fortnightly basis from the Customs offices including receipt by post in the case of Customs offices in remote areas. Data on postal exports are obtained from postal authorities through Post Parcel (PP) forms. The RBI data also include software exports through satellite which are reported in softex forms. The exporter is required to approach an authorised dealer (AD) within 21 days of the presentation of goods at the Customs area and negotiate export documents, submitting to the AD, in the process, the duplicate copy of the GR an extra copy of the invoice, bill of lading and other related documents. The AD submits an Export document Negotiated and sent for Collection (ENC) Statement containing information on export bills negotiated and sent for collection to the RBI. It provides details of bill number, customs number, invoice value and currency description. The GR duplicate is retained by the AD and submitted to the RBI when full realisation of export proceeds is effected. In the case of advance receipts for exports/part realisations, the same are reported by ADs through a separate statement.

2.9 Analytically as well as in line with the internationally accepted procedures, the ENC forms the basis for recording data on exports in balance of payments statistics, since it provides the first evidence of change of ownership of the commodity exported (the GR original conveys merely an intention to export and the GR duplicate provides evidence of repatriation of export earnings which may occur after the actual change of ownership). Details for BoP compilation which are not available from the ENC, such as country of destination, type of commodity, nature of contract, etc, are extracted from the relevant GR Original. Exhibit II presents a flow chart showing the procedure of collection and processing of data on exports beginning with the presentation of goods at the customs frontier to the negotiation of documents and realisation of proceeds. The emphasis in this presentation is on documentation requirements.

2.10 In the years following the institution of the New Export Procedure, several problems came to the fore. ADs, facing an increase in workload, failed to submit ENCs so that the coverage under the submitted ENCs was grossly inadequate. Besides, long lags were experienced even where ENCs were submitted. To tide over the teething problems, it was decided, essentially as a

EXHIBIT II

FLOW CHART OF EXPORT DOCUMENTS

PRESENT POSITION

EXPORTERS

CUSTOMS

SHIPPING BILL FOR
EXPORT OF GOODS

EXCHANGE CONTROL
DECLARATION FORM
(GR) ORIGINAL & DUPLICATE

GR DUPLICATE & SHIPPING
BILLS

GR ORIGINAL
(CUSTOM
APPRAISED)

RESERVE BANK
OF INDIA

DTR AFTER
SHIPMENT

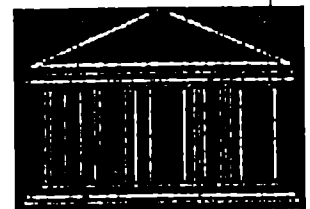
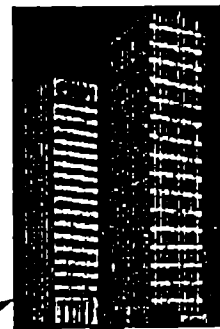
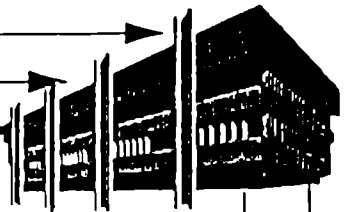
GR DUPL AFTER REALISATION

ENC AFTER
NEGOTIATION

GR DUPL & RELATED DOCUMENTS AFTER
SHIPMENT OF GOODS

AUTHORISED DEALER

DGCI&S



measure of expediency, to compile exports data on the basis of GR originals and adjust them for short shipment and shut out notices which are received from the Customs.

2.11 The GR (O), adjusted for short shipment and shut outs, should, logically, correspond with the DTR of the DGCI&S. The two should also be expected to be broadly similar in coverage with minor variations, to take into account the fact that exports to Nepal are not covered in the GR (O) due to absence of exchange control between the two countries. Conversion of foreign currency amounts given in the GR Original is effected at monthly average exchange rates.

Proximate Causes for the Difference

2.12 The Group took note of several efforts made in the RBI to identify the reasons underlying the wide divergences between the two sets of data through a check on the records of banks, a survey of freight and insurance receipts in order to see whether or not the divergences lay in the nature of contract, and a sample matching of data on the basis of exporter code numbers in the records of the RBI and those of the DGCI&S. These efforts, however, did not yield fruitful results.

2.13 The Group was of the view that the wedge which has set in between the RBI's system of recording export

statistics and the data recording procedure of the Customs/DGCI&S is a major impediment to any attempt to examine the causes of the divergence between the two sets of data or to secure reconciliation. The GR forms, despite their being identical to the shipping bills and, in principle, providing evidence of the same transaction as the shipping bill had resulted in a data recording procedure which could lend itself to lack of correspondence and even misuse. The Group found the following factors to be proximate causes of the divergences between the two sets of data.

(i) Data on exports in the RBI statistics compiled from GR Original forms are very likely to be overstated even when adjusted for short or shutout shipments based on the notices by the Customs. Customs authorities do not issue short shipment or shutout notices unless this is intimated to the Customs by the exporter himself. Thus, there could be instances where the physical exports have not taken place, despite filling up GR forms by the exporter. In case the exporter fails to intimate his decision not to export or his inability to export to the Customs authorities, the value of short shipments and shutouts reported to the RBI would be grossly short of the actual. Furthermore, the GR Original is not adequately adjusted for the volume of

cancellation of export intentions. A period specific study conducted by the Customs at Bombay had revealed that about 20 to 30 per cent of intentions to export do not fructify. The cancellations are also not properly monitored at the Customs since the Customs record exports on a post shipment basis.

