

The background of the slide is a collage of Indian 500 rupee banknotes. The notes are scattered and overlapping, with some showing the portrait of Mahatma Gandhi. The text 'BANK OF INDIA' and 'RESERVE BANK OF INDIA' is visible on several notes. The overall color scheme is a mix of yellow, green, and brown tones.

Autonomous and Accommodating Transactions of BoP

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Autonomous Transactions

Autonomous and Accommodating Transactions

International economic transactions are called **autonomous** when transactions are made due to some reason other than to bridge the gap in the balance of payments, that is, when they are independent of the state of BoP. One reason could be to earn profit. These items are called 'above the line' items in the BoP. The balance of payments is said to be in surplus (deficit) if autonomous receipts are greater (less) than autonomous payments.

BoP is in surplus when:

(Current Account Receipts + Capital Account Total Receipts) >
(Current Account Payments + Capital Account Total Payments)

Current Account = -₹1500
Capital Account = ₹1000
BOP = -₹500

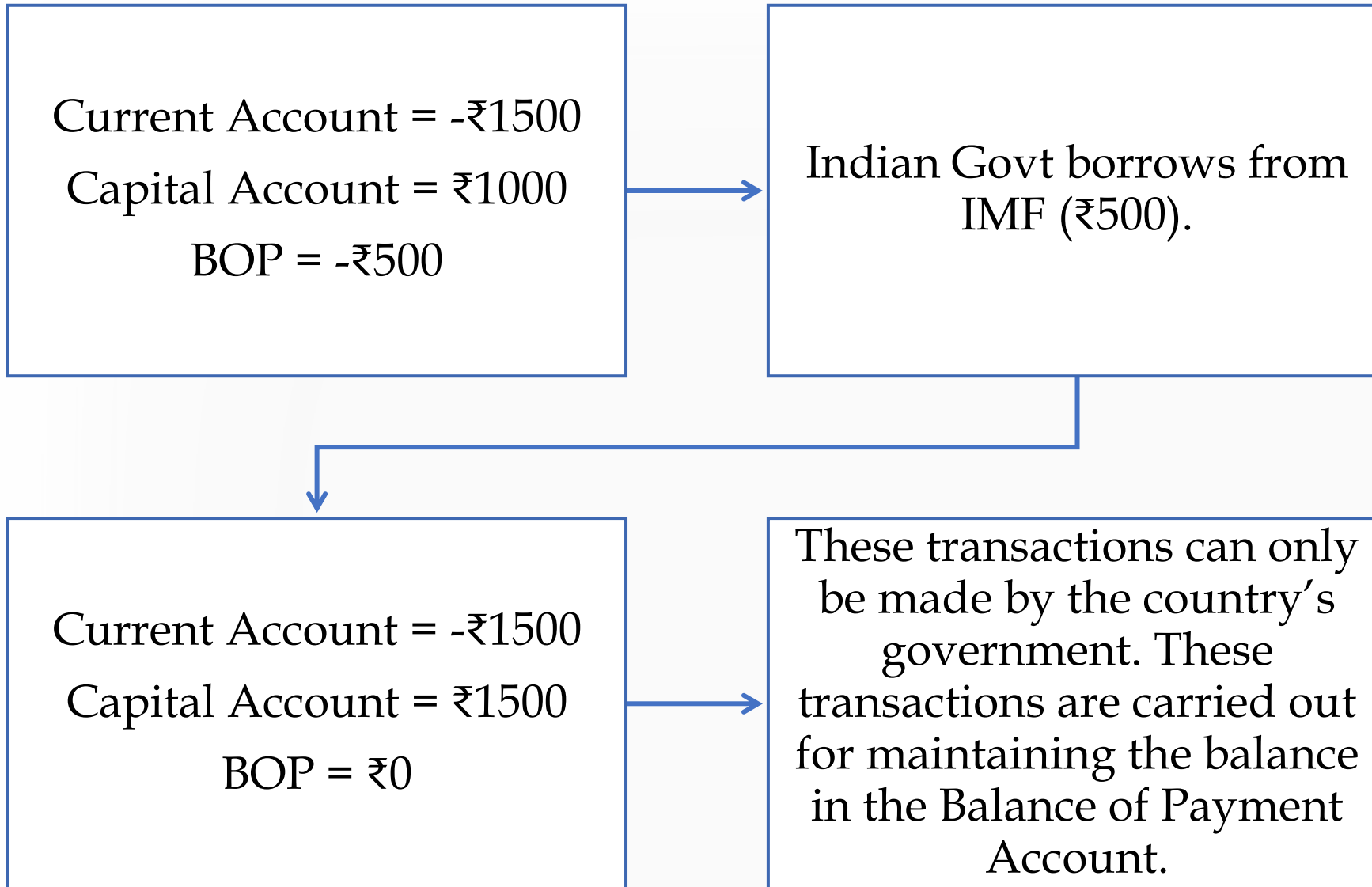
An Indian textile company,
driven by profit, imports
(₹1000) cheap raw material.
(Rather than procuring
domestically)

Current Account = -₹2500
Capital Account = ₹1000
BOP = -₹1500

These transactions occur
regardless of India's
current BOP situation.
They're driven by market
forces, not BOP balancing.

Accommodating Transactions

Accommodating transactions (termed 'below the line' items), on the other hand, are determined by the gap in the balance of payments, that is, whether there is a deficit or surplus in the balance of payments. In other words, they are determined by the net consequences of the autonomous transactions. Since the official reserve transactions are made to bridge the gap in the BoP, they are seen as the accommodating item in the BoP (all others being autonomous).





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