

This metadata describes the compilation practices, sources and methodology in use in 2003. Please refer to the contact person below for details of any changes that may have been introduced by the country since that time.

India:

Direct Investment Compilation Practices, Data Sources and Methodology

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Direct Investment in India

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

Direct Investment Abroad

- **Balance of Payments (“Transactions Data”)**
- **International Investment Position (“Position Data”)**

DIRECT INVESTMENT IN INDIA

BALANCE OF PAYMENTS (“INWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Reserve Bank of India (RBI) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. The data for reinvested earnings and the two components of direct investment financial flows are disseminated with a timeliness of 3 months after the end of the reference period on the RBI website <http://www.rbi.org.in>. The data are also reported to the IMF for publication. (Prior to the data for 2000, the data for reinvested earnings were included indistinguishably under the data on equity capital, and the data on other capital were included indistinguishably under the data on Other Investment in the balance of payments statistics that were disseminated in the national publications and reported to the IMF for publication.) The data for the remaining two components of direct investment income, namely dividends and distributed branch profits, and income on debt (interest), are not disseminated and instead are included indistinguishably under the data for total Investment Income in the balance of payments statistics that are disseminated in the national publications and reported to the IMF for publication.

More comprehensive annual (fiscal year, April 1 to March 31) data are compiled by the RBI on reinvested earnings. These data are disseminated with a timeliness of 3 months after the end of the reference year on the RBI website <http://www.rbi.org.in> and are also reported to the IMF for publication.

Revision Practices

Under India's *Revision Policy for Balance of Payments* the data are published as “preliminary”, “partially revised” and “revised”. The data are preliminary when first released. “Partially revised” data are revised each quarter to take account of updated source data and disseminated quarterly, six months, nine months, and twelve months after the end of the reference period, together with the preliminary data for the latest quarter. “Partial revisions” of the annual data are carried out with a lag of 18 months after the end of the reference year. Final revisions are incorporated into the “revised data”, which are released with a timeliness of 24 months after the end of the reference period. At this time the quarterly and annual data are considered to be final, that is, 21 months after their first release. Extraordinary revisions may also be undertaken within this revision cycle in the event of major changes in methodology or data sources or collection systems.

The “preliminary” partially revised” and “revised” status of the data is clearly identified in the disseminated data. The general public are informed of the reasons for major revisions. Depending on the availability of resources, the historical data are revised in instances of major changes in methodology or data collection systems, as far back as practical.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

Data Collection Method

The quarterly data are collected on an individual transactions basis (an international transactions reporting system [ITRS] and information from the exchange control authorities). The annual data for reinvested earnings are collected on an aggregate basis (an annual enterprise survey). The reporting requirements are compulsory for the ITRS but voluntary for the annual enterprise survey.

Data Sources

The quarterly data for all components except reinvested earnings are compiled from (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, and (ii) information obtained from the exchange control authorities. Information on noncash transactions are used as a secondary data source for the data on equity capital. The quarterly data on reinvested earnings are estimates, based on the annual data divided into four equal parts.

The more comprehensive annual data on reinvested earnings are compiled from (i) an annual enterprise survey of resident enterprises, and (ii) company accounts of resident enterprises.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is not used to compile the inward direct investment transactions data.

Geographic Classification

Annual (fiscal year) data showing breakdowns by country for the direct investment financial flows data are compiled by the RBI and disseminated once a year with a timeliness of 5 months after the end of the reference period on the RBI website (<http://www.rbi.org.in>). The data cover 11 countries and bilateral data are not used in the compilation of the data. Data showing breakdowns by country are not compiled for the direct investment income data.

The debtor/creditor principle is used as the basis for the geographic allocation of the data. The five countries with the largest amount of direct investment financial flows into India during the 2002/2003 fiscal year ending March 31 2003 (ranked in descending order) were: Mauritius, the United States, the United Kingdom, Germany, and the Netherlands.

Data showing breakdowns by regions/economic zones are not compiled for either the direct investment income data or the direct investment financial flows data.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing geographic breakdowns disseminated in the national publications and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

Industrial Classification

Annual (fiscal year) data showing breakdowns by industrial activity for direct investment financial flows are compiled by the RBI and are disseminated with a timeliness of 5 months after the end of the reference period on the RBI website (<http://www.rbi.org.in>). The data show a breakdown for 9 industrial activities. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC). Data showing breakdowns by industrial activity are not compiled for the direct investment income data.

