FREE SAMPLE

ECONOMY

LAST MINUTE NOTES

Turning Your Fiscal Fears into Exam-Crushing Cheers!

Table of Contents

5 YEAR PLANS 3
LIBERALIZATION PRIVATIZATION GLOBALIZATION 4
UNEMPLOYMENT 5
BASIC MACROECONOMICS 6
TYPES OF INFLATION 8
CPI VS WPI 9
HUMAN DEVELOPMENT INDEX (HDI) 10
HAPPINESS INDEX 10
MONEY MULTIPLIER 11
MEASURES BY RESERVE BANK OF INDIA 12
RBI BALANCE SHEET 16
DIFFERENCE BETWEEN NEFT, RTGS AND IMPS 17
BANKS IMP INFO 19
DIFFERENTIAL BANKS 20
NON PERFORMING ASSETS 23
BASEL NORMS 24
MONEY MARKET & CAPITAL MARKET 26
DIFFERENT TYPES OF BONDS 28
NOMINAL VS REAL 30
DEFICITS 33
CAPITAL EXPENDITURE VS REVENUE EXPENDITURE 36
TECHNOLOGIES BY GOVERNMENT 36
MINISTRY OF FINANCE 39
SEIS AND MEIS 41
BUDGET [ANNUAL FINANCIAL STATEMENT] 42
BEPS (BASE EROSION AND PROFIT SHIFTING) 44
FATF AND FATCA 44
EXTERNAL TRADE 45
CRYPTOCURRENCY 48
BLOCKCHAIN LEDGER 50
IMPORTANT CURVES 51

5 Year Plans

Plan No.	Time Period	Aim	Objectives
First Plan	1951-1956	Agriculture and Community Development	1. Increase national income by 25%
			2. Agricultural development
			3. Employment generation
Second Plan	1956-1961	Industrialization with a focus on public sector	1. Increase industrial production by 100% 2. Develop heavy industries 3. Develop infrastructure
Third Plan	1961-1966	Self-reliance and develop a self-sustaining economy	1. Increase national income by 5.6% annually 2. Develop agriculture and industry 3. Reduce poverty and unemployment
Fourth Plan	1969-1974	Growth with social justice	1. Increase national income by 5.7% annually 2. Reduce poverty and unemployment 3. Improve living standards
Fifth Plan	1974-1979	Poverty alleviation and self-reliance	1. Increase national income by 4.4% annually 2. Reduce poverty and inequality 3. Promote employment opportunities
Sixth Plan	1980-1985	Development of agriculture, industry, and technology	1. Increase national income by 5.2% annually 2. Promote technology development 3. Develop agriculture and rural areas
Seventh Plan	1985-1990	Modernization and self-sufficiency	1. Increase national income by 5% annually 2. Develop technology and infrastructure 3. Promote employment opportunities
Eighth Plan	1992-1997	Accelerated economic growth and development	1. Increase national income by 6.5% annually 2. Promote private sector participation 3. Develop infrastructure
Ninth Plan	1997-2002	Balanced regional development and poverty reduction	1. Increase national income by 7.7% annually 2. Reduce poverty and inequality 3. Develop infrastructure in rural and backward areas
Tenth Plan	2002-2007	Inclusive growth and development	1. Increase national income by 8% annually 2. Reduce poverty and unemployment 3. Promote education and healthcare

Eleventh Plan	2007-2012	Faster and more inclusive growth	1. Increase national income by 9% annually 2. Reduce poverty and inequality 3. Develop infrastructure and promote sustainable development
Twelfth Plan	2012-2017	Inclusive and sustainable development	1. Increase national income by 8% annually 2. Promote inclusive growth 3. Develop infrastructure and promote sustainable development

Liberalization Privatization Globalization

	Liberalisation	Privatisation	Globalisation
Definition	The process of removing government regulations and barriers to trade and investment to encourage economic growth.	The transfer of ownership and control of state-owned enterprises to private entities.	The integration of economies and societies through cross-border flows of goods, services, capital, and technology.
Objective	To enhance competition, increase efficiency, and attract foreign investment.	To improve the performance of state-owned enterprises and reduce the burden on the government.	To create new opportunities for economic growth, increase competitiveness, and reduce poverty.
Key Features	- Removal of licensing requirements and permit raj. - Reduction of trade barriers and tariffs. - Relaxation of foreign investment regulations.	- Sale of shares or assets of public sector enterprises to private entities. - Grant of management control to private entities. - Introduction of competitive forces in sectors previously dominated by state-owned enterprises.	- Increased cross-border trade and investment. - Greater flows of capital and technology. - Increased mobility of labor.

