Introduction:

There has been an increasing demand for detailed and comparable statistics on trade in services after the GATS came into force since 1st January 1995. In the absence of well-defined statistics on services trade by type of services provided, partner country & the mode of supply of services to the partner country, trade negotiators worldwide felt it extremely difficult to negotiate specific commitments & monitor their economic impact for each type of service. This necessitated the development of appropriate methodologies and techniques for collection, compilation & dissemination of reliable information on services trade. With the increasing contribution of commercial services in economies around the world, making available accurate data on trade in services has become even more important now-a-days.

Present Status of Data Collection on Trade in Services & Agencies Involved

In accordance with the Foreign Exchange Act (FEMA) 1999, all forex transactions must be channeled through the banking system and the banks that undertake forex transactions must submit various periodical returns and supporting documents prescribed under the FEMA to RBI. All forex transactions are routed through the Authorized Dealers, Categories I, II and III and the Full-Fledged Money Changers (FFMC) which are licensed under the FEMA. ADs-I are Scheduled Commercial Banks, ADs-II includes the upgrade FFMCs, Cooperative Banks, Regional Rural Banks (RRB) and others. ADs-III includes select Financial and other institutions such as the SIDBI, EXIM Bank etc.

The software used for the electronic reporting system is called FET-ERS (Foreign Exchange Transactions – Electronic Reporting System). At present FET-ERS version 5.0 is in use and the latest version of the package is likely to be introduced shortly. In view of the growing importance of trade in services and with the signing of the GATS by India, new reporting arrangements were put in place by the RBI in 2004-05 wherein a number of new purpose codes (For capturing FOREX transactions, the RBI has clubbed
together a number of services categories and named them ‘purpose codes’) were introduced with a view to collecting data separately for a number of emerging business services such as merchanting services, trade related services, operational leasing services, legal services, accounting services, advertising services, R & D services, architectural and engineering services, agricultural services, office maintenance services, environmental services and personal and cultural services.

The new purpose codes are of 5 characters instead of 4 characters in the earlier versions of FET-ERS system and are endorsed by the International Transaction Reporting System (ITRS) of the IMF. Apart from the FET-ERS, there is also the FLM 8 which is filed by the FFMC on exchange of currencies for travel purposes only.

The above information is supplemented by information available from various embassies/consulates including Indian embassies/consulates abroad, various ministries, government agencies/departmental undertakings, NASSCOM, Air India, financial institutions and commercial banks, corporate sector and RBI’s own records.

**Periodicity of Data Collection**

- Information on inflow/outflow in foreign currency through Nostro accounts or in rupees through Vostro Accounts is reported in R-Return.

- R-Returns are to be submitted twice a month by Category A & B bank branches, at the close of business on 15th and the last day of the month.

- The Returns are to be submitted to RBI within 7 calendar days from the close of period to which they relate.

- Data in electronic form are required to be submitted to the Department of Statistics & Information Management (DSIM) and data summary is to be submitted in paper form to Foreign Exchange Department (FED) of RBI.

- Information on transaction date, purpose code, country code, currency code, amount, date of shipment etc. is reported in BoP file.

To estimate the distribution pattern of inward foreign exchange remittance transactions below Rs. 5 lakhs the RBI conducts a survey of unclassified receipts every year. Information is collected for two randomly selected dates in a fortnight. Country and Currency wise distributions are estimated based on the Quick Estimate figures (aggregate value) for transactions below Rs. 5 lakhs.

**Publication / Report on Balance of Payment Statistics**
India’s only official source of data on trade in services is the Balance of Payments (BoP) data published by the RBI. Standard BoP presentation with broad heads is compiled in India in accordance with the methodology set out in the IMF Balance of Payments Manual, 5th Edition (BPM5, 1993). The 11 main BPM5 standard services components are: Transportation, Travel, Communications services, Construction services, Insurance services, Financial services, Computer & Information services, Royalties & License fees, Other Business services, Personal, Cultural & Recreational services and Government services not included elsewhere (n.i.e). These components, though not exactly co-terminus with GATS, match the GATS product coverage relatively well barring some exceptions such as the component Government services not included elsewhere (n.i.e) does not find mention in the GATS.

**Stages of Data dissemination**

The publishing of detailed BoP data was based on the recommendation in the Manual on Statistics of International Trade in Services 2002, published jointly by six organizations, namely EC, UN, UNCTAD, IMF, WTO and OECD which recommended extending the BPM5 classification of transactions by type of service to provide more detailed classification through the Extended Balance of Payments Services (EBOPS) Classification. It may be noted that RBI has adopted the EBOPS components with suitable modifications to capture the important items in India’s international transaction in services.