(ii) The negotiation of export documents is evidenced by the ENC Statement which is prepared by ADs on the basis of GR duplicate and extra copy of invoice submitted by the exporter. The ENC Statement thus bears no point of commonality with the shipping bill and therefore, technically, leaves scope for misuse, or at least, impedes the matching of negotiation of document with physical shipment as recorded in Customs/DGCI&S.

(iii) The system of manual collection of data and processing on a batch mode system followed in the RBI has resulted in the accumulation of an immense backlog of unprocessed GR duplicate forms as well as ENC Statements. Verification of the authenticity of data in the GR originals has not been done with the neglect of utilising the counterchecks that are reflected by the ENC statements and the GR duplicates, which have not in fact been monitored and processed for several years now. Besides, there is no way to affirm that the DGCI&S data are error-free in the absence of a common key in the computerised processing systems.

(iv) While there is broad correspondence in the coverage of the exports in the data streams of the RBI and the DGCIS, certain types of goods which do not figure in the DGCIS data set which could be theoretically captured in the payments data are :

- a) defence equipment
- b) fissionable materials, prohibited goods,
- c) sales of ships and aircraft which do not cross Customs area of control
- d) articles of purely temporary use like exhibition goods, animals for racing and breeding, repair and return trade, etc.,
- e) bunkers and ships' stores,
- f) diplomatic goods,
- g) trade in treasure (gold and current coins and notes)
- h) both accompanied & unaccompanied baggages of passengers,
- i) direct transit trade,
- j) transshipment trade, etc.
- h) software exports through satellite

(v) The differences in the data could also arise due to differences in valuation procedure i.e., the procedure for conversion of foreign currencies into rupees adopted by the RBI and the DGCIS. In the case of the RBI, the data are converted at the monthly average exchange rates. In the case of Customs, in the past, foreign currencies were converted into rupees at the exchange rates notified by the Customs authorities generally once in three months. Presently, however, these are reported to be converted at "prevailing" exchange rates.

(vi) The differences between the two sets of data may also arise due to timing differences, as there could be some time lag between the submission of GR forms by the exporter and the physical export of goods. These differences are, however, expected to even out over a period of time.

The Problem and its Dimensions

2.14 In recent years, large differences have been thrown up between the two sets of data on exports. In view of the reporting of physical shipments by Customs, it was felt prudent that the RBI shall adopt the data on exports as given by the DGCI&S with suitable adjustments for valuation in its presentation of BoP statistics. While this expediency was sustainable so long as data divergences from the two sources were limited, the costs of adopting such a procedure proved to be high over time as data divergences increased. The mismatch between the current account and the capital account of the BoP increased, reflecting in burgeoning "Errors and Omissions" (E&O). By 1991-92, the size of the E&O exceeded the internationally recognised norms in this regard in balance of payments accounting. As a result, the finalisation of annual BoP from 1991-92 onward has been rendered difficult. By 1992-93, the divergence between the

DGCI&S and the RBI in the data on exports crossed Rs.7,000 crore (Table 1). The lack of up-to-date statistics on external transactions has several implications for policy making including the incomplete release of information on India's true international worthiness. The RBI, however, as the primary and only source of the country's BoP statistics, has the major responsibility of making data available to the public as quickly and as frequently as possible.

Table 1: Data on Exports.f.o.b.

(Rs.crore)

Year (1)	RBI* (2)	DGCI&S (3)	Difference (4) (2-3)
1987-88	16712	15674	1038
1988-89	21902	20232	1670
1989-90	29840	27681	2159
1990-91	35094	32558	2536
1991-92	49287	44041	5246
1992-93	60968	53688	7280

* Includes data reported in GR originals (adjusted for short shipment and shut-outs), SOFTEX forms and Parcel Post forms.

CHAPTER III

IMPORTS

The Data Recording Procedure

3.1 Customs/DGCI&S: The Customs record data on imports on the basis of entry of goods into the Customs area for home consumption or for reshipment. The guiding consideration for the Customs is the monitoring of the collection of Customs revenue and the correspondence of the level of imports with the volume of Customs revenue receipts. Imports which do not enter the Customs area do not thus figure in the Customs data on imports. The primary basis of registration of imports is the bill of entry submitted by importers to Customs authorities. Imports are registered on the basis of actual clearance given by the Customs (or the date of payment of duty in the case of 'Duty' bills of entry). Short landings, if any, are adjusted for, before the information in the bill of entry is used for the preparation of DTRs for onward transmission to the DGCI&S.

3.2 RBI: The RBI compiles data on imports for inclusion in the balance of payments statistics mainly on the basis of payments routed through ADs, supplemented by information on payments which do not pass through banking channels. The data on imports are,

in fact generated in the RBI as part of the administration of exchange control whereunder all payments for imports, irrespective of whether or not the goods imported enter the Customs area, are recorded. Furthermore, in the RBI system, recording of imports statistics occurs at the time when payments are made which, depending on the mode of financing, could precede, coincide with or even follow the physical importation. The RBI's system of recording imports on a payments basis is crucial from the point of view of balance of payments statistics since it is only on a payments basis that imports correspond with the movement in foreign exchange reserves.

