

Economics

- Adam Smith is known as the **father of Economics**. Adam Smith is the author of the book '**Wealth Of Nations**'.
- There are three types of Economy .They are Capitalistic Economy, Socialistic Economy and Mixed Economy
- India's Economy is a Mixed Economy
- Father of Indian Economics & Politics is **Dadabhai Naoroji**
- He is known as the **Grand old man of India**
- His famous book is **Poverty and Un British Rule in India**
- His popular theory is Economic **Drain Theory**.
- The first Asian who got Nobel Prize for Economics is **Amartya Sen** (1998).
- He got Bharat Ratna in 1999.His famous books are '**Development as Freedom**', '**Poverty and Famine**', 'Choice of Technique' and 'Argumentative Indian'.
- According to planning commission report **21.9%** of Indian population live **below Poverty Line**.

Broad Sectors of Indian Economy:

- Primary Sector: Agriculture, Forestry, Fishing
- Secondary Sector: Mining, Manufacturing, Electricity, gas and water supply
- Tertiary Sector: (Also called **Service sector**). Business, transport, banking, Insurance, Real estate, Community and personal services
- Composition of Sectors in Indian Economy
 - **Primary (Agriculture) : 17.4%**
 - **Secondary (Industry) :25.8%**
 - **Tertiary Sector (Service Sector): 56.9%**

Planning in India

Planning Commission: Government of India constituted Planning Commission with the Prime Minister of India as its Chairman in accordance with **Article 39** of the Directive Principles of the Constitution of India. Planning commission came into being on **15th March 1950**.

- Planning Commission is only **an advisory body** (non-constitutional body)
- Prime Minister is the chairman of Planning Commission
- First Chairman: Jawaharlal Nehru.
- First Deputy Chairman: Gulsarilal Nanda
- Headquarters: Yojana Bhavan.
- Father of Indian Planning: **M. Visweswarayya**. '**Planned Economy of India** ' is the famous book written by him
- The concept of Economic planning in India is derived from **Russia**.
- Economic Planning comes under **Union list** in the constitution

National Development Council (NDC):

- It is a constitutional body, setup on **6th August, 1952**.
- Ex-officio chairman is the **Prime Minister**.
- Ex-officio Secretary is The Secretary of Planning Commission.
- Members: Chief Ministers of all states, Members of Planning Commission and representatives of the Union Territories.
- It aimed to make cooperative environment for economic planning between states and the planning commission. Also it gives **final approval to the five year plans**.

First Plan (1951–1956)

- The first Indian Prime Minister, Jawaharlal Nehru presented the first Five-Year Plan n 1951.
- The First Five-year Plan was launched which mainly focused in development of the **primary sector agriculture**.
- The First Five-Year Plan was based on the **Harrod–Domar model** with few modifications.
- The most important feature of this phase was active role of state in all economic sectors. Such a role was justified at that time because immediately after independence, India was facing basic problems—deficiency of capital and low capacity to save.
- The target growth rate was **2.1%** annual gross domestic product (GDP) growth; the achieved growth rate was **3.6%** the net domestic product went up by **15%**.
- The per capita income, was increased by **8%**.
- Many irrigation projects were initiated during this period, including the **Bhakra, Hirakud and Damodar Valley** dams.

- At the end of the plan period in 1956, five Indian Institutes of Technology (IITs) were started as major technical institutions. **The University Grants Commission (UGC)** was set up in **1956**

Second Plan (1956–1961)

- The Second Plan was particularly in the development of the public sector
- Aim was to maximise **long-run economic growth**.
- The target growth rate was 4.5% and the actual growth rate was 4.27%.
- Known as **Mahalanobis Model**. He is considered as the father of second five year plan.
 - **P.C Mahalanobis is the founder of Indian statistical institute**
 - **June 29 the birth day of P.C Mahalanobis is celebrated as National Statistical Day**
- Hydroelectric power projects and five steel plants at **Bhilai, Durgapur, and Rourkela** were established with the help of **Russia, Britain** (the U.K) and **Germany** respectively. Coal production was increased