Impact on the Economy	- Increased competition and efficiency. - Growth of service sector industries. - Increase in foreign investment. - Reduction in poverty.	- Improved efficiency and productivity of privatized enterprises. - Reduction of government expenditure on state-owned enterprises. - Creation of new jobs in the private sector.	- Increased competitiveness and innovation. - Access to new markets and resources. - Creation of new job opportunities.
Examples	- Abolition of industrial licensing in 1991. - Reduction of import tariffs. - Removal of restrictions on foreign investment.	- Privatization of Maruti Udyog Limited. - Privatization of Videsh Sanchar Nigam Limited. - Privatization of Bharat Aluminum Company.	- Increase in cross-border trade with China. - Increase in foreign direct investment from the US. - Establishment of Special Economic Zones.

Unemployment

Frictional	Cyclical	Structural	Institutional	Disguised
It occurs when people voluntarily change jobs. After a person leaves a company, it naturally takes time to find another job. Similarly, graduates just starting to look for jobs to enter the workforce add	is the variation in the number of unemployed workers over the course of economic upturns and downturns, such as those related to changes in oil prices.	comes about through a technological change in the structure of the economy in which labor markets operate. Technological changes can lead to unemployment among workers displaced from	long-term or permanent institutional factors and incentives in the economy.	part of the labor force is either left without work or is working in a redundant manner such that worker productivity is essentially zero. It is unemployment that does not affect aggregate output.

to frictional unemployment.		jobs that are no longer needed.		
	Unemployment rises during recessionary periods and declines during periods of economic growth.	replacement of horse-drawn transport with automobiles and the automation of manufacturing	Government policies, such as high minimum wage	An economy demonstrates disguised unemployment when productivity is low and too many workers are filling too few jobs.

Basic Macroeconomics

Measure	Description	Calculation
Gross Domestic Product (GDP)	The total value of all final goods and services produced within a country's borders during a specific time period, typically a year. It represents the overall economic output of a nation.	GDP = Consumption (C) + Investment (I) + Government Spending (G) + Net Exports (X - M)
Net Domestic Product (NDP)	The value of GDP after accounting for depreciation or the wear and tear on capital goods (such as machinery, buildings, etc.) during the production process. It reflects the net value of goods and services produced by a country after accounting for the capital consumed in the production.	NDP = GDP - Depreciation

Gross National Product (GNP)	The total value of all final goods and services produced by the residents of a country, whether they are located within the country's borders or abroad. It includes the domestic production of residents and the income earned by residents from abroad.	GNP = GDP + Net Income from Abroad (Net factor income from abroad)
Net National Product (NNP)	The value of GNP after accounting for depreciation. It represents the net value of goods and services produced by a country's residents, both domestically and abroad, after accounting for the capital consumed in the production.	NNP = GNP - Depreciation
National Income (India)	The total income earned by individuals and entities within the country's borders during a specific time period. It includes wages, salaries, profits, rents, and other forms of income generated from economic activities within the nation. National Income provides a measure of the overall income distribution and economic well-being of a country.	National Income = Compensation of Employees + Operating Surplus + Mixed Income + Taxes on Production and Imports - Subsidies on Production and Imports

GDP Calculation Methods

Gross Domestic Product (GDP) can be calculated using three primary methods: the Expenditure Method, the Production (or Output) Method, and the Income Method. Below, we'll explain the Expenditure Method and the Production Method, along with their formulas.

1. Expenditure Method

Description:

- The Expenditure Method calculates GDP by summing up all expenditures made in an economy over a period. It considers consumption, investment, government spending, and net exports (exports minus imports).

Formula: GDP=$C+I+G+(X-M)$

- C = Consumption: Total spending by households on goods and services.
- I = Investment: Total spending on capital goods that will be used for future production.

- G = Government Spending: Total government expenditures on goods and services.
- X = Exports: Goods and services produced domestically and sold abroad.
- M = Imports: Goods and services produced abroad and purchased domestically.

2. Production (Output) Method

Description:

- The Production Method calculates GDP by adding up the value of all goods and services produced in the economy. This method measures the total output of all industries and sectors within the economy.

Formula: $GDP=\sum GVA+Taxes-Subsidies$

- $\sum GVA$= Gross Value Added: Sum of the value added by all industries in the economy. Value added is the difference between an industry's total output and its intermediate consumption (the value of goods and services used up in production).
- Taxes = Indirect taxes on goods and services.
- Subsidies = Government subsidies on goods and services.

Who Calculates GDP in India?

In India, the GDP is calculated by the **Central Statistics Office (CSO)**, which is a part of the Ministry of Statistics and Programme Implementation (MoSPI).

Types of Inflation

Type of Inflation	**Description**	**Examples**
Demand-Pull Inflation	Caused by excess demand for goods and services, leading to price increases.	Increased consumer spending, government stimulus programs, rapid economic growth.
Cost-Push Inflation	Caused by increased production costs, such as wages, raw materials, or taxes, leading to higher prices.	Rising labor wages, increased energy costs, imposition of tariffs.
Built-In Inflation	Occurs when expectations of future inflation are embedded in wage and price-setting behavior, resulting in a self-perpetuating cycle of wage increases and price hikes.	Workers demanding higher wages to keep up with anticipated price rises.

