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**BALANCE OF PAYMENTS (EVIDENCE AND OUTLINE):
WITH SPECIAL REFERENCE TO INDIAN ECONOMY**



Vineet Singh

Assistant Professor, Dept. of Commerce,
Guru Ghasidas Vishwavidyalaya, Bilaspur, Chhattisgarh.

ABSTRACT :

Balance of Payments of a country may be defined as a record of all monetary transactions between a country and rest of world during a particular period of time normally one year. These monetary or economic transactions are made by government, individuals and firms. Under BOP, receipt of money by a country is counted as credit and payment of money by a country is counted as debit. As per standards BOP must be zero i.e. assets = liabilities, but it rarely happens in reality. Thus, BOP helps in revealing that whether a country is having a surplus BOP or deficit BOP. With assistance of this paper, an attempt has been made to analyse the growth in Balance of Payment in Indian economy from 2010-11 to 2014-15. In addition, the various constituents of BOP have also been demonstrated with the aid of tables and figures.

KEYWORDS: India, BOP, Current Account, Capital Account.

INTRODUCTION:

In simple words, it can be said that, Balance of Payments is a technique which a country adopts in order to monitor all international economic or monetary transactions during a specified period of time (over a quarter of year or commonly over one year). Here, it is significant to remark that, Balance of Payment (BOP) and Balance of Trade (BOT) does not mean the same things. While BOP summarizes all the monetary transactions of a country with rest of world, BOT is confined only with exports and imports. Thus, it can be said that BOP is a much wider term and includes BOT. The noteworthy elements of BOP are as follows:

❖ Current Account which includes:

- Exports
- Imports
- Net Invisibles

❖ Capital Account which incorporates:

- Foreign Investments which includes direct investments and portfolio investments
- External Assistance
- Commercial Borrowings
- Short-term credit
- Banking capital
- Rupee-debt service

OBJECTIVES OF THE STUDY

- To determine the actual figures of Balance of Payments in India from 2010-11 to 2014-15.
- To analyse the growth in Balance of Payments during the study period.
- To expose the amount of various items in current account transactions from 2010-11 to 2014-15 in Indian Economy.
- To find out the amount of various items in capital account transactions from 2010-11 to 2014-15 in Indian Economy.

RESEARCH METHODOLOGY

The time period for current study is selected from 2010-11 to 2014-15 and is mainly based on secondary data. Relevant information in this regard has been gathered from websites, magazines, economic journals, annual reports of RBI, reports and publications of government, articles, books, etc.

ANALYSIS AND INTREPRETATION

Balance of Payments figures of Indian economy have been demonstrated with the help of following tables and figures:

Table 1: India's Overall Balance of Payments (in U.S. \$ million)

PARTICULARS/YEARS	2010-11	2011-12	2012-13	2013-14	2014-15
A. CURRENT ACCOUNT					
1. Exports	256159	309774	306581	318607	316741
2. Imports	383481	499533	502237	466216	460920
3. Trade Balance (1-2)	-127322	-189759	-195656	-147609	-144179
4. Net Invisibles	79269	111604	107493	115212	116242
5. Current Account Balance [A(3)+A(4)]	-48053	-78155	-88163	-32397	-27937
B. CAPITAL ACCOUNT					
1. Foreign Investment, Net (a+b)	42127	39231	46711	26386	73561
a. Direct Investment	11834	22061	19819	21564	32627
b. Portfolio Investment	30293	17170	26891	4822	40934
2. External Assistance, Net	4941	2296	982	1032	1630
3. Commercial Borrowings, Net	12160	10344	8485	11777	2729
4. Short Term Credit, Net	12034	6668	21657	-5044	-924
5. Banking Capital	4962	16226	16570	25449	11618
6. Rupee Debt Service	-68	-79	-58	-52	-81
7. Other Capital, Net	-12416	-6929	-5047	-10761	1426
8. Capital Account Balance [B(1)+B(2)+B(3)+B(4)+B(5)+B(6)+B(7)]	63740	67757	89300	48787	89959
C. ERRORS & OMISSIONS	-2636	-2432	2689	-882	-616
D. OVERALL BALANCE OF PAYMENTS [A(5)+B(8)+C]	13051	-12830	3826	15508	61406

Figure 1 (a): India's Current Account Components in BOP (U.S. \$ million)

