

India 's Trade in Invisible During The Pre And Post- Globalization Period

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Abstract

A country's foreign trade consists of transactions involving merchandise (so called visible and tangible) items and as well as invisible items, often regarded as services. Various service and invisible items often occupy an important position in the country's balance of payments. The invisibles have become important in India's external transactions and in her balance of payments. Regular surpluses earned on invisibles have, to merchandise account. The trade in invisibles has grown at an impressive rate in post-globalization period comparatively per- globalization period. In post-globalization era, this importance has been rising. The present paper takes a detailed look into the invisible payment, invisible receipts and net invisible during the pre and post-globalization period, in the long run growth and structural change in India's trade in invisibles. The paper finds out the relationship between invisible payment and receipts during the pre-and post-globalization periods.

Key words: *Invisible Trade, Invisible Payments, Invisible Receipts, Invisible Net*

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Introduction

A country's foreign trade consists of transactions involving merchandise (so called visible and tangible) items and as well as invisible items, often regarded as services. Various services and invisible items often occupy an important position in the country's balance of payments. An invisible trade is a business transaction that occurs with no exchange of tangible goods and also invisible trade involves that transfer of non-tangible goods and/or services, which includes customer service, intellectual property and patents. The items involved in invisible trade are associated with a value and can be exchanged for tangible goods.

The present paper takes a rather detailed look into the long run growth and structural change in India's trade in invisibles during the pre and post-globalization periods. The present study has three sections, invisible receipts, invisible payments, and net invisible during the pre and post-globalization periods.

Explanation of invisibles

Invisible receipts mainly include all the income received in the form of travel, banking, consultancy, transportation, insurance, investment income, private transfers, official transfers etc. whereas invisible payments include all the payments made in the form of travel, transportation, insurance, investment income, private transfers, official transfers etc. The net invisible shows that difference between invisible Receipts and payments (Rakesh, 2005).

Objective

Ø To analysis the impact of globalizing on the invisible account of India.

Methodology

The data for the present study has been taken from RBI Handbook for the period from 1970-71 to 2013-14. The analysis is taken for invisible receipts, invisible payments and net invisible of India. The tools used in the study growth, ratio and correlation.

Analysis and findings

For analytical purpose the data were divided into pre (1970-71 to 1990-91) and post globalization (1991-92 to 2013-14) period.

**Table No. 1:Invisibles Receipts Pre-Globalization
(in Rs. billion)**

Year	Invisibles Receipts	% of growth compared to previous year	Year	Invisibles Receipts	% of growth compared to previous year
1970-71	4.96		1981-82	56.65	-0.1
1971-72	5.46	10.1	1982-83	60.62	7.0
1972-73	5.14	-5.9	1983-84	68.94	13.7
1973-74	22.81	343.8	1984-85	82.44	19.6
1974-75	9.85	-56.8	1985-86	78.76	-4.5
1975-76	18.15	84.3	1986-87	82.76	5.1
1976-77	22.04	21.4	1987-88	92.81	12.1
1977-78	27.67	25.5	1988-89	109.27	17.7
1978-79	31.85	15.1	1989-90	124.85	14.3
1979-80	43.86	37.7	1990-91	133.96	7.3
1980-81	56.72	29.3			

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

Table No. 1 explains the invisible receipts in India during the pre-globalization period, i.e from 1970-71 to 1990-91. The year 1973-74, shows high percentage change of 343.8 and the year 1974-75 shows the lowest percentage change of -56.8. In 1970-71, the receipt was Rs. 4.96 billion and in the year 1990-91 it reached Rs. 133.96 billion. It means that the invisible receipts generated during the pre-globalization period are satisfactory.

From table No. 2 it is clear that invisible exports of India during the post-globalization period increased from Rs.234.49 billion in 1991-92 to Rs. 14117.73 billion in 2013-14. Exponential growth rate of Indian invisible export is 18.7 per cent. It means that invisible exports have increased during the post-globalization period at a good rate.

Table No. 2:Invisibles Receipts Post-Globalization
(in Rs. billion)

Year	Invisibles Receipts	% of growth compared to previous year	Year	Receipts Invisibles	% of growth compared to previous year
1991-92	234.49	75.0	2003-04	2454.13	21.0
1992-93	270.42	15.3	2004-05	3115.50	26.9
1993-94	355.01	31.3	2005-06	3976.60	27.6
1994-95	488.39	37.6	2006-07	5171.46	30.0
1995-96	594.43	21.7	2007-08	5980.88	15.7
1996-97	760.93	28.0	2008-09	7704.30	28.8
1997-98	862.45	13.3	2009-10	7746.35	0.5
1998-99	1084.59	25.8	2010-11	8672.28	12.0
1999-00	1314.49	21.2	2011-12	10534.80	21.5
2000-01	1477.78	12.4	2012-13	12188.93	15.7
2001-02	1751.08	18.5	2013-14	14117.73	15.8
2002-03	2027.57	15.8			

