1. Basic Concepts of Economy

1.1 What is Economics?

Economics studies how a society uses its limited resources to meet unlimited wants. Because resources are scarce, every society must decide **what to produce, how to produce and for whom to produce**.

Branch	Focus	Examples
Micro-economics	Decisions of individual units: a household, a firm or a single market	Price of a commodity, consumer demand, firm output
Macro-economics	The economy as a whole	GDP, inflation, unemployment, fiscal and monetary policy

1.2 Economic Systems

System	Key Features
Capitalism	Private ownership of resources; prices and profit guide production; minimal state role. Associated with Adam Smith and the classical school.
Socialism	The state owns or controls the main resources; aims at equality and welfare. Soviet-style planning is the classic example.
Mixed economy	Public and private sectors exist together; the market works but the state regulates and provides public goods. **India follows this model.**

Remember

- Adam Smith (classical) believed in the "invisible hand" of the market.
- **J. M. Keynes** argued the state should step in during a slump, after the Great Depression of 1929.
- India adopted the mixed economy path after Independence, with planned development and a large public sector.

1.3 Economic Agents

Economic agents are the units that take economic decisions. There are four main ones:

- **Households**: consume goods and services and supply factors of production.
- **Firms**: produce goods and services using those factors.
- **Government**: collects taxes, spends, regulates and provides public goods.
- **External sector**: the rest of the world, linked through trade and capital flows.

1.4 Sectors of the Economy

Based on the nature of activity

Sector	What it covers	Examples
Primary	Extracting natural resources and raw produce	Farming, fishing, mining, forestry
Secondary	Turning raw materials into finished goods	Manufacturing, construction, power
Tertiary	Services to people and businesses	Banking, transport, health, retail
Quaternary	Knowledge-based work	Research, IT, education
Quinary	Top-level decision making	Senior government and corporate leadership

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Based on organisation

- **Organised (formal) sector**: registered with the government and covered by labour laws, such as the Factories Act; workers get regular wages and social security.
- **Unorganised (informal) sector**: small, unregistered units without fixed terms of work or social security, such as street vendors, farm labourers and small shopkeepers.
- A large share of India's workforce is in the unorganised sector, while the **tertiary sector** contributes the largest share of GDP.

1.5 Types of Goods

By use

Type	Meaning
Consumer goods	Bought by final users for direct use, such as clothes and food
Capital goods	Durable goods used to produce other goods, such as machines and tools
Intermediate goods	Used up as inputs in making other goods, such as rubber for tyres
Final goods	Meant for final use and not processed further, such as a finished car

By demand behaviour

Type	Meaning
Normal good	Demand rises when income rises
Inferior good	Demand falls when income rises (coarse grains, for example)
Luxury good	Demand rises more than proportionately as income rises
Substitutes	Can replace each other: tea and coffee. If one gets costlier, demand for the other rises
Complements	Used together: pen and ink. If one gets costlier, demand for the other falls
Giffen good	A rare inferior staple whose demand rises as its price rises, because it is a poor household's main food
Veblen good	A status good whose demand rises with its price, because a high price signals prestige

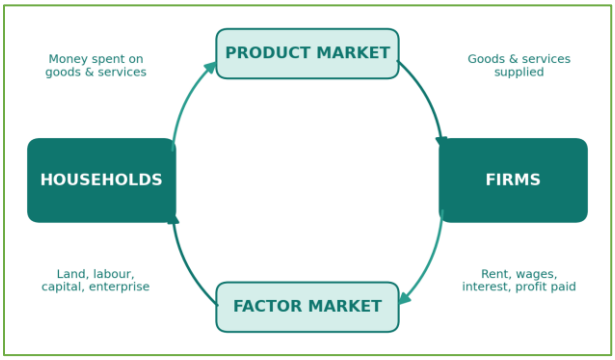
By rivalry and excludability

Type	Rival?	Excludable?	Example
Private good	Yes	Yes	Bread, a car
Public good	No	No	National defence, street lights
Common resource	Yes	No	Fish in open seas, groundwater
Club good	No	Yes	Cable TV, a toll road

Merit goods (education, health) give society benefits beyond the buyer's own, so the state encourages or provides them. **Demerit goods** (alcohol, tobacco) harm society, so they are taxed or restricted.

1.6 Circular Flow of Income

In a simple two-sector economy, households sell factors of production to firms and receive income. They spend that income on the goods and services firms produce. Money flows one way and real resources flow the other, so **income, output and expenditure are equal in value**.



Leakages (savings, taxes, imports) take money out of the flow. Injections (investment,

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government spending, exports) add money back.

1.7 Measuring Economic Growth

Economic growth is the rise in the real value of goods and services an economy produces over time. **Gross investment** is spending on capital goods. **Net investment** = Gross investment − Depreciation, where **depreciation** is the wear and tear of capital.

Key national income concepts

Concept	Meaning
GDP	Total market value of all final goods and services produced within the country's borders in a year
GNP	GDP + Net Factor Income from Abroad (NFIA). It counts income earned by a country's residents anywhere
NDP	GDP − Depreciation
NNP	GNP − Depreciation
National Income	NNP at factor cost, the total income earned by a country's factors of production
Per capita income	National income divided by population
Nominal GDP	Measured at current prices, so it is affected by inflation
Real GDP	Measured at base-year prices, so it shows true output growth
GDP deflator	(Nominal GDP ÷ Real GDP) × 100; a broad measure of price change across the economy
Transfer payments	One-way payments with no goods or services in return, such as pensions and PM-KISAN. They are not counted in GDP

Market price and factor cost

- **Market price (MP)**: the price actually paid, including indirect taxes and net of subsidies.
- **Factor cost (FC)**: what factors of production receive, so it leaves out indirect taxes and adds back subsidies.
- **GDP at MP = GDP at FC + Indirect taxes − Subsidies**
- **GVA** (Gross Value Added) = Value of output − Value of intermediate consumption. In India, **GVA at basic prices** = GDP at market prices − (Product taxes − Product subsidies).
- India's national accounts use the base year **2011-12**. They are compiled by the **National Statistics Office (NSO)** under MoSPI.

