SFAC

Economics Class 44

E- NAM (09:08 AM)

- It is an **online trading platform** for agricultural produce aiming to help farmers, traders, and buyers through online trading and increasing transparency.
- Small Farmers' Agri-business Consortium is the lead agency for implementing e-NAM under the **Ministry of Agriculture and Farmer's Welfare.**
- **Need for e-NAM:**
- Every state has its own APMC act with varied provisions and every state is further divided into several market areas which are separately administered by **respective APMCs.**
- This fragmentation of markets even at the state level hinders the free flow of agro-commodities between different markets.
- Multiple handling of agri-produce and multiple levels of mandi charges led to higher prices for the consumers without adequate benefits for the farmers.
- These challenges are addressed by e-NAM by creating a unified market for online trading platforms both at the state and national levels.
- e-NAM mandates three changes in the agriculture marketing laws of the state:
- 1. Providing for electronic trading.
- 2. Provide a single trading license that is valid in all Mandis.
- 3. Providing a **single window levy of transaction fees.**
- **Salient features:**
- 1. The e-NAM portal will enable farmers to showcase their products through their nearby Mandis and facilitate traders from anywhere to quote the price.
- 2. e-NAM provides a **single window service** from all APMC-related services including **commodity arrivals, quality, prices, buy and sell offers, and e-payment settlement** directly into the farmers' account.

- **Benefits:**
- 1. **Transparent online trading**
- 2. Real-time **price discovery**
- **3. Better price realisation** for product
- 4. Reduce **transaction costs for the buyer.**
- 5. Stable price and availability to consumers.
- 6. Payment and delivery guarantee
- 7. Error-free reporting of transactions.

ANIMAL HUSBANDRY (09:25 AM)

- It deals with the **breeding of livestock** like buffaloes, pigs, sheep, etc that are useful to humans.
- It includes poultry, fisheries i.e. dairy farm management, poultry farm management, beekeeping, and fisheries.
- **Benefits:**
- Contribution to GVA.
- It has an important place in the Indian economy.
- Livestock contributes to around 5.2% of total agricultural GVA.
- **Income security:**
- Additional income from animal husbandry can help augment rural incomes.
- It also provides employment to about 8.8% of the population.
- **Employment to millions in** rural India.
- For many, it is the only source of livelihood.
- About 20 million people depend on livestock for their livelihood.
- Ensuring food security- the livestock provides food items such as milk, meat, and eggs for human consumption.
- **Transport:**
- Pack animals like camels and donkeys are extensively used to transport goods to different parts of the country especially hilly areas.
- **Nutrition:**
- They serve as a vital source of protein, thereby improving human health and welfare.
- **Cultural benefits and social security:**
- **Benefits of allied activities:**
- 1. Creation of **multiple revenue sources**
- 2. Helping the farmers during crop failure.
- 3. Special focus on **dryland areas.**
- 4. Small and medium farmers with fragmented land can benefit from poultry and other allied activities.
- 5. Promote downstream industry and employment related to food production.

BALANCE OF PAYMENT (09:43 AM)

- It is a kind of **accounting statement** that records the **Economic transactions** of **residents of the country with respect to the rest of the world in one financial year.**
- **The economic transaction includes:**
- Visible items (goods);
- Unilateral transfers;
- Income (Net Factor Income) in the form of rent, wages, interest, dividends;
- Capital-related aspects.
- Balance of Payment is the **annual statement of accounts** of **monetary transactions** of the residents of the country with the rest of the world.
- These transactions arise due to transactions in goods (Merchandise or visible) to transactions in services which include travel, transportation, insurance, construction, financial services, software, management services, etc.
- It also includes **unilateral transfers** like grants, gifts, donations, and remittances.
- BoP also includes income (NFIA- Net Factor Income From Abroad) and transactions in **Capital (**Loans, deposits, investments).
- The BoP of a country is divided into two parts according to the nature of transactions that occur:
- 1. **Balance in the current account;**
- **2. Balance in the capital account.**