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

Table No. 3:Invisibles Payment Pre -Globalization
(in Rs. billion)

Year	Invisibles Payments	% of growth compared to previous year	Year	Invisibles Payments	% of growth compared to previous year
1970-71	5.33		1981-82	20.09	20.2
1971-72	5.70	6.9	1982-83	26.24	30.6
1972-73	6.58	15.4	1983-84	32.84	25.2
1973-74	6.36	-3.3	1984-85	43.94	33.8
1974-75	6.54	2.8	1985-86	42.46	-3.4
1975-76	8.10	23.9	1986-87	47.52	11.9
1976-77	10.00	23.5	1987-88	62.75	32.0
1977-78	10.46	4.6	1988-89	89.51	42.6
1978-79	12.11	15.8	1989-90	114.59	28.0
1979-80	15.00	23.9	1990-91	138.29	20.7
1980-81	16.72	11.5			

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

Table No. 3 shows the trend of invisible payment during the pre-globalization period. The invisible payment was worth Rs. 5.33 billion in 1970-71. This increased to Rs. 138.29 billion in 1990-91, an increase of Rs. 132.96 billion over the period. It

is very clear that for the twenty one year's taken for analysis, the invisible payment has shown an exponential rate of 16.6 per cent.

Table No. 4: Invisibles Payment Post -Globalization
(In Rs billion)

Year	Invisibles Payments	% of growth compared to previous year	year	Invisibles Payments	% of growth compared to previous year
1991-92	191.90	38.8	2003-04	1180.44	-2.0
1992-93	225.67	17.6	2004-05	1719.59	45.7
1993-94	264.12	17.0	2005-06	2117.33	23.1
1994-95	310.03	17.4	2006-07	2815.67	33.0
1995-96	410.28	32.3	2007-08	2939.03	4.4
1996-97	398.14	-3.0	2008-09	3506.11	19.3
1997-98	493.23	23.9	2009-10	3943.68	12.5
1998-99	697.70	41.5	2010-11	5064.11	28.4
1999-00	744.21	6.7	2011-12	5173.23	2.2
2000-01	1026.39	37.9	2012-13	6340.47	22.6
2001-02	1037.27	1.1	2013-14	7146.79	12.7
2002-03	1204.00	16.1			

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

Table No. 4. explains the trend of invisible imports in India during the post-globalization period. The year 2004-2005 shows the highest percentage of change of 45.7 whereas the year 1996-97 shows the lowest percentage change of -3. In 1991-92 the invisible imports of India was only Rs. 191.9 billion but in the year 2013-14 it reached Rs.7146.79 billion. Invisible imports have grown at an annual rate of 16.7 per cent.

Table No.5 shows the relationship between invisible receipts and payments in the pre- globalization period from 1970-71 to 1990-91. The calculated Pearson correlation is 0.926 which shows that, a high positive correlation exists between receipts and payments in the pre- globalization period. Both variables are increasing at significant rate and further the table concluded that the Pearson correlation result is significant at 1% level of probability.

**Table No. 5:Correlations
(Between Invisible Receipts and Payments in Pre- Globalization Period)**

		Invisibles Receipts in pre-globalization period	Invisibles payments in pre-globalization period
Invisibles Receipts in pre-globalizationperiod	Pearson Correlation	1	.926**
	Sig. (2-tailed)		.000
	N	21	21
Invisibles payments in pre-globalization period	Pearson Correlation	.926**	1
	Sig. (2-tailed)	.000	
	N	21	21

** . Correlation is significant at the 0.01 level (2-tailed).

**Table No. 6:Correlations
(Between Invisible Receipts and Payments in Post-Globalization Period)**

		Invisibles Receipts in post-globalization period	Invisibles payments in post-globalization period
Invisibles Receipts in post-globalization period	Pearson Correlation	1	.996**
	Sig. (2-tailed)		.000
	N	23	23
Invisibles payments in post-globalization period	Pearson Correlation	.996**	1
	Sig. (2-tailed)	.000	
	N	23	23

** . Correlation is significant at the 0.01 level (2-tailed).

Table No. 6 explains the relationship between invisible payments and receipts in the post globalised era from 1991-92 to 2013-14. The Pearson correlation is 0.996 which shows a high degree of positive correlation between invisible payment and receipts. The degree of correlation is greater in the post-globalization period. It means high positive variation rather than the pre-globalization period and the calculated value of correlation is significant at 1% level of probability.