Third Plan (1961–1966)

- The target growth rate was **5.6%**, but the actual growth rate was **2.4%**. This plan is also known as **Gadgil Plan**
- The Third Five-year Plan stressed agriculture and improvement in the production of wheat.
- But **Indo China War of 1962** exposed weaknesses in the economy and shifted the focus towards the defence industry and the Indian Army. In 1965–1966, India fought a **War with Pakistan**. There was also a severe drought in 1965. The war led to inflation and the priority was shifted to price stabilisation.
- Panchayat elections were started and the states were given more development responsibilities.
- **Bokaro steel plant** was established in 1964 during this plan with the help of **USSR (Russia)**.
- Due to miserable failure of the Third Plan the government was forced to declare "**plan holidays**" (from **1966–67, 1967–68, and 1968–69**). Three annual plans were drawn during this intervening period. During 1966–67 there was again the problem of drought. Equal priority was given to agriculture, its allied activities, and industrial sector. The main reasons for plan holidays were the war, lack of resources, and increase in inflation.
- In 1966-67 periods **Green revolution** was started in India to solve the rising food crisis.
- **M.S. Swaminathan** was the person behind Green revolution in India.

Fourth Plan (1969–1974)

- At this time Indira Gandhi was the Prime Minister.
- Monopolies and Restrictive Trade Practices act (MRTP) was passed in 1969 during this period
- Indira Gandhi government **nationalised 14 major Indian banks** and the Green Revolution in India advanced agriculture
- India also conducted the first nuclear test at Pokhran in Rajasthan in 1974. Its code name was **Smiling Buddha**
- The target growth rate was **5.6%**, but the actual growth rate was **3.3%**

Fifth Plan (1974–1979)

- The target growth rate was 4.4% and the actual growth rate was 5%.
- The Fifth Five-Year Plan laid stress on **employment, poverty alleviation**
- **Indira Gandhi raised the slogan of Garibi Hatao** during this period.
- She also launched **20 point program** to improve the economy
- The Indian national highway system was introduced and many roads were widened to accommodate the increasing traffic. Tourism also expanded
- The plan was terminated one year earlier by Janatha Govt. Led by Morarji Desai and they started a new plan called Rolling plan (1978–1980)
- It was a continuation of terminated fifth plan
- The concept of Rolling plan was introduced by Gunnar Myrdel in his famous book "**Asian Drama**"
- First country to adopt this plan was **Sweden**

Sixth Plan (1980–1985)

- Plan was started by Indira Gandhi and the main objective was **employment generation**
- The target growth rate was **5.2%** and the actual growth rate was **5.4%**.
- The Sixth Five-Year Plan marked the beginning of economic liberalisation.
- **A tree for every child Programme** was launched during sixth plan.
- The National Bank for Agriculture and Rural Development (NABARD) was established for development of rural areas on 12 July 1982 by recommendation of the **Shivaraman Committee**.
- Integrated Rural Development program (IRDP), National Rural Employment Program (NREP), Training for rural youth in self employment (TRYSEM), Development of women and Children in rural areas (DWCRA) were the ambitious programs started during this period. Family planning was also expanded in order to prevent overpopulation. The Sixth Five-Year Plan was a great success to the Indian economy.

Seventh Plan (1985–1990)

- Main Objective was **modernisation, growth, self reliance and social justice.**
- The target growth rate was 5.0% and the actual growth rate was 6.01%.
- The plan laid stress on improving the productivity level of industries by **upgrading of technology.**
- The main objectives of the Seventh Five-Year Plan were to establish growth in areas of increasing economic productivity, production of food grains, and generating employment.
- Employment generating programmes like Jawahar Rozgar Yojana was started.
- **Telecom boom** in India was started during this period.
- Under the Seventh Five-Year Plan, India strove to bring about a self-sustained economy in the country with valuable contributions from voluntary agencies and the general populace.

