Resident Indians remit record $18.75 bn in FY20; travel, education LRS dominate

**Liberalised remittance scheme (LRS)**

Under the **RBI’s liberalised remittance scheme**, resident individuals **are allowed to remit up to $250,000** in a financial year under various heads including current account transactions such as going overseas on employment, studies overseas, emigration, maintenance of close relatives, medical treatment among others.

The residents can also transfer money for capital account transactions under LRS including opening of foreign currency account overseas with a bank, purchase of property and making investments in units of mutual funds, venture capital funds among others.

**LRS restricts buying and selling of foreign exchange abroad**, or purchase of lottery tickets or sweep stakes, proscribed magazines and so on, or any items that are restricted under **Schedule II of Foreign Exchange Management (Current Account Transactions) Rules, 2000**.

You also can’t make remittances directly or indirectly to countries identified by the **Financial Action Task Force** as “non co-operative countries and territories”.

The remittance in FY20 takes the total over the past six years to $58 billion.

According to data released by the RBI, the **remittance in FY20 jumped 36 per cent** over the previous high of $13.78 billion remitted in FY19.

Sources in the banking industry say while study-related remittance has been growing.

It is important to note that as **domestic consumption, private investment** continued to witness slowdown in FY19 and FY20 after the **IL&FS crisis** in September 2018, which resulted in a liquidity crisis for NBFCs and credit availability in the economy, the **outward remittance by resident Indians** continued to rise at a fast pace.

**Remittance under the LRS scheme** has been rising exponentially over the last six year and the **outflow in FY20 was 17 times of what it was in FY14**.

While it amounted to $1.3 billion in FY15, it jumped to $4.6 billion in FY16. In FY19 resident Indians sent $13.78 billion under the scheme.
A look into the LRS data for the FY20 shows that while travel accounted for $6.94 billion worth of remittance, those for the purpose of study amounted to $4.99 billion. The other two major heads were maintenance of close relatives ($3.4 billion) and gift ($1.9 billion).

A closer look at the data released for the month of March 2020 shows that month saw the lowest overall monthly remittance under the LRS scheme in at least 12-months as it amounted to $1.35 billion. The previous low was in April 2019 when Indians remitted a total of $1.28 billion. In February 2020, resident Indian remitted $1.68 billion.

Despite a dip in March, the financial year 2019-20 ended with record outflows of $18.75 billion, taking the aggregate over the last six-years at $58 billion.

By comparison, over the last six financial years, the foreign portfolio investors accounted for net inflow of $64.8 billion — 12 per cent higher than the LRS outflows.