

Invisible Account

6.9 Invisible flows continued to maintain an upward trend in 1999-2000 and 2000-01 as well. Gross invisible receipts rose by 17.7 per cent from US \$ 25.78 billion in 1998-99 to US \$ 30.32 billion in 1999-2000. This respectable growth in invisible receipts was attributable to the continued buoyancy in private transfers and software service exports. Private transfer receipts expanded by 18.8 per cent to US \$ 12.29 billion in 1999-2000 from US \$ 10.34 billion in 1998-99. Private transfer receipts remain augmented by the inclusion since 1996-97 of local redemption of non-resident deposits. In 1999-2000, local redemption of non-resident deposits amounted to about US \$ 4.1 billion.

6.10 Private remittances account for the bulk of private transfer receipts. At present, they constitute about 66 per cent of the private transfer receipts. Undoubtedly, the switch over to unified exchange rate system in March 1993 has offered large incentives to remit funds through legal channels. Private remittances averaged over US \$ 8 billion a year during 1998-99 to 1999-2000, compared with an annual average of US \$ 5.9 billion during the previous four years. The recent spurt in remittances may be attributed to repatriation of savings of a large number of IT professionals employed abroad. Country-wise distribution of remittances show that, from 1990-91 to 1993-94, Middle-East countries, as a group, was the major origin. Since 1994-95, there has been a shift in favour of the USA. This shift from the Middle-East to the Western Hemisphere as source of remittances reflects, in part, the increasing movement of software professionals and others from India to the developed world.

6.11 Software service exports, included under miscellaneous receipts category of non-factor

services, has emerged as the second largest item of invisible receipts. Software service exports had grown at an annual rate of over 50 per cent during the four years ended 1998-99. The growth momentum was sustained in 1999-2000, when they recorded a growth of 53 per cent from US \$ 2.63 billion in 1998-99 to US \$ 4.02 billion in 1999-2000. Software exports can be in physical forms or non-physical forms. All software exports in physical forms are captured in DGC1&S data of merchandise exports of goods. Receipts on account of software exports in non-physical forms (called software service exports) are recorded under computer services of "miscellaneous receipts" of non-factor services. Tourism receipts in 1999-2000 increased only marginally by about 1.4 per cent to US \$ 3.04 billion from US \$ 2.99 billion in 1998-99.

6.12 Gross invisible payments recorded a moderate increase of about 5 per cent in 1999-2000 to US \$ 17.39 billion from US \$ 16.56 billion in 1998-99, mainly due to a reasonable increase in payments on account of interest and dividends, financial services, management services, advertising, royalties, and licence fees. Reflecting the trends in receipts and payments, net inflow of invisible earnings reached an all time high of US \$ 12.94 billion in 1999-2000 from US \$ 9.21 billion in 1998-99.

6.13 During the first half of 2000-01, gross invisible receipts sustained their buoyancy with a growth of 15 per cent to US \$ 15.45 billion. Invisible payments have, on the other hand, risen by about 17 per cent to US \$ 10.21 billion during the same period. Thus, net inflow of invisibles during April-September 2000 amounted to US \$ 5.24 billion, recording an increase of about 12 per cent over the net inflows during April-September 1999.