Annual Plans (1990–1992)

- The Eighth Plan could not take off in 1990 due to the fast changing political situation at the centre and the years 1990–91 and 1991–92 were treated as Annual Plans. The Eighth Plan was finally formulated for the period 1992-1997

Eighth Plan (1992–1997)

- This plan is known as the **Rao and Manmohan model of economic development.**
- Also known as **John miller model for liberalised economy.**
- Dr. Manmohan Singh (later Prime Minister of India) launched India's free market reforms that brought the nearly bankrupt nation back from the edge.
- It was the beginning of **liberalization, privatisation and globalization (LPG)** in India.
- At that time **modernization of industries** was a major highlight of the Eighth Plan.
- Meanwhile, India became a member of the **World Trade Organization on 1 January 1995.** The major objectives included, controlling population growth, poverty reduction, employment generation, strengthening the infrastructure, institutional building, tourism management, human resource development, involvement of Panchayatiraj, NagarPalikas, NGOs, decentralisation and people's participation.
- An average annual growth rate of 6.78% against the target 5.6% was achieved.

New Economic Policy:

- Launched in **1991** during the period of P. V. Narasimha Rao.
- Three main objectives:
 - Liberalization: Govt. Control is relaxed or abolished.
 - Privatisation: Increase the participation of private sector.
 - Globalisation: Amalgamation of an economy with world economy.

Ninth Plan (1997–2002)

- Atal Bihari Vajpayee was the Prime Minister of India during the Ninth Five-Year Plan.
- Ninth plan is also called **People's plan.**
- Main objective was **equitable distribution and growth with stability.**
- The Ninth Five-Year Plan achieved a GDP growth rate of 5.4% against a target of 6.5%

Tenth Plan (2002–2007)

- The main objectives of the tenth Five-Year Plan were **growth with social justice and equity.**
- Attain 8% GDP growth per year.
- Reduction of poverty rate by 5% by 2007.
- Providing gainful and high-quality employment at least to the addition to the labour force.
- Reduction in gender gaps in literacy and wage rates by at least 50% by 2007.
- 20-point program was introduced.
- Target growth: 8.1% – growth achieved: 7.7%
- The tenth plan was expected to follow a regional approach rather than sectoral approach to bring down regional inequalities

Eleventh Plan (2007–2012)

- Aim was **rapid and inclusive growth**
- Emphasis on social sector and delivery of service therein.
- Empowerment through education and skill development.
- Reduction of gender inequality.
- Environmental sustainability.
- Targeted growth rate was 9% and the achieved growth rate was 8%

Twelfth Plan (2012–2017)

- Aim is **faster sustainable and more inclusive growth**.
- It proposes a growth **target of 8%**.
- It aims to bring down **poverty ratio by 10%**.
- Eliminate gender and social gap in school enrolment by 2016-17.
- Increase green cover by 1 million hectare every year.

Niti Aayog

- Niti Aayog (National Institution for transforming India Aayog) replaced 64 year old Planning commission . It was formed on **1st January 2015**.
- First meeting was done on 8th February 2015
- **Composition and structure of NITI Aayog**
- NITI Aayog Chairperson :-Prime Minister
- Governing Council – Its members are Chief Ministers and Administrators of the Union Territories
- Regional Councils -These would be created as per need and its members would be chief ministers and administrators of UTs of respective regions.
- Vice-Chairperson – The Vice-chairperson of the NITI Aayog will be appointed by Prime Minister. Full time members (number unspecified),
- Part time members : Maximum 2 , these would be scholars from universities and research institutions)
- Ex-officio members: Maximum 4, these are ministers from Union Council of Ministers.
- Special Invitees: Appointed by PM for fixed tenure.
- Finally, there is a Chief Executive Officer (CEO) of the Niti Ayog, who is appointed by Prime Minister and has a rank similar to Secretary to the Government of India.

