



Need for Services Trade Data Collection

Present Status and a Roadmap for Future

Panel Discussion

at the Seminar organised jointly by
Ministry of Commerce & Industry and ICRIER

India Habitat Centre, New Delhi

June 7, 2016



Global Information base on International Trade in Services

“The collection of data on cross-border trade in services is notoriously difficult, in large part due to the intangible nature of services but also the high capacity needed for such data. This is particularly true for the developing countries. ...”

As a word of caution, it should be added that the quality of trade data in services is still far away from being comparable to trade data for merchandise goods.

Due to intangibility and non-storability of services, at-the-border-duties cannot be applied to services, thus having resulted in much weaker compilation practices with considerably less accuracy. Thus, services statistics has ample space for improvement in terms of measurement. In particular, with respect to modes 3 and 4, measurement is difficult and incomplete. Ongoing revisions and refinements of the BoP classification work towards solving these issues.”

- The World Bank (in introduction to its Trade in Services Database)



Valuation of Goods and Services: Separation

Services are the result of a production activity that changes the conditions of the consuming units, or facilitates the exchange of products or financial assets. *(BPM6 2008)*

Services cover a heterogeneous range of intangible products and activities that are difficult to encapsulate within a simple definition. They are often difficult to separate from the goods with they may be associated with varying degree. *(MSITS 2010)*

In BoP,

- ❑ Valuation of goods includes transport within the exporting economy as well as wholesale & retail services.
- ❑ Value of some service items (e.g., travel) includes values of some goods.
- ❑ Some services (e.g., repair services, freight transport) relate to goods.
- ❑ Except some knowledge-capturing products (e.g., computer software) which may be traded separately from their production, like goods, services are not separate items over which ownership rights can be established and cannot generally be separated from their production.



Information Base on India's International Trade in Services:

The Reserve Bank's Initiatives in recent years

- Move from Quarterly to Monthly dissemination of data on India's International Trade in Services (April-2011)
- Dissemination of Detailed Quarterly data on India's Invisibles as per IMF's BPM-6 (Since Q1:2012-13)
- Foreign Affiliate Trade Statistics (FATS):
 - Inward FATS since 2012-13
 - Outward FATS since 2013-14
- Census / Surveys for capturing Additional Dimensions:
 - International Trade in Banking Services (100% coverage)
 - Computer Software and ITES exports (>75% coverage)
 - Foreign Collaboration in Indian Industries (Voluntary participation – Every 2 years)
- Preparation of Frame of large service exporters (in absence of National Statistical Business Register) for collection of data in trade in services: Collaboration with MoCI(DGCIS)



India's International Trade in Services: Receipts and Payments during H1:2015-16 (*US \$ million*)

Broad Category of Services	I_Receipts	I_Payments
1) Travel	9,603	7,866
2) Transport	7,405	7,964
3) Insurance	1,034	568
4) Government Not Included Elsewhere	299	516
5) Telecommunications, computer and information services	38,399	1,935
6) Construction services	718	462
7) Financial services	3,003	1,653
8) Royalties, copyright and license fees	262	2,558
9) Business services	15,036	14,814
10) Personal, cultural & Recreational services	726	910
11) Maintenance and Repair Services	84	148
12) Manufacturing services on physical inputs owned by others	120	9
13) Other Services not included elsewhere	350	2,292



More Details: Activities under “Business Services”

- a) Research & Development
 - i) Research & Development services
 - ii) Market research and public opinion polling service
- b) Professional and management consulting services
 - i) Legal services
 - ii) Accounting, auditing, book keeping services
 - iii) Business and management consultancy and public relations services
 - iv) Advertising, trade fair service
 - v) Architectural services
 - vi) Engineering Services
 - vii) Tax consulting services
- c) Technical, trade-related, and other business services
 - i) Trade related services – commission on exports / imports
 - ii) Operational leasing services (other than financial leasing) without operating crew, including charter hire-Airlines companies
 - iii) Agricultural services like protection against insects & disease, increasing of harvest yields, forestry services.
 - iv) Inward remittance for maintenance of offices in India
 - v) Environmental Services
 - vi) Publishing and printing services
 - vii) Mining services like on-site processing services analysis of ores etc.
 - viii) Commission agent services
 - ix) Wholesale and retailing trade services.
 - x) Operational leasing services (other than financial leasing) without operating crew, including charter hire-Shipping companies
 - xi) Other Technical Services including scientific/space services.