1.8 Three Methods of Measuring National Income

Method	What is added up	Note
Production (value added)	Value added by every sector	Avoids double counting of intermediate goods
Income	Wages, rent, interest and profit	Sums incomes of all factors
Expenditure	C + I + G + (X − M)	Consumption, investment, government spending and net exports

1.9 Factors of Production

Factor	Reward	Example
Land	Rent	Soil, minerals, water, forests
Labour	Wages	Physical and mental human effort
Capital	Interest	Machinery, buildings, finance
Entrepreneurship	Profit	Organising and risk-taking

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Quick Recall

- Sectors: primary (extract), secondary (make), tertiary (serve).
- Public good = non-rival + non-excludable; private good = rival + excludable.
- GNP = GDP + NFIA; NNP = GNP − Depreciation; National Income = NNP at FC.
- GDP at MP = GDP at FC + Indirect taxes − Subsidies.
- Real GDP is adjusted for inflation; nominal GDP is not.
- Transfer payments are not part of GDP.

2. Planning

2.1 What is Economic Planning?

Planning is the deliberate use of the state's power to set economic goals, estimate the resources available and decide how to use them over a fixed period. After Independence, India chose planning to speed up growth, cut poverty and build a modern economy.

Main objectives of Indian planning

- **Growth**: a steady rise in national income and output.
- **Modernisation**: new technology, industry and institutions.
- **Self-reliance**: less dependence on imports and foreign aid.
- **Equity**: fair distribution of income and removal of poverty.

Types of planning

Type	Meaning
Imperative planning	The state gives orders and targets that must be followed, as in the former Soviet Union
Indicative planning	The state sets broad goals and guides the private sector through incentives. India moved towards this after the 1991 reforms
Centralised planning	All decisions are taken by one central authority
Decentralised planning	Plans are prepared at state, district and local levels

2.2 Origins of Planning in India

Year	Plan / Committee	Key Point
1934	**Visvesvaraya Plan**	"Planned Economy for India" by M. Visvesvaraya, the first serious blueprint
1938	**National Planning Committee**	Set up by the Indian National Congress; chaired by Jawaharlal Nehru
1944	**Bombay Plan**	Prepared by eight leading industrialists; stressed state support for industry and infrastructure
1944	**Gandhian Plan**	By Shriman Narayan; focus on village industries and decentralised rural economy
1945	**People's Plan**	By M. N. Roy; based on socialist ideas and agricultural priority
1950	**Sarvodaya Plan**	By Jayaprakash Narayan; inspired by Gandhi and Vinoba Bhave

2.3 Planning Institutions

Planning Commission (1950 to 2014)

- Set up in **March 1950** by a Government of India resolution. It was **neither a constitutional nor a statutory body**.
- The **Prime Minister** was the Chairperson, and a Deputy Chairman ran its daily work.
- It prepared Five Year Plans and advised on allocation of resources.
- It was replaced by **NITI Aayog on 1 January 2015**.

National Development Council (NDC)

- Set up in **1952**, also a non-constitutional and non-statutory body.

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- Chaired by the Prime Minister; members include Chief Ministers and Planning Commission members.
- It approved the Five Year Plans and acted as a link between the Centre and the states.

Remember

- "Economic and social planning" is Entry 20 of the **Concurrent List**.
- Planning Commission and NDC were both set up by executive resolutions, not by the Constitution or an Act.

2.4 Five Year Plans at a Glance

Plan	Period	Focus / Model	Target (%)	Result (%)
1st	1951-56	Agriculture, irrigation and power; **Harrod-Domar model**. Projects: Bhakra Nangal, Hirakud	2.1	3.6
2nd	1956-61	Rapid industrialisation, heavy industry; **Mahalanobis model**	4.5	4.3
3rd	1961-66	Self-reliant, self-generating economy; hit by wars and drought	5.6	2.8
Plan holiday	1966-69	Three Annual Plans after the failure of the 3rd Plan	-	-
4th	1969-74	Growth with stability; **Gadgil formula** for aid to states	5.7	3.3
5th	1974-79	**Garibi Hatao**, self-reliance; ended a year early in 1978	4.4	4.8
Rolling Plan	1978-80	Introduced by the Janata government	-	-
6th	1980-85	Poverty removal; IRDP and NREP launched	5.2	5.7
7th	1985-90	Food, work and productivity	5.0	6.0
Annual Plans	1990-92	Political instability and the balance of payments crisis	-	-
8th	1992-97	Human development; first plan after **LPG reforms 1991**; indicative planning	5.6	6.8
9th	1997-2002	Growth with social justice and equity	6.5	About 5.4
10th	2002-07	Monitorable targets; 8% growth goal	8.0	About 7.7
11th	2007-12	Faster and more inclusive growth	9.0 (revised 8.1)	About 8.0
12th	2012-17	Faster, more inclusive and sustainable growth	8.0	Below target

The **12th Plan was the last**. After it ended in March 2017, no new Five Year Plan was drawn up.

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2.5 Planning Models and Strategies

Model	Key Idea
Harrod-Domar	Growth depends on the savings rate and the capital-output ratio. Used in the 1st Plan
Mahalanobis (Feldman-Mahalanobis)	Priority to capital goods and heavy industry to build a base for long-run growth. Used in the 2nd Plan
Gadgil formula	Formula for sharing central plan assistance among states, adopted in the 4th Plan
Rolling plan	A plan revised every year, with targets extended forward each year

Remember

- **Plan holiday** = 1966-69, three Annual Plans.
- **Hindu rate of growth** (a term coined by Raj Krishna) describes the low growth of about 3.5% per year from 1950 to about 1980.
- The 1991 reforms changed planning from a command approach to an indicative one.

2.6 NITI Aayog

NITI Aayog (National Institution for Transforming India) was formed on **1 January 2015** by a Cabinet resolution. It is a **policy think tank**, not a plan-making body with power over funds.

Structure

- **Chairperson**: the Prime Minister.
- **Governing Council**: Chief Ministers of all states and Lieutenant Governors of Union Territories.
- **Vice-Chairperson**: appointed by the Prime Minister.
- **CEO**: of Secretary rank, appointed by the Prime Minister for a fixed term.
- Full-time members, part-time members and ex-officio members.