Present Members

- Chairperson: Narendra Modi.
- Vice Chairperson: Aravind Panagariya
- CEO : Sindusree Khuller
- Ex-Officio Members: Rajnath Singh, Arun Jaitely, Suresh Prabhu and Radhamohan Singh.
- Full time members: Bibek Debroy and V.K.Saraswath.

Currency System:

- Monetary unit of India : Rupee
- Rupee was first minted in India by SherShah Suri.
- Indian rupee became an independent currency in : 1935 (with the establishment of RBI)

Decimal System:

- Indian Rupee is based on the decimal system.
- Decimal coin system was introduced in India on 1st August, 1957.

Currency Denominations:

- Denominations of bank notes: Rs.1, Rs.2, Rs.5, 10, 20, 50, 100, 500 & 1000.
- The current series (Mahatma Gandhi series) began in: 1996.
- Each bank note has its amount written in 17 languages.
- On the obverse denomination is written in English and Hindi.
- On the reverse the denomination is written in 15 languages.
- Assamese, Bengali, Gujarati, Kannada, Kashmiri, Konkani, Malayalam, Marathi, Nepali, Oriya, Punjabi, Sanskrit, Tamil, Telugu and Urdu.
- First Indian language which is recorded in the Indian Rupee: Assamese.
- Last Language: Urdu.
- Malayalam is at : 7th position
- Only foreign language: Nepali.

Demonetization of Currency:

Demonetization refers to the withdrawal of currency from circulation.

Devaluation:

Devaluation refers to the reduction in the value of a currency. It is usually expressed in terms of gold or another currency. Devaluation leads to increase in domestic prices.

Issue of Currency:

- All coins are issued by Government of India.

- Currency notes except Rs. 1 denomination bear the signature of Reserve Bank Governor.
- The Rs.1 note bears the signature of Union Finance Secretary.
- Symbol of Indian Rupee:
 - India Government officially selected on 15th July, 2010.
 - A coin with rupee symbol was launched on 8th July, 2011.
- 1000 rupee coin was introduced in 2012 to commemorate the 1000 years of existence of the Brihadeeswara Temple in Thanjavur.

Currency Printing:

- Security paper mill: Hoshangabad (MP)

Paper for making currencies and other security papers are manufactured.

- Indian Security Press: Nasik (Maharashtra).
Postal- non postal, Judicial- non judicial stamps, cheques and Bonds.
- Security Printing Press: Hyderabad. Established in 1982. Printed Postal Material for Southern State.
- Currency Note Press: Nasik.
- Bank Note Press: Dewas.
- Coin Mints in India: Mumbai, Kolkata, Hyderabad, Noida.
- Modernized Currency note press: Mysore (Karnataka), Salboni (West Bengal).

Tax System

- Tax is used for meeting expenses in welfare work. Taxation is a tool of **fiscal policy**.
- In India taxes are levied by the central government and state government. The responsibility of collecting tax is upon Central Board of Excise and Customs (CBEC).
- Taxes imposed by the central Govt are **Income Tax, Corporate Tax, Excise duty, Customs Duty, Succession duty, Service Tax, Gift Tax, Wealth tax**.
- Taxes collected by State Govt. are **Sales Tax, Land Tax and Vehicle Tax**.
- The taxes levied by the local self Govt. are **Entertainment Tax, Building Tax, and Professional tax**.
- Taxes are of two types : Direct and Indirect taxes
- **Direct taxes** are the taxes directly paid by the payer
- E.g. **Income tax, corporate tax, Wealth tax, Capital Gain Tax, Property Tax, Gift Tax**.
- **Indirect taxes** are taxes collected by the seller from the buyer and remitted by the seller.
- E.g. Sales Tax, or VAT, Service Tax, Excise Duty, Customs Duty, Security Transaction
- Professional Tax is both a direct and indirect tax.
- **Raja J Chelliah commission in 1991** is associated with **tax reforms**.