Data on receipts & payments under each activity are published every quarter



Skewed Coverage of Trade in Services

Select services: 2014-15

Sector of Service Export	Total no. of transactions	Cut-off (Rs.)	% Coverage	
			No.	Amount
Health	64339	10 lakh	4.3	56.0
Education	106410	10 lakh	3.2	48.8
Insurance	45504	50 lakh	3.2	81.6
Telecom	47732	50 lakh	6.8	80.8
Audio-visual	6436	10 lakh	27.5	94.5
Tourism	913159	50 lakh	0.3	44.8
Professional Services:				
(i) Architectural	44963	50 lakh	1.9	76.2
(ii) Legal	153004	50 lakh	0.9	54.1
(iii) Accounting and auditing	35921	50 lakh	2.3	70.5
(iv) Management consultancy	434819	10 crore	0.3	49.8
(v) Engineering	28542	1 crore	6.7	72.1
(vi) Construction	10252	10 lakh	32.5	98.1
(vii) Tax consulting	2169	1 lakh	60.0	98.6



Census / Surveys conducted by RBI on International Trade in Services

- **Computer Software / ITES Export**
 - **Banking Services**
 - **Foreign Technical Collaboration**
 - **Inward & Outward FATS**
-



ITES / BPO Exports

- Software and IT enabled services plays an important role in the Indian economy – net receipts (surplus) on account of trade of computer software services finance the trade deficit and aid in reducing the CAD considerably. It accounts nearly half of the services exports
- The annual survey on ‘Software and Information Technology Enabled Services Exports’ is conducted by RBI as per the recommendations of the **National Statistical Commission** and subsequent guidance from the **Technical Group on Computer Services Exports (TGCSE)**. The survey collect details of:
 - *Exports of computer services as defined in BPM6 and MSITS*
 - *Business activity, type of organization, exports as per major activities, country and currency wise exports, type of exports (onsite and off-site), employment, business done by the subsidiaries / associates abroad.*
 - *Software exports data as per the four modes of supply as per MSITS*
- The survey frame is prepared using the member companies of NASSCOM and companies registered with STPI. Responses received from around **700-1000** companies, including most of the major Software and IT/BPO companies which together account for about **75-85** per cent of the total software exports during the year.

