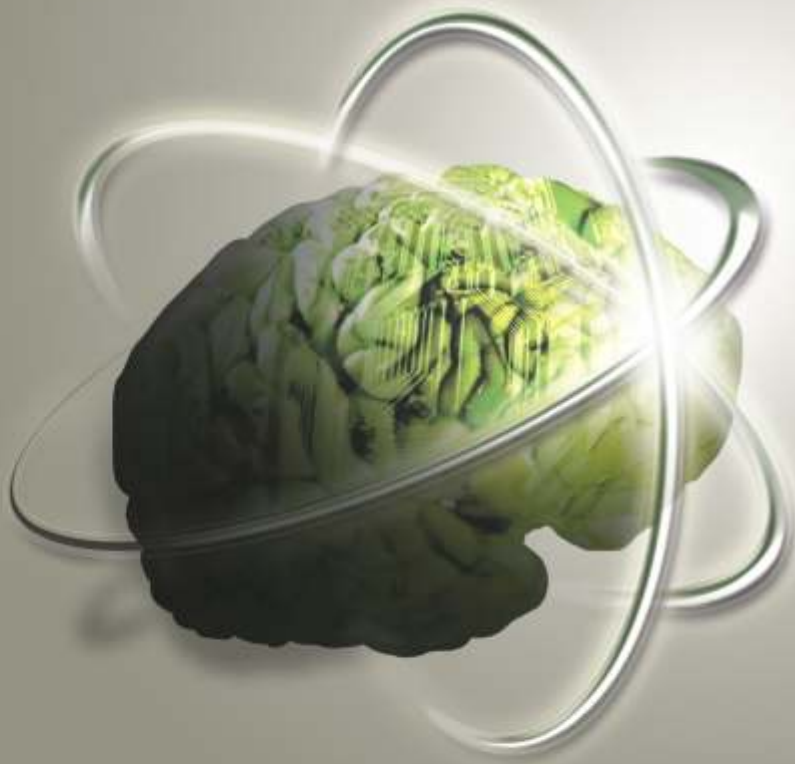




Takshashila Academia of Economic Research

Think Tank in the world of Economic, Social, and Policy Research



CLAIRVOYANCE

RESEARCH ► PUBLICATIONS ► CONSULTANCY

OBJECTIVES

- RESEARCH ▶
- PUBLICATIONS ▶
- CONSULTANCY ▶



Takshashila Academia of Economic Research Limited (TAER) has been set up by Financial Technologies (India) Limited (FTIL) as an independent, non-partisan academic group for undertaking economic, environmental, and social research and consulting assignments on diverse issues of public interest and policymaking, besides bringing out journals and publications. With the emerging challenges of globalization and competitive free trade, especially following the onset of the World Trade Organization (WTO) era, India will be facing multifarious complex problems in diverse economic, environmental, and social areas to sustain its economic growth and promote distributive justice so as to eliminate poverty. This calls for unbiased and objective research to assist various stakeholders in different economic sectors and policymakers in decision making. TAER has been organized with this avowed purpose. TAER's views are arrived at through objective thinking, without being swayed by any kind of bias or allegiance to FTIL or any of its group companies, or to any ideology, political or otherwise.

Traversing the long road to the acquisition and dissemination of knowledge marks the vision of TAER. The successive milestones that the organization crosses on this journey delineate and define the objectives of this organization.

TAER is an independent, non-partisan academic group for undertaking economic, environmental, and social research and consulting assignments on diverse issues of public interest and policymaking.

ORGANIZATION



- ◀ DIVERSE
- ◀ COMMITTED
- ◀ SPECIALIST

TAER is headed by the eminent economist *Dr Madhoo Pavaskar* as its Director. TAER's activities are guided by its Advisory Board, comprising some of the foremost economists in the country:

- **Dr Yoginder K. Alagh**, Chairman, Institute of Rural Management, Anand, and Vice Chairman, Sardar Patel Institute of Economic and Social Research
- **Dr Madhoo Pavaskar**, Director, Takshashila Academia of Economic Research
- **Dr Vijay Kelkar**, Chairman, Finance Commission of India
- **Dr Ajit Ranade**, Chief Economist, Aditya Birla Group
- **Dr Nilanjan Ghosh**, Sr. Vice President, Takshashila Academia of Economic Research

TAER has a competent research and marketing team that includes academically qualified and experienced economists, industry experts, management professionals, environment specialists, journalists, editors, and advertising and marketing professionals. TAER can also draw on the expertise within the diverse FTIL Group of Companies, as and when required. TAER has also registered experts and agencies specialized in diverse fields such as different branches of engineering, economics, econometrics, environment management, and market research.