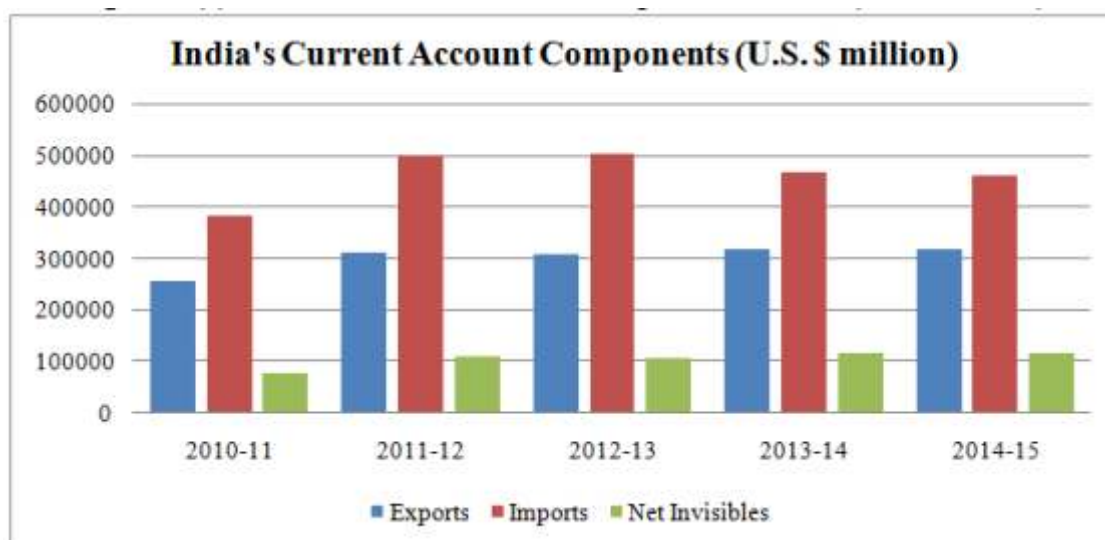


Figure 1 (b): India's Capital Account Components in BOP (U.S. \$ million)

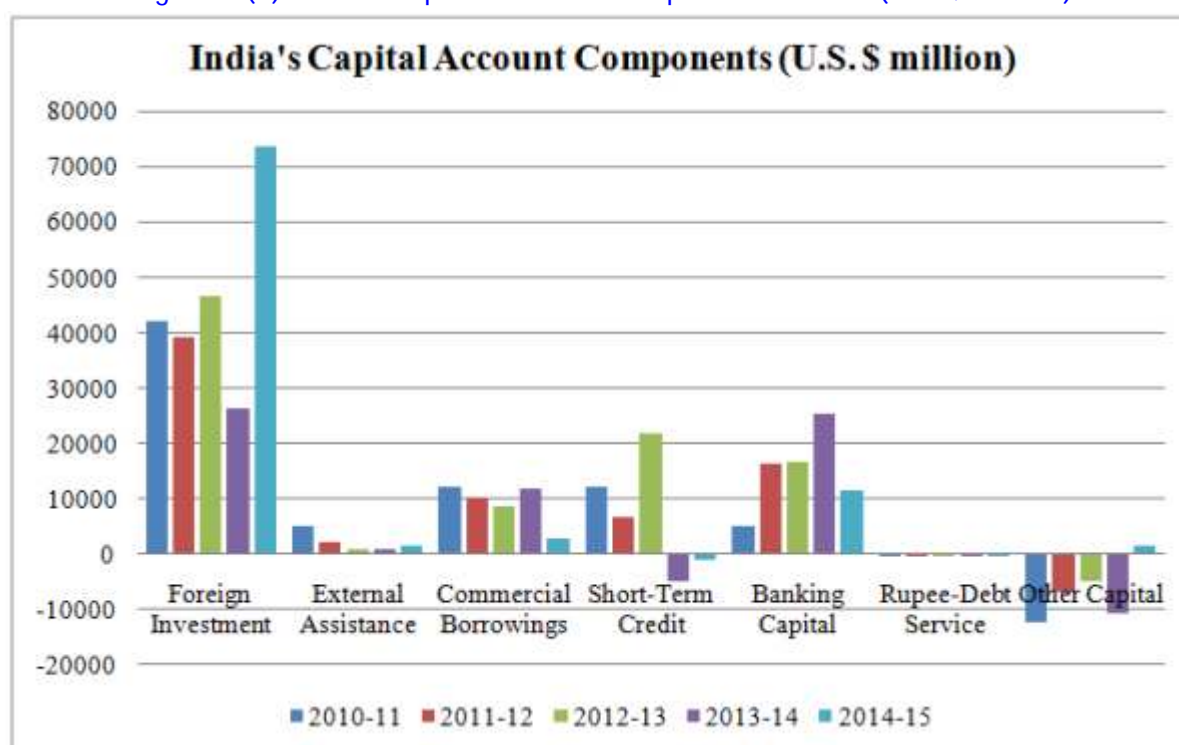
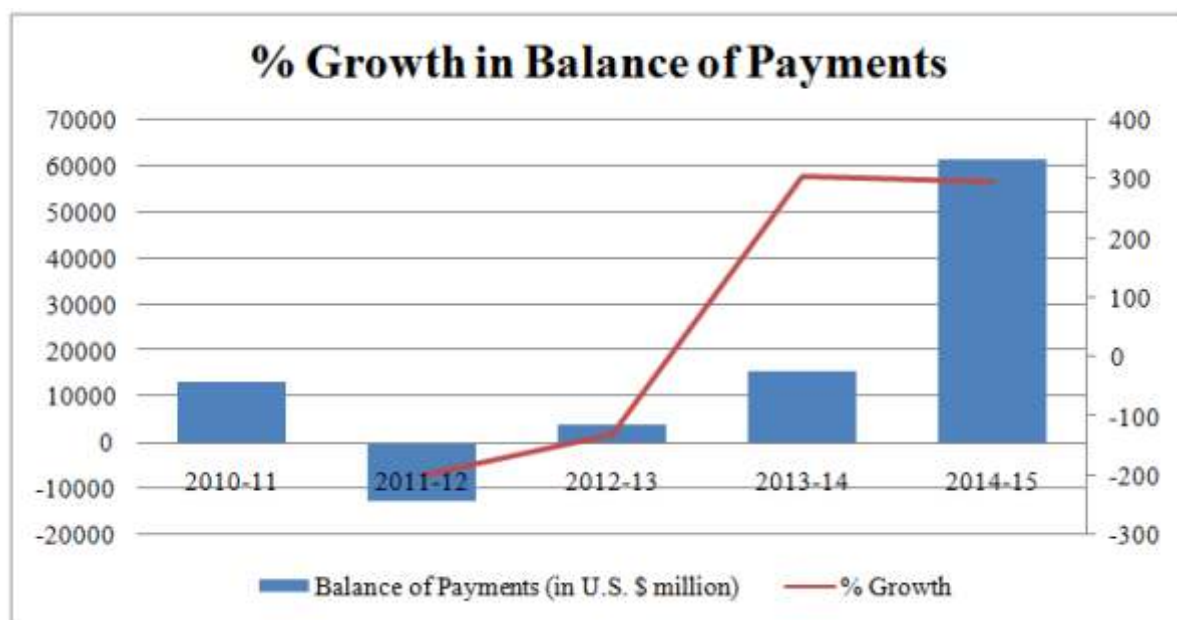