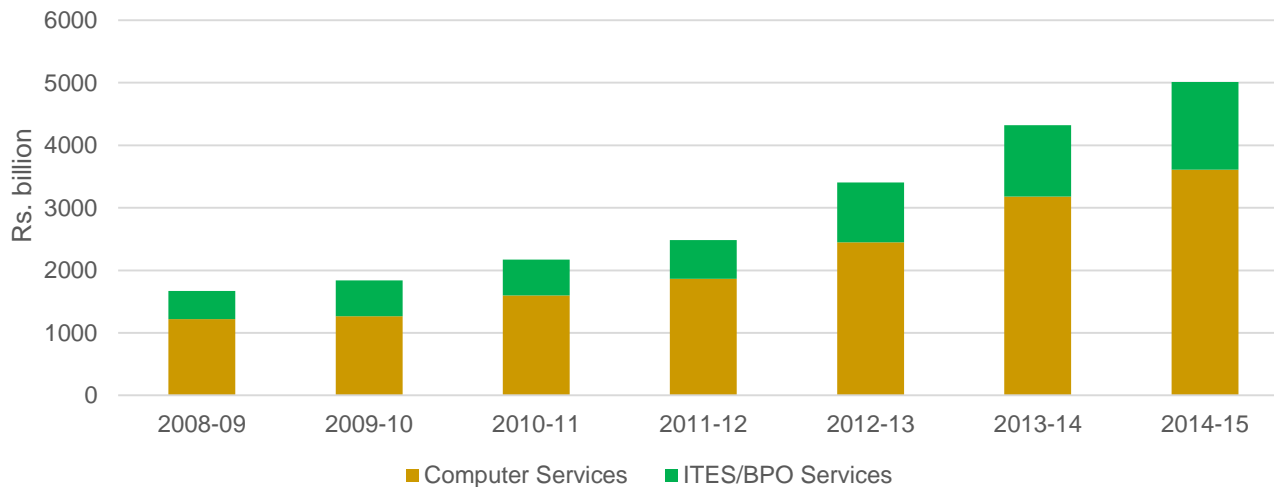


Indian IT / Software Industry – An Overview

- Indian IT / Software Industry has shown resilience in the face of marked moderation in global demand following the global financial crisis of 2008-09, though the pace of growth has moderated considerably.

	Period	Per cent (%)
Share of India's software services export to total services export	Annual	45 – 50
Software services Exports – Average growth rate	2001-02 to 2007-08	30.4
	2008-09 to 2014-15	20.4

India's Export of Computer and ITES/BPO services





Software Exports by Different Modes (per cent)

Mode	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Mode 1: Cross-border Supply	56.3	64.6	67.4	69.0	74.7	69.0	68.4
Mode 2: Consumption Abroad	0.1	0.0	0.1	0.5	1.6	0.1	0.1
Mode 3: Commercial Presence	16.8	17.6	14.8	15.4	9.4	13.7	14.4
Mode 4: Natural Persons Presence	26.8	17.8	17.7	15.1	14.3	17.1	17.1

Software Business by Foreign Affiliates of Indian Companies: 2014-15 (Rs. billion)

Activity	Locally	To India	Other Countries
IT services	28.5	2.2	3.1
Software Product Development	7.4	0.6	16.4
BPO Services	17.4	2.3	6.2
Engineering Services	4.5	00.0	0.1
Combination of above / Other services	783.9	330.6	131.1
Total	841.7	335.7	156.9



International Trade in Banking Services

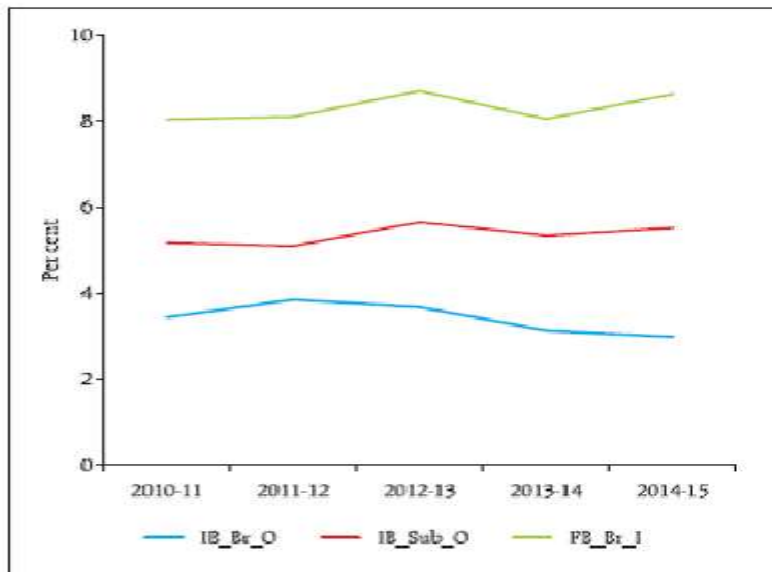
The Reserve Bank's annual survey on 'International Trade in Banking Services' (ITBS) provides information on financial services rendered by:

- ❑ Overseas branches/subsidiaries of Indian banks
 - ❑ Branches/subsidiaries of foreign banks operating in India, based on explicit/implicit fee/commission charged to customers.
-
- It covers
 - ❑ Branch / employee / country profile of their banking business
 - ❑ Service activities (both fund and non-fund based)
 - ❑ Balance sheet changes, income / expenditure and profitability