- 1. **Balance in the current account;**
- **2. Balance in the capital account.**
- **Current Account** includes:
- Trade (Visibles);
- Invisibles involve unilateral transfers that are as follows:
- Gifts;
- Grants;
- Donation;
- Remittances.
- Income:
- Dividends;
- Interest.
- Services.
- **Capital Account** includes:
- **Loans:**
- ECB (External Commercial Borrowings);
- External Assistance.
- **Deposits:**
- FCNR (Foreign Currency Non-Residents Account)
- NRE (Non-Resident External)

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+---------------------------------------------+---------------------------------------------+
|           CURRENT ACCOUNT            |           CAPITAL
ACCOUNT           |
+---------------------------------------------+---------------------------------------------+
| 1. Trade in Goods (Merchandise)            | 1. Capital Transfers               |
|    - Exports                         |    - Debt Forgiveness              |
|    - Imports                         |    - Grants for Capital Projects          |
+---------------------------------------------+    - Migrant Transfers              |
| 2. Trade in Services                    +---------------------------------------------+
|    - Transport                         | 2. Acquisition/Disposal of Non-Produced,   |
|    - Tourism                          |    Non-Financial Assets             |
|    - Financial Services                  |    - Patents                  |
|    - IT Services                      |    - Copyrights                  |
+---------------------------------------------+    - Trademarks                  |
| 3. Primary Income                       |    - Natural Resource Rights             |
|    - Compensation of Employees          +---------------------------------------------+
|    - Investment Income (dividends, interest,  |
|      profits)                    |
+---------------------------------------------+
| 4. Secondary Income (Transfers)            |
|    - Remittances                       |
|    - Foreign Aid                       |
|    - Gifts                         |
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- **Investments:**
- FDI
- BoP is a **double-entry system of Accounting in which** all inflows are credited and all outflows are debited putting a negative sign under BoP.
- Credit items include exports, receivable income, transfer receipts, reduction in foreign assets or increase in foreign liabilities.
- Debit items include imports, payable income, transfer payments, and increases in foreign assets.
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Debit	**Credit**
Import (Goods)	Export (Goods)
Unilateral transfers to abroad	Unilateral transfers from abroad
services from abroad	Services to abroad
Income to abroad	Income from abroad
Foreign investment abroad	foreign investment from abroad
Borrowings to abroad	Borrowings from abroad

- **Balance in current account:**
- It records **all transactions** related to **services, goods, and income** by residents with the rest of the world during the financial year.
- Current account comprises:
- **1. Balance of visible or balance of trade;**
- **2. Balance of invisibles;**
- **Balance of trade:**
- the difference between the **values of imports and exports** of only physical goods or visible items is called the **balance of trade.**
- **BoT= Value of export (goods) - Value of imports.**
- If exports are greater than imports, it is called a **trade surplus.**
- If exports are less than imports, it is called a **trade deficit.**
- If the export is equal to imports, then there is **trade equilibrium or Balanced trade.**
- **TWIN DEFICIT HYPOTHESIS**
- **CAD** increases fiscal deficit and fiscal deficit increases CAD.
- **Desirable CAD (Current Account Deficit):**
- According to the **Rangarajan Committee report,** CAD of around 2% of GDP is sustainable for a developing economy like India.
- In the recent past RBI and the Government were suggesting a CAD value of 2.5 to 3% of GDP.
- However, permissible CAD depends on several other macroeconomic conditions.

- **Balance in the Capital Account:**
- It records the **capital receipts and payments** in the form of investments and loans, flowing in and out of an economy.
- The components of this account are:
- **Foreign investments** include **Foreign Direct Investments and Foreign Portfolio investments;**
- **Loans (**External Commercial Borrowings, External assistance, trade credit);
- **Banking Capital.**
- **Foreign investments:**
- They are non-debt-creating capital transactions.

