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Economy by Prasad Sir

Green field Investment
Brown field Investment
} FDI is allowed.

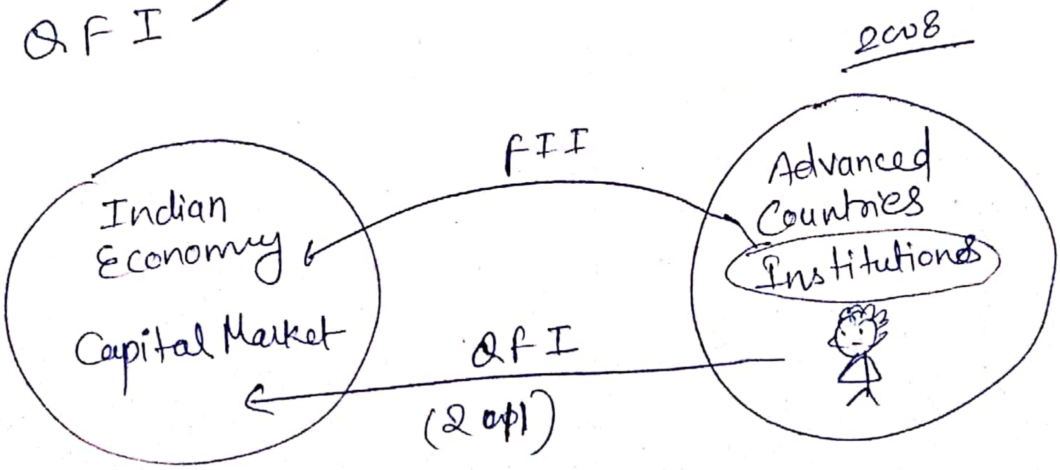
foreign Institutions ⇒ FII

{MF, Inst. Banks, Bank, Insurance Company, Provident fund, Managment Company etc.}

Individual or Groups of Individuals ⇒ QFI (2011)

Foreign Portfolio Investment (FPI) Regulation, 2014

FII → FPI
QFI → FPI



(2)

International Definition given by (IMF, OECD).

FPI

ABC

↓

foreign entity $\xrightarrow{10\%}$ Paidup Capital

FDI , FPI

↓

Non-debt Capital

~~2017-18~~

~~Rs 5000 Cr~~

FDI → Govt. Route → FIPB → Indian Economy

FDI → Govt. Route → CCEA → Indian Economy

FDI → Automatic Route → Indian Economy

A non-resident entity can invest in India, subject to the FDI Policy except in those sectors / activities which are prohibited However, a citizen of Bangladesh or an entity corporated in Bangladesh can invest only under the Govt. Route further a citizen of Pakistan or an entity incorporated in Pakistan can invest only under Govt. Route, in sectors /activites other than defence, space, atomic energy and sectors / activities prohibited for foreign Investment.

After Pandemic, Changes

A non-resident entity can invest in India, subject to the FDI Policy except in those secters / activites which are prohibited. However, an entity of a country, which shares land border with India or where the beneficial owner of investment into India is situated in or is a citizen of any such country can invest only under Govt. route. further a citizen of Pakistan or an entity incorporated in Pakistan can invest only under Govt Route, in sectors /activities other than defence, 4

Space, atomic energy and sectors / activities prohibited for foreign investment.

Arrvind Mayaram Committee on FDI, FPI accounced in Union Budget 2013-14.

FDI in e-Commerce

e-Commerce

Automatic Route
100% FDI

1. Inventory based Model of e-commerce
2. Market Place model of e-Commerce.

FDI →
1) Huge foreign Capital
2) Advance Technology
3) Better Managment

Foreign Trade Policy

MEIS → Merchandise Exports from India Scheme

SEIS → Service Exports from India Scheme

$\boxed{\text{"Duty Credit Screps"}}$

Special Economic Zone (SEZ)

first time in 1965, Kandla, EPZ (Export Processing Zone) was set up.

2000 → SEZ Policy
↓
Integrated Industrial township.