 - Since all entities report, it gives a census position



Income to Total Assets



Return on Assets

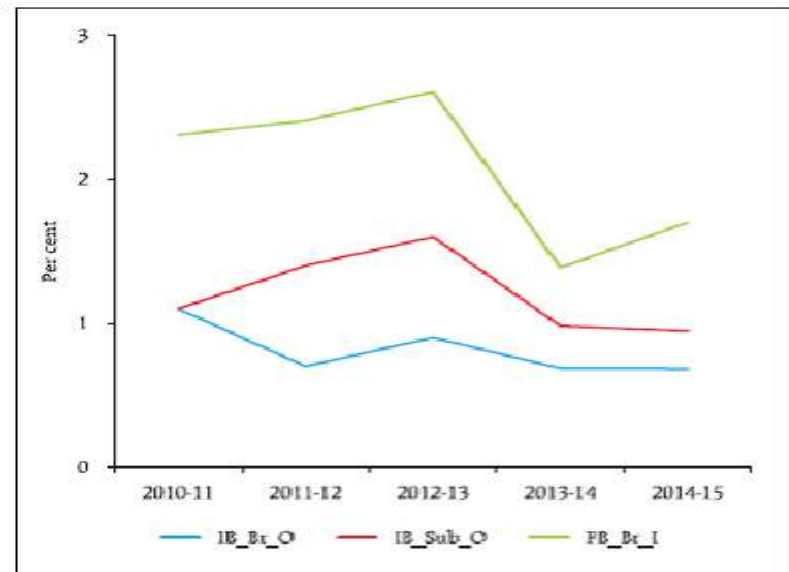
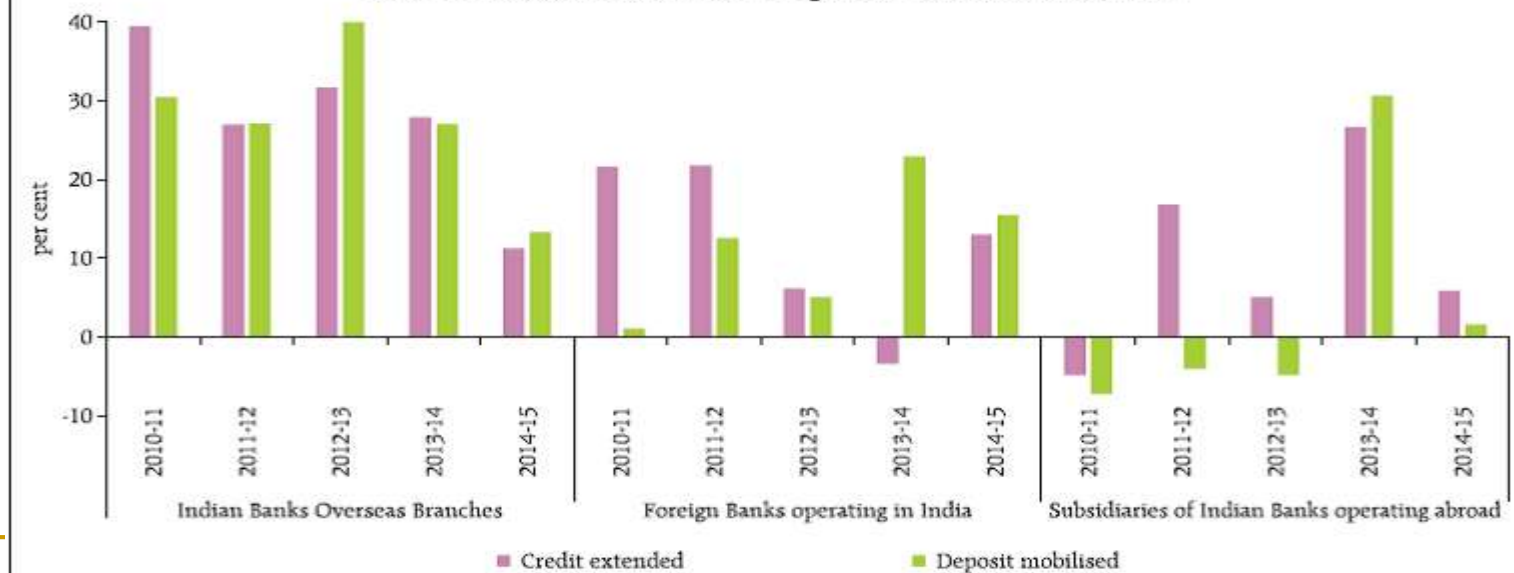
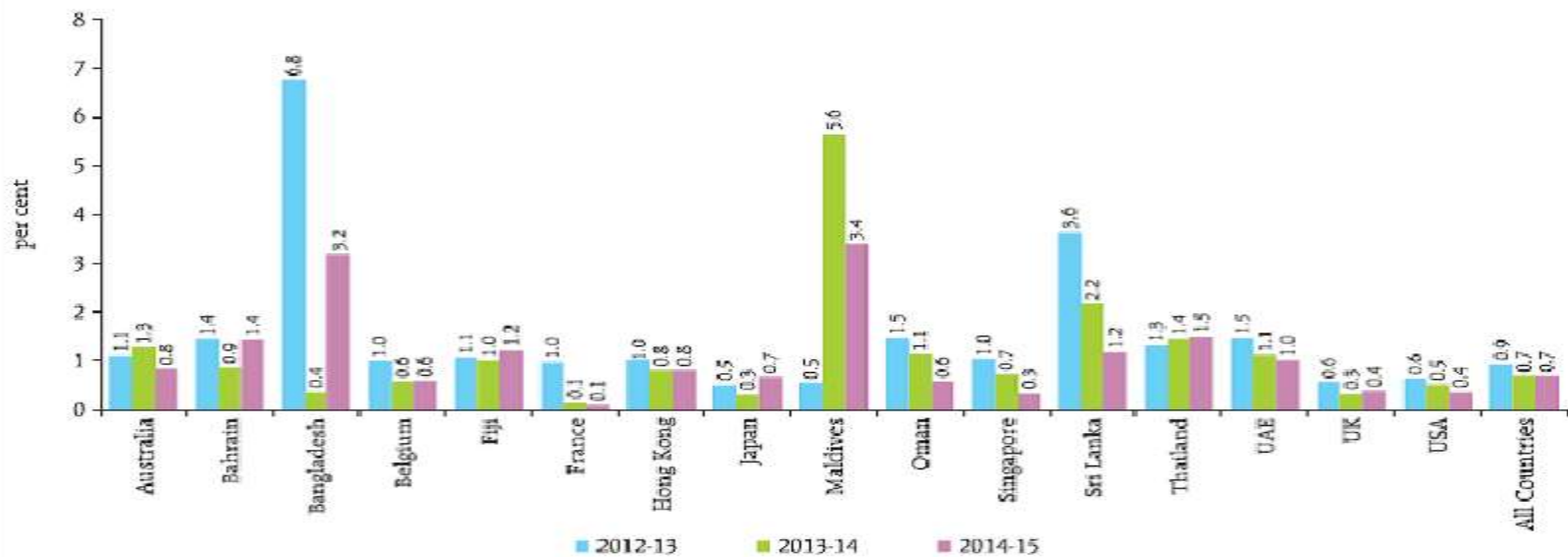


