



## Outward Remittance Trend

**For Prelims:** Liberalised Remittance Scheme, Remittance, RBI

**For Mains:** Significance of Liberalised Remittance Scheme

### Why in News?

Total **outward Remittances**, under the **RBI's Liberalised Remittance Scheme**, shot up to an all-time high of USD 19.61 billion in the year ended March 2022 as against USD 12.684 billion in March 2021.

- Foreign exchange, including the US dollar and euro, taken out of the country by resident Indians **has shot up by 54.60%** during the fiscal year ending March 2022.

### // GOING ABROAD

#### Outward remittances under LRS

Year	\$ million	
FY14	1,093.90	
FY15	1,325.80	
FY16	4,642.60	
FY17	8,170.70	
FY18	11,333.60	
FY19	13,787.60	
FY20	18,760.69	
FY21	12,684.40	
FY22	19,610.77	

### What are Remittances?

- Remittances are usually understood **as financial or in-kind transfers made by migrants to friends and relatives back** in their communities of origin.
- These are basically **sum of two main components - Personal Transfers in cash** or in kind between resident and non-resident households and **Compensation of Employees**, which refers to the income of workers who work in another country for a limited period of time.
- Remittances **help in stimulating economic development in recipient countries**, but this can also make such countries over-reliant on them.

### What is Outward Remittance?

- Outward remittance is **a transfer of funds in the form of foreign exchange by a person from India, to a beneficiary outside India** (except for Nepal and Bhutan) for any bonafide

purposes as permissible under [Foreign Exchange Management Act \(FEMA\), 1999](#).

## What is the Outward Remittance Trend?

- **Total Outward Remittances:**
  - The total outward remittances **were at an all-time high in FY22 as it made a strong comeback from the previous year's tepid show** because of the Disruptions led by Covid-19.
  - The comeback has been supported by **Indian's spending more on international travel and overseas education.**
- **Segments of Outward Remittances:**
  - **International Travel:** In FY22, **international travel picked up**, resulting in India's spending USD 6.91 billion on travel, which is more than double that was spent on travel in FY21.
    - In FY20, however, spends on travel by Indians was also almost \$6.95 billion.
  - **Overseas education:** Overseas education is important segment that has seen healthy growth in FY22 as Indians remitted over USD 5.17 billion in the year.
    - This showed an increase of 35% from FY21, where Indians had remitted USD 3.83 billion.
    - In FY20, remittances for overseas education were nearly USD 5 billion.
  - **Gifts:** Indians **remitted USD 2.34 billion as gifts in FY22**, up 47.28% over FY21.
    - In FY20, Indians remitted about USD 1.91 billion as gifts under the LRS scheme.
- **Investments in overseas Equity and Debt:**
  - Investments in overseas equity and debt by Indians also shot up to USD 746.5 million in FY22 as against USD 471.80 million in the previous year.

## What is the Liberalised Remittance Scheme?

- This is the scheme of the [Reserve Bank of India](#), introduced in the year 2004.
- Under the scheme, **all resident individuals, including minors, are allowed to freely remit up to USD 2,50,000 per financial year (April - March)** for any permissible [current or capital account transaction](#) or a combination of both.
- The Scheme is **not available to corporations, partnership firms, Hindu Undivided Family (HUF), Trusts** etc.
- Though there are **no restrictions on the frequency of remittances under LRS, once a remittance is made** for an amount up to USD 2,50,000 during the financial year, a resident individual would not be eligible to make any further remittances under this scheme.

## What are Current and Capital Account Transactions?

- **Current Account Transactions:** All transactions undertaken by a resident that do not alter his/her assets or liabilities, including contingent liabilities, outside India are current account transactions.
  - **Example:** payment in connection with foreign trade, expenses in connection with foreign travel, education etc.
- **Capital Account Transactions:** It includes those transactions which are undertaken by a resident of India such that his/her assets or liabilities outside India are altered (either increased or decreased).
  - **Example:** investment in foreign securities, acquisition of immovable property outside India etc.

**Q. Which of the following constitute Capital Account? (2013)**

1. Foreign Loans
2. Foreign Direct Investment
3. Private Remittances
4. Portfolio Investment

**Select the correct answer using the codes given below:**

- (a) 1, 2 and 3  
(b) 1, 2 and 4  
(c) 2, 3 and 4  
(d) 1, 3 and 4

**Ans: (b)**

**Exp:**

- Capital Account is one of two primary components of the balance of payments, the other being the Current Account. Whereas the Current Account reflects a nation's net income, the Capital Account reflects the net change in ownership of national assets.
- Capital Account includes:
  - Foreign Loans, **hence, 1 is correct.**
  - Foreign Direct Investment (FDI), **hence, 2 is correct.**
  - Portfolio Investment, **hence, 4 is correct.**
  - Other Investment,
  - Reserve Account.
- Private Remittances come under the Current Account. **Hence, 3 is not correct.**
- Therefore, option (b) is the correct answer

**Source: IE**

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