

ECONOMICS NOTES - PART II

51. FREE TRADE AGREEMENT (FTA)

A free trade agreement is a preferential arrangement in which members reduce tariffs on trade among themselves. However, with other members the countries continue to have tariff rates.

The ASEAN-INDIA Free Trade Area (AIFTA) is a free trade area among the ten-member states of the Association of Southeast Asian Nations (ASEAN) and India.

India's imports from ASEAN stood at US\$ 40.62 billion while its exports to ASEAN stood at US\$ 30.96 billion.

The ASEAN-India FTA resulted into tariff liberalization of over 90% of products traded between them including the so-called 'special products' such as palm oil, coffee, tea and pepper.

SIDE AFFECTS- Kerala is exporting farm products. It fears that cheap imports of rubber, coffee, and fish would lower domestic production and thus affecting local economy. Cheap coconuts from Sri Lanka and palm oil from Malaysia has since hindered Kerala's coconut cultivation.

52. CUSTOMS UNION (CU)

A customs union is a free trade agreement between two or more countries apply a common external tariff (CET) scheduled to imports from non-members.

53. COMMON MARKET (CM)

A common market is a customs union where movement of factors of production is relatively free amongst member countries.

54. EFFECTIVE REVENUE DEFICIT (ERD)

Revenue expenditure which results in the creation of capital assets is reduced from revenue deficit to arrive at the Effective Revenue Deficit. Effective Revenue Deficit term was used in the Union Budget 2011-12.

55. UNDER WTO SUPPORTS:

AMBER BOX- Domestic support for agriculture that is considered to distort trade and therefore subject to reduction commitments. Technically calculated as "Aggregate Measurement of Support"

BLUE BOX- Similar to Amber Box types of support, but with constraints on production or other conditions designed to reduce the distortion.

GREEN BOX- Domestic support for agriculture that is allowed limits because it does not distort trade, or at the most causes minimal distortion.

56. HEADQUARTERS OF BANKS

- a) The New Development Bank – Shanghai China
- b) Asian Infrastructure Investment Bank- Beijing, China
- c) Asian Development Bank- Mandaluyong Metro Manila, Philippines

57. PRIMARY SECTOR: agriculture, forestry, fishing, mining etc.
SECONDARY SECTOR: Manufacturing
TERTIARY SECTOR: Transport, Hotel Industry, Health, Tourism

58. WHITE LABEL ATMs

They are the ATMs owned and operated by non-banking entities.
Ex. Indicash ATMs are maintained by TATA Group. They have 8000 ATMs in 20 States.

59. GINI COEFFICIENT

It is indicator of inequality. The coefficient varies from zero to one. It represents the income or wealth distribution of a nation's residents.

A Gini coefficient of Zero expresses perfect equality means everyone has the same income. Maximum of One will indicate one person has all the income and rest have none.
The Global income distribution in 2005 was estimated to be between 0.61 and 0.68.

60. INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (IBRD)

The International Bank for Reconstruction and Development (IBRD) is an international financial institution. It offers loans to developing nations.

It's HQ is in Washington DC.

It was established in 1944.

The IBRD and its concessional lending arm, the International Development Association are collectively known as World Bank.

Mandate: Economic Development and Eradicating Poverty

IBRD provides concessional financing to sovereign states to fund the projects for improving transportation and infrastructure, education, environmental projects, energy, health care, access to food, improved sanitation and potable water. The Bank's member governments are shareholders which contribute paid-in capital. In addition to contributions from its member nations, the IBRD acquires most of its capital by borrowing on international capital markets through bond issue.

61. THE INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC is an international financial institution that offers investment, advisory and asset-management services to encourage private-sector development in developing countries. The IFC is a member of the World Bank Group. Its headquarter is in Washington DC. It was established in 1956.

It is a private-sector arm of the World Bank Group, to advance economic development by investing in for-profit and commercial projects for poverty reduction and promoting development.

62. THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

The International Development Association is an international financial institution which offers concessional loans and grants to the world's poorest developing countries. The IDA is a member of the World Bank Group and is headquartered in Washington, DC, United States. Membership: 173 countries

It was established in 1960 to complement the existing International Bank for Reconstruction and Development by lending to developing countries which suffer from the lowest gross national income.

63. THE INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)

The International Centre for Settlement of Investment Disputes (ICSID) is an international arbitration institution established in 1966 for legal dispute resolution and conciliation between international investors.

The ICSID is part of and funded by the World Bank Group, HQ in Washington, DC. In the United States.

It is an autonomous multilateral specialized institution to encourage international flow of investment and mitigate non-commercial risks by a treaty drafted by the International Bank for Reconstruction and Development's executive directors and signed by member countries.

Brazil, India and South Africa are countries with large economies that have never been ICSID members.

64. THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

MIGA is an international financial institution which offers political risk insurance and credit enhancement guarantees. These guarantees help investors protect foreign direct investments against political and non-commercial risks in developing countries.

HQ: Washington DC

AIM: Political risk insurance, Foreign Direct Investment.

