Index

National Income (NI) 3
International Financial Institutions 7
Inflation 11
honey market 17
Capital market 22
Public Finance 24
Economic Growth and Human Development 30
Economic Reforms 35
Indian Agriculture 41
Taxation 44
Electoral Bonds 51
Financial Resolution and Deposit Insurance (FRDI) Bill 2017 53
The Fugitive Economic Offenders Bill and Ordinance, 2018 54
National Financial Reporting Authority (NFRA) 56
wake in India 57
PIN Gramin Awaas Yojana (PIfIGAY) 58
IHGNREGA 59
Atal mission for Rejuvenation and Urban Transformation 59
Atal Pension Yojana 61
Pradhan Mantri Jan Dhan Yojana 61
Pradhan Mantri Fasal Bima Yojana (PMFBY) 62
Start-up India 63
Stand-Up India 65
Pradhan Mantri Suraksha Bima Yojana (PMSBY) 65
Pradhan Mantri seevan Jyoti Bima Yojana (PM33BY) 66
Pradhan Mantri MUDRA Yojana 67
Sukanya Samriddhi Yojana (SSY) 67
Skill India 68
One Rank One Pension (OROP) 69
Sovereign Gold Bond (SGB) 70
Gold Nonetisation Scheme 71
miscellaneous Topics 72

GUPTA CLASSES

National Income (NI)

National income has been defined in a number of ways. It is defined as the total money value of all final goods and services produced in a financial year, in India‘s case it is from 1 April to 31 March.

National Income is used-

To measure the size of economy and level of country‘s economic performance.

To trace trend or speed of economic growth in relation to previous year(s) as well as to other countries.

To know the structure and composition of the national income.

To make international comparison of people‘s living standards.

Important Methods of calculating the National Income

1. Gross Domestic Product (GDP)

- GDP is total market value of country‘s output.
- It is the market value of all final goods and services produced within a financial year by factors of production located within a country, irrespective of ownership.
- GDP can be estimated at both factor cost and market price.
- Factor cost is price of commodity from the producer‘s side.
- A commodity when goes to the market, indirect taxes are imposed on it. This is market price.

Factor cost= Market cost + subsidies — Indirect taxes.

Market cost = factor cost — subsidies + indirect taxes.

GUPTA CLASSES

Formula of GDP:

GDP= C + GI + G + (X — M)

C- Consumption expenditure of households

GI- Gross investments by firms

G- Government expenditure

X — M= Value of exports — value of imports

2. Gross National Product (GNP)

- GNP is an estimate of total value of all the final products and services produced in a given period by the means of production owns by a country's resident.
- GNP is commonly calculated by taking the sum of personal consumption expenditures, private domestic investment, government expenditure, net exports, and any income earned by residents from overseas investment, minus income earned within the domestic economy by foreign residents.
- Net exports represent the difference between what a country Exports (X) minus any Imports (M) of goods and services.

GDP vs GNP

- GDP is all the final goods produced within a domestic territory of irrespective of the person producing.
- GNP is final goods produced by the citizen of a country irrespective of where they are produced.

GUPTA CLASSES

GNP= GDP -I- NFFI (X — M)

Here, X = foreign income (income from abroad)

M = Foreigner‘s income from India

- **Net Foreign** Factor **Income (NFFI):** The net foreign facto r income (NFFI) is the difference between a nation‘s gross national product (GNP) and gross domestic product (GDP).
- Simply it calculates the difference between the aggregate amount that a country‘s citizens and companies earn abroad, and the aggregate amount that foreign citizens and overseas companies earn in that country.
- In mathematical terms, NFFI = GNP - GDP.

3. Net Domestic Product (NDP) —

- NDP is an annual measure of the economic output of a nation that is adjusted to account for depreciation, calculated by subtracting depreciation from GDP.
- Depreciation — The monetary value of an asset decreases over time due to use, wear and tear or obsolescence. This decrease is measured as depreciation.

NDP = GDP — Depreciation

4. Net national product (NNP)

- NNP is the monetary value of finished goods and services produced by a country's citizens, overseas and domestically, in a given period.
- Technically NNP is treated as National Income.

GUPTA CLASSES

NNP = GNP — Depreciation

Following forms of National Income are very commonly used in advanced countries

- Personal Income (PI)

  It is a part of National Income which is received by households.

  Personal Income (PI) = NI — Undistributed profits — Net interest payments made by households — Corporate tax + Transfer payments to the households from the government and firms.

  'Undistributed Profit' is a part of profit not distributed among the factors of production.

- Personal Disposable Income (PDI)

  If the Personal Tax Payments (income tax, for example) and Non -tax Payments (such as fines) are deducted from Personal Income, the Personal Disposable Income (PDI) is obtained.

PDI = PI — Personal tax payments — Non-tax payments.

- Per Capita Income (PCI)-

  It is generally calculated by dividing the total national income (GDP) by total population.

  It is not the average income because it includes children and non-working population but it serves as an indicator of a country's living standards.

Other important terms you should familiar with-

GUPTA CLASSES

1. GDP Deflator-
    - It is a measure of inflation.
    - It is the ratio of the value of goods and services an economy produces in a particular year at current prices to that of prices that prevailed during the base year.
    - It is called as 'Implicit Price Deflator'.
    - GDP price deflator = (Nominal GDP/ Real GDP) x 100
2. Gross Capita l Formation (GCF)
    - It is defined as the new investment-additions to the fixed assets, plus the net change in inventories.
    - Fixed assets include plant, machinery, equipment and buildings, while inventory includes works in process, which are partially completed goods that remain in production.

International Financial Institutions

- An 'International financial institution (IFI)' is a financial institution that has been established (or chartered) by mo re than one country, and hence are subjects of international law.
- The International Financial Institutions (IFIs) include the World Bank, the regional development banks, and the International Monetary Fund (IMF) etc.

GUPTA CLASSES

1. World Bank Group

- The World Bank Group is one of the world's largest sources of funding and knowledge for developing countries.
- It focuses mainly on developing countries in the field of agriculture and rural development, human development, large industrial projects, environment related projects, infra and governance.

Established: 1944

Headquarter: Washington, D.C.

Members: 189 Countries

The World Bank Group consists of five organizations:

(i) The International Bank for Reconstruction and Development (IBRD)

IBRD lends to governments of middle-income and creditworthy low-income countries.

(ii) The International Development Association (IDA)

IDA provides interest-free loans or credits and grants to governments of the poorest countries.

Together, **IBRD and IDA make up the World Bank.**

(iii) The International finance Corporation (ItfC)

IFC is the largest global development institution focused exclusively on the private sector.

GUPTA CLASSES

(iv) The Multilateral Investment Guarantee Agency

MIGA was created in 1988 to promote foreign direct investment into developing countries to support economic growth, reduce poverty, and improve people's lives.

(v) The International Centre for Settlement of Investment Disputes

ICSID provides international facilities for conciliation and arbitration of investment disputes.

2. International Monetary Fund

- The International Monetary Fund (IMF) is an organization of around 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
- The IMF was conceived at a UN conference in **Bretton Woods,** New Hampshire, United States, in July 1944.

  Established: 1945

  Members: 189 countries

  Headquarters: Washington, D.C., United States

- Key Functions of IMF

✓ To oversee the fixed exchange rate arrangement between the countries.

✓ To provide short term capital to aid the Balance of payment.

✓ To provide capital investment for growth projects such as infrastructure.

GUPTA CLASSES

3. **Asian Infrastructure Investment Bank (AIIB)**

- **AIIB is a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond.**

  Headquarter: Beijing, China

  Created in January 2016

- **So far it has 100 members including India (US is not its member of AIIB but its allies Canada, Germany, UK, Australia and South Korea have joined it).**
- **It has an authorised capital of US $100 billion.**
- **China is largest shareholder of AIIB and India is second largest shareholder followed by Russia, Germany and South Korea.**

  Key function of AIIB is to support the building of infra in Asia Pacific region.

4. **Asian Development Bank**

- **ADB is a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.**

  Establishment: 1966

  Headquarters: Mandaluyong City, Philippines

  Members: ADB is composed of 68 members, 49 of which are from the Asia and Pacific region and 19 outside.

- **Key Functions of ADB is to assist its members and partners by providing loans, technical assistance, grants, and equity investments to promote social and economic development.**

GUPTA CLASSES

5. New Development Bank

- New Development Bank aims to mobilize resources for infrastructure and sustainable development projects.
- It is also known as 'BRICS Bank'.
- During the sixth BRICS Summit in Fortaleza (2014), the leaders signed the Agreement establishing the New Development Bank (NDB).

  Establishment: July 2014

  Headquarters: Shanghai, China

  President: K. V. Kamath

  Members: BRICS countries
- The Bank shall have an initial authorized capital of US$ 100 billion.
- Key Functions of NDB,

  To maximize the impact of development in a fast, flexible and efficient manner.

  To provide technical assistance for projects to be supported by the NDB and engage in information, cultural and personnel exchanges.

Inflation

What is Inflation?

- Inflation is defined as a sustained increase in the general level of prices for goods and services in a country and is measured as an annual percentage change.
- Under conditions of inflation, the prices of things rise over time.

GUPTA CLASSES

What are the causes of Inflation?

It is generally caused by the imbalance in the 'Supply or Demand' sides of the economy. There are a few hypotheses that are commonly held by economists are-

Demand-Pull Inflation —

Inflation can be caused by the overall increase in demand for goods and services, which bids up their prices.