Dissemination of data on international trade in services is done in two stages:

- In stage 1, data on trade in services are compiled and released on quarterly basis covering major components like transport, travel, insurance, G.n.i.e and miscellaneous (covering software services, business services, financial services and communication services, transfers, investment income and compensation of employees) with a lag of 3 months as per IMF’s Special Data Dissemination Standards (SDDS) requirements.

- In stage 2 the detailed BoP presentation with break-up of broad heads is published by the RBI in an annual article titled “Invisibles in India’s BOP” in RBI’s monthly Bulletin. The detailed/disaggregated data on services are finalized and published once every year once the firm data on components become available.

**Further Follow up Action/ being taken by India for preparation of Manual**

A working Group has been constituted under the Chairmanship of Shri Deepak Mohanty Executive Director RBI to move towards the methodology set out in the IMF Balance of
Payments Manual, 6th Edition (BPM6, 2009). The latest manual has made few more additional recommendations in line with the best international practices improving the coverage, classification and presentation of BoP statistics. IMF expects its member countries to implement the BPM6 standards latest by 2012.

**Limitations of RBI data**

1. **Incomplete coverage:**

   a. RBI data does not provide data covering all the four modes of supply as laid down in the WTO General Agreement on Trade in Services (GATS). Non-availability of services trade data by the mode of supply is a major stumbling block in persuasion of services negotiations with different countries and trading blocks.

   In the BoP compilation a majority of Mode 3 and some part of Mode 4 data may not be captured. This is because BoP captures data on trade between residents and non-residents (as defined in BPM5) and may not cover majority of Mode 3 and part of Mode 4 transactions (other than those involving commercial presence/stay for a period of less than a year which is considered as non-residents for BoP purposes). Only FATS allows for capture of data in respect of foreign affiliates and no organization in the country is presently collecting/compiling FATS statistics. In case FATS is not being collected, then FDI data would be a useful proxy for Mode 3 data.

   The RBI data for services exports and imports are less than the exports and imports data as provided by the ITS, WTO. The major reason for such differences is that mode 3 data (particularly significant for imports) is included in the ITS imports data for India.

   b. Although, BoP data covers the entire 11 main EBOPS standard components, it does not cover two major categories, namely, Educational and Health-related & social services in the GATT GNS/W/120 list which is exclusively regarded as a negotiating list for trade in services. Although these two categories are not included BPM5, educational & health services have been included in ‘Personal, Cultural & Recreational Services’ of EBOPS. RBI does not release any data on these two categories which are increasingly becoming important for India.
2. **Disaggregation:**

Even for the individual categories for which data are published, information is available only at aggregate level. No disaggregate value data at 3/4-digit level of Central Product Classification (CPC) is published. Apart from software, tourism & travel related services and transport services a number of other sub-categories like, medical & dental services, printing & publishing services, entertainment services, ship repair services, services provided by midwives, nurses, physiotherapists & para-medical personnel etc. are important for India. But no data are available on these categories which are covered under 3/4-digit level of CPC.

3. **Trade by Partner Country:**

Data on export & import of services by (i) type of service rendered and partner country, (ii) type of service, partner country & mode of supply are also not available. In the absence of data by trading partner, it is almost impossible to study the impact of liberalization commitments on bilateral trade. The lack of bilateral trade data is one of the major limitations in India’s statistics on trade services.

RBI’s Technical Group on Statistics of International Trade in Services which submitted its report in March 2002 had also highlighted the importance of bilateral trade statistics. However, the partner country breakdown could not be introduced till date.

4. **Improper classification:**

A number of services have been clubbed together in the ‘Miscellaneous Services’ category although many of its constituents contributes significantly to total services trade.

**Concordance between GNS/ W/ 120, CPC Provisional, EBOPS & Purpose Code**

To meet the requirements of DoC, DGCI&S had taken up an exercise for development of a concordance table between GNS/W/120 list that is used exclusively worldwide for trade negotiations, CPC Provisional which is the initial version of Common Product Classification Code on which the GATT GNS/W/120 list is based, the Extended Balance
of Payment Classification (EBOPS) and FETERS Purpose Codes and forwarded the same
to RBI for examination. The RBI, after going through the concordance has proposed
introduction of several new codes to cater to some uncovered service categories.

RBI has followed EBOPS classification for establishment of correspondence between the
new purpose codes and EBOPS codes. This action has improved the coverage of the
purpose code list. Nevertheless,

(i) The revised list is not exhaustive as it does not contain all services categories (both
aggregated and disaggregated levels) of GNS/W/120 list and EBOPS classification.

(ii) Many components of a number of service categories like financial services,
environmental services, construction services, retailing services, internal waterways
transport services, rail transport services, road transport services, pipeline transport
services, space transport services, etc. still remain uncovered in the revised list.