Planning Commission versus NITI Aayog

Feature	Planning Commission	NITI Aayog
Approach	Top-down; Centre set plans for states	Bottom-up; **cooperative federalism**
Role	Formed Five Year Plans and allocated funds	Think tank offering strategy and advice
Funds	Had power to allocate funds to ministries and states	No power to allocate funds; that rests with the Finance Ministry
States	Limited role	States are active partners through the Governing Council
Focus	Public sector and resource allocation	Policy ideas, innovation, monitoring and long-term vision

Major NITI Aayog initiatives and indices

- **Atal Innovation Mission** to promote innovation and entrepreneurship.
- **Aspirational Districts Programme** (2018) to improve backward districts.
- **SDG India Index**, **Composite Water Management Index**, **School Education Quality Index** and **India Innovation Index** to rank states.
- **National Multidimensional Poverty Index**, based on health, education and living standards.
- **Development Monitoring and Evaluation Office (DMEO)** assesses government programmes.
- Long-term documents: **Three-Year Action Agenda**, **Seven-Year Strategy** and **15-Year Vision**.

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2.7 Decentralised Planning

- The **73rd and 74th Constitutional Amendments (1992)** gave local bodies a role in planning and development.
- **Article 243ZD** requires a **District Planning Committee** in every district to consolidate village and municipal plans.
- The **Eleventh and Twelfth Schedules** list subjects for Panchayats and Municipalities.

Quick Recall

- Planning Commission: March 1950 to 2014; NITI Aayog from 1 January 2015.
- NDC: set up in 1952; approved the Five Year Plans.
- 1st Plan: Harrod-Domar, agriculture. 2nd Plan: Mahalanobis, heavy industry.
- Plan holiday: 1966-69. 8th Plan: first after the 1991 reforms.
- 12th Plan (2012-17) was the last Five Year Plan.
- NITI Aayog is a think tank; it does not allocate funds.

3. Fiscal Policy

3.1 What is Fiscal Policy?

Fiscal policy is the government's use of **taxation, public spending and borrowing** to influence the economy. It is decided by the Finance Ministry and presented to Parliament through the Union Budget.

Objectives

- Economic growth and higher employment.
- Price stability.
- Reducing income and regional inequality.
- Providing public goods such as defence, roads and health.

Stance of fiscal policy

Stance	Meaning
Expansionary	More spending and/or lower taxes to raise demand. Used in a slowdown; it widens the deficit
Contractionary	Less spending and/or higher taxes to cool demand and control inflation
Neutral	Spending is matched by revenue; the budget has little effect on demand

Remember

- Fiscal policy is run by the **Government** (Finance Ministry); monetary policy is run by the **RBI**.
- The ideas of using government spending to fight a slump come from **J. M. Keynes**.

3.2 The Union Budget

The Budget is the **Annual Financial Statement** under **Article 112**. It shows estimated receipts and expenditure for the coming financial year (1 April to 31 March). Since 2017 it is presented on **1 February**, and the separate Railway Budget was merged with it in the same year.

Constitutional provisions

Article	Provision
112	Annual Financial Statement (Budget)
113	Estimates of expenditure; Lok Sabha votes on Demands for Grants, while "charged" expenditure is only discussed
114	Appropriation Bill: allows withdrawal from the Consolidated Fund
115	Supplementary, additional or excess grants
116	Vote on Account, Vote of Credit and Exceptional Grant
117	Finance Bill: gives effect to tax proposals

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Article	Provision
265	No tax can be levied or collected except by authority of law
266	Consolidated Fund and Public Account of India
267	Contingency Fund of India: held by the President for urgent, unforeseen expenditure

Stages of the Budget in Parliament

- **Stage 1:** Presentation of the Budget by the Finance Minister in the **Lok Sabha**, followed by the Budget speech.
- **Stage 2:** General discussion.
- **Stage 3:** Scrutiny by Departmental Standing Committees.
- **Stage 4:** Voting on Demands for Grants (only the Lok Sabha votes).
- **Stage 5:** Passing of the Appropriation Bill.
- **Stage 6:** Passing of the Finance Bill.

Cut motions

- **Policy cut**: reduces the demand to Re 1, showing disapproval of a policy.
- **Economy cut**: reduces the demand by a stated amount to push for economy.
- **Token cut**: reduces the demand by Rs 100 to raise a specific grievance.

3.3 Structure of the Budget

	Revenue Budget	Capital Budget
Receipts	Tax revenue and non-tax revenue	Borrowings, recovery of loans, disinvestment
Expenditure	Day-to-day running costs: salaries, subsidies, interest, pensions	Spending that creates assets or reduces liabilities: roads, dams, loan repayment

Sources of receipts

- **Tax revenue**: income tax, corporation tax, GST, customs duty and union excise duty.
- **Non-tax revenue**: interest receipts, dividends and profits from PSUs, fees, fines and spectrum charges.
- **Capital receipts**: market borrowings, treasury bills, external loans, loan recoveries and **disinvestment** (sale of government stake in PSUs).
- Since 2017-18 the Plan and Non-Plan classification has been dropped; expenditure is shown as **revenue** and **capital**.

3.4 Deficits

Deficit	Formula and Meaning
Revenue deficit	Revenue expenditure − Revenue receipts. Shows the government is borrowing even for running costs
Fiscal deficit	Total expenditure − Total receipts excluding borrowings. It equals the total borrowing requirement
Primary deficit	Fiscal deficit − Interest payments. Shows borrowing needed for current activities, apart from past debt
Effective revenue deficit	Revenue deficit − Grants for creating capital assets

Remember

- **Fiscal deficit** is the most widely watched measure; it is stated as a percentage of GDP.
- A **primary surplus** means the government's current spending is covered even before interest payments.
- A deficit funded by borrowing from the RBI is called **monetised deficit**; the automatic monetisation was ended in 1997.

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3.5 FRBM Act

The **Fiscal Responsibility and Budget Management (FRBM) Act, 2003** set rules for fiscal discipline.

- Aim: remove the revenue deficit and bring the **fiscal deficit down to 3% of GDP**.
- The Government must present documents such as the Medium-term Fiscal Policy Statement each year.
- The **N. K. Singh Committee (2016)** reviewed the Act and suggested a **debt-to-GDP ratio** as the main anchor, with a 60% general government debt target (40% Centre and 20% States).
- An **escape clause** lets the Government exceed the targets in special conditions such as a war, national calamity or a sharp slowdown.
- The escape clause was used in **2020-21** during the COVID-19 crisis.

3.6 Taxation

Feature	Direct Tax	Indirect Tax
Burden	Falls on the person who pays it	Can be passed on to the consumer
Examples	Income tax, corporation tax	GST, customs duty, excise on some goods
Nature	Generally progressive	Generally regressive
Evasion	Easier	Harder

Based on tax rate

- **Progressive**: the rate rises as income rises.
- **Proportional**: the same rate for everyone.
- **Regressive**: the burden is heavier on lower incomes.