This theory can be summarized as "too much money chasing too few goods".

In other words, if demand is growing faster than supply, prices will increase.

Cost-Push Inflation —

Inflation is caused when companies' costs of production go up.

When it happens, they need to increase prices to maintain their profit margins.

Monetary Inflation —

It is the sustainable increase in the money supply in the economy.

it is likely to result in the price inflation

GUPTA CLASSES

What are the types of Inflation?

Low Inflation:

Such inflation is slow and on predictable lines, which might be called small or gradual.

Low inflation takes place in a longer period and the range of increase is usually in ‘single digit‘.

Such inflation has also been called as ‘creeping inflation'.

Galloping Inflation:

This is a 'very high inflation' running in the range of double-digit or triple digit (i. e., 20 per cent, 100 per cent or 200 per cent in a year) .

Hyperinflation:

This form of inflation is ‘large and accelerating‘ which might have the annual rates in million or even trillion.

In such inflation not only the range of increase is very large, but the increase takes place in a very short span of time, prices shoot up overnight.

OTHER VARIANTS **OF INFLATION**

Bottleneck inflation:

This inflation takes place when the supply falls drastically, and the demand remains at the same level.

Such situations arise due to supply-side accidents, hazards or mismanagement which is also known as 'structural inflation'.

GUPTA CLASSES

Core inflation:

The Core Inflation is the measure of the price rice in the economy excluding the price rise of certain products whose prices are very volatile.

It shows price rise in all goods and services excluding energy and food articles.

Other Important Terms

inflationary Map

The excess of total government spending above the nation al income (i. e., fiscal deficit) is known as Inflationary Gap.

This is intended to increase the production level, which ultimately pushes the prices up due to extra-creation of money during the process.

Deflationary Map

The shortfall in total spending of the government (i. e., fiscal surplus) over the national income creates Deflationary gaps in the economy.

This is a situation of producing more than the demand and the economy usually heads for a general slowdown in the level of demand.

This is also known as the output gap.

GUPTA CLASSES

Inflation Tax

Inflation erodes the value of money and the people who hold currency suffer in this process.

This is a situation of sustaining government expenditure at the cost of people's income.

This looks as if inflation is working as a tax.

That is how the term 'Inflation tax' is also known as 'Seigniorage'.

It means, inflation is always the level to which the government may go for deficit financing.

Level of deficit financing is directly reflected by the rate of inflation.

inflation Spiral

An inflationary situation in an economy which results out of a process of wage and price interaction when wages press prices up and prices pull wages up is known as the 'Inflationary spiral'.

It is also known as the Wage price spiral.

Inflation Accounting

When a firm calculates its profits after adjusting the effects of current level of inflation, this process is known as 'Inflation accounting'.

inflation Premium

The bonus brought by inflation to the borrowers is known as the 'Inflation Premium'.

Rising inflation premium shows depleting profits of the lending institutions.

GUPTA CLASSES

Reflation

Reflation is a situation often deliberately brought by the government to reduce unemployment and increase demand by going for higher levels of economic growth.

Governments go for higher public expenditures, tax cuts, interest rate cuts, etc.

Stagflation

It is a situation in an economy when inflation and unemployment both are at higher levels, contrary to conventional belief.

Such a situation first arose in the 1970s in the US economy.

Skewflation

In Skewflation, there is a price rise of one or a small group of commodities over a sustained period of time without a traditional designation.

Deflation

- Deflation is the reverse of inflation.
- It refers to a sustained decline in the price level of goods and services.
- It occurs when the annual inflation rate falls below zero percent resulting in an increase in the real value of money.

GUPTA CLASSES

Money Market

Money market may be defined as a market where short-term lending and borrowing take place between the cash-surplus and cash-scarce sides.

Money Market in India

- The organised form of money market in India is just three decades old, although it was present then but restricted to the government only.
- It was the Cha kravarthy Committee (1985) for the first time underlined the need of an organised money market in the country and the Vahul Committee (1987) laid the blue print for its development.
- Money market in India is not an integrated unit and has two segments,

1. *Unorganised Money Market:*

   - Their activities are not regulated like the organised money market, but they are recognised by the government.
   - In recent years, some of them have been included under the regulated organised market. For example, the NBFCs were put under the regulatory control of the RBI in 1997.
   - The unorganised money market in India may be divided into three differing categories (i) Unregulated Non-Bank Financial Intermediaries like chit funds, NIDHIs, loan companies etc., (ii) Indigenous Bankers like Gujarati Shroffs, N!arwari Kayas, Chettiars and

   (iii) *Money Lenders.*

GUPTA CLASSES

2. Organised Money Market

- Government started to develop the organised money market in India since mid-1980s in India.
- Since then many money instruments are designed to be used by different categories of business and industrial firms.

A brief description of these instruments follows:

Treasury Bills (TBs):

- They are used by the Government of India to fulfil its short-term liquidity requirement up to the period of 364 days.
- There were five types of the TBs developed in due course of time,

- 14-day (Intermediate TBs)
- 14-day (Auction able TBs)
- 91-day TBs
- 182-day TBs
- 364-day TBs

- At present only the 91-day TBs, 182-day TBs and the 364-day TBs are issued by the government. The other two variants were discontinued in 2001
- The TBs other than providing short-term cushion to the government, also function as short-term investment avenues for the banks and financial institutions, besides functioning as requirements of the CRR and SLR of the banking institutions.

GUPTA CLASSES

Certificate of Deposit (CD)

Organised in 1989, the CD is used by banks and issued to the depositors for a specified period ranging less than 1 year.

These are negotiable and tradable in the money market.

Since 1993 the RBI allowed the financial institutions to operate in it.

They can issue CDs for the maturity periods above 1 year and up to 3 years.

Commercial Paper (CP)

Commercial Paper (CP) is an unsecured money market instrument issued in the form of a promissory note.

It was introduced in India in 1990.

The CP issuing companies need to obtain a specified credit rating from an agency approved by the RBI such as CRISIL, I CRA, etc.

Commercial Bill (CB)

Organised in 1990, a CB is issued by the All India Financial Institutions (AIFIs), Non-Banking Finance Companies (NBFCs), Scheduled Commercial Banks, Merchant Banks, Co-operative Banks and the Mutual Funds.

It replaced the old Bill Market available since 1952 in the country.

GUPTA CLASSES

Call Money Market (CMM)

This is basically an inter-bank money market where funds are borrowed and lent, generally, for one day—that is why this is also known as over-night borrowing market (also called money at call) .

Fund can be borrowed/raised for a maximum period up to 14 days (called short notice).

Money Market Mutual Fund (MF)

Popular as Mutual Funds (MFs) this money market instrument was introduced/organised in 1992 to provide short-term investment opportunity to individuals.

Since March 2000, MFs have been brought under the preview of SEBI, besides the RBI.

Repos and Reverse Repos

In the era of economic reforms there developed two new instruments of money market, 'Repo and Reverse repo'.

Considered the most dynamic instruments of the Indian money market they have emerged the most favoured route to raise short-term funds in India.

'Repo' is basically an acronym of the rate of repurchase.

The RBI in a span of four years, introduced these instruments—repo in December 1992 and reverse repo in November 1996.

Accepting the recommendations of the Urjit Patel Committee, the RBI in April 2014 announced to introduce term repo and term reverse repo.

GUPTA CLASSES

Cash Management Bill (CMB)

Organised since August 2009 to meet the temporary cash flow mismatches of the government.

CMBs are non-standard and discounted instruments issued for maturities less than 91 days.

CMBs have the generic character of Treasury Bills are tradable and qualify for ready forward facility; investment in it is considered as an eligible investment in government securities by banks for SLR.

Mutual Funds

It is a fund that is created when a large number of investors put in their money and is managed by professionally qualified persons with experience in investing in different asset classes like shares, bonds, money market instruments like call money, and other assets such as gold and property. Mutual funds, first of all came in the money market (regulated by the RBI), but they have the freedom to operate in the capital market, too. This is why they have provision of dual regulator i.e. the RBI and SEBI. These are compulsorily registered with the SEBI, which also acts as the first wall of defence for all investors in these funds.

GUPTA CLASSES

Capital Market

- The long-term financial market of an economy is known as the 'capital market'.
- This market makes it possible to raise long-term money (capital), i.e., for a period of minimum 365 days and above.
- Across the world, banks emerged as the first and the foremost segment of the capital market.
- Some other segments got added to it, viz., insurance industry, mutual funds, and finally the most attractive and vibrant, the security/stock market.
- To support the capital requirement of the 'projects' of the public-sector industries, the government came up with different types of financial institutions in the coming years.
- The industrial financing supported by these financial institutions was known as 'project financing in India.

Financial Institutions

The requirement of project financing made India to go for a number of FIs from time to time, which are generally classified into four categories:

All India Financial Institutions (AIFIs)

At present, there are only four financial institutions operating in the country as AIFIs regulated by the RBI, viz., the NABARD, SIDBI, Exim Bank and the NHB.

GUPTA CLASSES

Specialised Financial Institutions (SFIs)

SFIs are institutions set up mainly by the government for providing medium and long-term financial assistance to industry.

As these institutions provide developmental finance, that is, finance for investment in fixed assets, they are also known as 'development banks or 'development financial institutions'.

This was India's trial in the area of venture capital funding.