The data on direct investment financial flows are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment financial flows into India during the fiscal year 2002/2003 ending March 31, 2003 (in descending order) were: (i) services, (ii) computers, (iii) engineering, (iv) electronics and electrical equipment, and (v) finance.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled for either the direct investment income data or the direct investment financial flows data.

There are no differences in the data coverage, sources, etc. between the inward transactions data showing industrial activity breakdowns disseminated in the national publications and the aggregate inward data on direct investment financial flows reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in India

In accordance with the international standards, the basic criterion for defining direct investment enterprises in India is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in India are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the “Current Operating Performance Concept” (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) interest receivable/payable is included, and (iii) debt repayments receivable/payable are excluded. Contrary to the COPC, realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are not excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

No separately identifiable data on income on equity (dividends and distributed branch profits) are disseminated. Instead these data are included indistinguishably under the data for total Investment Income in the balance of payments statistics. The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits for incorporated enterprises are recorded on the date they are declared payable, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) dividends and distributed branch profits for unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable, and (ii) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated

financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

No separately identifiable data on income on debt (interest) are disseminated. Instead these data are included indistinguishably under the data for total Investment Income in the balance of payments statistics. The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking activities between affiliated banks. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data are recorded on a paid basis, rather than an accrual basis, and (ii) the data include interest on claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover (i) participating preference [preferred] shares, and (ii) other non-voting stocks (shares). In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, (v) financial leases, and (vi) non-participating preference shares. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

In instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Direct Investment in India: Other Capital: Increase in Liabilities to Direct Investors" at the time the periodic payments are made.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in most instances.

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises". However, contrary to the international standards, loan transactions are recorded as "Direct Investment In India: Other Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in India: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in India: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in India by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Contrary to the international standards, the direct investment data do not include the activities of offshore enterprises established in India by nonresidents, as these activities cannot be identified from the present data sources..

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, the direct investment data do not include the activities of SPEs established in India by nonresidents, as these activities cannot be identified from the present data sources.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings in India by nonresident enterprises and nonresident individuals, as these transactions cannot be identified from the present data sources. Land and buildings purchased in India by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) expenditure related to natural resources exploration in India by nonresidents is not included in the equity capital data, and (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established in India by nonresidents for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions are converted to the unit of account at the average exchange rate for the period.

DIRECT INVESTMENT IN INDIA

INTERNATIONAL INVESTMENT POSITION LIABILITIES (“INWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (fiscal year, April 1 to March 31) data are compiled by the Reserve Bank of India (RBI) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 6 months after the end of the reference period on the RBI website <http://www.rbi.org.in>. The data are also reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The data for the previous two years are revised once a year to take account of information obtained from a more comprehensive survey and are disseminated once a year together with the preliminary data for the latest year. At this time the data are considered to be final, that is, 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data. The general public are informed of the reasons for major revisions. Depending on the availability of resources, the historical data are revised in instances of major changes in methodology or data collection systems, as far back as practical.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

Data Collection Method

The data are collected using a mixture of an individual transactions basis (an international transactions recording system [ITRS] and information from exchange control authorities) and an aggregate basis (an annual enterprise survey). The reporting requirements are compulsory for the ITRS and voluntary for the annual enterprise survey.

Data Sources

The data for equity capital and other capital are compiled from (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, and (ii) company accounts of resident enterprises. Information obtained from the exchange control authorities is used as an additional primary data source for the data on equity capital. The data on reinvested earnings are compiled from an annual enterprise survey of resident enterprises. The perpetual inventory method (a method for deriving position data from transactions data) is used in the compilation of the data for equity capital and other capital, with adjustments made for exchange rate changes, but not for price changes, or other nontransaction changes.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is not used to compile the inward direct investment position data.

Geographic Classification

Annual (fiscal year) data showing breakdowns by country for the inward direct investment position data are compiled by the RBI. These data are not disseminated, but are available on request with a timeliness of 12 months after the end of the reference period. The data cover 15 countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country”: basis. The five countries with the largest amount of direct investment in India as at the end of the 2002/2003 fiscal year, that is, as at March 31, 2003 (ranked in descending order) were: (i) Mauritius, (ii) Singapore, (iii) Hong Kong SAR, (iv) the United States, and (v) Japan.

Data showing breakdowns by regions/economic zones are not compiled.

There are no differences in the data coverage, sources, etc. between the inward position data showing geographic breakdowns that are made available on request and the aggregate inward position data reported to the IMF for publication.