3.3 Under these conditions, complete reconciliation of the two sets of data is not feasible. While taking note of this fact and as only broad correspondence at the level of aggregates can be effected, the Group drew upon the recommendations of the High Level Committee on Balance of Payments in this area, and felt that it is desirable that efforts be made to quantitatively identify the reasons for the divergence and to undertake efforts to minimise these differences.

3.4 In recent years, the DGCI&S have been making efforts to collect statistics on goods not entering the Customs area. Data on aircraft imports, import of gold

and silver by returning Indians (published as Annexure III, Volume II of Monthly Statistics of Foreign Trade of India) are noteworthy examples. Furthermore, in pursuance of the recommendations of the High Level Committee, defence- related debt service payments which were hitherto included in the RBI's data on imports have been excluded and shown separately in the capital account.

Causes Underlying the Divergence

3.5 Examination of the reasons underlying the difference between the two sets of data indicate that the factors underlying the divergence between the two sets of data on imports are :

- a) relatively more comprehensive coverage of information on payments for imports,
- b) different practices of valuation followed by the DGCIS and the RBI, and
- c) leads and lags involved in the timing of recording the making of payments and the physical landing of goods in the Customs area.

3.6 Coverage

(i) Ships and aircraft: Payments made for the acquisition of mobile equipment (such as ships and aircraft) are fully covered in the RBI data, while in

the DGCI&S data, till recently, they were covered if and when they arrived at the Customs area. Thus, value of ships acquired at foreign shipyards, kept abroad for repairs, etc., or used for carrying goods in international waters without passing through the Customs area are not included in the DGCI&S data. Recently, the DGCI&S have made efforts to include these imports by obtaining data from Air India, Ministry of Surface Transport and Ministry of Civil Aviation.

(ii) Defence Stores: DGCI&S do not cover items of defence goods for security reasons, whereas the RBI's statistics cover all defence-related imports as these imports are paid for through banking and other channels reporting to the RBI. On the defence imports on deferred credit basis, however, the RBI's data system is not comprehensive and strong. It is pertinent to note that defence imports on credit are not captured in the BoP in the year in which these imports occur. The debt service payments (principal and interest) relating to these credits are captured in the year in which these payments are made and in this sense defence imports on credit basis are included in the BoP statistics with a lag. As mentioned earlier, the defence related debt service payments are now excluded from imports, opening up the possibility of non-coverage of defence imports effected on credit basis.

(iii) Imports of off-shore drilling equipment by ONGC are not fully covered by the DGCIS as this equipment does not pass through the Customs area of control. Such imports are, however, covered under BoP statistics.

(iv) Gifts, samples etc. which enter the country but are not paid for may not be covered fully in the RBI data.

(v) RBI data on imports by post are more comprehensive than the data of the DGCIS.

(vi) RBI data exclude Indo-Nepal trade altogether, due to the absence of exchange control between India and Nepal, while DGCIS include both air-borne and land trade with Nepal.

(vii) Finally, imports of gold and silver brought by returning Indians do not find place in the statistics of RBI, whereas gold and silver imported by passengers are separately recorded by the DGCIS data.

3.7 Valuation of goods

(i) There are differences in the valuation method of the foreign currencies between RBI and Customs. In the case of BoP, data are converted at the average exchange rates for the month, whereas in the DGCIS data conversions into rupees are made at the exchange rates

notified by the Customs Authority generally once in a month. During the period of volatility in the exchange rates, this difference in valuation could lead to large differences in data from the two sources. Secondly, when there are large leads and lags in the receipt of data, difference in valuation methods could lead to sharp differences in data.

(ii) Under the provisions of FERA, payments for imports are to be made within 180 days. Trade credits up to 180 days do not require RBI's prior permission. When importers load their invoices with interest payments relating to these short-term credits, there may be some overstatement of imports in the RBI data.

3.8 Timing

(i) Differences in timing between the two sets of data are due to the fact that a given transaction does not enter the two records at the same time. In the Customs data, imports are recorded on the basis of arrival of goods and their clearance from the Customs, while in the RBI data, imports are booked on the basis of payments made. Payment for goods and the arrival of goods may not take place at the same time.

In regard to suppliers' credit and import of machinery and equipment on a cash payment basis, importers may be required to make advance payments of

10-15 per cent. These are covered in the RBI data as import payments at the time of payment, while in the DGCIS statistics, imports of such capital goods will be booked only when they arrive in the country. In the period of rising imports, these may cause a lead in payments for imports.

(ii) In regard to payments for imports under external assistance and commercial borrowings, imports are recorded in the RBI data at the time when payments are made to suppliers. In the DGCIS data, these imports are reflected at the time when the goods arrive into the country. This also causes a lead in payments in RBI data.

