



Institutional Framework for Collection of Statistics on Trade in Services

*Four Pilot Surveys on Trade in
Audiovisual, Logistics, Professional
and Telecommunication Services*

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The Background...

- Services sector accounts for a significant proportion of the global gross domestic product (GDP), trade and investment
- In India, the sector is the largest contributor to the GDP and GDP growth
- India is among the top ten WTO member countries in exports and imports of services and has a positive trade balance in services
- In spite of the substantial contribution of the services sector to the Indian economy, the country does not have a robust system of collection of data on trade in services
- An efficient, predictable and transparent framework for collection of statistics on trade in services is required to
 - Understand the trade flows between India and its trading partners
 - Understand country's strength in exports in different sub-sectors of services
 - Provide insights to the government and help in identifying key areas in trade negotiations

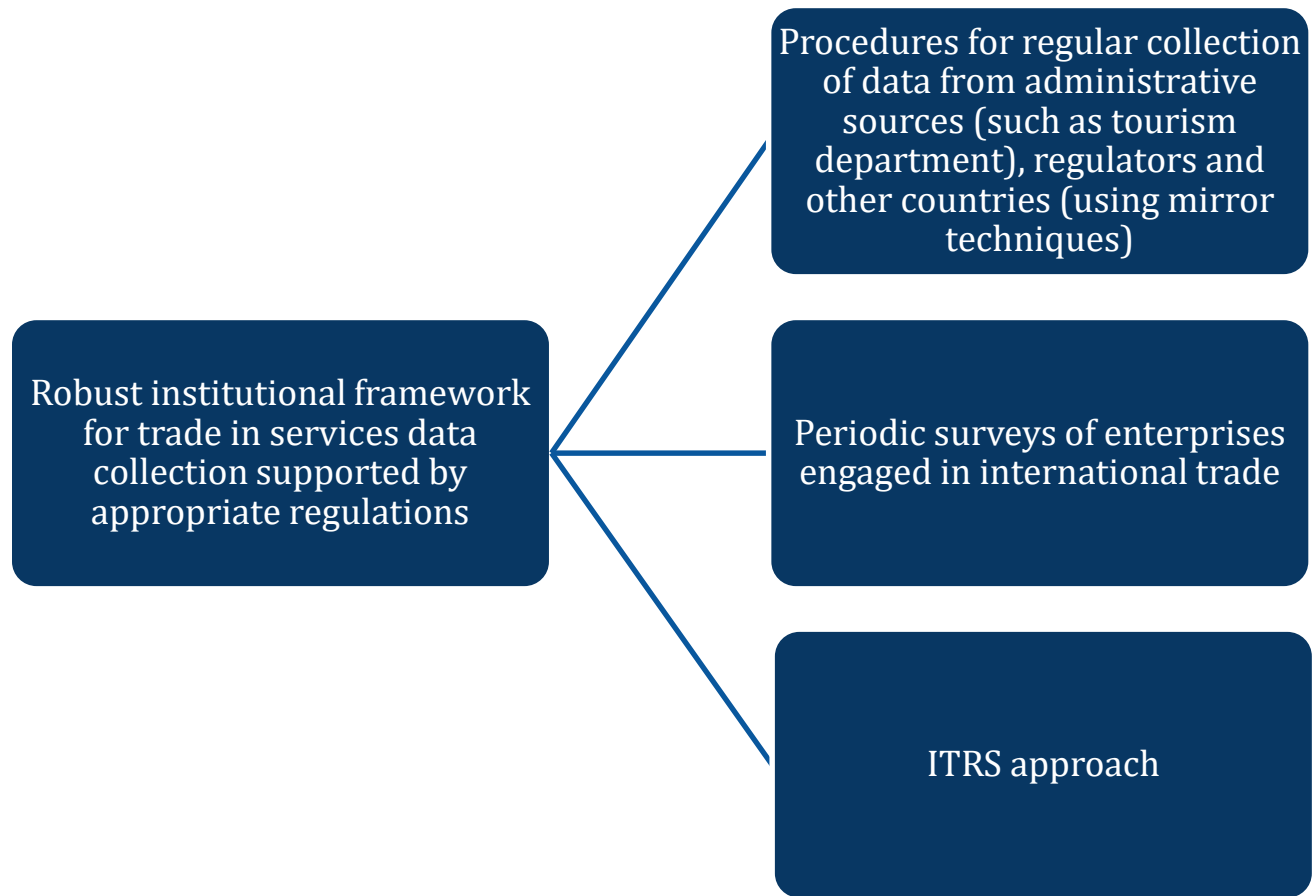


The Process

- To develop a robust institutional framework for services trade data collection, DGCI&S engaged us to:
 - Examine the institutional and regulatory framework of select countries;
 - Conduct a pilot survey of trade in four services namely audiovisual, logistics, professional and telecommunication services;
 - Make policy recommendations on developing a robust framework for collection of trade in services data