Value Added Tax (VAT)

- In this system tax is levied at all stages of the production or sale on the basis of value addition
- The first court to implement VAT for the first time is France
- In India it was introduced in 2005. The first state to introduce VAT was **Haryana**.
- In 2014 VAT has been implemented in all states and Union Territories.
- Mod Vat stands for modified Value Added Tax

Direct Tax Code

- Direct Tax code came in to force in **2012** which proposes **30%** corporation tax on companies including Cess and Surcharge
- **Cess** is tax on tax levied by the government for a specific purpose. Educational cess is levied on service tax to finance basic education in India
- **Surcharge** is an extra fee added onto another fee or charge.

National Income

- National Income is the money value of all final goods and services produced in a country in a financial year. It includes the contribution of Primary , Secondary and Tertiary sectors
- In India the financial year starts from **1st April to 31st March**.
- Dada bhai Naoroji was the first to calculate the national income of India in his book '**Poverty and Un-British Rule in India**'.
- First Scientific attempt to calculate national income was done by **Dr.V.K.R.V.Rao**
- First official attempt was done by **Prof. P.C. Mahalanobis**.
- Today national income was is calculated and published by **Central Statistical Organisation (CSO)**.
- **Gross domestic product (GDP)**: Gross domestic product is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

- Net Domestic Product (NDP)=GDP- Depreciation
- **Gross National Product (GNP) : Gross National Product** is the value of all finished goods and services produced in a country in one year by its nationals.
- Net National Product (NNP)=GNP- Depreciation
- **Per capita income** or *average income* is the *average income* earned *per person* in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total *income* by its total population.
- **Per Capita Income is the best indicator of economic development of a country**

Measurement of National Income:

- National income of a country can be measured by three methods
 1. Product method
 2. Income method
 3. Expenditure method
- In India a **combination of product method and income method** are used for estimating national income.

Banking in India

- First bank in India is **Bank of Hindustan** established in 1770.
- First bank started with Indian capital is Punjab National Bank (PNB) . Lalalaj Path Rai established PNB at Lahore.
- Three presidency banks, Bank of Bengal, Bank of Bombay and Bank of Madras amalgamated to form **Imperial bank** in 1921.
- **IFCI**, previously **Industrial Finance Corporation of India**, is an Indian government owned development bank to cater to the long-term finance needs of the industrial sector. It was the first Development Financial Institution established by the Indian government after independence in **1948**
- **Banking regulation** was passed in 1949.
- **Narasimham committee** is associated with banking reforms.

Reserve bank of India

- **RBI** was set up on the recommendations of Hilton Young Commission on 1st April 1935
- It was nationalised in **1st January 1949**.
- Logo of RBI is Tiger and palm tree
- RBI is the central bank of India
- RBI is called **banker's bank**.
- RBI regulates the monetary policy through the instruments bank rate, Open market operation, Cash Reserve ratio (CRR), Statutory Liquidity Ratio (SLR) etc.

Functions of RBI

- Issue of notes. RBI issues notes under the policy of **minimum reserve system**.
- Banker to the govt.
- Controller of credit
- Custodian of Foreign reserves
- First Governor of RBI : Sir Osborne Smith
- First Indian Governor : C.D. Deshmukh
- RBI Governor who later became Indian Prime minister : Manmohan Singh
- Present RBI Governor : Raghuram Rajan
- Two training colleges of RBI
 1. Reserve bank staff college at Chennai
 2. College of agricultural Banking at Pune

Bank Nationalisation

- 14 banks were nationalised in 1969 by Indira Gandhi Govt.
- Six more banks were nationalised in 1980 by Indira Gandhi Govt.
- In 1993 New Bank of India merged with Punjab national Bank. Now there are **19 nationalised banks** in India.
- Scheduled banks are those, which are included in the second schedule of RBI act 1934.