CHAPTER IV

RECOMMENDATIONS

4.1 The Group critically reviewed the procedures for collection and processing of data adopted by the Customs, the DGCI&S on the one hand and the RBI on the other. It noted that over the years, the data recording systems had evolved to meet the specific requirements of each organisation, and as a result, there has appeared a divergence in the data on the same types of transactions as recorded by the two systems. In the absence of meaningful points of correspondence, it has been found difficult to match the actual shipment of goods as recorded by the Customs and subsequently by the DGCI&S with the RBI data which relate to the negotiation of export documents and the final realisation of proceeds as reported by ADs to the RBI. As regards imports, the Group noted that in view of the fact that the Customs and the DGCI&S record statistics on the basis of physical landing of goods and the RBI based its recording procedure on payments effected, it was inevitable that difference would exist between the two sets of data. Differences arising due to coverage and valuation could however be addressed objectively to minimise them. In the view of the Group, the paramount

need in the light of its terms of reference was to establish commonality between the data recording systems with the long run objective of ensuring on line information transfer between the concerned organisations. Simultaneously, it was considered essential to eschew duplication of work and to preserve and strengthen counterchecks so that physical shipment or landing can be traced consistently to the realisation of proceeds or the making of payments. Against this background, the Group makes the following recommendations.

Exports

4.2 Past Divergences : Reconciliation Exercise In view of the fact that divergences between the DGCI&S and the RBI in the data on exports were persistently large since 1991-92, the Group suggested during its deliberations that an exercise be undertaken by the RBI to examine the cause of the divergence. Accordingly, an exercise was launched to match the data on exports reported by the Customs to the DGCI&S and those reported by Authorised Dealers to the RBI. The former provide evidence of physical shipment of goods, whereas the latter record negotiation of export documents by exporters with banks preceding realisation of export proceeds. The exercise covered the period April-June 1994 and was restricted to

Bombay Sea Port, as suggested by the Group. The methodology adopted was to first match data reported in DTRs and GR (O) using the shipping bill number and date and then compare matched GR (O) with corresponding ENC Statements. In all, 56,673 GR (O) and DTRs could be matched while nearly 10,000 records could not be matched due to a variety of reasons, mainly coding, data entry and processing errors as well as non-receipt in the RBI of shutout/cancellation notices. A disaggregated analysis of the matched records showed that for 90 per cent of the transactions, the difference in value was insignificant. On the other hand, the analysis revealed that there were several records where the values recorded in the GR (O) and those recorded in the DTRs differed significantly. It was noted that there are systemic infirmities which stood in the way of establishing one-to-one correspondence between the evidence of physical shipment reported separately to the DGCI&S through the DTRs (based on shipping bill) and to the RBI through the GR (O).

4.2.1 As against 56,673 matched GR (O)/DTRs, only 34,902 ENC Statements could be matched, indicating non-submission of ENC Statements by banks to the RBI and/or processing lags/errors. Disaggregated analysis revealed that for a sizeable proportion of matched

ENCs/DTRs the reported values showed wide variations. Wrong reporting/coding of foreign currencies was found to be an important factor for the large divergences between matched DTRs/GR(O)/ENCs. It is, therefore, necessary that the RBI takes up the ENCs /GR(O)s/DTRs received for the purpose of the reconciliation exercise for intensive examination for detecting processing errors and for finding out the source of errors.

4.2.2 The reconciliation exercise brought to light a number of deficiencies and shortfalls in the existing data reporting/coding/processing system. While efforts are made to ascertain the specific areas where divergences occurred, it is imperative to move away from the existing data recording system to a more viable information system as recommended by the Group under its long run approach (Para 4.9.1).

4.3 The Data Recording Procedure: The Group considers it essential that the DGCI&S and the RBI should take steps to record exports on the basis of a common document. In the present milieu, the duplicate copy of the shipping bill ideally meets the requirements of both the organisations and should be the unique basis of recording exports. For this purpose the following areas of action are necessary :

(i) Daily Trade Return(DTR): Common Basis of Physical Shipment: Evidence of the actual shipment of goods would be provided by the DTR which is prepared by the Customs on the basis of the duplicate copy of the shipping bill. The Customs should furnish DTRs simultaneously to the RBI and to the DGCI&S.

(ii) Modifications in the DTR: The DTR should be modified to incorporate information which is essential for the RBI's purposes. These additional fields of information are :

- a) DGFT Importer Exporter Code No.
- b) nature of contract, i.e. c.i.f., c.f or f.o.b.
- c) freight and insurance details
- d) name of foreign currency and amount

[A layout of the modified DTR is at Annexure II]

Necessary action to modify the layout of the DTR to meet the data requirement of RBI and DGCI&S should be completed soon so as to facilitate compilation of data in the new format commencing January 1, 1996.

(iii) DTR Transfer from Customs to the RBI : The Group recommends that the transfer of national level data on DTRs from the Customs should be effected in a

centralised manner to the RBI from the Bombay Office of the Customs after computerisation is introduced in all Customs Formations and Electronic Data Interchange (EDI) takes place through the net-working of Customs Formations, RBI & DGCIS. Until then the existing system of supply of DTRs from Customs Formations to DGCIS should continue and arrangements should be made for the supply of DTRs from Customs to the RBI in a phased manner commencing with the connecting of Bombay and New Delhi Office of RBI with Customs effective January, 1996. In the interregnum, data reported in DTRs should be supplied by the DGCIS to the RBI on magnetic tapes in a compatible program.

4.4 The transactions reported in the DTRs would be used by the RBI only for matching transactions in value terms reported by the Authorised Dealers (ADs) at negotiation stage. Such matched transactions, but not the transactions in DTRs would be the basis of recording export receipts in balance of payments statistics and subsequently the monitoring of the realisation of export proceeds.