The Global Practice



Present System of Trade Data Collection in India

- In India, at present, the services trade data is captured by the Reserve Bank of India (RBI) through authorized dealers and not directly from the service providers or exporters
- Reporting of foreign exchange transactions is mandated under Foreign Exchange Management Act, 1999
- Some other sources for services trade data include NASSCOM and Ministry of Tourism.
- Presently, there is no comprehensive business directory for service providers
- The institutional framework for services data collection is weak – The Collection of Statistics Act, 2008



Select Country Experiences (1/2)

- Six countries were studied: Australia, Canada, New Zealand, Singapore, the United Kingdom (UK) and the United States (US)
- Countries such as the US have a specific regulation for collecting trade in services data while in others such as Singapore the data on trade in services is collected under the general regulations pertaining to collection of statistics by the government agencies
- All countries have a robust business directory which is updated on a regular basis
- Data is obtained from various sources such as administrative sources (sector regulators, banks, ministries and other government departments)
- They have **periodic enterprise surveys**
- The number of services and services sub-sectors covered and the frequency of the surveys varies across countries



Select Country Experiences (2/2)

- The periodic surveys are conducted by the a central agency (BEA in the US, Statistics Canada in Canada etc.)
- Countries such as the US offer both online and offline options for filling up of questionnaires
- **Penalties for non-reporting or misreporting:** All the selected countries have penalties for non-reporting or misreporting of data. But the amount of penalty varies across countries
- In some countries, the penalty amount is different for individuals and companies
- In most of the countries, the penalties specified under the regulations provide an upper bound and the actual penalties imposed are decided by the concerned authority on a case-by-case basis



The Pilot Survey

- ICRIER conducted stakeholder consultations and one-to-one meetings with policymakers and key experts in each of the four sectors to design the pilot survey. The survey included:
 - *Creation of the business directory*
 - *Questionnaire design*
 - *Administering the survey*
 - *Analysing the survey findings*
 - *Examining issues related to services trade data collection*
 - *Policy recommendations*



Creation of Business Directory

- The research team identified the industry associations and professional bodies in the four sectors.
- Contact was established with these organisations through e-mails, telephone calls and one-to-one meetings to obtain access to their member lists
- A business directory of 23,846 service providers covering the four services sectors was created



Questionnaire Design

- Questionnaires were designed based on the inputs from DGCI&S, sector experts and stakeholders consultation in Delhi and Mumbai .Questionnaires of other countries such as Canada and the US were also examined
- The questionnaires were prepared for both on-line and offline formats.
- The survey application was based on JAVA/MySQL platform – an information technology company was selected to convert the questionnaire in the desired format
- The survey application was hosted in the DGCI&S server to ensure security of data
- Meetings were held with representatives and IT experts from DGCI&S, TCS, NIC (National Informatics Centre) to get access to conduct the survey
- The questionnaire was device compatible (personal computer, mobile, etc.)
- The questionnaires were designed to cover international trade by different modes as specified by the General Agreement on Trade in Services (GATS)
- The sub-sector classification used for the four sectors was based on UNCPC version 2
- There were some common questions and some sector-specific questions. The number of questions varied across sectors
- The questions were framed in simple language so as to induce efficient response
- The questionnaire was linked to DGCI&S website