Industrial Classification

Annual (fiscal year) data showing breakdowns by industrial activity for inward direct investment position data are compiled by the RBI. These data are not disseminated, but are available on request with a timeliness of 12 months after the end of the reference period. The data show a breakdown for 9 industrial activities. The classification used broadly corresponds to the nine major divisions of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

The inward position data are classified on the basis of the industrial activity of the resident direct investment enterprises. The five industrial activities with the largest amount of direct investment in India as at the end of the fiscal year 2002/2003, that is, as at March 31, 2003 (in descending order) were: (i) transport, storage and communications, (ii) motor vehicles and other transport equipment, (iii) finance, (iv) food, beverages and tobacco, and (v) chemicals and chemical products.

Data showing breakdowns by (i) industrial activity and main partner country, and (ii) industrial activity and region/economic zone, are not compiled for the inward direct investment position data.

There are no differences in the data coverage, sources, etc. between the inward position data showing industrial activity breakdowns that are made available on request and the aggregate inward position data reported to the IMF for publication.

B. Methodology

Definition of Direct Investment Enterprises in India

In accordance with the international standards, the basic criterion for defining direct investment enterprises in India is 10 percent ownership by a nonresident investor, regardless of whether the investor has an effective voice in management—that is, enterprises in which the nonresident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises in which the nonresident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual nonresident investor or group of related nonresident investors, rather than being calculated by combining the holdings of all nonresident investors in a specific enterprise or from a specific country. No value threshold is used to identify resident direct investment enterprises, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of all indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related

group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in India are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (ii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data do not include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings, and (ii) the data do not include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment in India.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being "loan capital representing a permanent interest".)

In instances when a loan/debt guarantee provided by a direct investor or related direct investment enterprise is invoked following default by a direct investment enterprise, the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Liabilities: Direct Investment in India: Other Capital: Liabilities to Direct Investors" at the time the periodic payments are made.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in most instances.

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment In India: Other Capital: Claims on Direct Investors", rather than as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as “Assets: Portfolio Investment: Equity Securities”, rather than as “Liabilities: Direct Investment in India: Equity Capital: Claims on Direct Investors”, and loan positions are recorded as “Assets: Other Investment: Loans”, rather than as “Liabilities: Direct Investment in India: Other Capital: Claims on Direct Investors”.

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation in India by nonresidents of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Contrary to the international standards, the direct investment data do not include the activities of offshore enterprises established in India by nonresidents, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, the direct investment data do not include the activities of SPEs established in India by nonresidents, as these activities cannot be identified from the present data sources.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include ownership of land and buildings in India by nonresident enterprises and nonresident individuals, as these positions cannot be identified from the present data sources. Land and buildings owned in India by nonresident enterprises and nonresident individuals on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) expenditure related to natural resources exploration in India by nonresidents is not included in the equity capital data, (ii) expenditure on bonus payments made by nonresidents to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established in India by nonresidents for natural resource exploration, an adjustment to reflect that shutdown is not made to the liabilities data on direct investment equity capital in the international investment position statistics, as this information is not available from the present data sources.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded primarily at book values, which are the values shown in the balance sheets of the individual enterprises as being the equity capital held by the direct investors, plus (i) the direct investors' share of reserves, and (ii) the surplus of the direct investment enterprise. However, some equity capital data for listed enterprises are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are the values shown in the accounting records of the individual enterprises.

The data on other capital are recorded primarily at book values, which are the values shown in the accounting records of the individual enterprises. However, some other capital data are recorded at market values.

The book values used are those shown in the accounting records of the resident direct investment enterprises, rather than the nonresident direct investors.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.

DIRECT INVESTMENT ABROAD

BALANCE OF PAYMENTS (“OUTWARD TRANSACTIONS”) DATA

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable quarterly data are compiled by the Reserve Bank of India (RBI) within the balance of payments framework on (a) the components of direct investment income: (i) income on equity (dividends and distributed branch profits), (ii) reinvested earnings, and (iii) income on debt (interest), and (b) the components of direct investment financial flows: (i) equity capital, and (ii) other capital. The data for reinvested earnings and the two components of direct investment financial flows are disseminated with a timeliness of 3 months after the end of the reference period on the RBI website <http://www.rbi.org.in>. The data are also reported to the IMF for publication. (Prior to the data for 2000, the data for reinvested earnings were included indistinguishably under the data on equity capital, and the data on other capital were included indistinguishably under the data on Other Investment in the balance of payments statistics that were disseminated in the national publications and reported to the IMF for publication.) The data for the remaining two components of direct investment income, namely dividends and distributed branch profits, and income on debt (interest), are not disseminated and instead are included indistinguishably under the data for total Investment Income in the balance of payments statistics that are disseminated in the national publications and reported to the IMF for publication.