4.5. Data Recording System for Negotiation of Export Documents and Realisation of Proceeds: The Group envisages sweeping changes in the present data

collection system with regard to negotiation of documents and realisation of proceeds. These changes would have to be sequential and would necessarily dovetail into the computerisation programme of the Customs, on the one hand, and Authorised Dealers (ADs) on the other. It is, therefore, necessary to put in place arrangements with the objective of instituting a fully integrated networking system involving the Customs, the RBI and the ADs.

4.6 The Recommended Arrangements Effective
April 1, 1996

(i) By April 1, 1996, it is expected that Bombay and New Delhi regional offices of the RBI and ADs which are critical in terms of the volume of foreign exchange transaction would be able to use the network for transmission of data.

(ii) The GR forms essentially replicate the details in the shipping bills. As soon as the system of receiving data in DTRs from the Customs by the RBI stabilises, the GR Original should be discontinued.

(iii) The GR Duplicate form would be replaced by the Exchange Control (EC) copy of Shipping Bill. The Customs authorities should ensure that the EC copy of the shipping bill is subjected to exactly the same process

of appraisal by Customs, certification by shipping agents, port authorities and Custom officials up to the final stage of sailing of the vessel as is presently done for the duplicate copy of the shipping bill. Thus the EC copy of the shipping bill will be the exact replica of the duplicate copy of the shipping bill which is used for preparation of DTRs.

iv) Necessary instructions to facilitate the recommendations set out above in (ii) and (iii) should be issued by the RBI. The legal ramifications of the declaration given by the exporter on the body of the shipping bill, the changes required in the declaration to incorporate the obligations of the exporter relating to negotiation and realisation of export proceeds and the incorporation of certification by the ADs should be further examined, preferably by a small committee within the RBI. This committee should also suggest enabling changes in the existing rules, procedures and guidelines wherever necessary, including legislative changes if warranted.

(v) The EC copy of the shipping bill will be returned to the exporter who in turn will submit it to the AD for negotiation/realisation. The RBI would issue a circular containing instructions to the effect that the GR

Duplicate is replaced by the EC copy of the shipping bill which would be taken as the basis for negotiation/realisation, other procedures remaining unchanged. Necessary changes, both administrative and legislative, should be brought about by the concerned agencies.

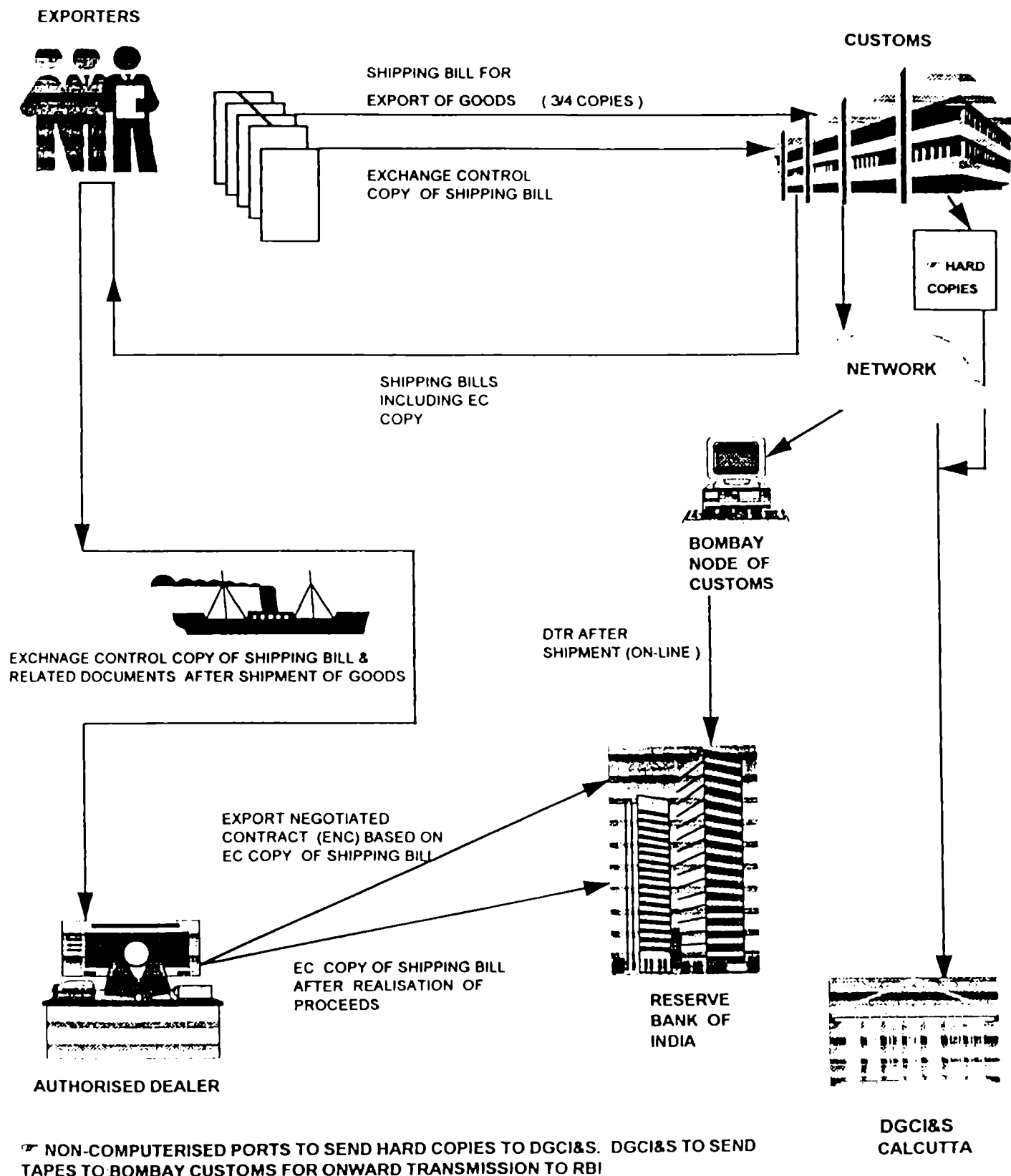
(vi) The existing procedures to be followed by the AD at the negotiation/realisation stages would remain unchanged.