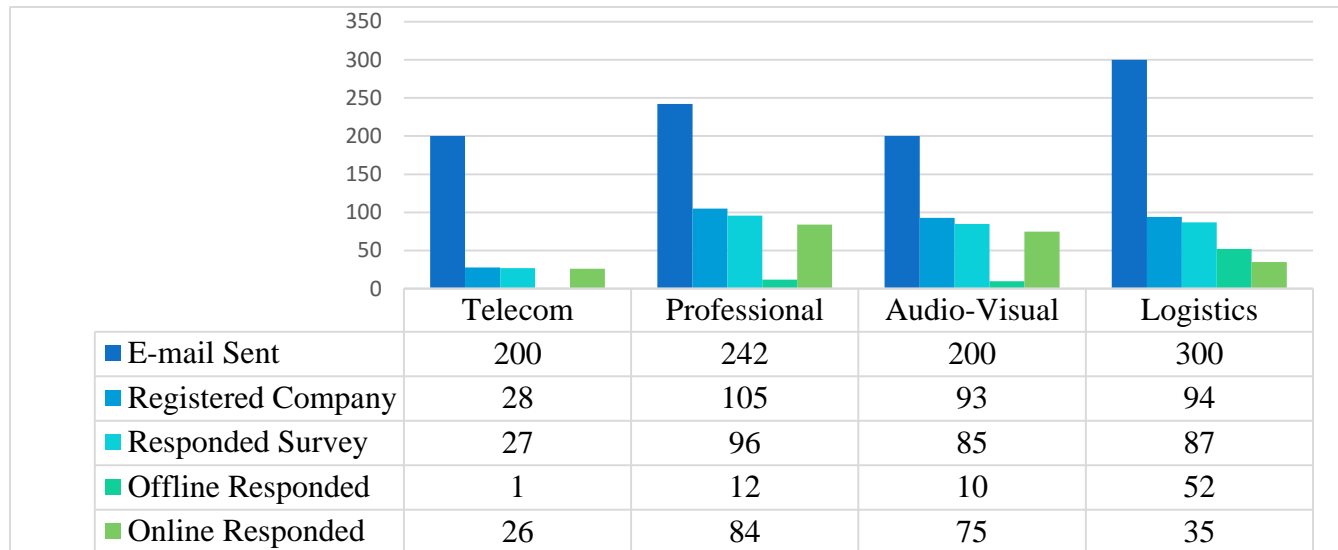


Administering the Survey

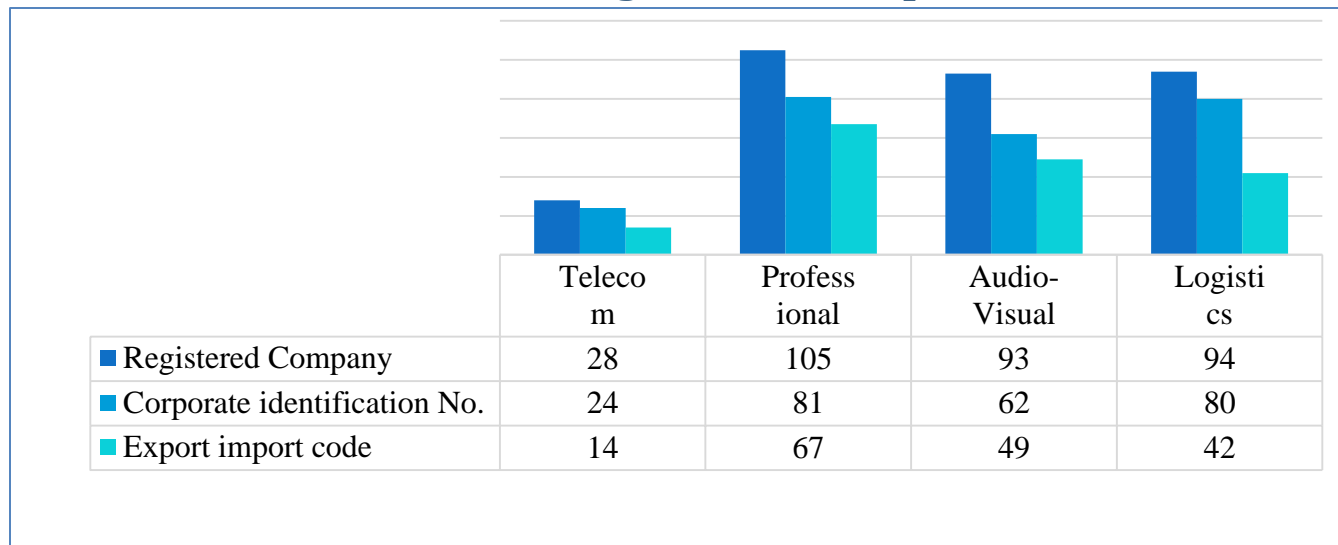
- A sample of 942 companies (200 in audiovisual, 300 in logistics, 242 in professional and 200 in telecommunications services) was selected across different sub-sectors and sizes (small, medium and large)
- ICRIER team was given the access to DGCI&S email and server
- E-mails were sent from ICRIER to a selected representative in each company
- Companies had to first register and then fill up the questionnaire
- Each company could create its own user-id. Password was auto-generated and sent to the registered e-mail for ensuring security of information.
- Follow-ups were done by the survey team based out of Kolkata
- Software was used to convert the filled in questionnaire into excel formats for ease of data analysis
- In case of any issues related to filling up the questionnaires companies could write back to the email id created for the survey or look up the online help menu. An option for telephonic support was also made available
- In total, 320 companies registered for the survey and out of these, 295 companies completed the questionnaire (75 offline and 220 on-line)