MIGA is a member of the World Bank Group

Membership: 181 countries

Its shareholders are member governments that provide paid-in capital and have the right to vote on its matters. It insures long-term debt and equity investments as well as other assets and contracts with long-term periods. The agency is assessed by the World Bank's Independent Evaluation Group each year.

65. GLOBAL ENVIRONMENTAL FACILITY (GEF)

The GEF operates as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits. It provides grants to eligible countries in its five focal areas: Biodiversity, Climate Change, Land Degradation, International waters, Chemical and Waste.

66. MONEY MULTIPLIER

In monetary economics, a money multiplier is one of various closely related ratios of commercial bank money to Central Bank money under a fractional reserve banking system. Most often, it measures an estimate of the maximum amount of commercial bank money that can be created given a certain amount of central bank money. The total amount of loans that commercial banks are allowed to extend (the commercial bank money that they can legally create) is equal to an amount which is a multiple of the amount of reserves.

This multiple is the reciprocal of the reserve ratio, and it is an economic multiplier.

67. MONETARY POLICY COMMITTEE

The MPC has six members. The RBI Governor is the Chairperson.

RBI Deputy Governor in-charge of Monetary Policy

One member is nominated by RBI

Three members are nominated by Government of India

Decision is taken by majority vote. In case of tie RBI Governor has second vote as casting vote.

The decision of the committee will be binding on the RBI

68. DEMAND DEPOSITS HELD BY COMMERCIAL BANKS

It refers to demand deposits of the public with the commercial banks.

Demand deposits are the deposits, which can be encashed by issuing cheques at any time by the account holders.

A demand deposit is treated as equal to currency held as it is readily accepted as a means of payment.

69. INTERBANK DEPOSITS

In an interbank deposit, one bank holds funds on behalf of another bank.

Each bank holds a 'due to' account under the name of the other.

When dealing with a foreign bank the owing bank account is 'nostro' and other is 'vostro'.

The interbank rate is the rate of interest charged on short-term loans made between banks.

70. NET TIME DEPOSITS OF COMMERCIAL BANKS

A time deposit is an interest-bearing bank deposit account that has a specified date of maturity, such as a certificate of deposit (CD). The funds in these accounts must be held for a fixed term and include the understanding that the depositor can make a withdrawal only by giving notice.

71. SWACHH BHARAT KOSH

Swachh Bharat Kosh has been set up to attract Corporate Social Responsibility funds from Corporate Sector and contributions from individuals and philanthropists in response to call given by Hon'ble Prime Minister on 15th August 2014 to achieve the objective of Clean India (Swachh Bharat) by the year 2019, the 150th year of the birth anniversary of Mahatama Gandhi through Swachh Bharat Mission.

Donations to "Swachh Bharat Kosh", other than the sum spent for CSR under sub-section (5) of section 135 of the Companies Act, 2013 are eligible for 100% deduction under section 80G of the Income-Tax Act, 1961. This was applicable to the assessment year 2015-16 and subsequent years

72. CAPITAL RECEIPTS

Capital receipts are a non-recurring incoming cash flow into your business, which leads to the creation of a liability (a debt to be paid in the future) and a decrease in company assets (resources that lead to capital gain).

Receipts which are non-recurring by nature and whose benefit is enjoyed over a long period are called "Capital Receipt". Ex. Money brought into the business by the owner (Capital invested), loan from Bank, interest received, commission received, rent received, dividend received etc.

Capital receipt is shown in the balance sheet on the liability side.

Capital receipt is invested to generate revenue receipt (Sales proceeds of good and services)

Interest is paid until its repayment.

73. CAPITAL PAYMENTS

Capital payments consist of capital expenditure on acquisition of assets like land, buildings, machinery, equipment and also investments in shares etc.

Capital payments is part of Capital Budget along with Capital receipts.

74. 100% FDI IS PERMITTED IN WHICH INDUSTRIES

1. Financial services activities regulated by RBI, SEBI, IRDA or any other Regulator
2. Pharmaceuticals Green Field
3. Pharmaceutical Brown Field

The Telecommunications sector attract the largest part of FDI

The top six Indian States: Maharashtra, Delhi, Karnataka, Tamil Nadu, Gujarat and Andhra Pradesh together accounts for over 70% of the Total FDI inflow to India

75. RASHTRIYA GOKUL MISSION

Rashtriya Gokul Mission was launched in 2014.

Objective: development and conservation of indigenous breeds through selective breeding in the breeding tract and genetic upgradation of non-descript bovine population.

Two components:

National Programme for Bovine Breeding (NPBB)

National Mission on Bovine Productivity (NMBP)

- India has 299.6 million bovine population
- 190.9 million are cattle
- 108.7 million buffaloes
- 80% of cattle are indigenous and non-descript breeds

Indigenous breeds are more suitable for climate

The milk of indigenous animals is high in fat and SNF content.

The indigenous breed like Punganur is threatened so need to be protected.

Under the Project:

- To improve the genetic makeup and increase the stock
- Enhancing milk production
- Distribution of disease free high genetic merit bulls for natural service
- To arrange quality Artificial Insemination services at farmers' doorstep
- To increase trade of livestock and live stock products