- IFCI Venture Capital Funds Ltd (IFCI Venture), 2000
- Tourism Finance Corporation of India Ltd (TFCI), 1989

Investment Institutions (IIs)

Three investment institutions also came up in the public sector, which are yet another kind of FIs, i.e., the LIC (1956), the UTI (1964) and the GIC (1971).

In the present time they are no more known as DIIs (Domestic Investment Institutions) or DFIs (Domestic Financial Institutions).

LIC is now the public-sector insurance company in the life segment, GIC was been converted into a public-sector re-insurance company in 2000, while UTI was converted into a mutual fund company in 2002.

GUPTA CLASSES

State Level Finance **Institutions (SLFI**s)

In the wake of states involvement in the industrial development, the central government allowed the states to set up their own financial institutions.

In this process, the following kinds of FIs came up:

- State Finance Corporations (SFCs): First came up in Punjab (1955) with other states following its example.
- State Industrial Development Corporations (SIDCs): A fully dedicated state public sector FI to the cause of industrial development in the concerned states.
- State Industrial Investment Corporations (SIIC)

Public Finance

- **PUBLIC** FINANCE is the money a government gets, spends, borrows, lends, raises or prints.
- Public finance does not only discuss the issue that how much of the country's resources the government should acquire for its own use but also discusses the 'efficiency' with which the money should be used.
- Major concepts related to the area of public finance with special reference to India.

GUPTA CLASSES

1. BUDGET

It is an annual financial statement of income and expenditure is generally used for a government, but it could be of a firm, company, corporation etc.

This word is used to mean the annual statement in all economies around the world.

The Constitution of India has a provision 'Art. 112' for a document called Annua l Financial Statement to be presented in the Parliament before the commencement of every new fiscal year.

The Union Budget has three sets of data for every concerned sector or subsector of the economy,

- Actual data of the preceding year i.e. one year before the year in which the Budget is being presented.
- Suppose the Budget presented is for the year 2017—18, the Budget will give the final/actual data for the year 2015-16.
- Provisional data of the current year- It provides Provisional Estimates for this year.
- Budgetary estimates for the following year i.e. a year means one year after the year in which the Budget is being presented or the year for which the Budget is being presented, i.e., 2017—18.

GUPTA CLASSES

2. DEFICIT FINANCING

The process of financially supporting a deficit budget by a government is Deficit Financing.

In this process, the government knows well in advance that its total expenditures are going to turn out to be more than its total receipts and enacts such financial policies so that it can sustain the burden of the deficits proposed by it.

Need of Deficit Financing

- It is when government needs to spend more money than it was expected to earn or generate in a particular period, to go for a desired level of growth and development.
- Had there been some means to go for more expenditure with less income and receipts, socio-political goals could have been realised as per the aspirations of the public policy.
- And once the growth had taken place, the extra money spent above the income would have been reimbursed or repaid.

3. FISCAL POLICY

Fiscal policy has been defined as the policy of the government with regard to the level of government purchases, the level of transfers, and the tax structure.

1. M. Keynes was the first economist who developed a theory linking fiscal policy and economic performance.

Fiscal policy is also defined as the changes in government expenditures and taxes that are designed to achieve macroeconomic policy goals.

Fiscal policy denotes the use of taxes and government expenditures.

GUPTA CLASSES

4. ZERO- BASE BUDGETING

Zero-base budgeting is the allocation of resources to agencies based on periodic re-evaluation by those agencies of the need for all the programmes for which they are responsible, justifying the continuance or termination of each programme in the agency budget proposal.

It is an agency reassesses what it is doing from top to bottom from a hypothetical zero base.

There are three essential questions which must be answered objectively before going for any expenditure as per the techniques of ZBB:

- Should we spend?
- How much should we spend?
- Where should we spend?

5. TERMS ASSOCIATED WITH THE BUDGETING PROCESS

Golden Rule

The proposition that a government should borrow only to invest i.e., plan expenditure in India and not to finance current spending i.e., revenue expenditure in India, is known as the 'Golden Rule of Public Finance'.

Balanced Budget

A budget is said to be a balanced budget when total public-sector spending equals total government income i.e. revenue receipts during the same period from taxes and charges for public services.

In other terms, a budget with zero revenue deficit is balanced budget.

GUPTA CLASSES

Gender Budgeting

A general budget by the government which allocates funds and responsibilities on the basis of gender is gender budgeting.
It is done in an economy where socio-economic disparities are chronic and clearly visible on a sex basis as in India.

Outcome and Performance Budgets

Outcome budget is presented by different departments and divisions of a ministry or the government, the performance budget is presented by the Ministry of Finance on behalf of the government.

CUT MOTION

In democratic political systems, there is a provision of Cut Motion in the House/Parliament (usually it is the opposition but floor might be crossed by members of the House belonging to the government due to presence of inner party politics).
India has mixed provisions of voting on the budget after discussion in both the Houses.
There are different constitutional provisions by which the Parliament starts discussion to reduce the demands, grants, etc. proposed by the government in the Budget.

GUPTA CLASSES

Token Cut

This motion intends to 'reduce the demand by Rs. 100'. Such a motion is moved in order to express a specific grievance which is within the sphere of the responsibility of the Government of India.

Economy Cut

This motion intends to 'reduce the demand by a specified amount' representing the economy (in expenditure) that can be affected.

Disapproval of Policy Cut

This motion intends to 'reduce the demand to Re. 1'.
This represents disapproval of the policy underlying the demand—the discussion remains confined to the particular policy and is open to members to advocate an alternate policy.

Guillotine

It is the process in which the Speaker puts all the outstanding demands made by the Budget directly to vote in the House i.e. ending further discussions (intended to cut short the discussion on the Budget).
Through this, the Speaker may put the whole Budget to vote i.e., allowing 'no discussion on the Budget by the House.

GUPTA CLASSES

DIRECT BENEFIT TRANSFER

In 2015, the government introduced the Direct Benefits Transfers (DBT), namely the JAM (Jan Dhan-Aad haar- Mobile) Number Trinity solution. Under it, the beneficiaries get the money 'directly' into their bank or post-office accounts linked to their 12-digit biometric identity number (Aadhar) provided by the Unique Identification Authority of India (UIDAI).

The idea was first initiated by the Government of India in 2013 on pilot basis with seven schemes in 20 districts of the country.

Economic Growth and Human Development

- An increase in economic variables over a period of time is economic growth. Economic growth is a quantitative progress.
- Economic development usually refers to the adoption of new technologies, transition from agriculture- based to industry-based economy, and general improvement in living standards.
- It is QUANTITATIVE AS WELLAS QUALITATIVE PROGRESS.

GUPTA CLASSES

ASPECTS OF POVERTY

NITI Aayog estimate poverty using data from the large sample surveys on household consumer expenditure carried out by the National Sample Survey Office (NSSO) every five years.

The poverty line and poverty ratio estimated since 1997 on the basis of the methodology spelt out in the report of the Expert Group on 'Estimation of Number and Pro portion of Poor' (popularly known as La kdawala Committee Report).

Poverty gap is the mean shortfall of the total population from the poverty line (counting the nonpoor as having zero shortfall), expressed as a percentage of the poverty line. This measure reflects the depth of poverty as well as its incidence.

The indicator is often described as measuring the per capita amount of resources needed to eliminate poverty or reduce the poor's shortfall from the poverty line to zero, through perfectly targeted cash transfers.

GUPTA CLASSES

Lakdawala Committee (1993)

In 1993, an expert group constituted to review methodology for poverty estimation, chaired by DT Lakdawala, made the following suggestions,

- Consumption expenditure should be calculated based on calorie consumption as earlier.
- State specific poverty lines should be constructed and these should be updated using the Consumer Price Index of Industrial Workers (CPI-IW) in urban areas and Consumer Price Index of Agricultural Labour (CPI-AL) in rural areas.
- Discontinuation of 'scaling' of poverty estimates based on National Accounts Statistics.

This assumes that the basket of goods and services used to calculate CPI-IW and CPI-AL reflect the consumption patterns of the poor.

GUPTA CLASSES

Tendulkar ***committee (2OO5)***

- In 2005, Suresh Tendulkar committee was constituted by the Plan ning Commission.
- This committee recommended to shift away from the calorie-based model and made the poverty line somewhat broad based by considering monthly spending on education, health, electricity and transport also.
- It suggested that a uniform Poverty Basket Line be used for rural and urban region.
- It recommended a change in the way prices are adjusted and demanded for an explicit provision in the Poverty Basket Line to account for private expenditure in health and education.
- Tendulkar adopted the cost of living as the basis for identifying poverty.
- The Tendulkar panel stipulated a benchmark daily per capita expenditure of Rs. 27 and Rs. 33 in rural and urban areas, respectively.

Rangarajan committee (2012)

- This committee has raised these limits to Rs. 32 and Rs. 47, respectively, and worked out poverty line at close to 30%.
- With estimates of Rangarajan committee, Poverty stood at around 30% in 2011-12.

GUPTA CLASSES

Human Development Index

- Human Development Index (HDI) attempt to define and measure the level of development of economies.
- The first such team which developed the HDI was led by Mahbub ul Haq and Inge Kaul.
- The HDR measures development by combining three indicators— Health, Education and Standard of Living—converted into a composite human development index, the HDI.

Planning Commission to NITI Aayog

Planning Commission

The Planning Commission was established in March 1950 by a Government of India resolution with Prime minister as Chairperson.