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MISSIONS & FUNCTIONS

MARKETS ▶
POLICIES ▶
KNOWLEDGE ▶



TAER acts as a think tank in the world of economic, environmental, social, and policy research. In the emerging sustainable development paradigm, TAER sets before itself the following missions:

▶ **With a focus on market economics:**

- Conduct relevant research on various aspects of physical and derivative markets in commodities, currencies, equities, bonds, and intangibles like weather, etc., and their allied institutions, and related activities, with a view to determining their economic utility for risk management and price discovery to the diverse market functionaries.
- Analyse the impact of physical and derivative market systems, practices and policies, and changes therein on various spheres of economic activities, economic growth, and welfare.
- Inquire into the regulatory practices and assess the influence of regulations and other measures, fiscal or otherwise, on the functioning of markets and their economic utility.

▶ **With a focus on development economics:**

- Carry out research in the agriculture, industry, and services sectors aggregatively and separately, as also in their sub-sectors separately.
 - Analyse the fiscal and monetary policies of the government to assess the impact of these policies on growth and development.
 - Examine critically the official infrastructure, trade, industry and other economic, environmental, and social development policies.
- ▶ Undertake consulting assignments on various economic, environmental, social, and policy developments and requirements for the public and private sectors as well as the multinational and inter-governmental agencies.
- ▶ Exchange knowledge through organizing roundtables, seminars, workshops, conferences, and briefings.
- ▶ Disseminate research findings to economic functionaries, academicians, policymakers, media, and the citizens at large through publication of journals, press notes, books, and the TAER website .

RESEARCH & CONSULTANCY



- ◀ UNBIASED
- ◀ STRATEGIC
- ◀ SIGNIFICANT

Research and consultancy are the key activities of TAER. Only within a few months of its initiation, TAER has undertaken significant research through externally funded projects, as also in-house projects. Some of the past and ongoing significant research and consulting assignments undertaken by TAER are:

► **Effects of Trade Liberalization on Oilseed and Edible Oil Sector in India** (Sponsor: UNCTAD, India)

The study, undertaken as part of the UNCTAD's larger project on "Strategies and Preparedness for Trade and Globalization in India", has assessed essentially the impact of India's imports of edible oils (following trade liberalization in mid-1990s) on the Indian oilseeds economy in general and the edible oil sector in particular. The study not only called for analyzing the structure of the Indian oilseeds economy and trends in production, trade, and prices of oilseeds and oilseed products, but also involved econometric modelling with a simultaneous equation system to test the hypothesis that the tariff liberalization in edible oils has benefitted consumers, processors, and the oilseed economy as a whole. Based on the partial equilibrium model, the study even suggested the optimum tariff policy that will prove advantageous for both edible oil consumers and oilseed growers. The study will be published shortly by UNCTAD.

► **Risk Management in Cotton**

This in-house study examines the trends in production and prices of short, superior medium and long, and extra-long staple cotton grown in the country, and ascertains the need for risk management in them. The study then proceeds to show, with examples, alternative ways by which different cotton market functionaries like farmers, merchants, exporters, and mills can cover their price risks through hedging in the cotton futures market. The study will serve as a textbook for understanding the risk management practices that various cotton market functionaries can adopt effectively and efficiently under different spot-futures price conditions. The study will be published by TAER shortly.

Research is to see what everybody else has seen, and to think what nobody else has thought.

- Albert Szent-Gyorgyi

DESK RESEARCH ▶

FIELD SURVEYS ▶

ANALYSIS ▶



▶ **Designing Futures Contract for Castor Seed**

This ongoing study essentially aims at assessing the need for risk management and price discovery by the diverse market functionaries trading in the domestic and export markets of castor seed and castor oil, so as to devise a functionally constructive derivative contract in castor seed. For that purpose, the study seeks to ascertain the prevailing supply chain in castor seed and castor oil markets, and determine the current practices of buying and selling within the supply chain to ascertain the need for risk management by diverse market functionaries as also measure the magnitude of price risks, if any, involved in such buying and selling at different levels and the methods by which these risks are averted at present.

The study involves intensive desk research and extensive field survey in the major castor seed markets in the country, besides in-depth interviews with major castor seed processors and exporters of castor oil and its derivative products. The study will critically analyse the prevailing castor seed futures contracts traded at the national and regional exchanges in the country, and assess their economic utility for risk management and price discovery by examining through appropriate statistical and econometric methods the relationship of such contract prices with the corresponding spot prices of the basis and other deliverable varieties. The results of such statistical/econometric analysis will be supplemented by the field survey results that will shed light on the extent of the actual use of such contracts by merchants, processors, and exporters. The study will also seek to identify the factors that determine the success of a commodity derivative contract for effective price discovery and efficient price risk management. This will help design an economically useful and technically feasible futures contract in either castor seed or castor oil. If suitable operational or regulatory changes are needed for the development of such a contract, the study will make appropriate recommendations to the regulatory authorities as well as to the exchanges.