Goods and Services Tax (GST)

- Introduced from **1 July 2017** by the **101st Constitutional Amendment Act, 2016**.
- **Article 246A** gives both Parliament and State legislatures power to make GST laws; **Article 279A** creates the **GST Council**.
- The GST Council is chaired by the **Union Finance Minister** and includes State Finance Ministers.
- It is a **dual** tax: **CGST** and **SGST** on intra-state supply, **IGST** on inter-state supply and **UTGST** in Union Territories.
- GST is a **destination-based** tax, so the state where goods are consumed gets the tax on them.
- Petroleum crude, diesel, petrol, natural gas and aviation turbine fuel were kept out of GST at the start, and alcohol for human consumption remains outside it.

Sharing of taxes with States

- The **Finance Commission (Article 280)** recommends how central taxes are shared with states, every five years.
- The **15th Finance Commission** (2021-22 to 2025-26) kept the states' share of the divisible pool at **41%**. The **16th Finance Commission**, chaired by **Arvind Panagariya**, covers the period from 2026-27.
- **Cesses and surcharges** are not part of the divisible pool, so the Centre does not share them with states.

3.7 Public Expenditure and Public Debt

Public expenditure

- **Revenue expenditure**: salaries, pensions, subsidies, interest payments and grants to States.
- **Capital expenditure**: building infrastructure and acquiring assets.
- **Developmental**: economic services and social services. **Non-developmental**: defence, interest payments and administration.

Public debt

- **Internal debt**: borrowing within India through government securities, treasury bills and small savings.

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- **External debt**: borrowing from foreign governments and institutions such as the World Bank and IMF.
- **Treasury bills** are short-term (91, 182 and 364 days); **dated securities** are long-term, with maturities of 5 to 40 years.
- **Article 292** lets the Union borrow on the Consolidated Fund; **Article 293** deals with borrowing by States.
- **Crowding out**: heavy government borrowing raises interest rates and leaves less credit for private investment.

3.8 Types of Budgeting

Type	Meaning
Zero-based budgeting	Every expense is justified afresh each year instead of being carried over from the last year
Performance budgeting	Links money allotted to the work and results expected
Outcome budgeting	Shows the outcomes expected from each scheme; presented from 2005-06
Gender budgeting	Tracks how much of the budget helps women; introduced in 2005-06

Quick Recall

- Budget = Article 112; Consolidated Fund = Article 266; Contingency Fund = Article 267.
- Fiscal deficit = Total expenditure − Receipts excluding borrowing.
- Primary deficit = Fiscal deficit − Interest payments.
- Only the Lok Sabha votes on Demands for Grants.
- GST began on 1 July 2017 (101st Amendment); the GST Council is under Article 279A.
- Finance Commission = Article 280; the FRBM Act is 2003.

4. Monetary Policy and Banking

4.1 Money and Money Supply

Money is anything generally accepted in payment. It works as a **medium of exchange**, a **unit of account**, a **store of value** and a **standard of deferred payment**.

Measures of money supply

Measure	What it includes
M0 (Reserve money)	Currency in circulation + Bankers' deposits with the RBI + Other deposits with the RBI. Also called **high-powered money**
M1 (Narrow money)	Currency with the public + Demand deposits with banks + Other deposits with the RBI
M2	M1 + Savings deposits with Post Office Savings Banks
M3 (Broad money)	M1 + Time deposits with banks. This is the most commonly used measure
M4	M3 + All deposits with Post Office Savings Banks (excluding National Savings Certificates)

Remember

- M1 is the most liquid; M4 is the least liquid.
- **Money multiplier** = M3 ÷ M0. A bank deposit can be lent out again and again, so total money created is a multiple of reserve money.
- The **Reserve Bank of India** is the sole authority for managing money supply.

4.2 Reserve Bank of India

- Set up on **1 April 1935** under the **RBI Act, 1934**, on the recommendation of the **Hilton Young Commission**; headquartered in **Mumbai**.
- **Nationalised on 1 January 1949.**
- First Governor: **Sir Osborne Smith**; first Indian Governor: **C. D. Deshmukh**.
- Governor and Deputy Governors are appointed by the **Central Government**.

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Functions of the RBI

Function	Detail
Issuer of currency	Issues all notes except the one-rupee note and coins, which are issued by the Government of India (Finance Ministry)
Banker to the Government	Keeps government accounts, manages public debt and acts as its agent
Banker's bank	Holds banks' reserves, lends to them and clears settlements
Controller of credit	Regulates the supply and cost of credit through monetary policy
Custodian of foreign exchange	Manages foreign exchange reserves and administers FEMA, 1999
Regulator of payment systems	Under the Payment and Settlement Systems Act, 2007
Lender of last resort	Gives emergency funds to banks facing a liquidity crisis

Notes are issued under the **Minimum Reserve System** (since 1957), under which the RBI must hold at least Rs 200 crore of assets as backing, of which Rs 115 crore is gold and Rs 85 crore foreign securities.

4.3 What is Monetary Policy?

Monetary policy is the RBI's management of the money supply and interest rates to achieve price stability and support growth. It works through **liquidity** (the amount of money in the system) and the **cost of credit**.

Stance	Effect
Expansionary (easy / accommodative)	Cuts rates and releases liquidity to raise demand; used in a slowdown
Contractionary (tight / hawkish)	Raises rates and reduces liquidity to control inflation

4.4 Instruments of Monetary Policy

Quantitative (general) instruments

Instrument	Meaning
Repo rate	Rate at which the RBI lends short-term funds to banks against government securities. It is the main **policy rate**
Reverse repo rate	Rate at which the RBI borrows from banks. It is lower than the repo rate
Standing Deposit Facility (SDF)	Introduced in 2022; lets banks park surplus funds with the RBI **without collateral**. It sets the lower end of the rate corridor
Marginal Standing Facility (MSF)	Banks borrow overnight from the RBI against their SLR holdings in an emergency. Its rate is **above the repo rate** and sets the upper end of the corridor
Bank rate	Rate for long-term lending to banks without collateral; aligned with the MSF rate and used as a penal rate
Cash Reserve Ratio (CRR)	Share of a bank's deposits (Net Demand and Time Liabilities) that must be kept **as cash with the RBI**. No interest is paid on it
Statutory Liquidity Ratio (SLR)	Share of Net Demand and Time Liabilities that banks must keep **with themselves** in cash, gold or government securities. Under the Banking Regulation Act it cannot exceed 40%
Open Market Operations (OMO)	RBI buying or selling government securities. **Buying** adds liquidity; **selling** removes it
Market Stabilisation Scheme (MSS)	Started in 2004; the RBI sells special government bonds to absorb excess liquidity

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Remember

- **Liquidity Adjustment Facility (LAF)** was introduced in 2000 and works through repo and reverse repo; it manages day-to-day liquidity.
- Rate corridor: **SDF < Repo < MSF**.
- CRR is kept with the RBI and SLR with the banks themselves.
- To fight inflation, the RBI raises the repo rate and CRR, and sells securities.