Chart 2: Growth of Credit and Deposits - 2010-11 to 2014-15

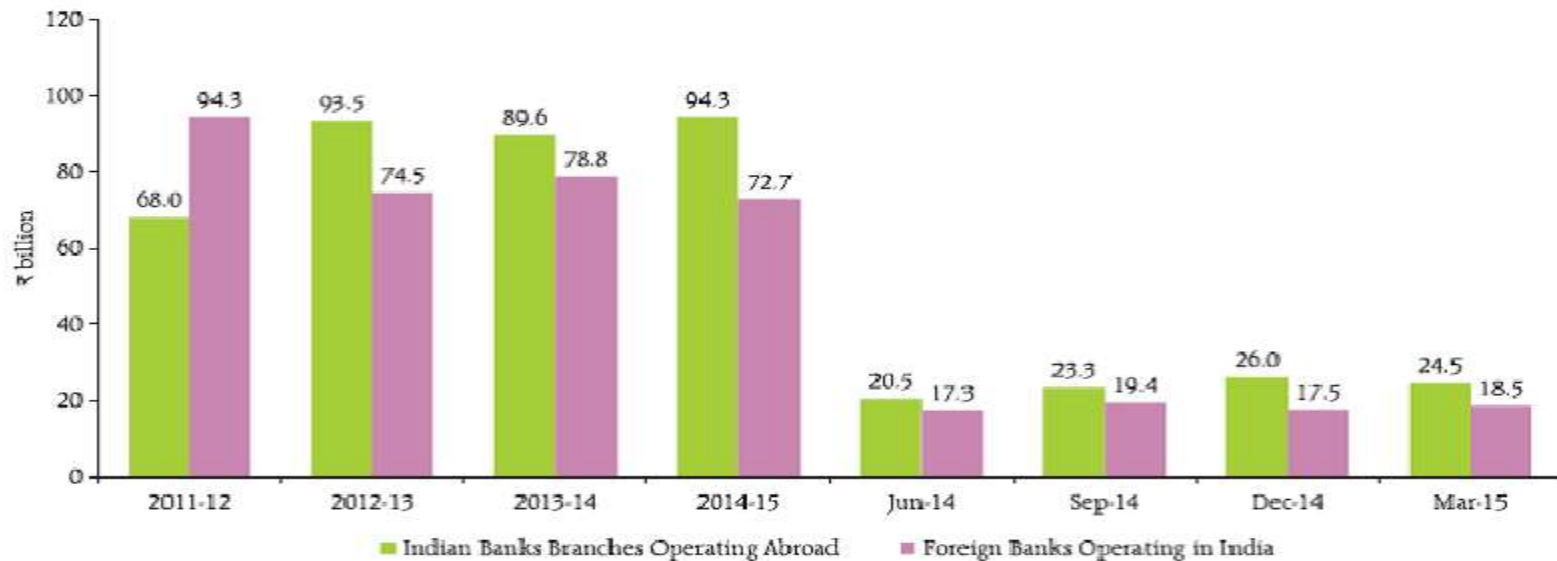




Country-wise Return on Asset (ROA) – Indian Banks' Overseas Branches



Fee income of Indian Banks' Overseas Branches and Foreign Banks Operating in India: Last Four Years and the Quarters of 2014-15





Foreign Technical Collaboration: Highlights of Last Biannual Round

Country-wise Distribution of Agreements of Foreign Technical Collaboration (FTC)



- Japan
- United States
- Germany
- United Kingdom
- Singapore
- Italy
- Mauritius
- Korea, Republic of
- Switzerland
- France
- Others

Mode of Payment	Distribution of Agreements According to Mode of Payment of FTC Companies	
	Number	% of total
Royalty	216	48.1
Lump-sum technical fees	96	21.4
Both Royalty and Lump-sum technical fees	137	30.5
Total	449*	100.0

* Of the 528 agreements, 449 agreements reported along with the specific mode of payment in the latest survey.



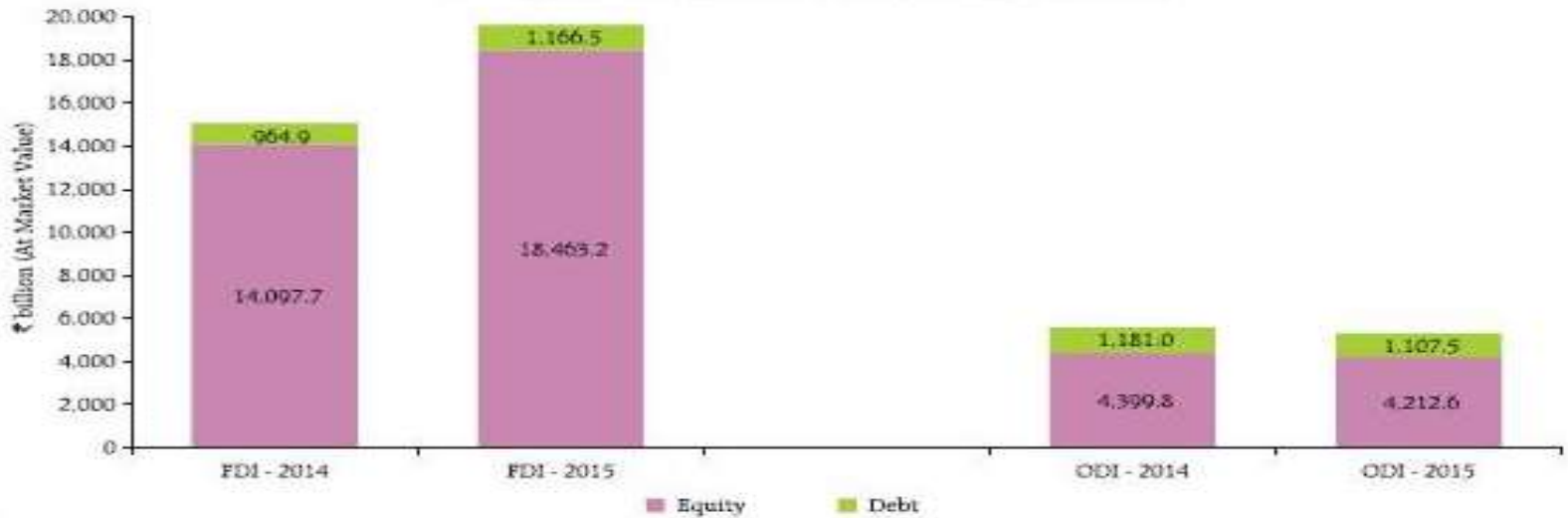
Foreign Affiliate Trade Statistics (FATS)