▶ **Impact of Commodity Transaction Tax**

This study critically analysed the impact of the Commodity Transaction Tax (CTT) legislated by the Finance Act, 2009, on the cost of trading in commodity futures and market liquidity at the commodity exchanges, as also on government revenues. The study clearly established that not only will CTT destroy market liquidity by rendering trading in commodity derivatives cost-ineffective, but will also prove counter-productive for the government through huge losses in government revenues. An article based on this study was published in *Economic and Political Weekly*.

Research serves to make building stones out of stumbling blocks.

- Arthur D. Little



- ◀ ECONOMETRICS
- ◀ OPTIMIZATION TECHNIQUES
- ◀ QUALITATIVE RESEARCH

▶ **An Analysis of Inflation in India**

Following the ban on futures trading in major food grains and pulses in the wake of rise in commodity prices, which was believed to be fuelling inflation in the economy through 2007-08, a research study was conducted to analyse inflation in India and determine the factors causing such inflation. An appropriate econometric analysis was carried out with several independent variables like money supply, food grain supplies, and futures trading to test the hypothesis that speculation in the futures market leads to inflation. The results of the study failed to establish the hypothesis, and, instead, found that inflation was essentially driven by entries in money supply, which lead to demand for commodities running ahead of their supplies. The study was subsequently published.

▶ **Other Projects**

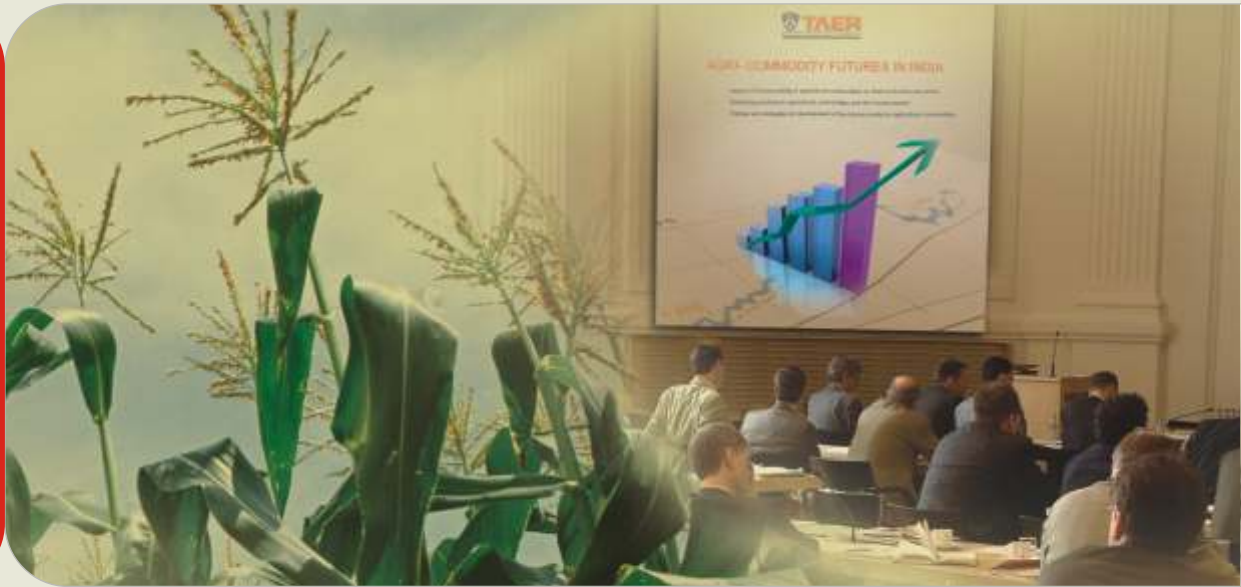
Various small in-house research projects have been conducted from time to time on issues related to commodity markets, currency derivatives, SME exchanges, and several others. Many of these studies were published as articles in the TAER quarterly journal, *Commodity Vision* (now a bi-monthly). Some of these studies have been published as Working Papers on the TAER website.

Research shows that you begin learning in the womb and go right on learning until the moment you pass on. Your brain has a capacity for learning that is virtually limitless, which makes every human a potential genius.

- Michael J. Gelb

SEMINARS & WORKSHOPS

AGRI-COMMODITY ▶
CARBON TRADING ▶
DERIVATIVES ▶



TAER has so far organized two major events.

AGRI-COMMODITY FUTURES IN INDIA

A seminar on “Agri-Commodity Futures in India: Impact on Production and Prices” was organized in September 2007 in Mumbai in collaboration with the Indian Society of Agricultural Economics and the Department of Economics, University of Mumbai.