4.7 The envisaged export recording procedure is set out in Exhibit III. A summary description of the procedure is given below :

The DTR, modified to accommodate additional information required by the RBI would be provided by the Customs to the RBI as evidence of physical shipment. The Customs would return the Exchange Control copy of the shipping bill duly verified and authenticated to the exporter who would in turn submit it to the AD along with other documents for negotiation within twenty one days of the date of actual shipment. The AD will fill in details of negotiation in the ENC and after due certification, would submit the same to the RBI as an attachment to the R-return. The Exchange Control copy

FLOW CHART OF EXPORT DOCUMENTS

PROPOSED POSITION



of the shipping bill would be retained by the AD until realisation of proceeds and would be submitted to the RBI, duly certified as soon as full proceeds are realised, as an evidence of realisation of export proceeds.

4.8 The Transitional Arrangements for 1995-96

(i) Recognising the fact that the recommended arrangements can be in place only by 1996-97, the Group is of the view that existing procedures followed for the collection, processing and compilation of data on exports should continue.

(ii) The ENC should be modified to include provision for recording of the shipping bill number and date, and importer/exporter code number given by the Directorate General of Foreign Trade (DGFT).

(iii) The processing of GR duplicates should incorporate details of the shipping bill number and date given on the GR duplicate forms.

(iv) The regional offices of the RBI should incorporate details of ENCs in the DTR database received from Customs office.

(v) There should be an ongoing review of these transitional arrangements so as to ensure that by

January 1, 1997 all offices of the RBI should switch over to the Recommended Arrangements set out in paragraph 4.5.

4.9. The recommendations of the Sub-Group for Compatibility of Systems in pursuance of the long run objective of establishing compatibility of hardware and software and on line information transfer between the Customs, the DGCIS and the RBI were accepted by the Group and endorsed. A summary of the recommendations of the Sub-Group is given below :

4.9.1 The Long-run Approach

Establishment of an on-line networking environment between Customs, the RBI and the DGCIS should be the long-run objective. Compatibility between operating platforms and the database management systems is essential for the achievement of the long-run objective; in this regard, the following steps would need to be undertaken:

a) Given the pivotal role of the Customs as the primary point of data entry, efforts would need to be made by the Customs to put in place the UNIX based ORACLE (version 7) systems at all its offices in a phased manner between January 1996 and December 1996.

b) In the RBI where the UNIX based Oracle(version 5) system is already in operation in Bombay, efforts

should be made to upgrade the database management system to version 7. It is essential that upgradation of ORACLE to version 7 at the RBI should be completed before January 1996 at Bombay. The Bombay office of Customs would be the nodal point for centralised data transfer from Customs to the RBI at Bombay.

c) Sufficient disk space should be provided in the Customs computers at Bombay to handle the centralised data transfer to the RBI. The Customs should also set up a separate cell at the Bombay Customs office to address issues of coordination with the RBI and the DGCI&S. Issues relating to computer connectivity, hardware, and software would be taken up by this cell.

d) The DGCI&S should switch over from the existing MEDHA system to UNIX-ORACLE and access data from the Customs. Should the DGCI&S face constraints in switching over due to the relatively recent acquisition of their existing system, the Customs would continue to provide DGCI&S with data on magnetic tapes in flat ASCII file formats for processing on their existing system.

e) Pending the institution of above arrangements, the respective agencies will take necessary steps to ensure smooth transition to the new system.

4.9.2 Immediate Tasks

a) The RBI, in consultation with the Customs, should establish on-line connectivity with the Customs Office at Bombay for accessing data available on their existing Sperry-Mapper System. Taking note of the facility that is already in operation for transfer of data from the Personal Computer(PC) environment to their Sperry System by using Step-G Cards, it is necessary for the Customs to make suitable arrangement for transfer of data from the Sperry System to the PC environment so that the data would be loaded into the computer at RBI. These arrangements should be in place by end March 1996.

b) With the operationalisation of the UNIX-ORACLE system, beginning with the Customs Office at Delhi, by January 1996, the RBI should extend its existing networking arrangements by installing a network-server at its Delhi Office. The Delhi office of the RBI would have to be provided with a Wide Area Networking System connected to adequate number of nodes (about 25) and with Oracle Version 7 Relational Database Management System. The Delhi office of Customs and the Delhi office of the RBI will be connected through local dial-up data communication lines. The Delhi office of the RBI will be connected with the Central Office RBI through leased data communication line.

