

# FY22: As Covid curbs ease, outward remittances up 55% to all-time high

Total outward remittances under the Reserve Bank of India's (RBI) Liberalised Remittance Scheme (LRS), shot up to an all-time high of \$19.610 billion in the year ended March 2022 as against \$12.684 billion in March 2021, as per latest RBI data.



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Foreign exchange, including the US dollar and euro, taken out of the country by resident Indians has shot up by 54.60 per cent during the fiscal ended March 2022 as countries opened up and flight services resumed after the Covid-19 pandemic restricted the movement of resident Indians in the previous year.

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as against \$12.684 billion in March 2021, as per latest RBI data. Remittances in FY22 have overtaken the figure of \$18.75 billion recorded in 2019-20 before the pandemic ravaged the globe.

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Under the travel category, the forex outgo more than doubled to \$6.909 billion in 2021-22 as against \$3.239 billion in the previous year. The rise was mainly due to the lifting of travel restrictions after the pandemic subsided in the last a few months, leading to resumption of flight services to most countries and removal of visa curbs by nations.

Remittances for studies abroad increased to \$5.165 billion from \$3.836 billion the previous year as foreign universities restarted offline classes and students started getting visa for studies. Investments in overseas equity and debt by Indians also shot up to \$746.5 million in FY22 as against \$471.80 million in the previous year. Remittances as gift rose to \$2.336 billion from \$1.586 billion a year ago.

The RBI has been increasing the limit for remittances following the rise in foreign exchange reserves. In February 2015, with foreign exchange reserves touching record levels, RBI doubled the annual overseas investment ceiling for individuals to \$250,000 under the LRS.

In the wake of the worsening current account deficit and a volatile rupee, the RBI had in August 2013 reduced the ceiling from \$200,000 to \$75,000 per person in a year under the LRS.

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Consequently, with improvement in the forex situation, it was raised to \$1,25,000 in June 2014. The LRS allows residents to acquire and hold shares, debt instruments or other assets outside India without prior approval of the RBI. Under the LRS, all resident individuals, including minors, are allowed to freely remit up to \$250,000 per financial year (April-March) for any permissible current or capital account transaction or a combination of both. The scheme was introduced on February 4, 2004, with a limit of \$25,000.

The LRS limit was revised in stages consistent with prevailing macro and micro economic conditions.

Many banks allow international remittance up to \$25,000 online, without having to visit the branch. Investing in the US stock market has seen increasing interest from retail investors in recent times because of the high returns.

As per the Finance Act, 2020, tax collected at source (TCS) at 5 per cent is applicable on aggregate forex transactions under LRS exceeding Rs 7 lakh in a financial year.

Meanwhile, foreign exchange reserves declined by \$2.69 billion to \$597.72 billion during the week ended April 29. With this fall, forex reserves have fallen \$44.73 billion from \$642.45 billion recorded on September 3, 2021, according to RBI data.