The initial mandate was to establish heavy industries through public investment as a means for achieving rapid industrialization.

The functions of the Planning Commission were to assess and allocate plan resources, formulate plans and programs for area development, determine implementation methodology, identify resource constraints and appraise & adjust implementation.

The Planning Commission from 1950 to 2014 formulated twelve five-year plans.

GUPTA CLASSES

NITI Aayog

The Nationa**l Institution for Transforming India (NITI** Aayog) was formed via a resolution of the Union Cabinet on January 1, 2015.

NITI Aayog is the premier policy 'Think Tank' of the Government of India, providing both directional and policy inputs.

While designing strategic and long-term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre and States.

The body is headed by the Prime Minister and comprise a vice-chairperson, besides the four full-time members and part-time members also.

It has up to four members of the council of ministers and a chief executive officer of secretary rank.

Economic Reforms

Economic reforms denote the process in which a government prescribes declining role for the state and expanding role for the private sector in an economy.

Washington Consensus

This is a set of neoliberal economic prescriptions made by the International Monetary Fund, the World Bank, and the U.S.

It is treasury to developing countries that faced economic crises.

It recommended structural reforms that increased the role of market forces in exchange for immediate financial help.

The term was coined by British economist John Williamson in 1989.

GUPTA CLASSES

The **Liberalisation- Privatisation- Globalisation (LPG)**

The process of reforms in India has to be completed via three other processes namely, 'Liberalisation, Privatisation and Globalisation (LPG)'. These three processes specify the characteristics of the reform process India initiated.

Liberalisation shows the direction of reform, Privatisation shows the path of reform and Globalisation shows the ultimate goal of the reform.

India launched the reforms in 1991.

1. *Liberalisation*- The process of decreasing traits of a state economy and increasing traits of a market economy.

   Before 1991, Govt. had put many types of controls on Indian economy. These were as follows,

   - Industrial Licensing System
   - Foreign exchange control
   - Price control on goods
   - Import License.

   Economic reforms were introduced to reduce the restrictions imposed on the economy.

2. *Privatisation*

   Privatisation is a process under which the state assets are transferred to the private sector. Under this policy many PSU shares were sold to private sector. In privatisation, the Govt.'s role is only reduced it does not disappear.

GUPTA CLASSES

3. Globalization

- Globalisation can be defined as integrating the economy of a country with the economies of other countries under conditions of free-flow of trade and capital and movement of persons across the borders.
- The concept was popularised by the Organisation of Economic Cooperation and Development (OECD) in the mid-1980s.

Monetary Policy Committee

- The Reserve Bank of India (RBI) is vested with the responsibility of conducting monetary policy.
- This responsibility is explicitly mandated under the Reserve Bank of India Act, 1934.
- The primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth. Price stability is a necessary precondition to sustainable growth.
- RBI Act, 1934 provides for an empowered *s7x-memder* 'Monetary Policy Committee (MPC)' to be constituted by the Central Government.
- Three Members will be from the RBI and the other three Members of MPC will be appointed by the Centra l Government.

  Governor of the RBI— Chairperson, ex officio

  Deputy Governor of the RBI in charge of N!onetary Policy — N!ember, ex officio

  One officer of the Reserve Bank of India to be nominated by the Central Board — Member, ex officio;
- Other 3 members will hold office for a period of four years.

GUPTA CLASSES

Financial Stability and Development Council (FSDC)

- Government of India has setup an apex-level 'Financial Stability and **Development Council (FSDC)'** to strengthen and institutionalize the mechanism for maintaining financial stability and enhancing inter-regulatory coordination.
- FSDC has replaced the High-Level Coordination Committee on Financial Markets (HLCCFM).
- The Chairman of the FSDC is the Finance Minister of India and its members include (i) the Heads of the financial sector regulatory authorities like SEBI, I RDA, RBI, PFRDA etc., (ii) Finance Secretary and/or Secretary of the Department of Economic Affairs (Ministry of Finance), Secretary, (Department of Financial Services, Ministry of Finance) and (iii) the Chief Economic Adviser.
- A sub-committee of FSDC has also been set up under the chairmanship of Governor RBI.
- It discusses and decides on a range of issues relating to financial sector development and stability including substantive issues relating to inter-regulatory coordination.

GUPTA CLASSES

Financial Sector Legislative **Reforms Commission (FSLRC)**

- FSLRC was constituted by the Ministry of Finance in March 2011 to comprehensively review and redraw the legislations governing India's financial system.
- It submitted its report in 2013.
- The report contains an analysis of the regulatory architecture of finance sector then and a draft Indian Financial Code to replace the bulk of the financial laws.

Insolvency and **Bankruptcy Board of India (IBBI)**

- The Insolvency and Bankruptcy Board of India was established on 1st October 2016 under the Insolvency and Bankruptcy Code, 2016 (Code).
- It is a key pillar of the ecosystem responsible for implementation of the Code that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of the value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.
- It is a unique regulator that regulates a profession as well as processes.
- It has regulatory oversight over the Insolvency Professionals, Insolvency Professional Agencies, Insolvency Professional Entities and Information Utilities.

GUPTA CLASSES

- It writes and enforces rules for processes, namely, corporate insolvency resolution, corporate liquidation, individual insolvency resolution and individual bankruptcy under the Code.

Fiscal Responsibility and Budget Management (FRBM) Act

- The Fiscal Responsibility and Budget Management (FRBM) Act was enacted in 2003 which set targets for the government to reduce fiscal deficits.
- The objective of the Act is to ensure inter-generational equity in fiscal management, long run macroeconomic stability, better coordination between fiscal and monetary policy, and transparency in fiscal operation of the Government.
- In May 2016, the government set up a committee under NK Singh to review the FRBM Act and the committee has submitted its report in January 2017.

GUPTA CLASSES

Indian Agriculture

Agricultural Produce Market Committee (APMC)

APN!C is a statutory market committee constituted by a State Government in respect of trade in certain notified agricultural or horticultural or livestock products, under the Agricultural Produce Market Committee Act issued by that state government.

APMCs are intended to be responsible for:

- Ensuring transparency in pricing system and transactions taking place in market area;
- Providing market-led extension services to farmers;
- Ensuring payment for agricultural produce sold by farmers on the same day;
- Promoting agricultural processing including activities for value addition in agricultural produce;
- Publicizing data on arrivals and rates of agricultural produce brought into the market area for sale; and
- Setup and promote public private partnership in the management of agricultural markets

GUPTA CLASSES

Fair and Remunerative Price (FRP)

- Sugar industry is an important Agro-based industry that impacts rural livelihood of about 50 million sugarcane farmers and around 5 lakh workers directly employed in sugar mills.
- Employment is also generated in various ancillary activities relating to transport, trade servicing of machinery and supply of agriculture inputs.
- India is the second largest producer of sugar in the world after Brazil and is also the largest consumer.
- With the amendment of the *Sugarcane (Control) Order, 1966,* the concept of **Statutory Minimu** m Price (SMP) of sugarcane was replaced with the 'Fair and Remunerative Price' (FRP) of sugarcane for 2009-10 and subsequent sugar seasons.
- The cane price announced by the Central Government is decided on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP) after consulting the State Governments and associations of sugar industry.
- Under the FRP system, the farmers are not required to wait till the end of the season or for any announcement of the profits by sugar mills or the Government.
- The system also assures margins on account of profit and risk to farmers, irrespective of the fact whether sugar mills generate profit or not and is not dependent on the performance of any individual sugar mill.

GUPTA CLASSES

Minimum Support Price (MSP)

- N!SP is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices.
- The minimum support prices are announced by the Government of India at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP).
- N!SP is price fixed by Government of India to protect the farmers against excessive fall in price during bumper production years.
- N!SPs are a guarantee price for their produce from the Government.
- The major objectives are to support the farmers from distress sales and to procure food grains for public distribution.
- In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced minimum price.

GUPTA CLASSES

Taxation

Taxes are generally an involuntary fee levied on individuals and corporations by the government in order to finance government activities.

Types of Tax

Two Main types of tax in India are:

Direct Tax:

These taxes are levied directly on an entity or an individual and cannot be transferred onto anyone else.

One of the bodies that looks these direct taxes is the Central Boa rd of Direct Taxes (CBDT).

CBDT is a statutory authority functioning under the Central Boa rd of Revenue Act, 1963.

The officials of the Board in their ex-officio capacity also function as a Division of the Ministry dealing with matters relating to levy and collection of direct taxes.

It has, to help it with its duties, the support of various acts that govern various aspects of direct taxes.

Some of these acts are:

GUPTA CLASSES

Income 7'ax Act:

This is also known as the IT Act of 1961 and sets the rules that govern income tax in India. The income, which this act taxes, can come from any source like a business, owning a house or property, gains received from investments and salaries, etc.

Wealth 7'ax Act:

The Wealth Tax Act was enacted in 1951 and is responsible for the taxation related to the net wealth of an individual, a company or a Hindu Unified Family (HUF).

It was abolished in the budget announced in 2015.

It has since been replaced with a surcharge of 12% on individuals that earn more than Rs. 1 crore per annum.

It is also applicable to companies that have a revenue of over Rs. 10 crores per annum.

Gift Tax Act:

The Gift Tax Act came into existence in 1958 and stated that if an individual received gifts, monetary or valuables, as gifts, a tax was to be to be paid on such gifts.

The tax on such gifts was maintained at 30% but it was abolished in 1998.