4.10 The Technical Sub-Group would continue to work on the modification of DTRs, shipping bills and the establishment of on-line connectivity between (a) the Customs Office at Bombay and the Bombay Office of the RBI through Step-G cards and (b) between the Delhi office of Customs and the Bombay office of the RBI through the Delhi office of the RBI. The Sub-Group's recommendation in this regard should be implemented as per the time frame indicated and this would be overseen by the Sub-Group.

4.11 To enable reconciliation between the records of the Customs, the DGCIS and the RBI, the mechanism would be two-tiered. At the regional level reconciliation exercises would be undertaken by the regional office of the RBI and the concerned Collectorate of Customs. Any change in the DTR as a consequence of such reconciliation would be communicated by the concerned Collectorate of Customs to the DGCIS so that the change is incorporated in the DGCIS data. Hard cases, i.e., those where reconciliation cannot be effected at the regional level and/or those which as a thumb rule, involve divergences of and more than 5 per cent in value should be referred to a standing committee to be set up by the RBI comprising representatives of the Central Board of Excise and Customs, the DGCIS and the RBI.

The standing committee would meet on a quarterly basis.

4.12. The critical infrastructural input which is called for is technological upgradation and speedy processing of data. This calls for efficient data capturing and processing devices. As a matter of the highest priority, the RBI should take steps to complete computerisation of its regional offices.

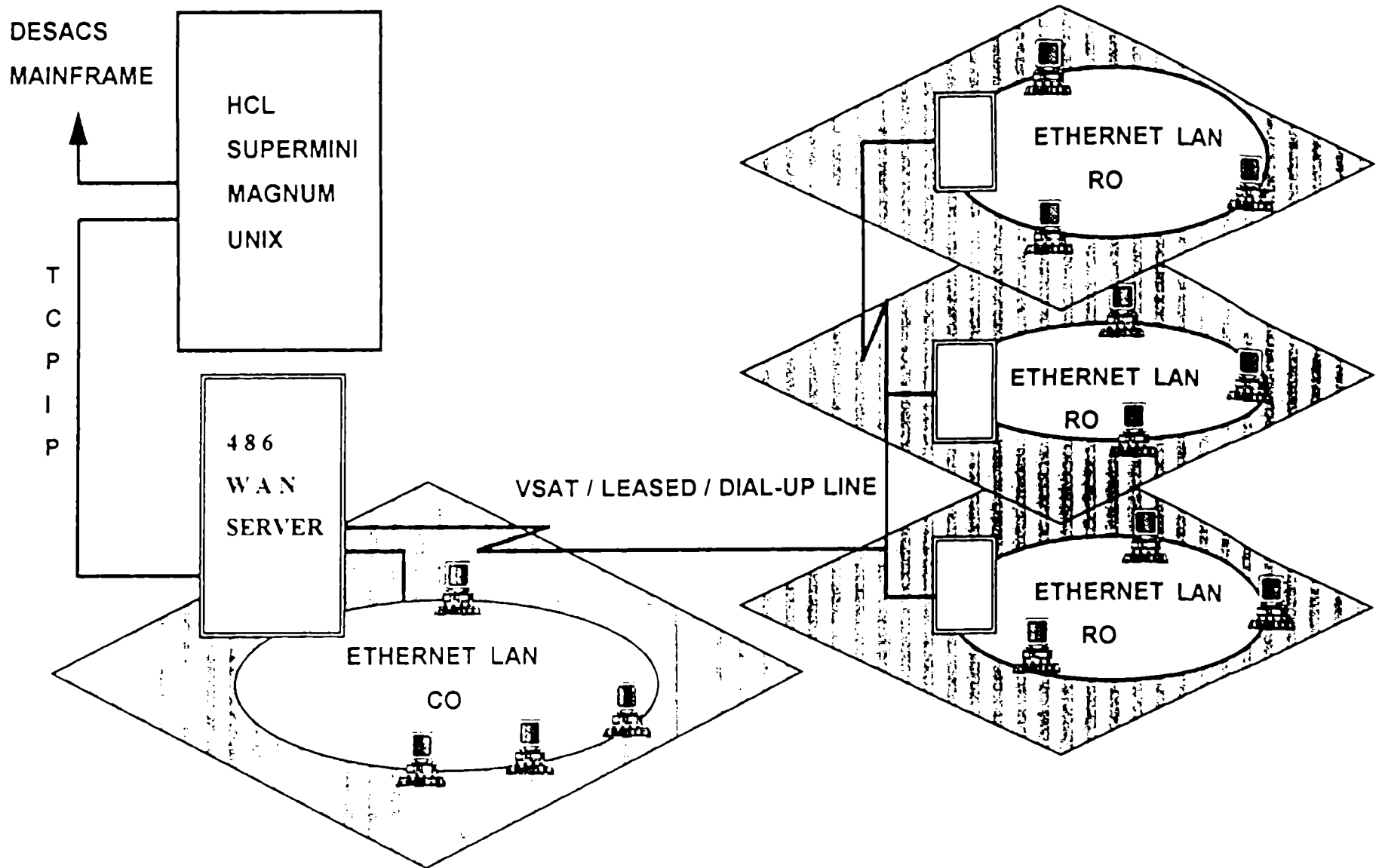
4.13 For the purpose of decentralisation of data entry and processing operations Local Area Networking Systems with adequate number of nodes commensurate with volume of work in regional offices of the RBI should be installed providing multi operator, multi tasking, on-line processing features. There would be on line validation, updating and processing simultaneous with the transfer of data from regional offices to the central data pool with the objective of enabling absorption of inflow of returns on a day to day basis without leaving any backlog. For this purpose, there should be an on line interactive user friendly software environment with direct data entry capabilities. Exhibit IV depicts the proposed distributed data base management system.