FDI (11:15 AM)

- It refers to the purchase of assets in the rest of the world which allows **control over the assets.**
- For example, the purchase of firms by TATAs in the UK.
- On the recommendations of the **Mayaram Panel,** a new definition for FDI was adopted:
- 1. Any foreign investment greater than or equal to a 10% stake in a listed company is treated as FDI;
- 2. Any investment in an unlisted entity is treated as FDI;
- 3. It is the percentage that defines whether an investment is an FDI or Portfolio investment;
- 4. Once an FDI, always an FDI even if the holding comes down to less than 10%;
- 5. In partnership and proprietor concerns, only NRIs are allowed to invest (Foreigners are not allowed);
- 6. FDI investments can be classified into **brownfield (**buying an existing plant or company or factory in order to launch a new production activity) or greenfield investment that is to build new factories;
- 7. In India, FDI can enter through automatic and **non-automatic routes.**
- Under the automatic route, the FDI is allowed without prior approval of the Government or the RBI.
- In the **non-automatic route** or the government route, prior approval of the government is required;
- 8. The **Foreign Investment Promotion Board (FIPB)** was the responsible agency to oversee this non-automatic route was abolished in 2017.
- **Note:**
- An Indian company having received FDI either under the automatic route or under the Government route is required to comply with the provisions of the FDI policy including the reporting of the FDI to RBI.

- **Sectors where FDI is prohibited in India**
- Railways;
- Atomic Energy;
- Lottery systems;
- NIDHI companies;

Nidhi Companies are a type of non-banking financial company (NBFC) that primarily operates in India. The term "Nidhi" is derived from the Sanskrit word meaning "treasure" or "fund." These companies are regulated under the Indian Companies Act and are recognized for their role in encouraging savings among their members and providing loans.

- Housing and real estate except for the development of the **township,** construction of residential and commercial premises, roads or bridges, and real estate investment trust under (SEBI regulations);
- Manufacture of tobacco products;
- Trading in TDRs (Transferable Development Rights);
- **What is a TDR?:**
- When state governments acquire land for developing infrastructure projects like road widening, metro rails, etc, instead of compensation, a DRC (Development Rights Certificate) may be issued by the Government to the owner of the land.
- This DRC allows the landowner, an additional built-up area in return for the area which he or she has relinquished and it enables him to develop the given area by himself or transfer his rights for consideration.
- This is known as **Transferable Development Rights.**
- Through TDRs, Landowners get better compensation at no cost to the Government.

for example is government acquires someone's land then instead of giving compensation to him government can issue DRC so that he can development that area or can give anyone for development and can earn from it

- **Portfolio investment:**
- It refers to the purchase of an asset in the rest of the world without any control over the same that is having less than a 10% share in a listed company.
- In an unlisted company, any quantum of investment is termed FDI.
- Portfolio investment can be classified into two categories:
- **1. Foreign institutional investments;**
- **2. Investments through depository receipts** (like ADRs, and GDRs).
- **Foreign institutional investments (FII):**
- Short-term in nature and is also known as **hot money.**
- **FIIs** are regulated by **SEBI.**
- **Foreign Institutional Investors** can invest in securities provided they are registered with the SEBI.
- FIIs are allowed to invest in India's primary and secondary markets only through the country's portfolio investment scheme.
- **Depository Receipts:**
- A depository receipt is a **negotiable financial instrument** issued by a bank that represents a **foreign company's publicly traded securities.**
- ADRs are issued by the US bank that represents securities of a foreign company, trading in the US stock market.
- Through this, US investors can invest in non-US companies.
- GDRs are equity instruments issued in the international markets, they perform like ADRs but on a global scale.
- RBI publishes ADRs and GDRs as **portfolio investments.**
- however, FEMA as well as **the Department for Promotion of Industry and Internal Trade** treats ADRs and GDRs as FDI.

TOPIC OF THE NEXT CLASS- EXTERNAL SECTOR (TO CONTINUE)