Table No. 7:Invisibles Net Pre -Globalization
(in Rs. billion)

Year	Invisibles net	% of growth compared to previous year	Year	Invisibles net	% of growth compared to previous year
1970-71	-0.37		1981-82	36.56	-8.6
1971-72	-0.24	-35.1	1982-83	34.38	-6.0
1972-73	-1.44	500.0	1983-84	36.10	5.0
1973-74	16.46	-1243.1	1984-85	38.50	6.6
1974-75	3.31	-79.9	1985-86	36.30	-5.7
1975-76	10.05	203.6	1986-87	35.24	-2.9
1976-77	12.04	19.8	1987-88	30.06	-14.7
1977-78	17.22	43.0	1988-89	19.76	-34.3
1978-79	19.74	14.6	1989-90	10.26	-48.1
1979-80	28.87	46.3	1990-91	-4.33	-142.2
1980-81	40.00	38.6			

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

From the table No.7it is clear that invisibles net in India during the pre-globalization period increased over the years. From the period 1973-74 to 1989-90 invisible net shows a positive trend. During 1990-91 Indian economy faced huge setbacks and Indian trade was adversely affected for many reasons and in this year the invisible net remained at Rs. -4.33 billion.

From table No. 8 it is evident that the invisible net in India during the post-globalization period increased from Rs. 42.59 billion in 1991-92 to Rs. 6970.95 billion in 2013-14. The exponential growth rate of invisible net in India was Rs. 22.2. It means that theinvisible net has been increasing during the post-globalization period at a good rate.

Table No.8: Invisibles Net Post -Globalization

(in Rs. billion)					
Year	Invisibles net	% of growth compared to previous year	Year	Invisibles net	% of growth compared to previous year
1991-92	42.59		2003-04	1273.69	54.7
1992-93	44.75	5.1	2004-05	1395.91	9.6
1993-94	90.89	103.1	2005-06	1859.27	33.2
1994-95	178.36	96.2	2006-07	2355.79	26.7
1995-96	184.15	3.2	2007-08	3041.86	29.1
1996-97	362.79	97.0	2008-09	4198.20	38.0
1997-98	369.22	1.8	2009-10	3802.66	-9.4
1998-99	386.89	4.8	2010-11	3608.17	-5.1
1999-00	570.28	47.4	2011-12	5361.57	48.6
2000-01	451.39	-20.8	2012-13	5848.46	9.1
2001-02	713.81	58.1	2013-14	6970.95	19.2
2002-03	823.57	15.4			

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

As depicted in table No. 9, over a period of time, invisible receipts as a percentage of GDP doubled from 1.04 per cent in 1970 – 71 to 1.21 per cent in 1974 – 75. It further increased to 3.4 per cent in 1979 – 1980 and 3.21 in 1984-85. Further it declined to 2.48 per cent of GDP in 1989-90. In 1970 – 71, net invisibles as a percentage of GDP was negative i.e. – 0.01 per cent. However, within a few years after reforms, it reached to a positive figure of 0.4 per cent in 1974 – 75. By 1979 – 1980, the value reached to 2.29 declined and to 0.2 per cent of GDP in 1989-90.

Table No. 9: Invisible Receipts & Net invisibles in the Pre - Reform period (As Percentage to GDP)

Particulars	(in per cent)				
	1970 - 71	1974 – 75	1979 – 80	1984 - 85	1989 – 90
Invisibles Receipts/ GDP	1.04	1.21	3.4	3.21	2.48
Net Invisibles / GDP	- 0.01	0.40	2.29	1.5	0.2

Source: RBI Hand Book of Statistics on Indian Economy 2014-2015

Table No. 10: Invisible Receipts & Net invisibles in the Post - Reform period (As Percentage to GDP)

Particulars	(in per cent)				
	1990 - 91	1994 – 95	1999 – 00	2009 - 10	2013 – 14
Invisibles Receipts / GDP	2.4	4.8	6.7	11.9	12.4
Net Invisibles / GDP	- 0.1	1.8	2.9	5.8	6.1

Source: Reserve Bank of India – Handbook of Statistics on Indian Economy, 2014-15

As depicted in table No. 10, over a period of time invisible receipts as a percentage of GDP doubled from 2.4 per cent in 1990 – 91 to 4.8 per cent in 1994 – 95. It further increased to 6.7 per cent in 1999 – 2000 and 11.9 in 2009-10. Further it was 12.4 per cent of GDP in 2013 – 14. In 1990 – 91, net invisibles as a percentage of GDP were – 0.1 per cent. However, within a few years after reforms, it reached to a positive figure of 1.8 per cent in 1994 – 95. By 1999 – 2000, net invisibles almost doubled and reached to 2.9 per cent of GDP net invisibles went up to 6.1 per cent of GDP in 2013 – 14.

Conclusion

Invisibles have become important in India's external transactions. During the pre- globalization period invisible account shows positive trend but in 1990-91 Indian economy faced huge setbacks and Indian trade was adversely affected for many reasons and in this year the invisible shows huge deficits. In this situation India introduce a serious of reformsto solve the problem. The result shows that massive increase in invisible account and it was helpful to manage Indian trade deficits, balance of payments and it also helpsthe GDP growth rate.

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