

**CONCEPT OF FOREIGN
TRADE**

**CURRENT ACCOUNT AND
CAPITAL ACCOUNT**

**FOREIGN
TRADE - I**

**BALANCE OF
PAYMENT(BOP)**

BALANCE OF TRADE(BOT)

FOREIGN TRADE

- **Foreign Trade is exchange of capital, goods, and services across International Borders or Territories.**
- **No country in the World produces all the commodities it requires. In most countries, it represents a significant share of Gross Domestic Product (GDP).**



FEATURES OF FOREIGN TRADE



Import: Buying Product from Foreign Seller.



Export: Selling Product to Foreign Buyer.



Visible trade : Trade of Visible Product.

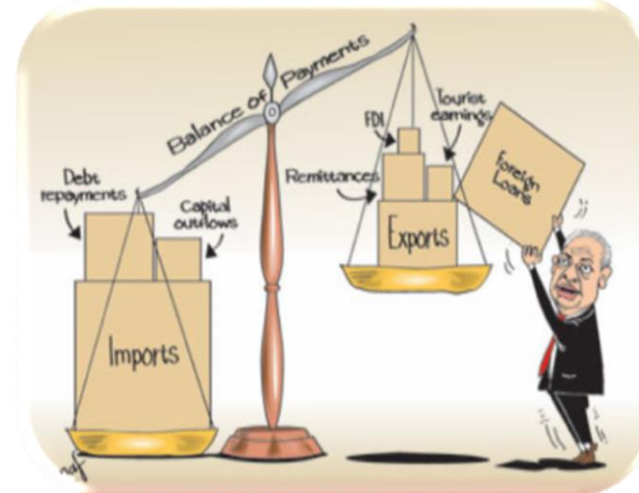


Invisible trade: Trade of Invisible Product.

Balance of Payment (BOP)



It is the systematic record of all the transactions between the resident of a country and resident of the remaining World in one year.



The Balance of Payment accounting has two types:

- Current Account
- Capital Account

FAVOURABLE BALANCE OF PAYMENT

RECEIPT > PAYMENT



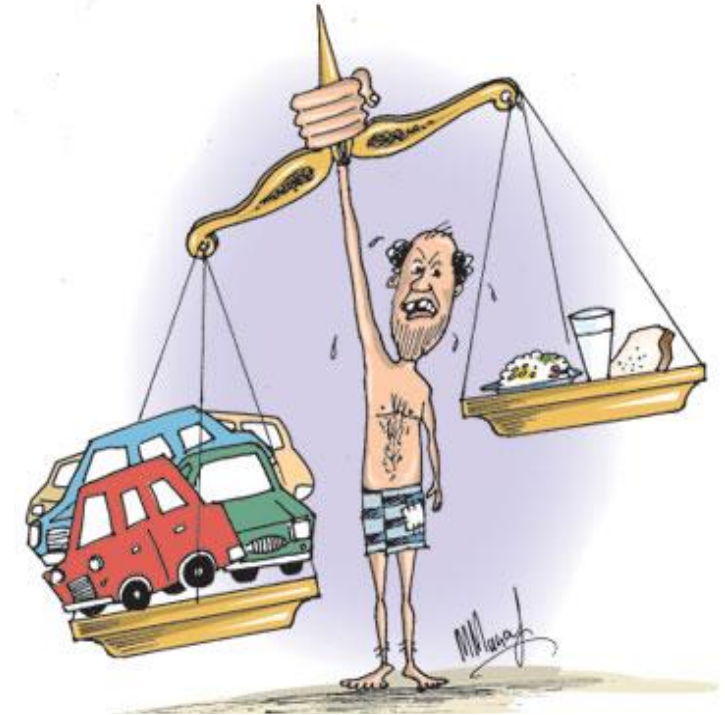
BALANCE BALANCE OF PAYMENT

RECEIPT = PAYMENT



ADVERSE BALANCE OF PAYMENT

RECEIPT < PAYMENT



CURRENT ACCOUNT

Current Account is the sum of the Balance of Trade (exports minus imports of goods and services), Net Factor Income (such as interest and dividends) and Net Transfer Payments (such as foreign aid).

CAPITAL ACCOUNT

The Capital Account balance is equal to capital flows from the rest of the World, minus capital flows to the rest of the World. Eg., ECB, Loan, FDI, FII etc..