Qualitative (selective) instruments

- **Margin requirement**: the difference between the value of a loan's security and the loan amount.
- **Moral suasion**: persuasion, advice and informal requests to banks.
- **Selective credit control**: limits on credit for specific sectors or commodities.
- **Credit rationing**: caps on the credit given by banks to certain borrowers.

4.5 Monetary Policy Committee and Inflation Targeting

- India adopted **flexible inflation targeting** in 2016, based on the recommendation of the **Urjit Patel Committee (2014)**.
- The target is **4% CPI inflation** with a tolerance band of **±2%**, set by the Government in consultation with the RBI and reviewed every five years.
- The **Monetary Policy Committee (MPC)** was made statutory by the Finance Act, 2016, which amended the RBI Act, 1934 (**Section 45ZB**).

Feature	Detail
Members	Six: the Governor (Chairperson), the Deputy Governor in charge of monetary policy, one more RBI officer, and **three external members** appointed by the Central Government for four years
Meetings	At least four times a year
Decisions	By majority vote; the Governor has a **casting vote** in case of a tie
Failure to meet the target	If inflation stays outside the band for three straight quarters, the RBI must report to the Government with reasons and remedial steps

4.6 Lending Rate Benchmarks

The repo rate affects borrowers only when banks pass the change into their lending rates. The benchmark system has changed several times to make this transmission faster.

System	Introduced	Key Point
BPLR	Earlier	Benchmark Prime Lending Rate; banks lent below it, so it was not transparent
Base Rate	2010	Minimum lending rate; no loan could be given below it
MCLR	April 2016	Marginal Cost of Funds based Lending Rate, linked to banks' own cost of funds
EBLR	October 2019	**External benchmark** such as the repo rate; mandatory for floating-rate retail and MSME loans, so policy changes pass through quickly

4.7 Monetary Policy versus Fiscal Policy

Feature	Monetary Policy	Fiscal Policy
Authority	Reserve Bank of India	Government (Finance Ministry)
Tools	Repo, CRR, SLR, OMO	Taxes, spending, borrowing
Aim	Price stability and liquidity	Growth, equity and public services

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Feature	Monetary Policy	Fiscal Policy
Speed	Quicker to change	Slower; needs Parliament

Quick Recall

- RBI: founded 1 April 1935; nationalised 1 January 1949.
- M3 = broad money; M0 = reserve money (high-powered money).
- Repo rate = RBI lends to banks; reverse repo = RBI borrows from banks.
- CRR is cash with the RBI; SLR is held with banks themselves.
- Rate corridor: SDF < Repo < MSF.
- MPC: six members, Governor holds the casting vote; inflation target 4% ± 2%.
- EBLR (Oct 2019) links retail loans to an external benchmark such as the repo rate.

5. Banking System in India

5.1 Structure of Banking

India's banking system is led by the **Reserve Bank of India** and has two broad parts: **commercial banks** and **cooperative banks**. Banks listed in the **Second Schedule of the RBI Act, 1934** are called **scheduled banks**; the rest are non-scheduled banks.

Type	Details
Public sector banks	Government owns the majority stake, such as State Bank of India and Bank of Baroda
Private sector banks	Majority owned by private shareholders, such as HDFC Bank and ICICI Bank
Foreign banks	Headquartered abroad, operating through branches or subsidiaries in India
Regional Rural Banks (RRBs)	Set up in **1975** (RRB Act, 1976) to serve rural areas. Owned **50% Centre, 15% State, 35% sponsor bank**
Small Finance Banks (SFBs)	Serve small borrowers and unserved groups. At least **75%** of credit must go to the priority sector
Payments Banks	Accept deposits and offer payment services, but **cannot lend**. Deposit limit is Rs 2 lakh per customer
Local Area Banks	Small banks working within a few districts; introduced in 1996
Cooperative banks	Owned by members: Urban Cooperative Banks, State and District Cooperative Banks, and Primary Agricultural Credit Societies (PACS) at village level

Remember

- Small Finance Banks and Payments Banks were suggested by the **Nachiket Mor Committee (2014)**.
- The first Payments Bank to start work was **Airtel Payments Bank** in 2016.
- Cooperative banks were brought under closer RBI supervision by the **Banking Regulation (Amendment) Act, 2020**.

5.2 Evolution of Banking

Period	Development
1770	Bank of Hindustan, among the earliest banks
1806 to 1843	Presidency Banks: Bank of Bengal, Bank of Bombay and Bank of Madras
1921	The three Presidency Banks merged into the **Imperial Bank of India**
1935	Reserve Bank of India set up
1949	RBI nationalised; **Banking Regulation Act, 1949** passed
1955	Imperial Bank became the **State Bank of India**
19 July 1969	**14 major banks nationalised** (deposits above Rs 50 crore)

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Period	Development
15 April 1980	**6 more banks nationalised** (deposits above Rs 200 crore)
1991 onwards	Liberalisation, entry of private banks, and the Narasimham Committee reforms
2017 to 2020	Merger of public sector banks, reducing their number from **27 to 12**

The **Lead Bank Scheme** (1969) assigned each district to a bank to coordinate credit and banking services there.

5.3 Banking Sector Reforms

Committee	Key Recommendations
Narasimham Committee I (1991)	Reduce SLR and CRR; free interest rates; introduce prudential norms and capital adequacy; set up special tribunals for loan recovery (leading to Debt Recovery Tribunals in 1993)
Narasimham Committee II (1998)	Raise capital adequacy to 9%; merge strong banks; reduce NPAs; strengthen the banking system after the 1991 reforms

Basel norms

The **Basel Committee on Banking Supervision** (based at the Bank for International Settlements in Basel) sets global rules on how much capital banks must hold.