Imported Inflation	Caused by higher prices of imported goods and services due to factors like exchange rate fluctuations, tariffs, or disruptions in global supply chains.	Depreciation of domestic currency, trade restrictions leading to higher import costs.
Hyperinflation	Extreme and rapid inflation with a loss of confidence in the currency, resulting in skyrocketing prices.	Historical examples include Zimbabwe in the late 2000s and Venezuela in recent years.
Disinflation	A slowdown in the rate of inflation, where prices are still rising but at a slower pace compared to previous periods.	Central bank tightening monetary policy, decreasing consumer demand during an economic downturn.
Stagflation	Simultaneous occurrence of high inflation, high unemployment, and stagnant economic growth, posing challenges for policymakers as traditional measures may worsen one problem while addressing another.	1970s oil crisis leading to soaring energy costs, recession, and rising unemployment rates while prices continued to rise.

CPI vs WPI

Aspect	Consumer Price Index (CPI)	Wholesale Price Index (WPI)	Index of Industrial Production (IIP)
Purpose	Measures changes in the prices of goods and services consumed by households	Measures changes in the prices of goods at the wholesale level	Measures the overall growth and performance of various sectors of the economy
Coverage	Includes a basket of goods and services consumed by typical households	Includes a basket of goods traded between businesses before reaching consumers	Includes data on the production of industrial sectors like manufacturing, mining, and electricity
Frequency	Monthly	Monthly	Monthly
Base Year	Currently 2012	Currently 2011-12	Currently 2011-12

Categories	Food and beverages, housing, clothing, fuel, education, healthcare, etc.	Primary articles, fuel and power, manufactured products	Manufacturing, mining, electricity

Index of Industrial Production (IIP):

- **Purpose**: Measures the overall growth and performance of various sectors of the economy, specifically industrial sectors.
- **Coverage**: Includes data on the production of manufacturing, mining, and electricity sectors.
- **Data Collection Point**: Production units and factories.
- **Use**: Indicates industrial growth and economic activity and helps policymakers understand industrial performance and set economic policies.

Human Development Index (HDI)

What is HDI?

The **Human Development Index (HDI)** is a composite statistic used to rank countries based on human development levels. It was developed by the United Nations Development Programme (UNDP) to provide a more comprehensive measure of development than just economic growth (GDP). HDI considers three key dimensions of human development:

1. **Health**: Measured by life expectancy at birth.
2. **Education**: Measured by the mean years of schooling for adults aged 25 years or more and the expected years of schooling for children entering school.
3. **Standard of Living**: Measured by Gross National Income (GNI) per capita (adjusted for purchasing power parity, PPP).

Happiness Index

What is the Happiness Index?

The **Happiness Index**, also known as the **World Happiness Report**, measures the subjective well-being and happiness of people in different countries. It is published by the Sustainable Development Solutions Network (SDSN) and is based on data collected from surveys conducted by Gallup.

Key Factors:

The Happiness Index considers six key factors that contribute to happiness:

1. **Income**: GDP per capita.

2. **Social Support**: Having someone to count on in times of trouble.
3. **Healthy Life Expectancy**: Life expectancy at birth.
4. **Freedom to Make Life Choices**: The perceived freedom to make key life decisions.
5. **Generosity**: Donations to charity.
6. **Perceptions of Corruption**: The level of corruption in government and business.

Money Multiplier

The **money multiplier** is a concept that helps us understand how much the money supply in an economy can increase based on the amount of reserves held by banks. It shows the maximum amount of money that banks can create with each unit of reserves. Here's a simple way to think about it:

1. **Bank Reserves**: When you deposit money in a bank, the bank keeps a portion of it as reserves and can lend out the rest.
2. **Lending**: The money that the bank lends out can be deposited in another bank, which then keeps a portion as reserves and lends out the rest.
3. **Cycle**: This process repeats, creating more money in the economy from the initial deposit.

The money multiplier tells us how many times the initial amount of money can be multiplied through this process.

1. **M1**:
   - **Components**:
     - Currency with the public (coins and notes)
     - Demand deposits with the banking system
     - Other deposits with the RBI
   - **Formula**: M1=Currency with Public+Demand Deposits with Banks+Other Deposits with RBIM1 =Currency with Public+Demand Deposits with Banks+Other Deposits with RBI
   - **Description**: M1 is the narrowest measure of money supply, representing the most liquid forms of money that are readily available for spending.
2. **M2**:
   - **Components**:
     - M1
     - Savings deposits with post office savings banks

Click Here to Get Complete Notes