CURRENT ACCOUNT DEFICIT

It is difference between the total inflow and outflow of cash arising in the current account of a country in a year.



EXPORTS APRIL 2022 TO JUNE 2022

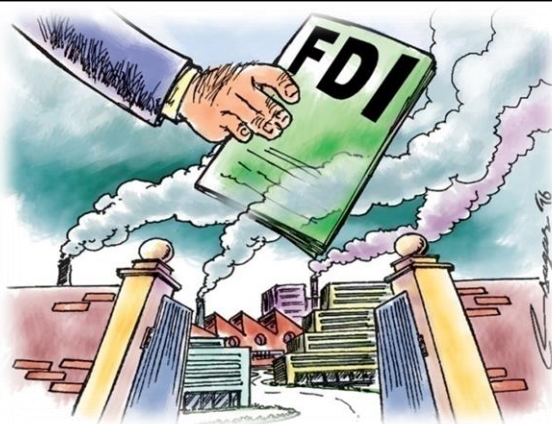
- ENGINEERING GOODS 28543.85
- PETROLEUM PRODUCTS 24274.78
- GEMS AND JEWELLERY 10065.96
- ORGANIC AND INORGANIC CHEMICALS 8040.39
- DRUGS AND PHARMACEUTICALS 6131.39

IMPORTS APRIL 2022 TO JUNE 2022

- PETROLEUM, CRUDE AND PRODUCTS 60073.94
- ELECTRONIC GOODS 18239.58
- COAL, COKE & BRIQUETTES ETC. 16764.21
- GOLD 10360.93
- MACHINERY, ELECTRICAL & NON ELECTRICAL 10349.91

FOREIGN DIRECT INVESTMENT (FDI)

Foreign Direct Investment means investment by non-resident entity/person resident outside India in the capital of an Indian company. Foreign Direct Investment, as distinguished from portfolio investment, has the connotation of establishing a 'lasting interest' in an enterprise that is resident in an economy other than that of the investor.



FOREIGN INSTITUTIONAL INVESTMENT (FII)

These are investments by entities from outside the country into the financial assets like debts and shares of companies from a different country, in which they are incorporated. FIIs are required to register with SEBI (Securities and Exchange Board of India) and any foreign individual wanting to invest into India has to do so through one of these FIIs.



FOREIGN INVESTMENT

(As per Arvind Mayaram committee)

FOREIGN INSTITUTIONAL INVESTMENT

Foreign investment of up to 10 % in an Indian company.

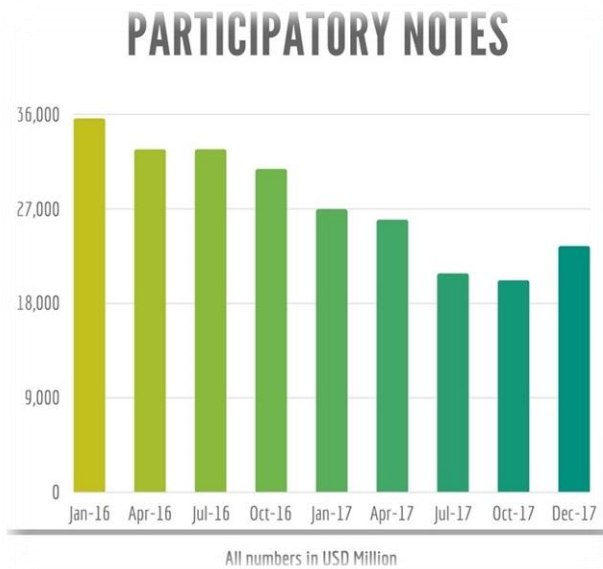
FOREIGN DIRECT INVESTMENT (FDI)

Foreign investment of above 10 % in an Indian company.



Participatory notes (P-notes)

Participatory Notes commonly known as P-Notes or PNs are instruments issued by registered Foreign Institutional Investors (FII) to overseas investors, who wish to invest in the Indian stock markets without registering themselves with the market regulator, the Securities and Exchange Board of India - SEBI.



DEPOSITORY RECEIPT (DR)

A depository receipt (DR) is a negotiable financial instrument issued by a bank to represent a foreign company's publicly traded securities. The depository receipt trades on a local stock exchange. Depository receipts facilitates buying shares in foreign companies, because the shares do not have to leave the home country.

ADR