Norm	Key Point
Basel I (1988)	Minimum capital to risk-weighted assets of 8%; focus on credit risk
Basel II (2004)	Three pillars: minimum capital, supervisory review and market discipline
Basel III (after 2008)	Better quality capital, a capital conservation buffer, a leverage ratio and liquidity ratios (LCR and NSFR)

- In India the **Capital to Risk-weighted Assets Ratio (CRAR)** is at least 9%, plus a **capital conservation buffer** of 2.5%.

5.4 Non-Performing Assets (NPAs)

A loan becomes a **Non-Performing Asset** when interest or principal stays **overdue for more than 90 days**.

Category	Meaning
Sub-standard asset	NPA for up to 12 months
Doubtful asset	NPA for more than 12 months
Loss asset	Considered uncollectable by the bank or auditors

- **Gross NPA** is the total of all NPAs; **Net NPA** = Gross NPA − Provisions made by the bank.
- **Provision Coverage Ratio** shows how much of the NPAs the bank has covered by provisions.

Tools to handle bad loans

Tool	Key Point
Debt Recovery Tribunals (DRTs)	Set up under the Recovery of Debts due to Banks and Financial Institutions Act, 1993
SARFAESI Act, 2002	Lets banks take over and sell the security of a defaulter **without going to court**; does not apply to agricultural land
Asset Reconstruction Companies (ARCs)	Buy bad loans from banks and try to recover them
Insolvency and Bankruptcy Code (IBC), 2016	Time-bound resolution through the **NCLT**, with a limit of about **330 days**; regulated by the Insolvency and Bankruptcy Board of India (IBBI)
Prompt Corrective Action (PCA)	RBI restrictions on weak banks, triggered by low capital, high NPAs or poor profitability
National Asset Reconstruction Company Ltd (NARCL)	The "bad bank" set up in 2021 to take over large stressed loans

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Remember

- **Indradhanush (2015)** was a seven-point plan to revive public sector banks: Appointments, Bank Board Bureau, Capitalisation, De-stressing, Empowerment, Accountability and Governance reforms.
- The **Asset Quality Review (2015)** forced banks to recognise hidden bad loans.
- The 4Rs of bank clean-up: **Recognition, Resolution, Recapitalisation and Reforms**.

5.5 Protecting Depositors

- **Deposit Insurance and Credit Guarantee Corporation (DICGC)**, a subsidiary of the RBI, insures bank deposits up to **Rs 5 lakh per depositor per bank** (raised from Rs 1 lakh in 2020).
- The **RBI Integrated Ombudsman Scheme (2021)** provides one place for customers to make complaints.
- **KYC (Know Your Customer)** norms are used to prevent money laundering and fraud.

5.6 Financial Inclusion

Scheme	Key Point
Pradhan Mantri Jan Dhan Yojana (2014)	Zero-balance bank accounts, a RuPay card, accident insurance cover and an overdraft facility
PM Mudra Yojana (2015)	Collateral-free loans to micro enterprises, in three stages: **Shishu**, **Kishore** and **Tarun**
Stand-Up India (2016)	Bank loans for women and for SC/ST entrepreneurs to start new businesses
Atal Pension Yojana	Pension scheme for workers in the unorganised sector

- **Priority sector lending**: domestic banks must lend **40%** of their credit to priority sectors, including agriculture (18%) and weaker sections (12%).

5.7 Payment Systems

System	Key Point
NEFT	Electronic funds transfer in batches; available 24x7
RTGS	Real-time settlement for large payments; minimum Rs 2 lakh
IMPS	Instant interbank transfer through mobile, available 24x7
UPI	Instant mobile payments, launched in 2016 by the **National Payments Corporation of India (NPCI)**
e-Rupee (CBDC)	Digital form of the rupee issued by the RBI, in pilot since 2022

Quick Recall

- Bank nationalisation: 14 banks in 1969; 6 banks in 1980.
- Imperial Bank became SBI in 1955; public sector banks reduced from 27 to 12 after mergers.
- NPA: overdue for more than 90 days; categories are sub-standard, doubtful and loss.
- SARFAESI Act 2002; IBC 2016; DRTs 1993.
- DICGC insurance: Rs 5 lakh per depositor per bank.
- SFBs: 75% priority sector lending; Payments Banks cannot lend.
- Basel III: CRAR 9% + 2.5% conservation buffer in India.

6. Taxation

6.1 Basic Concepts

A **tax** is a compulsory payment made to the government by individuals and businesses, with no direct return benefit for the payer. Taxes pay for public goods and services and are a tool for reducing inequality.

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Adam Smith's canons of taxation

Canon	Meaning
Equity	Each person should pay according to ability
Certainty	The amount, time and manner of payment should be clear
Convenience	Payment should be easy for the taxpayer
Economy	Cost of collection should be low

Key terms

Term	Meaning
Tax base	The income, property or transaction on which tax is charged
Impact and incidence	**Impact** is on the person who first pays the tax. **Incidence** is on the person who finally bears the burden
Tax buoyancy	How much tax revenue rises with a rise in GDP, including the effect of policy changes
Tax-GDP ratio	Tax revenue as a percentage of GDP; shows how much of the economy the state taxes
Tax evasion	**Illegal** hiding of income or facts to pay less tax
Tax avoidance	**Legal** use of loopholes and planning to reduce tax
Tax haven	A country with very low or zero taxes that attracts foreign money

6.2 Constitutional Framework

- **Article 265**: no tax can be levied or collected without the authority of law.
- The **Seventh Schedule** divides taxing powers between the Centre and the States.

List	Taxes	Examples
Union List	Income tax (except on agriculture), corporation tax, customs duties, taxes on capital value	Entries 82, 83, 85 and others
State List	Land revenue, tax on agricultural income, stamp duty on documents, excise on alcohol, entertainment tax, taxes on lands and buildings, professional tax	Entries 45 to 63
Concurrent List	Only stamp duties other than those collected through judicial stamps	Entry 44

Article	Provision
268	Duties levied by the Union but **collected and kept by the States**, such as stamp duties on bills of exchange
269A	**IGST** on inter-state supply is levied and collected by the Centre; the GST Council decides how it is shared
270	Taxes levied by the Union and **shared with the States**, called the divisible pool
271	Union can levy **surcharges** for its own purposes; these are not shared with States
276	Limits professional tax levied by a State to **Rs 2,500 per person per year**
279A	Creates the **GST Council**

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Remember

- Agricultural income is taxed by the **States**, not the Centre.
- **Cesses and surcharges** are not part of the divisible pool.
- The **Finance Commission (Article 280)** recommends how the divisible pool is shared with States.