More comprehensive annual (fiscal year, April 1 to March 31) data are compiled by the RBI on reinvested earnings. These data are disseminated with a timeliness of 3 months after the end of the reference year on the RBI website <http://www.rbi.org.in> and are also reported to the IMF for publication.

Revision Practices

Under India's *Revision Policy for Balance of Payments* the data are published as “preliminary”, “partially revised”, and “revised”. The data are preliminary when first released. “Partially revised” data are revised each quarter to take account of updated source data and disseminated quarterly, six months, nine months, and twelve months after the end of the reference period, together with the preliminary data for the latest quarter. “Partial revisions” of the annual data are carried out with a lag of 18 months after the end of the reference year. Final revisions are incorporated into the “revised data”, which are released with a timeliness of 24 months after the end of the reference period. At this time the quarterly and annual data are considered to be final, that is, 21 months after their first release. Extraordinary revisions may also be undertaken within this revision cycle in the event of major changes in methodology or data sources or collection systems.

The “preliminary”, “partially revised”, and “revised” status of the data is clearly identified in the disseminated data. The general public are informed of the reasons for major revisions. Depending on the availability of resources, the historical data are revised in instances of major changes in methodology or data collection systems, as far back as practical.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

Data Collection Method

The quarterly data are collected on an individual transactions basis (an international transactions reporting system [ITRS] and information from the exchange control authorities). The annual data for reinvested earnings are collected on an aggregate basis (an annual enterprise survey). The reporting requirements are compulsory for the ITRS but voluntary for the annual enterprise survey.

Data Sources

The quarterly data for all components except reinvested earnings are compiled from (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, and (ii) information obtained from the exchange control authorities. Information on noncash transactions are used as a secondary data source for the data on equity capital. The quarterly data on reinvested earnings are estimates, based on the annual data divided into four equal parts.

The more comprehensive annual data on reinvested earnings are compiled from (i) an annual enterprise survey of resident direct investors, and (ii) company accounts of resident direct investors.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is not used to compile the outward direct investment transactions data.

Geographic Classification

Not applicable. Data showing geographic breakdowns are not compiled for the direct investment income data or the direct investment financial flows data.

Industrial Classification

Not applicable. Data showing industrial activity breakdowns are not compiled for the direct investment income data or the direct investment financial flows data.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, (i) the direct investment earnings data do not include the relevant share of all indirectly-owned direct investment enterprises, and (ii) the direct investment financial flows data do not include all equity and other capital transactions made directly between resident enterprises of a related group as defined in the FCS and nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in India are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Measurement of Direct Investment Earnings

Contrary to the international standards, the "Current Operating Performance Concept" (COPC) is not fully used to calculate direct investment earnings. In accordance with the COPC, (i) deductions are made for depreciation of capital, and for provisions for host-country income and corporation taxes, (ii) interest receivable/payable is included, and (iii) debt repayments receivable/payable are excluded. Contrary to the COPC, realized and unrealized capital gains and losses, write-offs, and realized and unrealized exchange rate gains and losses are not excluded.

Treatment of Income on Equity (Dividends and Distributed Branch Profits)

No separately identifiable data on income on equity (dividends and distributed branch profits) are disseminated. Instead these data are included indistinguishably under the data for total Investment Income in the balance of payments statistics. The data on dividends and distributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) dividends and distributed branch profits for incorporated enterprises are recorded on the date they are declared payable, (ii) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) dividends and distributed branch profits for unincorporated enterprises are recorded on the date they are paid, rather than the date they are declared payable, and (ii) dividends and distributed branch profits for both incorporated and unincorporated enterprises are recorded net, rather than gross, of any withholding taxes.

Treatment of Reinvested Earnings and Undistributed Branch Profits

The data on reinvested earnings and undistributed branch profits cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, (ii) the data include reinvested earnings and undistributed branch profits between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings.