Snapshot of the Survey



Status of Registered Companies



Findings from the Survey

- Less than 1% survey participants responded on-line on their own without follow-ups
- Less than 10% of the respondents reported difficulty in understanding the questionnaire
- Most of the respondents were not aware of the modes of supply for services and did not collect mode-wise and sub-sector-wise data on trade in services
- Some respondents were engaged in international trade in multiple services sectors, for example, telecommunications and audiovisual services. These respondents had to fill more than one questionnaire
- Some questions received low response or no response across all services sectors. These questions mainly pertain to investments and movement of personnel
- In some sub-sectors, there seems to be limited trade. For example, sound recording services sub-sector under audiovisual services
- Companies in network based industries such as telecommunications and express delivery services and those in oligopolistic structures were not willing to share trade data
- Government agencies such as India Post and CONCOR did not participate in the survey



Issues Related to Creation of Business Directory

- Many industry associations were not willing to share their member lists and among those that shared their lists, around 80% of lists were incomplete. Further, many companies registered with the associations did not engage in international trade in services.
- A number of associations and professional bodies were also not aware that the DGCI&S is engaged in collecting data on trade in services.
- There is no unique identification number for the service providers, that can help create and update the business directory in the long run.
- The services sector in India is characterised by a large number of non-corporate enterprises and individuals engaged in international trade. It is, therefore, difficult to locate them and create a business directory.



Issues Related to Questionnaire

Questionnaire

- Companies raised concerns about the large number of sub-sectors and countries (235) covered in the survey
- Some companies found the questionnaire to be too lengthy and time consuming to fill up
- The questionnaire required inputs from multiple departments of the company, which caused delays



Issues Related to Responses

Responses

- There were some problems in financial data entry by the respondents as companies collect the data in different currencies such as US\$ or INR. The data had to be cleaned up
- Companies were concerned about the confidentiality of the information
- A number of network based companies operate on transfer pricing model and they do not want to share the country-wise trade data
- It is difficult to collect Mode 4 data through an enterprise survey
- The respondents faced a number of problems in filling up online questionnaire due to technical issues such as slow server speed. The server could only take a specific number of emails per hour.



Policy Recommendations and the Way Forward (1/3)

Business Directory

- A committee on 'Collection of Data on Trade in Services' should be set up under the chairmanship of Commerce Secretary
- This committee should have representation from different ministries and departments, industry associations, regulatory and professional bodies, and trade promotion bodies to sensitise them about trade in services data collection
- The data collecting agency should work closely with industry associations to get their member lists in a common prescribed format across all services
- There is need for a unique identification number for service exporters and importers. A provision for the allotment of Importer Exporter Code for service providers will help in building a robust business directory
- The business directory should be updated every five years



Policy Recommendations and the Way Forward (2/3)

Questionnaire Design

- Questions that received 'low response' or 'no response' should be removed.
- Given that companies can operate across multiple services sectors, there should be a single questionnaire for certain services sectors such as telecommunications and audiovisual services. Separate questionnaires can be designed for some select services sectors such as banking and insurance
- For country-wise disaggregated data, there should not be more than 25 countries and the questionnaire should also include some key regions such as the EU and ASEAN
- Both on-line and offline questionnaires should be administered
- In regulated sectors such as telecommunications, the survey data has to be substantiated by data collected by the regulator on trade in services
- Companies need training to familiarise them with the questionnaire



Policy Recommendations and the Way Forward (3/3)

Regulatory Framework

- There is need for a strong regulatory framework for services trade data collection
- A new approach towards collection of data on trade in services may place the responsibility on the service provider to submit or file information and data within a prescribed time period in line with those followed under the Companies Act, 2013 or the Income Tax Act, 1961
- Care should be taken to ensure the confidentiality of information
- The penalty for non-reporting or mis-reporting should be in line with global practices
- Ease of Doing Business *versus* Regulation



Thank You