Information base in India:

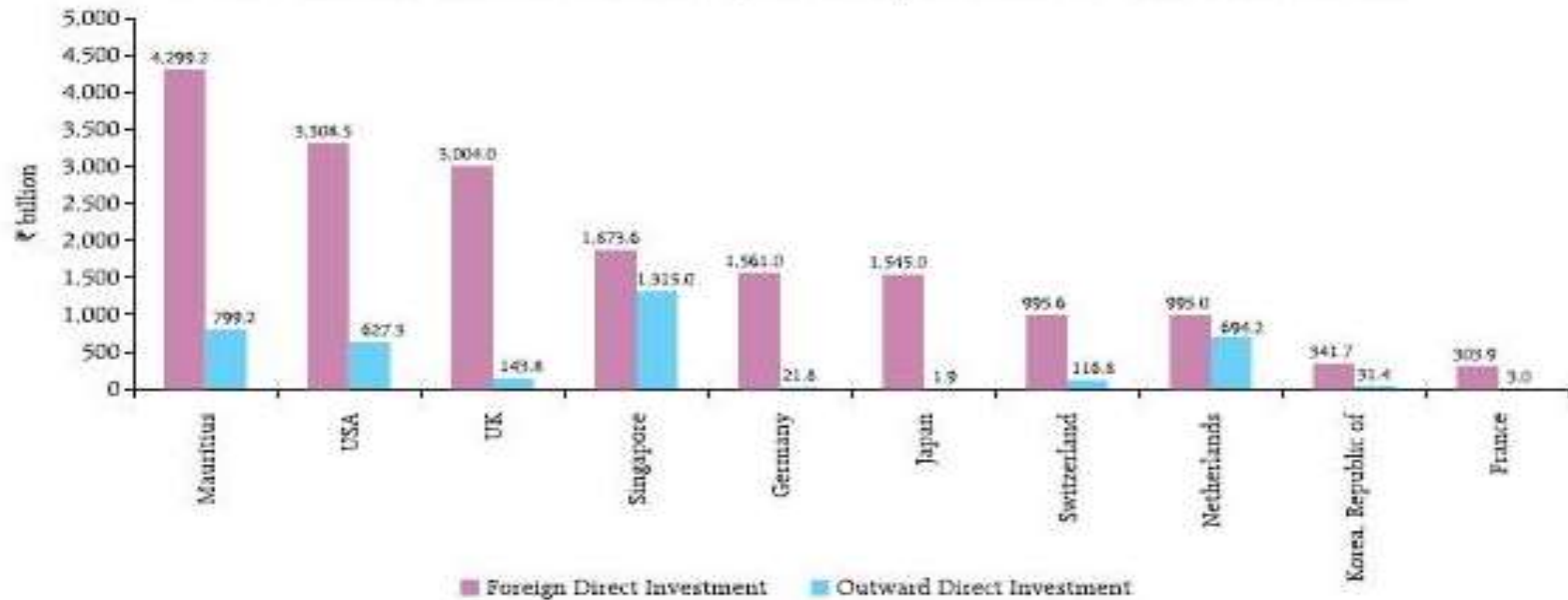
- India's FLA census has evolved as a rich data source of direct investment to/from India. Over 17,000 companies reported FDI/ODI in March 2015 - largest annual company-wise database for Indian FDI companies. ***Partner country-wise inward and outward direct investment (debt and equity) for India, at market prices, are now available annually.***
- India's first census of Foreign Liabilities and Assets was conducted as on June 30, 1948, - information collected under the *International Monetary Fund and Bank Act, 1945*. Since 1997, reporting was annual but participation was not mandatory up to 2010. Since 2010-11 reporting is mandatory for the Indian companies which have received FDI and/or made overseas direct investment, for facilitating India's participation in CDIS (since 2010 round).
- Collection of multidimensional FLA census data by providing a self-validating form with explanations and internal consistency. It has a strict confidentiality clause.
- Foreign Affiliate Trade Statistics (FATS) is collected as part of this reporting system.