Treatment of Income on Debt (Interest)

No separately identifiable data on income on debt (interest) are disseminated. Instead these data are included indistinguishably under the data for total Investment Income in the balance of payments statistics. The data on income on debt (interest) cover both incorporated enterprises and unincorporated enterprises and include interest on (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data do not include (i) interest on financial derivatives, and (ii) interest on deposits, loans, and other claims and liabilities related to usual banking activities between affiliated banks. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) the data are recorded on a paid basis, rather than an accrual basis, and (ii) the data include interest on claims and liabilities related to usual financial intermediation activities between affiliated financial intermediaries.

Treatment of Equity Capital

The equity capital transactions data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), and (iii) noncash acquisitions of equity, such as through the provision of capital equipment. The data do not cover (i) participating preference [preferred] shares, and (ii) other non-voting stocks (shares). In accordance with the international standards, (i) the data include equity transactions between affiliated banks and between affiliated financial intermediaries, (ii) the data include equity transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for

a group of related enterprises, and (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks.

Treatment of Other Capital

The other capital transactions data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, (v) financial leases, and (vi) non-participating preference shares. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) transactions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include transactions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, the data do not include transactions associated with permanent debt between affiliated banks and between affiliated financial intermediaries.

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises" at the time the periodic payments are made.

Treatment of Reverse Investment

Transactions involving reverse investment are not treated in accordance with the international standards in most instances.

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity transactions are recorded as "Direct Investment Abroad: Equity Capital: Increase in Claims on Affiliated Enterprises". However, contrary to the international standards, loan transactions are recorded as "Direct Investment In India: Other Capital: Increase in Claims on Direct Investors", rather than as "Direct Investment Abroad: Other Capital: Increase in Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity transactions are recorded as "Portfolio Investment: Increase in Assets: Equity Securities", rather than as "Direct Investment in India: Equity Capital: Increase in Claims on Direct Investors", and loan transactions are recorded as "Other Investment: Increase in Assets: Loans", rather than as "Direct Investment in India: Other Capital: Increase in Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of India of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Contrary to the international standards, the direct investment data do not include the activities of offshore enterprises established abroad by residents of India, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, the direct investment data do not include the activities of SPEs established abroad by residents of India, as these activities cannot be identified from the present data sources.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include purchases and sales of land and buildings abroad by enterprises and individuals resident in India, as these transactions cannot be identified from the present data sources. Land and buildings purchased abroad by enterprises and individuals resident in India on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) expenditure related to natural resources exploration abroad by residents of India is not included in the equity capital data, and (ii) expenditure on bonus payments made by residents of India to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, as this information is not available from the present data sources. In accordance with the international standards, in instances of the shutdown of a direct investment enterprise established abroad by residents of India for natural resource exploration, no transactions are shown in the balance of payments statistics.

Exchange Rate Conversion

All transactions are converted to the unit of account at the average exchange rate for the period.

DIRECT INVESTMENT ABROAD

INTERNATIONAL INVESTMENT POSITION ASSETS (“OUTWARD POSITION DATA”)

A. Compilation Practices and Data Sources

Data Availability

Separately identifiable annual (fiscal year, April 1 to March 31) data are compiled by the Reserve Bank of India (RBI) within the international investment position (IIP) framework on (a) equity capital and reinvested earnings, and (b) other capital, and are disseminated with a timeliness of 6 months after the end of the reference period on the RBI website <http://www.rbi.org.in>. The data are also reported to the IMF for publication.

Revision Practices

The data are preliminary when first released. The data for the previous two years are revised once a year to take account of information obtained from a more comprehensive survey and are disseminated once a year together with the preliminary data for the latest year. At this time the data are considered to be final, that is, 24 months after their first release.

The revised status of the data is clearly identified in the disseminated data. The general public are informed of the reasons for major revisions. Depending on the availability of resources, the historical data are revised in instances of major changes in methodology or data collection systems, as far back as practical.

There are no differences in the revision practices between the data disseminated in the national publications and those reported to the IMF for publication.

Data Coverage

No major sectors of the economy or elements within those economic sectors are excluded from the data.

There are no differences in the sectoral coverage between the data disseminated in the national publications and those reported to the IMF for publication.

Data Collection Method

The quarterly data are collected on an individual transactions basis (an international transactions reporting system [ITRS] and information from the exchange control authorities). The annual data for reinvested earnings are collected on an aggregate basis (an annual enterprise survey). The reporting requirements are compulsory for the ITRS but voluntary for the annual enterprise survey.

