IJARSCT
ISSN (Online) 2581-9429
International Journal of Advanced Research in Science, Communication and Technology (IJARSCT)
IJARSCT
Impact Factor: 6.252
Volume 2, Issue 1, October 2022

# Analysis of Capital Account of India's Balance of Payment from 2010 to 2020

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**Abstract:** *The management of the capital account in India's balance of payments has become increasingly important in recent years as the economy has become more integrated into the global financial system. Systematic capital account studies have been lacking, and the current study is an attempt in that direction. Using annual data from 1970-71 to 1998-99, a moderate-sized simultaneous equation model containing significant constituents of the capital account as well as other macroeconomic sectors is estimated. The model is then used to run multiple counter-factual simulations, encompassing various scenarios. Changes in global income and non-interest domestic government spending are the two key factors influencing the Indian capital account. Monetary policies like the CRR or increases in bank rates appear to have modest implications for the capital account, as does a proactive strategy of real exchange-rate targeting. During 2011-12, the BOP's current account began to spread to alarming levels, reaching US $ 78155 million, with a 4.2 percent ratio to GDP. India's merchandise trade was also expanded, and its contribution to GDP climbed to 10.3 percent. Again, India's Bop position was unfavorable during 2011-12 and 2012-13 due to the dangerous level of increase in CAD and merchandise trade balance; during 2011-12, the Bop stood at US $ 78155 million and the ratio to GDP was 4.2; in 2012-13, a small surplus of US $ 3826 million was recorded in India's Balance of Payments position, but the merchandise trade deficit increased to 10.7 percent of GDP. In 2014-15, India's BOP position increased over the previous year..*

**Keywords:** India Account, Bop Balance of Payments, Capital Account

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