The three themes on which papers were called for, presented, and discussed at the Seminar were:

- Impact of futures trading in agricultural commodities on their production and prices
- Marketing practices in agricultural commodities and the futures market
- Policies and strategies for development of the futures market in agricultural commodities

Many papers were presented at the Seminar on each theme by leading academicians from reputed universities and research institutes from across the country. The Seminar also attracted wide participation from academic organizations, banks, and interested individuals.

WORKSHOP ON CARBON TRADING

The Workshop was organized in association with CarboNyatra in January 2008 in Mumbai. The Workshop covered the following four issues:

- Project selection–finance and pricing (post Kyoto)
- PDD methodology and baseline emission calculations for biomass projects (including verification and monitoring)
- Methodology and baseline emission calculations for hydro projects (including verification and monitoring)
- Emission trading on the auction platform

The Workshop attracted a large number of delegates from all over the country, and was well received.

PUBLICATIONS



- ◀ DIVERSE
- ◀ FUTURISTIC
- ◀ POLICY RELEVANT

JOURNAL

COMMODITY VISION

TAER has been publishing a quarterly journal, *Commodity Vision*, since July 2007. *Commodity Vision* is a semi-academic journal which primarily dealt with commodities initially, but soon extended its horizon to cover the entire financial sector, comprising even markets for currencies, equities, bonds, and financial derivatives like interest-rate futures. The knowledge base of market economics and management in India is conspicuous by its absence; *Commodity Vision* seeks to fill this void. It features well-researched articles and analyses. It does not claim to be a clairvoyant, but serves as a commodity research economist with domain knowledge in a wide spectrum of markets and well-equipped diagnostic tools.

The journal focuses on unfolding the mysteries surrounding the marketplaces. It serves as a useful tool for market functionaries, other market-related interests, mandarins in the union and state governments, and politicians and parliamentarians for decision making. Each issue contains a Special Report that focuses on a specific market or its underlying asset.

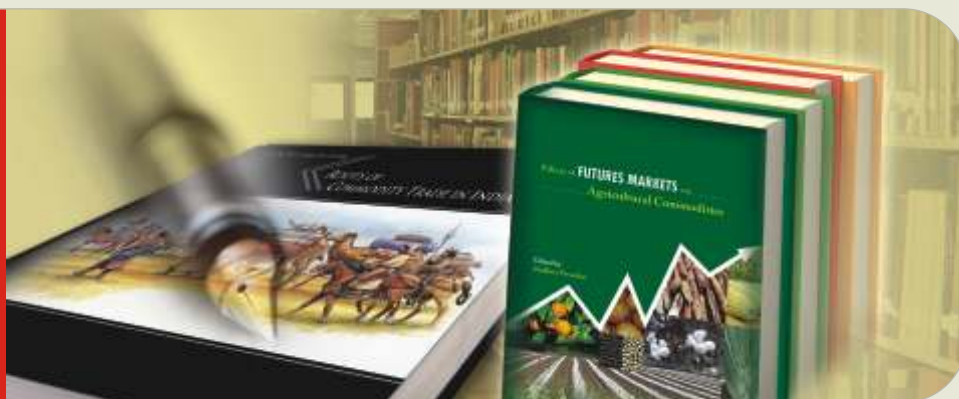
Within two years since its inception, the journal has been successful in fulfilling its mandate of creating a knowledge base on the market sector in India, and has proved useful to not only market functionaries and regulators, but also the lay and the learned in the academic world. In view of its wide acceptance, TAER has decided to make the journal a bi-monthly from July 2009.

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EFFECTS OF FUTURES MARKETS ▶

BACK TO THE FUTURE ▶

RISK MANAGEMENT IN COTTON ▶



BOOKS

TAER has released a book with selected papers presented at the Agri-Commodity Futures Seminar. Edited by TAER Director Madhoo Pavaskar, this book (*Effects of Futures Trading in Agricultural Commodities on Production and Prices*) covers several critical issues related to utility, efficiency, and functioning of the agricultural commodity futures market in India.

TAER also has under publication the following books:

- *Back to the Future: Roots of Commodity Trade in India* by Jignesh Shah and Biswajeet Rath
- *Risk Management in Cotton* by Madhoo Pavaskar and Archana Kshirsagar
- *Readings in Commodity Markets* by Madhoo Pavaskar

The TAER research group is continually engaged in not only undertaking several economic and market-related economic studies, but also in the preparation of various commodity and financial derivative training manuals to assist diverse market functionaries operating in different financial markets to devise suitable strategies for effective price risk management and speculation. TAER plans to bring out all these studies and reports as priced publications.

A book is the only place in which you can examine a fragile thought without breaking it, or explore an explosive idea without fear it will go off in your face. It is one of the few havens remaining where a man's mind can get both provocation and privacy.

- Edward P. Morgan

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