Data Sources

The data for equity capital and other capital are compiled from (i) an international transactions reporting system (ITRS), which covers cash transactions made through the domestic banking system, but not cash transactions made through the foreign bank accounts of enterprises, or noncash transactions, and (ii) company accounts of resident direct investors. Information obtained from the exchange control authorities is used as an additional primary data source for the data on equity capital. The data on reinvested earnings are compiled from an annual enterprise survey of resident enterprises. The perpetual inventory method (a method for deriving position data from transactions data) is used in the compilation of the data on equity capital and other capital, with adjustments made for exchange rate changes, but not for price changes, or other nontransaction changes.

There are no differences in the data sources between the data disseminated in the national publications and those reported to the IMF for publication.

A business register of enterprises involved in direct investment is not used to compile the outward direct investment position data.

Geographic Classification

Annual (fiscal year) data showing breakdowns by country for the outward direct investment position data are compiled by the RBI. These data are not disseminated, but are available on request with a timeliness of 12 months after the end of the reference period. The data cover 11 countries and bilateral data are not used in the compilation of the data.

In accordance with the international standards, the data are compiled on an “immediate country”: basis. The five countries with the largest amount of direct investment from India as at the end of the 2002/2003 fiscal year, that is, as at March 31, 2003 (ranked in descending order) were: (i) the United States, (ii) Brazil, (iii) Hong Kong SAR, (iv) Mauritius, and (v) Russia.

Data showing breakdowns by regions/economic zones are not compiled.

There are no differences in the data coverage, sources, etc. between the outward position data showing geographic breakdowns that are made available on request and the aggregate outward position data reported to the IMF for publication.

Industrial Classification

Not applicable. Data showing breakdowns by industrial activity are not compiled for the outward position data.

B. Methodology

Definition of Direct Investors

In accordance with the international standards, the basic criterion for defining resident direct investors is 10 percent ownership by a resident investor of an enterprise abroad, regardless of whether the investor has an effective voice in management—that is, enterprises abroad in which the resident direct investor owns 10 percent or more but does not have an effective voice in management are included, while enterprises abroad in which the resident investor owns less than 10 percent but has an effective voice in management are not included. In accordance with the international standards, the 10 percent ownership is based on the ownership of each individual resident investor or group of related resident investors, rather than being calculated by combining the holdings of all resident investors in a specific enterprise abroad or in a specific country abroad. No value threshold is used to identify resident direct investors, and unincorporated enterprises are not treated differently from incorporated enterprises.

Treatment of Indirectly Owned Direct Investment Enterprises

The “Fully Consolidated System” (FCS) recommended in the international standards is not applied. Specifically, the data do not include (i) the relevant share of the reinvested earnings of all indirectly-owned direct investment enterprises, and (ii) all equity capital and other capital positions held directly by resident enterprises of a related group as defined in the FCS with nonresident enterprises of the same group, without consideration of the percentage of equity directly held by these direct investors or enterprises in each other, and including those enterprises that share a common direct investor but have no ownership in each other.

Enterprises in India are not required by law to (i) produce consolidated accounts covering their subsidiaries and associate companies, both foreign and domestic, or (ii) identify all transactions with the parent company.

Treatment of Equity Capital and Reinvested Earnings

The equity capital position data cover (i) listed voting stocks (shares), (ii) unlisted voting stocks (shares), (iii) participating preference [preferred] shares, (iv) other non-voting stocks (shares), and (v) noncash acquisitions of equity, such as through the provision of capital equipment. In accordance with the international standards, (i) the data include equity positions between affiliated banks and between affiliated financial intermediaries, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks. Contrary to the international standards,

the data do not include equity positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises.

The reinvested earnings data cover both incorporated enterprises and unincorporated enterprises. In accordance with the international standards, (i) the reinvested earnings and undistributed branch profits are recorded in the period in which they are earned, and (ii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and other affiliated financial intermediaries and affiliated banks. Contrary to the international standards, (i) when a direct investment enterprise makes a net loss, that net loss is not recorded as negative reinvested earnings, and (ii) the data do not include reinvested earnings between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises. (See also the section on the *Measurement of Direct Investment Earnings* in the metadata on the Balance of Payments [transactions] data on Direct Investment Abroad.)