Imports

4.14 The Group took note of past efforts to analyse the

EXHIBIT IV

INTERSERVER CONNECTIVITY FOR PROCESSING OF R-RETURNS AND EC COPIES OF SHIPPING BILLS



magnitude of the differences in the data on imports of the DGCI&S and the RBI and the identifiable causes underlying these differences. It also noted that while the data of the RBI are comprehensive in their coverage, there may also be leads such as when payments precede physical importation. On the other hand, there are several categories of imports which either do not pass through Customs and/or are exempted from declaration at Customs. Under these conditions, complete reconciliation of the data on imports is not feasible. Nevertheless, the Group considered it desirable that efforts be made to ensure that the divergence is minimised to the extent possible and the causes underlying the irreconcilable divergence be identified. Accordingly, the Group makes the following recommendations :

- (i) A Sub-Group on Defence Imports set up by the Group comprising representatives of the Ministry of Finance, the Ministry of Defence, the Ministry of Home Affairs and the RBI should finalise the procedure of reporting information on defence imports by the concerned agencies to the RBI by the end of March 1996. The Foreign Trade Division in the Ministry of Finance should act as the nodal agency for setting up a suitable reporting mechanism and procedures relating to defence transactions from all the concerned Ministries/

organisations for smooth transmission to the RBI on a regular basis for inclusion in BOP statistics. The same arrangement would apply to defence exports.

(ii) In pursuance of the recommendations of the High Level Committee on Balance of Payments, imports not passing through Customs, or exempted from Customs declaration would be collected by the DGCI&S directly from agencies such as Director General (Shipping), Air India, Indian Airlines, Ministry of Civil Aviation (for imports by private airlines and air-taxi operators), Director General Hydrocarbons, Ministry of Petroleum (for Off-shore drilling equipments). The DGCI&S may also undertake steps to make reporting by these agencies mandatory. These imports should be included by the DGCI&S under aggregate imports in the main table of its publication with details provided in appendices.

(iii) The feasibility of incorporating data on gold and silver brought in by Indians returning from abroad which are now published by the DGCI&S as an Appendix to the main table on imports in the main table itself should be explored by the DGCI&S, with details provided as an Appendix, as at present. The RBI should include data on imports of gold and silver under overall imports in the BoP. A monthly reporting arrangement on inflow of gold and silver between the Customs and the RBI should be instituted.

4.15 Recommendations Common to Both Exports and Imports

- i). The RBI could explore the possibility of incorporating in its BoP statistics the data on Indo-Nepal trade as published by the DGCI&S.
- ii) The use of common exchange rates should be explored and the feasibility of the proposal should be assessed from the Customs' point of view.

C. P. Sodhani

(O.P. SODHANI)
CHAIRMAN

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(N.S. SASTRY)
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MEMBER

A. Vasudevan
(A. VASUDEVAN)
MEMBER

M.D. Patra
(M.D. PATRA)
MEMBER SECRETARY

A N N E X U R E I

Daily Trade Return Layout (Exports)

Sr.No.	Field Description
1.	Block Length
2.	Serial Number
3.	Type of Trade
4.	Mode of Transport
5.	Private/Government
6.	Port Code
7.	Type of SB & No.
8.	Date of SB
9.	Sailing Date
10.	Vessel Name
11.	Gross Weight
12.	Unit Quantity Code
13.	Prescribed Unit Code
14.	Unit Quantity on SB
15.	Net Quantity
16.	ITC (HS) 8-digit Code
17.	FOB Value in Rupees
18.	Country Code
19.	Country of Final Destination
20.	Port of Destination
21.	Article Description
22.	Exporter Address (name & address)
23.	EPZ/ICD Code
24.	Vessel Type
25.	Vessel Nationality

A N N E X U R E II

Modified Daily Trade Return Layout (Exports)

Sr.No.	Field Description
1.	Block Length
2.	Serial Number
3.	Type of Trade
4.	Mode of Transport
5.	Private/Government
6.	Port Code
7.	DGFT Importer Exporter Code No.
8.	Type of SB & No.
9.	Date of SB
10.	Sailing Date
11.	Vessel Name
12.	Gross Weight
13.	Unit Quantity Code
14.	Prescribed Unit Code
15.	Unit Quantity on SB
16.	Net Quantity
17.	ITC (HS) 8-digit Code
18.	FOB Value in Foreign Currency
19.	Name of Foreign Currency
20.	FOB Value in Rupees
21.	Nature of Contract i.e.c.i.f., c.f., or f.o.b.
22.	Freight charges
23.	Insurance charges
24.	Country Code
25.	Country of Final Destination
26.	Port of Destination
27.	Article Description
28.	Exporter Address (name & address)
29.	EPZ/ICD Code
30.	Vessel Type
31.	Vessel Nationality