2005 → SEZ Act

Prohibited Sectors for FDI

1> Lottery Business
2> Gambling and Betting including casinos etc.
3> Chit funds.
4> Nidhi funds
5> Manufacturings of Cigars, cigarettes, tobacco and tobacco subsitutes.
6> Activities/ Sectors not open to Private Sector – Atomic Energy.

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Economic Reforms

Special Category States

⇒ first introduced in 1969 → fifth finance Commission

⇒ Initially given to J&K, Assam, Nagaland

⇒ Arunachal Pradesh, HP, Manipur, Meghalaya, Mizoram, Tripura, Sikkim and Uttarakhand.

Some of the features required for Special Category States

⇒ Hilly and difficult area

⇒ Low population Density or higher share of Tribal population

⇒ Strategic location along borders with neighbouring countries.

⇒ Economic and infrastructal backward

⇒ Non-Viable nature of state-finances

Economic Reforms

In early 1991 major economic crises surfaced in the country. The origin of the crises was mis managment of the economy during the 1980's which led to large and persistance macro economic imbalances. The internal imbalance in the fiscal situations and the external imbalance in the payment situations where closely related.

The macro economic crises was precipitated mainly by the growth of the public spending through the 1980's that increased the Budget deficit and external factors played a contributry role. The Indian Economy enter into a period of BoP crises in 1991. The current Account Deficit which was $US 2.1 billion or 1.3% of GDP. in 1980-81 increased to / rose to US 9.7 billion dollar, or 3.69% of GDP in 1990-91. which led to more external borrowings and as a result India's external debt increased from 12% of the GDP in 1980-81 to 23% of GDP in 1990-91.

This growing external debt led to increase in Debt service burden (Interest Payment). from 10% of current account receipt and 15% of only exports. earnings in 1980-81. to 22% of Current account receipts and 30% of exports earnings in 1990-91. The BoP position was so worst that in June 1991 the level of foreign exchange reserve declined to the level which we ~~are~~ were not sufficient to finance imports of even two weaks. This crises was a combined effect of the following events -

1) Disintegration of USSR
2) Gulf War.
3) Higher Inflation.
4) Political Instability at ~~central~~ centre.
5) Outflow of Capital (NRI deposits).
6) Higher Budgetary Deficit
7) Restrictive Trade. etc.

These development together brought the country to the verge of Default w.r.t external payment liability.

Therefore the structural reform were necessary because we had failed to generate adequate rates of economic growth.

The process of economic reforms taken by the P.V. Narshimha Govt. The reforms had three major components.

1→ Physical establisation to check the growing budgetary deficit.

2→ Internal liberalisation to increase competitive environment and encourage market mechanism and freedom to private sectors to participate in main economic activity of country.

3→ Integration with the global economy by removing exchange rate Controls on foreign trades and allowing foreign
by decreasing tariffs and.
Capital.

The process of economic reform in India is based on three process

(i) Liberalisation, (ii) Privatisation (iii) Globalisation, (LPG)

Structural Reforms in Indian Industry

1> De-Licensencing.
2> Abolition of MRTP Act
3> Disinvestment
4> Increased Autonomy to PSU

External Sector Reform

1> Implementation of Market Exchange rate System.
2> Reduction of Trade barriers.
3> foreign Investment.
4> FEMA - 1999

Fiscal Reforms

> Tax Reforms

* Prof. Raja J Chelliah

There was a high degree of Progressiveness in the Indian tax structure and the tax collection efficiency was very low there was large number of exemption which eroded the narrow base tax collection.

The govt of India reform a tax collection committee under Raja J Chelliah in 1991 to examine the existing tax structure in the country and make apropriate recommandation.

This TRC came up with three reports in 1991, 1992, and 1993 with the following measures.

→ Reforming the personal taxation system by reducing the tax rates.
reducing the corporate tax rate.
→ Reduction in the custom duties.
→ Decreasing the rates of custom duties.
→ Simplying the excise duty and its integration with the value added tax system.
→ Increasing the tax base
→ Bringing the Service sectors in the Tax net.
→ Developing a tax information system and computerisation of tax system.
→ Improving the quality of tax administration.

> In 2002 Vijay. L. Kelkar, under his chairmanship task force was constituted on Direct & Indirect taxes.

> Implementation of FRBM Act 2003,