



## Fall in Money Remitted Abroad

---

 [drishtias.com/printpdf/fall-in-money-remitted-abroad](https://drishtias.com/printpdf/fall-in-money-remitted-abroad)

### Why in News

---

According to data released by the **Reserve Bank of India**, the amount of money Indians send abroad has witnessed a **61% decline** under the **Liberalised Remittance Scheme (LRS)** as **Covid-19** and the **lockdown** cripple the global economy and ground international travel.

### Key Points

---

- In April 2020, Indians remitted **\$499.14 million** under the Liberalised Remittance Scheme (LRS) — a **61% decline from \$1,287.91 million** in the same month last year.
  - The monthly outward flow in April 2020 is **lowest since February 2016** when it was **\$449.28 million**.
  - Substantial decline has been recorded in money sent for purchase of immovable property abroad; investment in equity/debt; deposit; gift; medical treatment; and other categories during April 2020.
- **A Triple Whammy Effect:**
  - This dip **reflects economic distress, lockdown at home and curbs on overseas travel**.
  - Earlier, Resident Indians have remitted a **record \$18,750 million** under LRS in the financial year ended March 31, 2020.

Despite the outflows reaching a record level during last financial year, March, 2020 saw a dip — \$1,358.82 million — against \$1,476.82 million in the corresponding month of 2019.
- **Money sent for Travel Purposes:** The sharpest decline — 71.81% — has been recorded in money sent for travel purposes which came down to \$121.13 million in April this year from \$429.75 million a year ago.

This is significant **as an estimated 2 million Indian nationals** travel overseas every month.

- **Money Sent for Studies Abroad:** This has also seen a sharp decline of 68.85% — \$78.76 million in April this year from \$252.84 million in the corresponding month last year.

Over **7 lakh Indian students pursued studies** in foreign institutions in 2018.

- **Maintenance of Close Relatives:** The category, which contributes the highest amount to total outward remittances under LRS has recorded a decline of 50%— \$148.25 million in April this year from \$296.14 million last year.
- **Deposit and Investment in Equity/Debt:** These categories have recorded lesser decline i.e. **of 29.91%**.
- **Donations:** The only **exception** (stands neutral in terms of decline or increase) **to other sources of remittances is “donations” e.g. for charity or social service**, which contribute a **negligible amount** to the total outflows.
- **Gift and Medical Treatment:** While the category “Gift” has recorded a 66% decline in outward remittances, “medical treatment” has seen a decline of 45.85% in April 2020.
- **Overall Impact:**
  - Significantly, the cut in expenses on education, medical treatment and maintenance of relatives may endure beyond the travel ban and Covid due to financial strain.
  - Investment in shares and debt instruments used to buy immovable properties in overseas markets may decline.
  - Opening of foreign currency accounts with banks outside India may also get reduced.
  - In nutshell it would affect the **currency reserve** of the country as an Indian resident needs to buy dollars using the Indian rupees (INR) from an authorised dealer (the bank) in India.

## 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.
- **Not Eligible:** The Scheme is not available to **corporations, partnership firms, Hindu Undivided Family (HUF), Trusts** etc.
- **Remitted Money can be used for:**
  - Expenses **related to travelling (private or for business), medical treatment, study, gifts and donations, maintenance of close relatives** and so on.
  - Investment in shares, debt instruments, and buy immovable properties in the overseas market.
  - Individuals can also open, maintain and hold foreign currency accounts with banks outside India for carrying out transactions permitted under the scheme.

- **Prohibited Transactions:**
  - Any purpose specifically prohibited under Schedule-I (like the purchase of lottery tickets, proscribed magazines, etc.) or any item restricted under Schedule II of **Foreign Exchange Management (Current Account Transactions) Rules, 2000**.
  - Trading in foreign exchange abroad.
  - Capital account remittances, directly or indirectly, to countries identified by the **Financial Action Task Force (FATF)** as “non- cooperative countries and territories”, from time to time.
  - Remittances directly or indirectly to those individuals and entities identified as posing a significant risk of committing acts of terrorism as advised separately by the Reserve Bank to the banks.
- **Requirements:** It is mandatory for the resident individual to provide his/her **Permanent Account Number (PAN)** for all transactions under LRS made through Authorized Persons.

**Source: IE**