(iii) The definitions that have been followed for a number of service categories are at
variance from those adopted in the CPC. For example, according to the Balance of
Payment Manual, 5th Edition (BPM5) and EBOPS classification, travel covers goods &
services - including those related to health and education—acquired from an
economy by non-resident travellers (including excursionists) for business and
personal purposes during their visits (of less than one year) in that economy. However, the list of purpose codes “Travel for education (including fees, hostel
expenses etc.) (code: S0305)” has been considered against ‘educational services’.
Similarly, ‘travel for medical treatment (code: S0305)’ has been included in the
‘Health Services’ category of EBOPS. Likewise, there are other definitional
inconsistencies also.

Thus, information collected on implementation of such a coding structure will not be
able to meet the demand of proper & accurate statistics on India’s services trade.

Committees Constituted, if any, in this Regard and Meetings Held & Decisions
Taken therein:

Based on the decision taken in the second meeting of SAARCSTAT in Dhaka on April 17,
2008 an Expert Group had been constituted in CSO under the chairmanship of DG CSO
with representatives from Department of Economic Affairs, RBI, Ministry of Commerce
and DGCI&S. The broad terms of reference of this Committee was:
• To study international practices and procedures being followed by national bodies relating to statistics on trade in services.

• To develop framework for collection and compilation of statistics on trade in services according to various important sectors.

The Committee had 3 meetings, the last one being held on 8.06.10. There was a consensus on the necessity for conducting sector specific surveys to completely bridge the gap in information provided by RBI regarding international trade in services. For this purpose DG, CSO suggested that the group needs to include the members of different ministries like Health, Education, Tourism, Construction etc. and the Expert Group be re-constituted accordingly. He also suggested need for a fresh notification expanding the scope of the group to cover all countries. Notification regarding re-constitution of the group is yet to be issued by CSO.

International Practices

The international best practices with regard to recording BoP data indicate that most countries use a combination of the foreign exchange transactions reported through banking channel and surveys/census to gather the necessary details. RBI also supplements data collected through reporting of forex transactions through the banking system by information available from various embassies / consulates including Indian embassies/consulates abroad, various ministries governments agencies / departmental undertakings, NASSCOM, Air India, financial institutions and commercial banks (independent of reporting under ITRS), corporate sector and RBI’s own records.

Suggestions/Observations for streamlining the Data Collection Mechanism on Trade in Services

The ultimate objective is to have data in respect of all services sectors within the country as well as exports and imports of services. Several steps have already been taken in this regard:

(i) Ideally the data on International Trade on services should be captured through the surveys, on different sectors, but the availability of comprehensive frame posed a big challenge. At present there is no frame readily available in the country for conducting such surveys. One source of the frame is possibly the Economic Census where the list of establishments is available as a whole, but not specifically for units engaged in services trade. It has been proposed in the Sixth Economic Census to collect information on whether an establishment with 10 or more workers is an exporting unit
of goods or services. This information could be used for conduct of detailed surveys in future.

(ii) An internationally comparable classification for services which was hitherto not available has been developed by CSO. This could be used both for conduct of surveys in the services sector as well as for trade negotiations.

(iii) Survey on services need not be undertaken for all the 11 categories considered GATT GNS/W/120 list as each of these sector do not contribute significantly in India’s services trade. Therefore, it is necessary to identify the categories for which surveys are required to be initiated. An analysis of the percentage contribution of different categories of services to India’s total export & import of services during the last five years, i.e., 2004-05 to 2008-09 along with the growth in trade for these categories have revealed that seven sectors, namely, (i) Software, (ii) Travel, (iii) Transportation, (iv) Business Services, (v) Financial Services, (vi) Communication Services & (vii) Insurance together contribute roughly 90% of India’s total services trade.

(iv) Because of inherent wide diversity in the services sector a single benchmark survey covering all areas of international trade in services is not feasible and several such surveys need to be planned for focused attention to the relevant categories as per the best international practices. These surveys can be designed in suitable manner so that they can cater to the demand for data both in respect of Trade in Services and Domestic Services.

Considering the international practices in collection, compilation & dissemination of services data and the not so encouraging scenario in the availability of India’s services trade data, it is felt that there is an urgent need to supplement India’s services data from administrative sources with regular survey data in order to bridge the wide data gap in trade in services. Introduction of benchmark as well as regular surveys at suitable periodicity will not only make available data on the categories not covered in RBI’s ‘purpose code’ but also will be able to generate data by different cross classifications, like by services category & trading partner, by mode of supply & service category etc. which so far have not been possible because of the inherent limitations of the data collection mechanism currently followed.