Treatment of Other Capital

The other capital position data cover: (i) long-term loans, (ii) short-term loans, (iii) bonds and money market instruments, (iv) trade credits, and (v) financial leases. In accordance with the international standards, the data exclude (i) financial derivatives, (ii) loan/debt guarantees provided by direct investors or related direct investment enterprises, (iii) changes in insurance company technical reserves, and (iv) positions between affiliated banks and between affiliated financial intermediaries involving deposits, loans, and other claims and liabilities related to usual banking and financial intermediation activities. In accordance with the international standards, (i) the data include non-participating preference shares, (ii) the data include positions between nonfinancial direct investment enterprises and affiliated financial intermediaries, including SPEs primarily engaged in financial intermediation for a group of related enterprises, (iii) there are no differences between the treatment of affiliated financial auxiliaries (such as security dealers) and the treatment of other affiliated financial intermediaries and affiliated banks, and (iv) the data include positions associated with permanent debt between affiliated banks and between affiliated financial intermediaries. (Permanent debt is defined as being "loan capital representing a permanent interest".)

In instances when a loan/debt guarantee provided by a direct investor is invoked following default by a direct investment enterprise, the periodic payments of principal and interest made by the guarantor are treated as direct investment lending by the guarantor and recorded under "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises" at the time the periodic payments are made.

Treatment of Reverse Investment

Positions involving reverse investment are not treated in accordance with the international standards in most instances.

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns at least 10 percent of its nonresident direct investor, and has therefore established a direct investment relationship in its own right, in accordance with the international standards, equity positions are recorded as "Assets: Direct Investment Abroad: Equity Capital: Claims on Affiliated Enterprises". However, contrary to the international standards, loan positions are recorded as "Liabilities: Direct Investment In India: Other Capital: Claims on Direct Investors", rather than as "Assets: Direct Investment Abroad: Other Capital: Claims on Affiliated Enterprises".

Assuming that the direct investment enterprise is a resident of India and the direct investor is a nonresident, when the direct investment enterprise owns less than 10 percent of its nonresident direct investor, contrary to the international standards, equity positions are recorded as "Assets: Portfolio Investment: Equity Securities", rather than as "Liabilities: Direct Investment in India: Equity Capital: Claims on Direct Investors", and loan positions are recorded as "Assets: Other Investment: Loans", rather than as "Liabilities: Direct Investment in India: Other Capital: Claims on Direct Investors".

Treatment of Quasi-corporations

Contrary to the international standards, the direct investment data do not include the activities of quasi-corporations involving the operation abroad by residents of India of (i) construction enterprises, and (ii) mobile equipment, such as ships, aircraft, and drilling rigs.

Treatment of Offshore Enterprises

Contrary to the international standards, the direct investment data do not include the activities of offshore enterprises established abroad by residents of India, as these activities cannot be identified from the present data sources.

Treatment of Special Purpose Entities (SPEs)

Contrary to the international standards, the direct investment data do not include the activities of SPEs established abroad by residents of India, as these activities cannot be identified from the present data sources.

Treatment of Land and Buildings

Contrary to the international standards, the equity capital data do not include ownership of land and buildings abroad by enterprises and individuals resident in India, as these positions cannot be identified from the present data sources. Land and buildings owned abroad by enterprises and individuals resident in India on long-term leases are not included.

Treatment of Natural Resources Exploration

Contrary to the international standards, (i) expenditure related to natural resources exploration abroad by residents of India is not included in the equity capital data, (ii) expenditure on bonus payments made by residents of India to the host country for the right to undertake exploration for natural resources is not included in the equity capital data when there is a clear intention to establish a direct investment enterprise, and (iii) in instances of the shutdown of a direct investment enterprise established abroad by residents of India for natural resource exploration, an adjustment to reflect that shutdown is not made to the assets data on direct investment equity capital in the international investment position statistics, as this information is not available from the present data sources.

Valuation of Assets and Liabilities

The data on equity capital for listed enterprises are recorded primarily at book values, which are the values shown in the balance sheets of the individual enterprises as being the equity capital held by the direct investors, plus (i) the direct investors' share of reserves, and (ii) the surplus of the direct investment enterprise. However, some equity capital data for listed enterprises are recorded at market values. The data on equity capital for unlisted enterprises are recorded at book values, which are the values shown in the accounting records of the individual direct investor.

The data on other capital are recorded primarily at book values, which are the values shown in the accounting records of the individual direct investor. However, some other capital data are recorded at market values.

The book values used are those shown in the accounting records of the resident direct investors, rather than the nonresident direct investment enterprises.

Exchange Rate Conversion

All positions are converted to the unit of account at the exchange rate prevailing on the date to which the position data relate.