Initially if a gift was given, and it was something like property, jewellery, shares etc. it was taxable.

GUPTA CLASSES

Expenditure Tax Act:

This is an act that came into existence in 1987 and deals with the expenses you, as an individual, may incur while availing the services of a hotel or a restaurant.

It is applicable to all of India except J&K.

It states that certain expenses are chargeable under this act if they exceed Rs. 3,000 in the case of a hotel and all expenses incurred in a restaurant.

Interest Tax Act:

The Interest Tax Act of 1974 deals with the tax that was payable on interest earned in certain specific situations.

In the last amendment to the act it was stated that the act does not apply to interest that was earned after March 2000.

Some examples **of Direct** Taxes are:

- Income Tax: Income tax is levied on the income of individuals, HUFs, unregistered firms and other association of people.
- Capital Gains Tax: This is a tax that is payable at a sizable amount of money received. It could be from an investment or from the sale of a property. It is usually of two types, short term capital gains from investments held for less than 36 months and long-term capital gains from investments held for longer than 36 months.

  Capital Asset includes land, building, house, jewellery, patents, copyrights etc.

GUPTA CLASSES

- Corporate Tax: Corporate tax is the income tax that is paid by companies from the revenue they earn.
- Perquisite Tax: Perquisites are all the perks or privileges that employers may extend to employees. These privileges may include a house provided by the company or a car for use, given by the company. These perks are not just limited to big compensation like cars and houses, they can even include things like compensation for fuel or phone bills.

Indirect Tax:

The tax that is levied by the government on one entity (Manufacturer of goods) but is passed on to the final consumer by the manufacturer.

Types-

Sales Tax

It is a tax that is levied on the sale of a product. This product can be something that was produced in India or imported and can even cover services rendered. This tax is levied on the seller of the product who then transfers it onto the person who buys said product with the sales tax added to the price of the product.

Custom Duty

It is a duty levied on exports and imports of goods.

Import duty is not only a source of revenue from the government but also been employed to regulate trade.

GUPTA CLASSES

Octroi

It is tax applicable on goods entering from one state to another for consumption or sale.

Excise Duty

An excise duty is in the true sense is a commodity tax because it is levied on production of goods in India and not on the sale of the product.

Excise duty is explicitly levied by the central government except for alcoholic liquor and narcotics.

Service Tax

Service tax is levied on the services provided in India.

Service tax was first introduced in 1994-95 on three services telephone services, general insurance and share broking.

Value Added Tax (VAT)

VAT has been introduced in India by all states and UTs (except UTs of An daman Nicobar and Lakshadweep).

The State VAT being implemented till 1 July 2017, had replaced erstwhile Sales Tax of States.

The tax is levied on various goods sold in the state, and the amount of the tax is decided by the state itself.

GUPTA CLASSES

Goods and Services Tax (GST)

GST is the biggest indirect tax reform of India. GST is a single tax on the supply of goods and services. It is a destination-based tax.

GST has subsumed taxes like Central Excise Law, Service Tax Law, VAT, Entry Tax, Octroi, etc.

GST is one of the biggest indirect tax reforms in the country.

GST is expected to bring together state economies and improve overall economic growth of the nation.

GST has been implemented in India from 3uly 1, 2017 and it has adopted the Dual GST model in which both States and Central levies tax on Goods or Services or both.

Types of GST:

1. **CGST**

Central GST is levied by the Central Government of India on any transaction of goods and services tax taking place within a state.

It is one of the two taxes charged on every intrastate transaction, the other one being SGST (or UTGST for Union Territories).

CGST replaces all the existing Central taxes including Service Tax, Central Excise Duty, CST, Customs Duty, etc.

GUPTA CLASSES

2. SGST

State GST is one of the two taxes levied on every intrastate transaction of goods and services. The other one is CGST.

SGST is levied by the state where the goods are being sold/purchased.

It replaces all the existing state taxes including VAT, State Sales Tax, Entertainment Tax, Luxury Tax, Entry Tax, State Cesses and Surcharges on any kind of transaction involving goods and services.

***3.* IGST**

Integrated GST is applicable on interstate (between two states) transactions of goods and services, as well as on imports.

This tax is collected by the Central government and further be distributed among the respective states.

***4.* UTGST**

Union Territory GST is the GST applicable on the goods and services supply that takes place in any of the five Union Territories of India.

This UTGST is charged in addition to the Central GST (CGST).

For any transaction of goods/services within a Union Territory: CGST + UTGST

GUPTA CLASSES

Electoral Bonds

The scheme, announced during the 2017 Budget, aims to *account the donations* made to all major political parties.

What is an electoral bond?

An electoral bond is designed to be a bearer instrument like a Promissory Note — in effect, it is similar to a bank note that is payable to the bearer on demand and free of interest.

It can be purchased by any citizen of India or a body incorporated in India.

How do you use it?

The bonds are issued in multiples of $1,000, $10,000, $1 lakh, $10 lakh and $1 crore and are available at specified branches of State Bank of India.

They can be bought by the donor with a KYC-compliant account.

Donors can donate the bonds to their party of choice which can then be cashed in via the party's verified account within 15 days.

GUPTA CLASSES

What are the other conditions?

Every party that is registered under section 29A of the Representation of the **Peoples Act, 1951** (43 of 1951) and has secured at least one per cent of the votes polled in the most recent Lok Sabha or State election has been allotted a verified account by the Election Commission of India.

Electoral bond transactions can be made only via this account.

The bonds are available for purchase for a period of 10 days each in the beginning of every quarter, i.e. in January, April, July and October as specified by the Central Government.

An additional period of 30 days was specified by the Central Government in the year of Lok Sabha elections.

The Electoral bonds do not bear the name of the donor i.e. the donor and the party details are available with the bank, but the political party is not aware of who the donor is.

Is it tax deductible?

Donations are tax deductible, a donor gets a deduction and the recipient, or the political party, gets tax exemption, provided returns are filed by the political party.

GUPTA CLASSES

Financial Resolution and Deposit Insurance (FRDI) Bill 2017

FRDI Bill 2017 has been making news due to its controversial 'bail-in' clauses.

What the Bill seeks to do?

The FRDI Bill is part of a larger, more comprehensive approach by the Centre towards systematic resolution of all financial firms i.e. *banks, insurance companies* and other *financial intermediaries.*

It comes together with the Insolvency and Bankruptcy Code to spell out the procedure for the winding up or revival of an ailing company.

The need for a specific regulation rose following the 2008 financial crisis, which witnessed a large number of high-profile bankruptcies.

The Bill's main provisions?

It provides setting up of a *Resolution corporation* to replace the existing *Deposit insurance and Credit Guarantee Corporation (DKCGC),* which will be tasked with monitoring financial firms, anticipating their risk of failure, taking corrective action and resolving them in case of failure.

The corporation is also tasked with providing deposit insurance up to a certain limit yet to be specified, in the event of a bank failure.

GUPTA CLASSES

Concerns related to FRDI

FRDI Bill also empowers the Corporation to bail-in the company.

While a bail-out is the use of public funds to inject capital into an ailing company, a bail-in involves the use of depositors' funds to achieve those ends.

This can be done either by cancelling the bank's liabilities, or converting them into other forms, such as equity.

The Fugitive Economic Offenders Bill and Ordinance, 2018

What is the Fugitive Economic Offenders Bill?

The Bill aims to stop economic offenders who leave the country to avoid due process. Offences involving amounts of $100 crore or more fall under the purview of this law. Economic offences are those that are defined under the Indian Penal Code, the Prevention of Corruption Act, the SEBI Act, the Customs Act, the Companies Act, Limited Liability Partnership Act, and the Insolvency and Bankruptcy Code.

The Union Cabinet approved the Finance Ministry's proposal of promulgating the Fugitive Economic Offenders Ordinance, 2018 which will empower authorities to attach and confiscate properties and assets of economic offenders like loan defaulters who flee the country.

GUPTA CLASSES

What is the benefit of the ordinance?

The ordinance is expected to re-establish the rule of law as the accused will be forced to return to India and face trial for his offences.

What is the impact of the ordinance?

It is expected that the creation of a special forum for a speedy confiscation of the proceeds of crime, in India or abroad, would force the fugitive to return to India to submit to the jurisdiction of courts in India to face the law in respect of scheduled offences.

What is the strategy for implementation and targets?

The ordinance makes provisions for a court ('Special **Court' under the Prevention** of Money-laundering Act, 2002) to declare a person as a ‘Fugitive Economic Offender.‘ A Fugitive Economic Offender is a person against whom an arrest warrant has been issued in respect of a scheduled offence and who has left India so as to avoid criminal prosecution, or being abroad, refuses to return to India to face criminal prosecution. A scheduled offence refers to a list of economic offences contained in the Schedule to this Ordinance.

GUPTA CLASSES

National Financial Reporting Authority (NFRA)

National Financial Reporting Authority (NFRA) is intended to serve as an independent regulator for the auditing profession.

What is NFRA?

The NFRA is an independent regulator overseeing the auditing profession, and its creation was first recommended by the Standing Committee on Finance in its 21st report.

Members of NFRA includes a chairman, three full-time members, and one secretary.

How did it come about?

The decision appears to have been prompted by the latest bank scam of Punjab National Bank fraud that went undetected by auditors.

The Institute of Chartered Accountants of India (ICAI) had initially not in favour with the idea of a regulator for the sector.