Table No. 1 and Figure no.1 (a) and 1 (b) exhibits an extensive data about various aspects of BOP of India from 2010-11 to 2014-15. Table no. 1 demonstrates that, it was in the year 2014-15 when Indian economy witnessed most favourable BOP during the study period, which stood at U.S. \$ 61406 million. Negative BOP occurred only in 2011-12, and the figures stood at U.S. \$ -12830 million. Figure no. 1 reveals the various items related to current account transactions and it highlighted the fact that, in each year during the study period imports are more than exports. Further figure no. 2 shows various items of capital account transactions and discloses the fact that foreign investment is the most significant component in BOP. It further reveals that most negative figures under capital account transactions were observed in 'other capital'.

Table 2: % Growth in Balance of Payments

Years	Balance of Payments (in U.S. \$ million)	% Growth
2010-11	13051	----
2011-12	-12830	-198.31
2012-13	3826	-129.82
2013-14	15508	305.33
2014-15	61406	295.96

Figure 2: % Growth in Balance of Payments



Source for all tables & figures: RBI Annual Reports 2010-11 to 2014-15

Table no. 2 and figure no. 2 reveals % growth in BOP from 2010-11 to 2014-15. It was in the year 2011-12 and 2012-13 where % growth in BOP was negative and positive growth in BOP was witnessed in the year 2013-14 and 2014-15. Further negative BOP was seen only in 2011-12 and in rest of the study period BOP was positive.

CONCLUSION

A country is required to monitor its Balance of Payments regularly usually once in a year in order to find out surplus or deficit in BOP figures. As per paradigm BOP must be zero but it rarely happens in real situations. That is why periodical appraisal of BOP is compulsory for every country. Balance of Trade figures of Indian economy suggests that India must try to reduce imports in order to achieve a favourable Balance of Trade. Above figure reveals that India's imports are much larger than exports as a result of which a negative Balance of Trade is experienced continuously from 2010-11 to 2014-15. As far as overall Balance of Payments is concerned, it was only in 2011-12 where the figures were negative. Remaining years during the study period exhibits positive BOP figures.

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