



The Journal of Sri Krishna Research & Educational Consortium
**INTERNATIONAL JOURNAL OF
BUSINESS ECONOMICS AND
MANAGEMENT RESEARCH**
Internationally Indexed & Listed Referred e-Journal



AN ANALYSIS OF INVISIBLES IN INDIA'S BALANCE OF PAYMENTS

DR. S. LIMBA GOUD*

*Professor of Economics, Department of Applied Economics,
Telangana University, Nizamabad.

ABSTRACT

The balance of payments (BoP) of a country is a systematic record of all economic transactions between the 'residents' of a country and the rest of the world. The balance of payments of India includes two accounts, namely, BoP in current account and BoP in capital account. The current account includes visible trade and invisible trade. Invisible items in the BoP include the receipts and payments for such services as insurance, travel, banking, shipping etc., India experienced a deficit in its trade balance since independence. New economic reforms were initiated in India in 1991 to overcome deficit in BoP. An effort was made through these reforms to step up exports of goods and services so that a major part of the import bill is paid for by exports. Accordingly, India has achieved commendable success in its exports of services i.e., invisibles. The positive development in its invisibles surplus since 1990s has helped contain its current account deficit, despite the widening trade balance deficit. Another key feature of India's invisibles account has been a significant rise in gross receipts and payments, particularly since 2002-03. India experienced a strong growth in its services exports, especially in software and IT services. The growth in invisible payments has been mainly led by dividends paid on foreign investments and payments relating to external debt. In the present paper an attempt is made to analyse the trends in invisibles trade in India's BoP. The study aims at highlighting the importance of growth in invisibles trade in curtailing the deficit in India's BoP.

KEYWORDS: *Balance of Payments, Capital Account and Current account, trade deficit, invisibles, external debt.*