State Bank of India

- Imperial bank became **State Bank of India** in 1955.
- SBI is the second largest bank in the world in terms of branches
- It is the largest commercial bank in India.
- SBI is the bank having the largest number of branches abroad
- H.Q is in **Mumbai**. The present Chairperson is the first woman chairperson Arundhati Bhattacharya.

Other Banks

- **ICICI Bank**
- **Industrial Credit and Investment Corporation of India Ltd (ICICI Ltd)** formed in 1955 is **the largest private sector bank in India** and second largest bank in India.
- **H.Q** is at **Mumbai**.
- **IDBI**
- **Industrial Bank of India (IDBI)** is a scheduled bank formed in 1964.
- **H.Q** is at **Mumbai**
- It is an apex bank for Industrial finance in India.
- **SIDBI**
- **Small Industries Development Board of India (SIDBI)** was formed in 1990 as a subsidiary to IDBI for promoting and financing small scale industries.
- Its **H.Q** is at **Lucknow**.
- **NABARD**
- **National Bank of Agriculture and Rural Development (NABARD)** was established in 1982 for promoting agriculture through credit facilities to the farmers.
- **H.Q** is at **Mumbai**.
- **Export Import Bank (EXIM)** was formed in 1982 for financing and promoting foreign trade in India.

Regional Rural Bank (RRB)

- First RRB in India was formed in **1975** sponsored by Syndicate Bank. First RRB is Prathama Grameen Bank at Moradabad UP.
- **Lead Bank Scheme**
Under this scheme a bank adopt a district for development purpose.
It was introduced in 1969 on the recommendation of Gadgil and Narasimham committee.

Mahila Bank

- Mahila bank was started on 19th November 1993 (on the birth anniversary of Mrs. Indira Gandhi) in Mumbai.
- Head quarters is at **New Delhi**.
- First C.E.O is Usha Ananthasubramaniam
- First Mahilabank Branch in Kerala is at Thiruvananthapuram.
- Yes bank got Banking liscence in 2004
- New Banking Liscence in 2014

RBI granted liscence in 2014 to two financial institutions .They are:

1. **IDFC Ltd**
2. **Bandhan Financial Services**

Demography

- **Father of Demography – John Graunt.**
- **Most Populated country in the world – China.**
- **The second most populated country in the world – India.**
- **The most populated continent in the world – Asia.**
- **Population theory was presented- Thomas Malthus.**
- **The most spoken language in India – Hindi**
- **The most spoken Dravidian languages- Telugu**
- **World population Day is observed in –July 11.**
- **World population Day is celebrated from-1987**
- **Indian population became 100 crore-11th May, 2000.**
- **The first census started in Independent India – 1951.**