The government has clarified that the roles of the new regulator and those of the ICAI will not overlap.

NFRA would cover all listed companies and large unlisted companies.

The NFRA would also have the power to refer cases to the QRB (Quality Review Board) as and when it decided to do so.

ICAI would continue to play its advisory role with respect to accounting and auditing standards and policies by making its recommendations to the NFRA.

GUPTA CLASSES

Why does it matter?

Most of the major economies of the world have independent audit regulators, and over the last decade or so, umbrella bodies have come up that have provided an element of cohesion to these regulators.

The International Forum of Independent Audit Regulators (IFIAR) was set up in 2006, and now it has more than 52 independent audit regulators worldwide as members.

According to Section 132 of the Companies Act, 2013, the NFRA will have powers to impose a fine of not less than $1 lakh, but the amount can extend up to the five times of the fees received in case of individuals.

Make in India

A major national programme designed to facilitate investment, foster innovation, enhance skill development, protect intellectual property and built best in class manufacturing infrastructure.

The initiative was formally introduced on September 25, 2014 by PM Modi in New Delhi.

It is being led by the Department of Industrial Policy and Promotion (DIPP), ministry of Commerce and Industry, Government of India.

GUPTA CLASSES

The “Make in India” initiative is based on four pillars-

1. New processes
2. New Infrastructure
3. New Sectors
4. New Mindset

The ‘Make in India places stress on 25 sectors with emphasis on job creation and skill development.

PM Gramin Awaas Yojana (PMGAY)

Rural housing programme, as an independent programme, started with Indira Awaas Yojana (IAY) in January 1996.

Although IAY addressed the housing needs in the rural areas, certain gaps were identified during the concurrent evaluations and the performance audit by Comptroller and Auditor General (CAG) of India in 2014.

To address these gaps in the rural housing program and in view of Government‘s commitment to providing 'Housing for All' by the scheme 2022, the IAY has been re-structured into **'Pradhan Mantri** Awaas Yojana **Gra min (PMAY-G)'** w.e.f. 1st April 2016.

PMAY-G aims at providing a pucca house, with basic amenities, to all houseless householder and those households living in kutcha and dilapidated house, by 2022.

GUPTA CLASSES

MGNREGA

The National Rural Employment Guarantee Act, (NREGA) is an Indian labour law and social security measure that aims to guarantee the 'Right to Work'.

It is designed to provide job guarantee for at least 100 days in rural parts of the country.

Through this scheme, all the adult members (at least 18 years of age) of any family in rural part of the country are given non-skilled work.

The work is usually on projects to build durable assets like roads, canals, ponds and wells.

It gives an opportunity to rural households to earn minimum income by getting job cards under this scheme.

Atal Mission for Rejuvenation and Urban Transformation

Atal Mission for Rejuvenation and Urban Transformation (AMRUT) was launched with the aim to provide basic civic amenities like water supply, sewerage, urban transport, parks as to improve the quality of life for all especially the poor and the disadvantaged.

It was launched by the Government of India in June 2015.

GUPTA CLASSES

Mission of AMRUT is to-

- ensure that every household has access to a tap with assured supply of water and a sewerage connection
- increase the amenity value of cities by developing greenery and well maintained open spaces (e.g. parks); and
- reduce pollution by switching to public transport or constructing facilities for non-motorized transport.

All these outcomes are valued by citizens, particularly women, and indicators and standards have been prescribed by the Ministry of Urban Development in the form of Service Level Benchmarks (SLBs).

The Mission covers covering 500 cities that includes all cities and towns with a population of over one lakh with notified Municipalities.

Total outlay for AMRUT is Rs. 50,000 crores for five years from FY 2015-16 to FY 2019-20 and the Mission and is being operated as Central Sponsored Scheme.

GUPTA CLASSES

Atal Pension Yojana

Atal Pension Yojana (APY), a pension scheme aimed at the unorganised sector was launched in May 2015.

Eligibility criteria for APY

Indian citizens aged from 18 to 40 years of age can invest in APY.

The age of exit and start of pension would be 60 years.

Applicant requires a savings bank account either with a bank or a post office.

The minimum period of contribution is 20 years.

Minimum pension amounts offered under APY are fixed at Rs. 1,000, Rs. 2,000, Rs. 3,000, Rs. 4,000 and Rs. 5,000 per month.

Pradhan Mantri Jan Dhan Yojana

Pradhan Mantri Jan Dhan Yojana (PMJDY) is the Wo rld's biggest financial inclusion initiative announced by the PM Narendra Modi on **15th August** 2014.

Objective of PMJDY is ensuring access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections & low-income groups.

PMJDY is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country.

The plan envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility.

GUPTA CLASSES

In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of Rs. 1 lakh.

The plan also envisages channeling all Government benefits to the beneficiary‘s accounts and pushing the Direct Benefits Transfer (DBT) scheme of the government.

Pradhan Mantri Fasa l Bima Yojana (PMFBY)

Pradhan Mantri Fasal Bima Yojana (PMFBY) aims at supporting sustainable production in agriculture sector.

It was launched in April 2016.

Objectives of PMFBY-

- To provide insurance coverage and financial support to the farmers in the event of failure of any of the notified crop as a result of natural calamities, pests & diseases.
- To stabilise the income of farmers to ensure their continuance in farming.
- To encourage farmers to adopt innovative and modern agricultural practices.
- To ensure flow of credit to the agriculture sector.

The PMFBY replaced the existing two schemes National Agricultural Insurance Scheme (introduced in 1999) as well a s the Modified NAIS (introduced in 2011).

GUPTA CLASSES

Coverage of Crops

- Food crops (Cereals, Millets and Pulses)
- Oilseeds
- Annual Commercial / Horticultural crops

Premium Rates on PMFBY: There will be a uniform premium of only 2% to be pa id by farmers for all Kharif crops and 1.5% for all Rabi crops. In case of annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%.

Start-up India

Start- up India initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups.

The objective is that India must become a nation of job creators instead of being a nation of job seekers.

It was launched on January 16, 2016.

The Department of Industrial Policy and Promotion (DIPP) published a status report on the Start-up India scheme.

GUPTA CLASSES

Start-up Definition (As defined by DIPP)

Start- up means an entity, incorporated or registered in India:

- Up to a period of 7 years from the date of incorporation/registration or up to 10 years in case of Start-ups in Biotechnology sector.
- As a private limited company or registered as a partnership firm or a limited liability partnership.
- With an annual turnover not exceeding Rs. 25 crore for any of the financial years since incorporation/registration.
- Working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation.

The Finance Act of 2016 provided start-ups with an income tax exemption for three years in a block of five years, if they are incorporated between April 1, 2016 and March 31, 2019.

GUPTA CLASSES

Stand-Up India

The Stand-U p India was launched to leverage the institutional credit structure to reach out to the underserved sector of people such as scheduie caste (SC) or Scheduie Tribe (ST) or Women entrepreneur so as to enable them to participate in economic growth of the nation.

It was launched in April 2016 to coincide with the celebration of the 125" birth anniversary of Dr. Bhimrao Ambedkar.

Stand- Up India scheme facilitates bank loans between $ 10 lakh and $ 1 Crore to at least one SC or ST borrower or at least one women borrower per bank branch for setting up a greenfield enterprise.

May be in manufacturing, services or the trading sector.

Pradhan Mantri Suraksha Bima Yojana {PMSBY)

PMSBY Scheme is available to people in the age group 18 to 70 years with a bank account who give their consent to join / enable auto-debit on or before 31st May for the coverage period 1st June to 31st May on an annual renewal basis.

The risk coverage under the scheme is $2 lakh for accidenta l death and full disability and $1 lakh for partial disability.

The premium of $ 12 per annum is to be deducted from the account holder's bank account through 'auto-debit' facility in one instalment.

GUPTA CLASSES

The scheme is being offered by Public Sector General Insurance Companies or any other General Insurance Company who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

Pradhan Mantri Jeevan **Jyoti Bima** Yojana **(PMJJBY)**

The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join / enable auto-debit.

Aadhar would be the primary KYC for the bank account.

The life cover of Rs. 2 lakhs shall be for the one-year period stretching from 1st June to 31st May and will be renewable.

Risk coverage under this scheme is for Rs. 2 Lakh in case of death of the insured, due to any reason.

The premium is Rs. 330 per annum which is to be auto-debited in one installment from the subscriber's bank account as per the option given by him on or before 31st May of each annual coverage period under the scheme.

The scheme is being offered by Life Insurance Corporation and all other life insurers who are willing to offer the product on similar terms with necessary approvals and tie up with banks for this purpose.

GUPTA CLASSES

Pradhan Mantri MUDRA Yojana

Pradhan Mantri Mudra Yojana (PMMY) was launched along with the launching of MUDRA on 08 April 2015.

MUDRA Bank headquarters is situated at Mumbai.

Micro Units Development & Refinance Agency Ltd (MUDRA) was set up by the Government of India (GoI).

MUDRA has been initially formed as a wholly owned **subsidiary of** Sma ll **Industries Development bank of India (SIDBI)** with 100% capital being contributed by it.

Presently, the authorized capital of MUDRA is 1000 crores and paid up capital is 750 crore, fully subscribed by SIDBI.

Sukanya **Samriddhi Yojana (SSY)**

Sukanya Samriddhi Yojana is a small deposit scheme of the Government of India meant exclusively for a girl child and is launched as a part of Beti Bachao Beti Padhao Campaig n.