6.3 Direct Taxes

Direct taxes are charged on income or wealth and are paid by the person on whom they are levied.

Tax	Key Point
Personal income tax	Progressive tax on individuals; rates are set by the Finance Act each year. The **new tax regime** is now the default option
Corporation tax	Charged on company profits. A concessional rate of **22%** for domestic companies was introduced in 2019, and **15%** for new manufacturing companies
Capital gains tax	On profit from selling assets such as shares or property. **Short-term** and **long-term** gains are taxed at different rates
Minimum Alternate Tax (MAT)	Companies that show low taxable profit must still pay a minimum tax on their book profits
Securities Transaction Tax (STT)	Charged on buying and selling of listed securities; introduced in 2004
TDS and TCS	Tax deducted at source on payments such as salaries, and tax collected at source on specified sales

Taxes that no longer exist

- **Estate duty**: abolished in 1985.
- **Gift tax**: abolished in 1998.
- **Wealth tax**: abolished in 2015 and replaced by an additional surcharge on the super-rich.
- **Dividend Distribution Tax**: abolished in 2020; dividends are now taxed in the hands of the receiver.

The new Income-tax Act, 2025

- The **Income-tax Act, 2025** replaces the **Income-tax Act, 1961** and came into force on **1 April 2026**.
- It was passed by Parliament in August 2025 and received the President's assent on **21 August 2025**.
- It replaces the two terms **previous year** and **assessment year** with a single **tax year** (1 April to 31 March).
- The new Act is shorter and better arranged: 536 sections against 819 in the old Act. It is a rewrite for simplicity, not a change in the basic tax policy.
- Tax rates are still set each year by the **Finance Act**.

Administration

- Direct taxes are administered by the **Central Board of Direct Taxes (CBDT)**, and indirect taxes by the **Central Board of Indirect Taxes and Customs (CBIC)**. Both are under the **Department of Revenue**, Ministry of Finance.
- **Faceless assessment** (2020) and the **Taxpayers' Charter** (2020) were introduced to improve trust and reduce direct contact with officials.

6.4 Indirect Taxes

Goods and Services Tax (GST)

GST is a single, **destination-based** tax on the supply of goods and services. It replaced many central and state taxes, including central excise duty, service tax, VAT, entertainment tax, octroi and luxury tax.

Component	Key Point
CGST	Central GST on supply within a State
SGST	State GST on supply within a State (UTGST in Union Territories)

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Component	Key Point
IGST	Integrated GST on **inter-state** supply and on imports; collected by the Centre and shared with the destination state
Input Tax Credit (ITC)	A seller can set off the tax paid on inputs against the tax on output, so tax is charged only on the **value added**
GST Council	Decisions need a **three-fourths** weighted majority; the Centre has one-third of the vote and States together two-thirds
GSTN	Goods and Services Tax Network: the IT backbone for registration, returns and payments

GST rates after GST 2.0

- The GST Council approved a **two-slab structure of 5% and 18%** on **3 September 2025**, in force from **22 September 2025**.
- It replaced the earlier slabs of 5%, 12%, 18% and 28%.
- A special **40% rate** applies to luxury and "sin" goods such as tobacco, pan masala and certain high-end vehicles.
- Many essentials such as bread and some medicines moved to nil or 5%.
- The **compensation cess**, meant to repay States for revenue loss, is being phased out.

Customs and excise

- **Customs duty** is charged on imports and exports under the **Customs Act, 1962**. Besides basic customs duty, imports attract IGST and, in some cases, **anti-dumping duty** or **safeguard duty**.
- **Anti-dumping duty** is imposed on goods sold in India at an unfairly low price; it is recommended by the **Directorate General of Trade Remedies (DGTR)**.
- After GST, **central excise** remains mainly on petroleum products and tobacco. **State excise** on alcohol for human consumption remains a State tax.

6.5 Tax Reforms in India

Year	Reform	Key Point
1986	**MODVAT**	Modified Value Added Tax; gave credit for tax paid on inputs and reduced the cascading effect of taxes
1991	**Chelliah Committee**	Tax Reforms Committee: lower rates, fewer exemptions, simpler customs duties and a move towards VAT
1994	**Service tax**	Introduced on a few services and widened over time
2002	**Kelkar Task Force**	Recommended a broad VAT and later a national GST
2005	**State VAT**	Value Added Tax replaced sales tax in the States
2017	**GST**	Introduced on **1 July 2017** by the **101st Constitutional Amendment Act, 2016**
2019	**Corporate tax cut**	Lower rates for companies that give up exemptions
2026	**Income-tax Act, 2025**	New direct tax law in force from 1 April 2026

Direct versus indirect tax in the Centre's revenue

- In earlier decades the Centre depended more on **indirect** taxes. In recent years **direct taxes** have contributed a larger share of gross tax revenue.
- A higher share of direct taxes is seen as good for **equity**, since they fall on those with more income.

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Quick Recall

- Article 265: no tax without the authority of law; Article 270: shared taxes; Article 279A: GST Council.
- Agricultural income tax is a State subject.
- Income-tax Act 2025 replaced the 1961 Act on 1 April 2026; "tax year" replaces previous year and assessment year.
- GST began on 1 July 2017 (101st Amendment); new slabs of 5%, 18% and 40% from 22 September 2025.
- GST is a destination-based tax with Input Tax Credit; IGST applies to inter-state supply and imports.
- Tax evasion is illegal; tax avoidance is legal planning.
- CBDT handles direct taxes; CBIC handles indirect taxes and customs.

7. Financial Markets

7.1 The Financial System

The **financial system** moves savings from those who have surplus money to those who need it for investment. It has four parts: **financial institutions**, **financial markets**, **financial instruments** and **financial services**.

