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EDITORIAL ANALYSIS

The Invisible Cushion: How Services and Remittances Steady India's Books

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THE LIFT LINE

India runs a large and persistent deficit in the trade of goods, importing far more merchandise than it exports. And yet, in the **January to March 2026 quarter**, the country reported a **current-account surplus of about USD 7.1 billion**. The explanation lies in what economists once dismissively called invisibles: **services exports** of roughly **USD 60.4 billion** and **remittances** of about **USD 41.3 billion**. India's external accounts are no longer steadied by what it ships in containers. They are steadied by what it sells over broadband and what its workers send home.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

The balance of payments, the external sector and the structure of India's trade are core GS3 topics that appear in both Prelims and Mains. A current-account surplus in a country famous for its goods-trade deficit is a striking, testable development that rewards a candidate who understands what the current account actually contains.

The wider significance is structural: the composition of India's external strength has shifted from goods to services and transfers, and this changes how resilient the economy is to trade shocks.

GS Paper 3: Indian economy and issues relating to mobilisation of resources; effects of liberalisation on the economy; the external sector, balance of payments and the current account.

For **Prelims**, hold the specifics: the **current account** of the **Balance of Payments (BoP)** records trade in **goods**, trade in **services**, **primary income** (investment income and compensation) and **secondary income** (chiefly **remittances**); the **capital account** records financial flows such as foreign investment, loans and banking capital; India reported a **current-account surplus of about USD 7.1 billion in Q4 FY26 (the January to March 2026 quarter)**; net **services exports** were about **USD 60.4 billion** and **remittances** about **USD 41.3 billion**; the **merchandise (goods) trade deficit** persisted; and India is the world's **largest recipient of remittances**.

For **Mains**, the argument to carry is that services exports and remittances have become India's balance-of-payments stabiliser, a genuine structural strength that policy should protect and deepen rather than take for granted.

BACKGROUND AND CONTEXT

The balance of payments is the ledger of a country's transactions with the rest of the world. Its two main parts are the current account and the capital account. The current account captures the flow of goods, services, income and transfers; the capital account captures flows of finance and investment. A current-account surplus means the country earns more from these current transactions than it spends, and a deficit means the reverse.

For most of its recent history India has run a current-account deficit, because its **merchandise trade deficit**, the gap between goods imports (crude oil, electronics, gold, machinery) and goods exports, is large. What has changed is the strength of the offsetting items. India's **services exports**, led by software, business services, consulting and global capability centres, have grown into a powerful surplus. Alongside them, **remittances** from the Indian diaspora, the money workers abroad send home, have made India the **world's largest recipient of such transfers**.

In the **January to March 2026 quarter (Q4 FY26)**, these two flows were strong enough to more than offset the goods deficit, producing a **current-account surplus of about USD 7.1 billion**. Net services exports of around **USD 60.4 billion** and remittances of about **USD 41.3 billion** did the heavy lifting. The surplus is a reminder that India's external position is anchored less by trade in things than by trade in skills and by the earnings of its people abroad.

THE CORE ARGUMENT / ISSUE

The central argument is that services and remittances, not merchandise, are now the stabiliser of India's external accounts, and that this invisible cushion is a structural strength the country should nurture deliberately rather than treat as a happy accident.

The Goods Deficit Is Structural, Not a Crisis

India will import crude oil, electronics and capital goods for the foreseeable future, so a merchandise trade deficit is a feature of a growing, energy-importing economy, not a failure. The relevant question is not whether the goods gap exists but whether it is comfortably financed. Increasingly, it is financed by invisibles.

Services Are India's Comparative Advantage

Software, consulting, research and the fast-growing global capability centres give India a services surplus that rivals the goods exports of many economies. This is a durable, high-value strength rooted in skills and language, and it is far less exposed to the commodity-price swings that batter goods trade.

Remittances Are Stable and Countercyclical

Remittances tend to hold up even when other flows wobble, and often rise when the home economy needs support. As the world's largest recipient, India enjoys a steady inflow that cushions the external accounts against shocks, functioning almost like an automatic stabiliser.

COMPONENT	NATURE	Q4 FY26 SIGNAL
Merchandise trade	Goods exports minus imports	Persistent deficit
Services exports (net)	Software, business services, GCCs	About **USD 60.4 billion** surplus
Remittances (secondary income)	Diaspora transfers home	About **USD 41.3 billion** inflow
Current account (overall)	Sum of the above and income	**Surplus of about USD 7.1 billion**

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Separate the visible from the invisible. Goods trade is visible and grabs attention, but the invisibles, services and transfers, are what balance the books, so judging India's external health by the goods deficit alone is a category error. Apply the resilience lens: services earnings and remittances are more stable and less commodity-linked than goods trade, which makes the external account sturdier than the raw trade deficit suggests. Add the diversification lens: an economy whose external strength rests on a broad base of skills and diaspora earnings is better insulated than one dependent on a single export. Finally, apply the sustainability lens: a cushion this valuable can erode if talent, remittance corridors or services competitiveness are neglected, so the strength must be actively maintained. Read this way, the surplus is not a fluke. It is the visible result of an invisible engine.

THE DIAGRAM IN WORDS

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Large merchandise (goods) trade deficit -> would normally push the current account into deficit -> but services exports of about USD 60.4 billion and remittances of about USD 41.3 billion flow in -> invisibles more than offset the goods gap -> current account posts a surplus of about USD 7.1 billion in Q4 FY26 -> external accounts stabilised by skills and diaspora, not by trade in things -> a structural strength to nurture
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WAY FORWARD

1. **Deepen services competitiveness.** Support higher-value services, from research and design to global capability centres, through skilling, data infrastructure and stable regulation, so the services surplus keeps growing.
2. **Protect remittance corridors.** Lower the cost of sending money home, safeguard migrant workers' interests abroad and keep formal channels attractive, so this stable inflow endures.
3. **Do not ignore the goods gap.** Continue building manufacturing and export capacity so the merchandise deficit narrows over time, reducing reliance on invisibles to balance the books.

4. **Diversify the invisible base.** Broaden services beyond a few sectors and geographies so the cushion is resilient to shocks in any single market or skill.

PYQ LINKAGE AND PRACTICE

UPSC frequently examines the external sector (2014 Mains on the balance of payments and the current-account deficit; recurring Prelims questions on components of the current account versus the capital account; questions on remittances and their significance for India). This editorial anchors those with the live Q4 FY26 surplus and the services-and-remittances argument.

Practice question: "India's balance-of-payments strength has shifted from trade in goods to trade in services and to remittances." Examine this statement and discuss why the invisible account has become the stabiliser of India's external sector. (15 marks, 250 words)

Sources: Business Standard, Reserve Bank of India

Source: The Invisible Cushion: How Services and Remittances Steady India's Books — Ujiyari.com | Free UPSC & State PCS Editorial Analysis

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