SSY was launched in January 2015.

The scheme is meant to meet the education and marriage expenses of a girl child.

Tax exemption is one of the greatest advantages of the Sukanya Samriddhi Account programme.

The deposits made to the account, and also the proceeds and maturity amount would be fully exempted from tax under section 80C of the Income Tax Act.

GUPTA CLASSES

A Sukanya Samriddhi Account can be opened any time after the birth of a girl till she turns 10, with a minimum deposit of Rs 1,000.

A maximum of Rs 1.5 lakh can be deposited during the ongoing financial year.

The account can be opened in any post office or authorised branches of commercial banks.

The account will remain operative for 21 years from the date of its opening or till the marriage of the girl after she turns 18.

Skill India

Skill India is a comprehensive program to train and develop industrial, entrepreneurial skills among Indians.

It was launched by PM Narendra Modi on July 15, 2015.

Skill India will help reduce dependence on urban and semi- urban jobs.

It will provide ample work and business avenues in rural India too.

It strives for gender equality for income in India.

GUPTA CLASSES

Features of Skill India

Train Indian citizens of all ages, especially youth, to get employment or launch own MSMEs.

Provide training, technical and financial support for various trades including leather crafters, blacksmiths, healthcare workers, fashion designers, Khadi and handloom artisans and others.

Also focus on core sectors including construction, gems and jewellery, banking and finance, transport and tourism and entrepreneurship.

Training provided to enrolled citizens will conform to international standards. To do so, India will partner with various countries and foreign educational institutes.

One Rank One Pension (OROP)

OROP implies that uniform pension to be paid to the Armed Forces personnel retiring in the same rank with the same length of service, regardless of their date of retirement.

Future enhancements in the rates of pension would be automatically passed on to the past pensioners.

Under this definition, it has been decided that the gap between rate of pension of current pensioners and past pensioners will be bridged every 5 years.

GUPTA CLASSES

***Six salient features** of the* OROP *scheme:*

The benefit will be given with effect from 1st July 2014.

Arrears will be paid in four half-yearly instalments.

All widows, including war widows, will be paid arrears in one instalment.

To begin with, OROP would be fixed on the basis of calendar year 2013.

Pension will be re-fixed for all pensioners retiring in the same rank and with the same length of service as the average of minimum and maximum pension in 2013. Those drawing pensions above the average will be protected.

Personnel who voluntarily retire will not be covered under the OROP scheme.

In future, the pension would be re-fixed every 5 years.

Sovereign Gold Bond (SGB)

SGBs are government securities denominated in grams of gold.

They are substitutes for holding physical gold.

Investors have to pay the issue price in cash and the bonds will be redeemed in cash on maturity.

The Bond is issued by Reserve Bank on behalf of Government of India.

Persons resident in India as defined under **Foreign** Exchange Management Act, 1999 are eligible to invest in SGB.

Eligible investors include individuals, HUFs, trusts, universities and charitable institutions.

The Bonds are issued in denominations of one gram of gold and in multiples thereof. Minimum investment in the Bond shall be one gram with a maximum limit of subscription of 4 kg for **individuals,** 4 kg for Hind u U**ndivided Family (HUF)** and 20 kg for trusts and similar entities notified by the government from time to time per fiscal year (April — March).

In case of joint holding, the limit applies to the first applicant.

The SGB offers a superior alternative to holding gold in physical form.

Investors are assured of the market value of gold at the time of maturity and periodical interest.

SGB is free from issues like making charges and purity in the case of gold in jewellery form. The bonds are held in the books of the RBI or in DEMAT form eliminating risk of loss of scrip etc.

Gold Monetisation Scheme

It is a scheme that facilitates the depositors of gold to earn interest on their metal accounts. Once the gold is deposited in metal account, it will start earning interest on the same.

Gold Monetisation Scheme replaced both the Gold Deposit and Gold Metal Loan Schemes.

In June 2018, Reserve Bank of India has amended the Gold Monetisation Scheme (GMS) 2015, whereby deposits can be placed with banks for broken periods such as one year three months, or 13 years four months 15 days.

GUPTA CLASSES

The designated **banks** are free **to fix the interest rates** on short-term bank deposits (STBDs), which are for a short period of one to three years.

The interest is credited to the deposit accounts on the respective due dates, and can be withdrawn periodically or at maturity, as per the terms of the deposit.

Miscellaneous Topics

Money Stock Measures

The total stock of money circulating in an economy is the money supply.

The circulating money involves the currency, printed notes, money in the deposit accounts and in the form of other liquid assets.

Periodically, every country's central bank publishes the money supply data based on the monetary aggregates set by them.

There are four measures of money supply in India which are denoted by M1, M 2, M3 and M4.

This classification was introduced by RBI in April 1977.

M1	Currency with the public -i- Demand Deposits with the banking system -i- other deposits with the RBI (Narrow Money)
M2	M1 + Savings deposits of post office savings banks
M3	M1+ Time deposits with the banking system (Broad Money)
M4	M3 + All deposits with post office savings banks (excluding National Savings Certificates)

GUPTA CLASSES

The acronyms NM1, NM2 and NM3 are used to distinguish the new monetary aggregates as proposed by the Working Group on Money Supply 'Analytics and **Methodology of Compilation (WGMS) (Chairman: Dr. Y.V. Reddy)',** June 1998 from the existing monetary aggregates.

NM1 : Currency + Demand Deposits + Other deposits with the RBI

NM2 : NM1 + Time liabilities portion of saving deposits with bank + certificate of deposits issued by bank -i- Term deposits maturing within a year -I- excluding FCNR (B) (Foreign Currency now Residential Bank) Deposits

NM3 : NM2 + Term deposits with banks with maturity over one year + call / term borrowings of the banking system

NEER and REER

The indices of **Nominal Effective Exchange** Rate **(NEER)** and Real **Effective Exchange** Rate **(REER)** are used as indicators of extern al competitiveness.

NEER is an unadjusted weighted average rate at which one country's currency exchanges for a basket of multiple foreign currencies.

In economics, the NEER is an indicator of a country's international competitiveness in terms of the foreign exchange (forex) market.

Forex traders sometimes refer to the NEER as the trade-weighted currency index.

NEER is the weighted nominal exchange rate of the rupee against the currencies of these trading partners by their share in India‘s trade.

GUPTA CLASSES

NEER is obtained by summing the weighted exchange rates.

REER is defined as a weighted average of nominal exchange rates adjusted for relative price differential between the domestic and foreign countries, relates to the purchasing power parity (PPP) hypothesis.

REER is the weighted average of real exchange rates, weighted by the relative importance of each country in trade with the domestic economy.

Peer-to-Peer Lending (P2P)

P2P lending is a crowd-funding model where people looking to invest their money with people who want to borrow can do so.

The Reserve Ban k of India published the guidelines to regularise the peer-to-peer lending platforms as Non-Banking Financial Companies (NBFC), a move which can be seen as a part of the bigger structural reform to formalise the credit system in the country.

Peer-to-peer (P2P) platforms are lending marketplace for loans where lenders and borrowers can interact and transact on a mutually agreeable rate.

P2P lending will work on the tri-partite arrangement of the lender, the borrower and the trust.

GUPTA CLASSES

The trustee will maintain two escrow accounts one for lenders and one for borrowers.

According to the RBI directions named the Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 no NBFC can start or carry on the business of a P2P lending platform without obtaining a Certificate of Registration.

Every company seeking registration with the bank as an NBFC-P2P shall have a net owned funds of not less than Rs 20 million or such higher amount as the bank may specify.

Account **Aggregator**

Account aggregators are companies that will collect and provide information on a customer's financial assets, in a consolidated, organized and retrievable manner to the customer or any other person as per the instructions of the customer.

Only NBFCs that have registered with RBI will be allowed to undertake account aggregation.

These NBFCs will first receive in-principle approvals from the regulator and will have 12 months to put in place the necessary technology and tie-ups required for the aggregation business.

After the NBFCs have achieved this, they can apply for a final licence.

Such NBFCs should have minimum net-owned funds of Rs.2 crore and cannot provide any services other than account aggregation.

GUPTA CLASSES

Index of Industrial Production (IIP)

The all India Index of Industrial Production (IIP) is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period.

It is compiled and published monthly by the Central Statistical Organization (CSO), Ministry of Statistics and Programme Implementation six weeks after the reference month ends.

The Central Statistics Office (CSO) revised the base year of the all-India Index of Industrial Production (IIP) from 2004-05 to 2011-12 on 12 May 2017.

The revised IIP (2011-12) not only reflect the changes in the industrial sector but also aligns it with the base year of other macroeconomic indicators like the Gross Domestic Product (GDP) and Wholesale Price Index (WPI).

Purchasing Managers' Index

PMI or a Purchasing Managers' Index (PMI) is an indicator of business activity, both in the manufacturing and services sectors.

It is a survey-based measures that asks the respondents about changes in their perception of some key business variables from the month before.

It is calculated separately for the manufacturing and services sectors and then a composite index is constructed.

The PMI is derived from a series of qualitative questions.

GUPTA CLASSES

Executives from a reasonably big sample, running into hundreds of firms, are asked whether key indicators such as output, new orders, business expectations and employment were stronger than the month before and are asked to rate them.

Economists consider the manufacturing growth measured by the PMI as a good indicator of industrial output, for which official statistics are released later.