Glossary

- **Ad –valorem tax:** Ad-valorem tax is a kind of indirect tax in which goods are taxed by their values. In the case of ad-valorem tax, the tax amount is calculated as the proportion of the price of the goods. Value added tax (VAT) is an ad – valorem tax
- **Balance of Payment (BOP):** It is the summary record of a country's economic transactions with the outside world, during a period, usually one year. It has two segments- current account and capital account. Current account consists of exports and imports (visible trade) and receipts and payments in respect of tourism, travel, remittances by non-residents, etc., (Invisible) Capital account consists of foreign direct investment and sale and purchase of financial assets.
- **Balance of Trade:** The difference between visible imports and visible exports. This is one of the components of balance of payment on current account.
- **Bank rate:** The official rate at which RBI will rediscount the bills of commercial banks. It is used as a signal by RBI to commercial banks on RBI's thinking of what the interest rates should be.
- **Budget deficit:** The excess of total expenditure over total revenues. It includes both capital and revenue items in receipts and expenditure.
- **Cheap money:** Maintaining low rates of interest to stimulate investment during recession or depression.
- **Dumping:** Exporting goods with prices far below cost of production intended to cripple the manufactures in the importing countries.
- **Fiscal Policy:** Government policy regarding taxation is called fiscal policy.
- **Fiscal deficit:** Budget deficit plus borrowings and other liabilities. Previously, when budgetary deficit was the main consideration, borrowings and receipts from national savings, provident funds etc., were being treated as capital receipts. To this extent, government's actual deficit was being understated. Fiscal deficit indicates the total borrowing requirements of the government from all sources, while budgetary deficit only indicates government's requirement of borrowings from RBI.
- **Guilt edged market** is a market of government securities.
- **Hard Currency:** A currency the exchange value of which is expected to remain stable, unlike 'soft currency'.
- **Hot money:** Money which flees quickly from country to country either in response to better earnings or in apprehension of adverse circumstances. Much of the capital flight in recent times is due to hot money.
- **Inferior goods:** Goods for which the demand falls as income rises, e.g., Coarse grains.
- **Closed Economy:** Closed economy refers to the economy having no export or import. Such economies depend exclusively on their internal domestic resources.
- **Laissez-faire economy:** An economy where people are free to pursue their own self-interest without any intervention by a Central agency such as government.
- **Law of Demand:** The inverse relationship between price and quantity demanded. As price increases, the quantity demanded decreases.
- **LIBOR:** London Inter Bank Offered Rate. It is the rate of interest on short term loans in London money market. LIBOR is the basis on which the interest rate of most of international borrowings by corporate and countries is fixed.
- **Merit goods:** Goods whose consumption is believed to benefit not only the consumer but also the society at large. Education and public health are instances. Better educated and healthier citizens contribute more to the society. There is a justification for government subsidising of merit goods.
- **Monophony:** A market where there is only a single buyer for a goods or service. Opposite of monopoly, where there is a single seller.

- **Near Money:** Close substitutes of money, e.g., current account.
- **Oligopoly:** Where there is a small number of large firms who effectively block the entry of new firms, e.g. the car industry.
- **Recession:** A period when aggregate output declines.
- **Regressive tax:** A tax whose burden falls as income rises. The burden of such a tax may fall disproportionately on the poor. A tax on salt is an example.
- **Repo:** The rate at which Reserve Bank of India lends to commercial banks.
- **Reverse Repo:** The rate at which RBI borrows from commercial banks
- **Revenue deficit:** The excess of current revenue expenditure over current revenue receipts. Revenue deficit indicates that the government cannot meet its current expenditure from its current revenue.
- **Stagflation:** A situation of high inflation combined with high unemployment.
- **Trickledown theory:** The theory that holds that economic development tends to spread downwards in the shape of greater demand for labour etc., and reach the poorest strata of society.
- **Zero-based budgeting:** Normally a budget is prepared on an incremental basis, i.e, current year's outlay is decided by last year's outlay and expenditure. ZBB stipulates that each item of expenditure should be explained from first principles and not be included merely because the expenditure is a 'committed' one.

Miscellaneous Economics

- **Securities and Exchange Board of India (SEBI)** regulates the functioning of stock exchanges in India
SEBI was formed in 1998 with its HQ at **Mumbai**.
- **Insurance Regulatory and Development Authority (IRDA)** protects the interests of insurance policy holders and regulates and promotes insurance authority.
It was formed in 2000 with H.Q at **Hyderabad**.
Malhotra committee studied with **insurance privatization in India**.
Limit of FDI in insurance sector was **26%**. Now it was raised to **49%**.
- The term Budget is derived from **bougette** which means **bag**. Budget means **annual financial statement**. In India Union Budget is presented **on last day of February**.
- **GST** stands for goods and service tax.
- **Abid Hussain Committee** is related to reforms in small scale industries.
- **SDR (Special Drawing Right)** are supplementary foreign exchange reserve assets defined and maintained by the International Monetary Fund (IMF). The SDR is the unit of account for the IMF, and is not a currency per se.
- **Indian Patent Act** was passed in the year 1970.
- Inflation is calculated by the government on the basis of **Consumer Price Index**.