Inward and Outward Direct Investment



Direct Investment at Market Value - Major Partner Countries: March 2015





Sector-wise Distribution of FDI at Market Value: March 2015 (Rs. billion)

Activity	Total FDI	% share in Total
A. Agriculture-related, Plantations & Allied activities	51.6	0.3
B. Mining	669.7	3.4
C. Manufacturing	10,208.1	52.0
Chemicals and chemical products	1,490.3	7.6
Pharmaceuticals, medicinal chemical & botanical prod.	922.6	4.7
Motor vehicles, trailers and semi-trailers	1,295.7	6.6
Tobacco products	658.7	3.4
Food products	838.3	4.3
Electrical equipment	809.7	4.1
Machinery and equipmen	613.7	3.1
Coke and refined petroleum products	342.6	1.7
Computer, electronic and optical products	272.6	1.4
Basic metals	188.5	1.0
Other Manufacturing	2,775.40	14.14
D. Electricity, gas, steam and air conditioning supply	433.3	2.2
E. Water supply, sewerage, waste mgt./remediation	3.3	0.0
F. Construction	515.3	2.6
G. Services	7,748.4	39.5
Information and communication	3,556.7	18.1
Financial and insurance activities	2,313.2	11.8
Other Services	1,878.5	9.57
Total	19,629.7	100.0



Subsidiary Companies - FATS

■ FLA Census 2015

- 14,296 FDI Companies in India
- 96 % are unlisted
- 75 % of Subsidiary companies (Equity > 50%), of which 8,032 companies reported sales and 6,024 companies reported exports
- 3,608 Overseas Subsidiaries of 2,129 Indian Companies

Foreign Trade for Foreign Subsidiary Companies, 2014-15		
	Inward FATS	Outward FATS
Export in Sales (%)	34.0	26.7
Imports in Purchase (%)	44.9	46.7



Activity-wise Sales of 10,777 Foreign Subsidiary Companies in India

(Amount in ₹ billion)

Activity	No. of Companies	Sales in 2014-15	% Share in Total
A. Agriculture-related, Plantations & Allied activities	35	65	0.4
B. Mining	38	113	0.7
C. Manufacturing	2,258	10,208	61.5
D. Electricity, gas, steam and air conditioning supply	82	42	0.3
E. Water supply; sewerage, waste management and remediation activities	33	7	0.0
F. Construction	196	248	1.5
G. Services	5,390	5,909	35.6
1. Wholesale and retail trade; repair of motor vehicles	835	1,510	9.1
2. Transportation and storage	175	236	1.4
3. Accommodation and Food service activities	99	48	0.3
4. Information and communication	2,142	3,009	18.1
5. Financial and insurance activities	260	284	1.7
6. Real estate activities	39	39	0.2
7. Other Services activities	1,840	783	4.7
Total	8,032*	16,590	100.0

* Of the 10,777 subsidiary companies, 8,032 reported sales



Thank you