The PMI also gives an indication of corporate earnings and is closely watched by investors as well as the bond markets.

RESIDEX

NHB RESIDEX is the India's first official housing price index, was an initiative of the National Housing Bank (NHB).

It is designed by a Technical Advisory Committee comprising Government representatives, lenders and property market players.

It is a set of benchmarks that aims to track housing price indicators across Indian cities.

It was launched in July 2007 and was discontinued in 2015 and again it was refurbished and re-introduced, ta king 2007 as the base year.

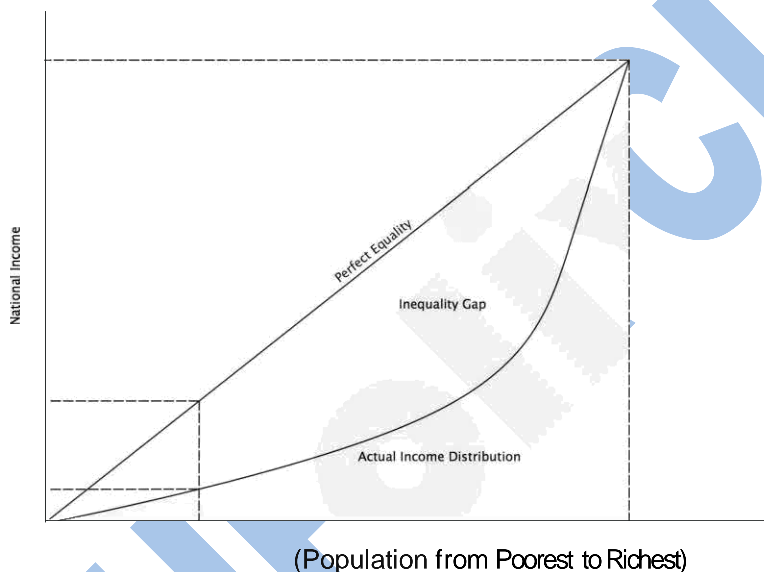
GUPTA CLASSES

Lorenz Curve

The Lorenz Curve is a graphical distribution of wealth developed by Max Lorenz in 1906, shows the proportion of income earned by any given percentage of the population.

The line at the 45^0 angle shows perfectly equal income distribution, while the other line shows the actual distribution of income.

The further away from the diagonal, the more unequal the size of distribution of income.



(Population from Poorest to Richest)

The more bowed out a Lorenz Curve; the higher is the inequality of income in the country.

Gini Coefficient

The Gini Coefficient, which is derived from the Lorenz Curve, can be used as an indicator of economic development in a country.

The Gini Coefficient measures the degree of income equality in a population.

The Gini Coefficient can vary from 0 **(perfect equality) to** 1 **(perfect inequality).**

A Gini Coefficient of zero means that everyone has the same income, while a Coefficient of 1 represent a single individual receiving all the income.

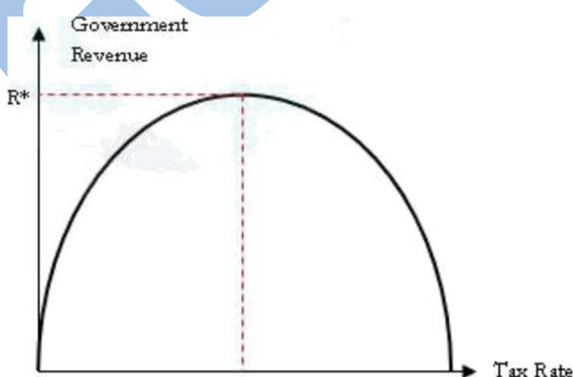
The Gini coefficient is the Gini index expressed as a number between 0 and 1.

Laffer curve

The Laffer curve shows how **tax revenues** change when the tax rate is either increased or decreased.

Typically, it has an inverted- U shape.

It has a parabolic shape plotted on a graph:- Government revenue is displayed on the vertical axis, and the tax rate appears on the horizontal axis.



GUPTA CLASSES

The shape of the Laffer curve suggests that government revenues decrease with tax rate increases beyond an optimal level denoted as T*.

This is based on the theory that beyond a certain tax rate, a country's taxpayers will have a decreasing incentive to work knowing that more and more of their money is being taken by the government.

In other words, according to this model, at tax rates approaching 100%, taxpayers will work little, if at all.

Phillips Curve

The inverse relationship between unemployment rate and inflation when graphically charted is called the Phillips curve.

William Phillips pioneered the concept first in his one of the papers in 1958.

This theory is now proven for all major economies of the world.

The theory states that the higher the rate of inflation, the lower the unemployment and vice-versa.

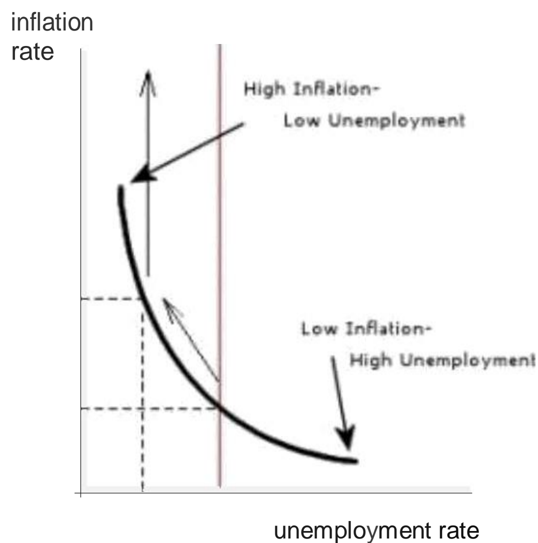
Thus, high levels of employment can be achieved only at high levels of inflation.

The policies to induce growth in an economy, increase in employment and sustained development are heavily dependent on the findings of the Phillips curve.

However, the implications of Phillips curve have been found to be true only in the short term.

GUPTA CLASSES

Phillips curve fails to justify the situations of stagflation, when both inflation and unemployment are alarmingly high.



Kuznets Curve

It is a curve used to demonstrate the hypothesis that economic growth initially leads to greater inequality, followed later by the reduction of inequality.

The idea was first proposed by American economist Simon Kuznets.

As economic growth comes from the creation of better products, it usually boosts the income of workers and investors who participate in the first wave of innovation.

The industrialisation of an agrarian economy is a common example.

This inequality tends to be temporary as workers and investors who were initially left behind soon catch up by helping offer either the same or better products.

This improves their incomes.

GUPTA CLASSES

Inflation Indexed Bond

Inflation Indexed Bond (IIB) is a bond issued by the Sovereign, which provides the investor a constant return irrespective of the level of inflation in the economy.

The main objective of IIBs is to provide a hedge and to safeguard the investor against macroeconomic risks in an economy.

The issue of IIBs in advanced economies is limited on account of low inflation experienced in these economies.

Inflation Indexed Bonds (IIBs) were issued in the name of Capital Indexed Bonds (CIBs) during 1997.

The CIBs issued in 1997 provided inflation protection only to principal and not to interest payment.

New product of IIBs provides inflation protection to both principal and interest payments.

GUPTA CLASSES

Masala Bond

Masala bonds are rupee-denominated debt sold to offshore investors, who ta ke the foreign exchange risk to earn higher interest rates compared with dollar-denominated overseas bond sales.

The masala bonds were reckoned under both corporate debt and external commercial borrowings for FPI investment.

It is now counted only under the ECB category, where a borrower just needs to seek the RBI's approval to sell those securities.

The Reserve Ban k of India has removed masala bonds, or rupee-denominated debt securities sold abroad, from the corporate bond investment limit that remains almost full amid strong overseas investor interest.

LIBOR

LIBOR, the acronym for London Interbank Offer Rate, is the global reference rate for unsecured short-term borrowing in the interbank market.

It acts as a benchmark for short-term interest rates.

It is used for pricing of interest rate swaps, currency rate swaps as well as mortgages.

It is an indicator of the health of the financial system and provides an idea of the trajectory of impending policy rates of central banks.

LIBOR is administered by the Intercontinental Exchange or ICE.

GUPTA CLASSES

The five currencies for which LIBOR is computed are Swiss franc, euro, pound sterling, Japanese yen and US dollar.

MIBOR

MIBOR is the acronym for Mumbai Interbank Offer Rate, the yardstick of the Indian call money market.

It is the rate at which banks borrow unsecured funds from one another in the interbank market.

At present, it is used as a reference rate for floating rate notes, corporate debentures, term deposits, interest rate swaps and forward rate agreements.

Based on the recommendation of the Committee for the Development of Debt Market, the National Stock Exchange (NSE) launched the Mumbai I nterbank Offer Rate (MIBOR) and Mumbai Interbank Bid Rate (MIBID) in June, 1998.

P- Notes

P-Notes or Participatory Notes are Overseas **Derivative** Instruments that have Indian stocks as their underlying assets.

They allow foreign investors to buy stocks listed on Indian exchanges without being registered.

The instrument gained popularity as FIIs, to avoid the formalities of registering and to remain anonymous, started betting on stocks through this route.

GUPTA CLASSES

Investing through P-Notes is very simple and hence very popular amongst FIIs.

Overseas investors who are not registered with SEBI have to go through a lot of scrutiny, such as know-your-customer norms, before investing in Indian shares.

To avoid these hurdles, foreign investors take this route.

These instruments aid investors who do not want to register with SEBI and reveal their identities to take positions in the Indian market.

GUPTA CLASSES