Part	Examples
Institutions	Banks, NBFCs, insurance companies, mutual funds, development finance institutions
Markets	Money market, capital market, forex market, government securities market
Instruments	Shares, bonds, treasury bills, commercial paper, derivatives
Services	Credit rating, merchant banking, depository services, stock broking

Financial regulators

Regulator	Area
RBI	Banks, NBFCs, money market, government securities and forex market, payment systems
SEBI	Securities market, stock exchanges, mutual funds, brokers
IRDAI	Insurance sector
PFRDA	Pension sector, including the National Pension System
IFSCA	Financial services in International Financial Services Centres such as GIFT City (set up 2020)

- The **Financial Stability and Development Council (FSDC)**, set up in 2010 and chaired by the Union Finance Minister, coordinates among regulators.
- The **Forward Markets Commission**, which regulated commodity futures, was merged into **SEBI in 2015**.

Non-Banking Financial Companies (NBFCs)

- Companies registered under the Companies Act that lend and invest, but are **not banks**.
- They **cannot accept demand deposits**, do not issue cheques drawn on themselves, and do not get DICGC deposit insurance.
- They are regulated by the **RBI**.

7.2 Money Market

The **money market** deals in **short-term funds**, with maturity of up to **one year**. It helps banks and companies manage their day-to-day cash needs, and it is the first place where RBI's policy changes are felt.

Instrument	Key Point
Call money	Overnight lending between banks. **Notice money** is for 2 to 14 days, and **term money** for more than 14 days

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Instrument	Key Point
Treasury Bills (T-bills)	Issued by the Government at a discount in **91, 182 and 364 days**; repaid at face value; no interest paid separately
Commercial Paper (CP)	Unsecured short-term note issued by large, well-rated companies to raise funds
Certificate of Deposit (CD)	Short-term deposit certificate issued by banks and financial institutions
Repo and TREPS	Short-term borrowing against government securities; TREPS is a tri-party repo run by the Clearing Corporation of India
Commercial bills	A bill of exchange drawn by a seller on a buyer for goods sold on credit

Remember

- The money market is regulated by the **RBI**.
- The **Clearing Corporation of India Ltd (CCIL)**, set up in 2001, clears and settles trades in government securities, forex and money market.
- **MIBOR** (Mumbai Interbank Offer Rate) is a benchmark short-term rate in the interbank market.

7.3 Government Securities Market

- **Government securities (G-secs)** are debt instruments issued by the Government to borrow. They carry no risk of default and are the safest investments.
- **T-bills** are short term (under one year); **dated securities** are long term (5 to 40 years) and pay a fixed coupon.
- State Governments issue **State Development Loans (SDLs)**.
- The RBI manages the issue as the Government's debt manager.
- The **Sovereign Gold Bond** (2015) lets investors hold gold in paper form and earn interest.
- The **RBI Retail Direct** scheme (2021) lets small investors buy G-secs directly.

7.4 Capital Market

The **capital market** deals in **long-term funds** (more than one year) through equity and debt. It has a **primary market** (new issues) and a **secondary market** (trading of existing securities).

Primary market: ways of raising money

Method	Meaning
Initial Public Offer (IPO)	A company offers shares to the public for the first time
Follow-on Public Offer (FPO)	A listed company issues more shares to the public
Rights issue	New shares offered to existing shareholders first, in proportion to what they hold
Qualified Institutional Placement (QIP)	A listed company raises money quickly from institutional buyers
Offer for Sale (OFS)	Existing promoters or large shareholders sell their shares through the exchange
Private placement	Shares or bonds sold directly to a small group of selected investors

- In **book building**, investors bid within a **price band**; in a **fixed price** issue the price is set in advance.
- **ASBA** (Application Supported by Blocked Amount) keeps the money in the investor's account until shares are allotted. UPI can also be used for IPO applications.
- **Anchor investors** are large institutions that bid a day before the IPO opens, giving confidence to others.

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Secondary market: stock exchanges

Exchange	Key Point
BSE	Established in **1875**; Asia's oldest stock exchange. Index: **Sensex** of 30 companies, started in 1986, base 1978-79 = 100
NSE	Set up in **1992**; started trading in **1994**; India's first fully electronic, demutualised exchange. Index: **Nifty 50**, base November 1995 = 1000

- **Demat account**: shares are held in electronic form with a depository. India has two, **NSDL (1996)** and **CDSL (1999)**, under the **Depositories Act, 1996**.
- **Settlement cycle**: trades are settled on **T+1** (the next working day), which India adopted in 2023.
- **Circuit breakers** stop trading for a time when prices move too sharply; the market-wide limits are 10%, 15% and 20%.
- **Bull market**: rising prices. **Bear market**: falling prices.
- **India VIX** measures expected market volatility and is called the "fear index".

7.5 SEBI

Feature	Detail
Established	1988 as a non-statutory body; given **statutory** status by the **SEBI Act, 1992**. Headquartered in Mumbai
Aim	Protect investors, develop the securities market and regulate it
Regulates	Stock exchanges, brokers, mutual funds, FPIs, depositories, credit rating agencies, AIFs, REITs and InvITs
Appeals	Against SEBI orders, to the **Securities Appellate Tribunal (SAT)**, then the Supreme Court
Insider trading	Trading on unpublished price-sensitive information is banned and punished by SEBI

7.6 Mutual Funds

- A **mutual fund** pools money from many investors and invests it in shares, bonds and other securities through a professional **Asset Management Company (AMC)**.
- Regulated by **SEBI** under the SEBI (Mutual Funds) Regulations, 1996. The **Association of Mutual Funds in India (AMFI)** is the industry body.
- The first mutual fund was the **Unit Trust of India (UTI)**, set up in **1963**.
- **NAV** (Net Asset Value) is the price per unit: (Value of assets − Liabilities) ÷ Number of units.
- **SIP** (Systematic Investment Plan) invests a fixed amount at regular intervals.
- **ELSS** funds are tax-saving equity funds with a **three-year lock-in**.
- **Types**: equity, debt, hybrid, index funds and **ETFs** (traded on exchanges).

7.7 Derivatives

A **derivative** is a contract whose value comes from an **underlying asset** such as a share, index, currency or commodity. India introduced index futures in **2000** and options in **2001**.

Contract	Futures	Options
Obligation	Both buyer and seller **must** complete the deal	Buyer has a **right**, but no obligation
Cost	Margin deposit	Premium paid by the buyer
Types	Index futures and stock futures	**Call** (right to buy) and **Put** (right to sell)

- Uses: **hedging** (reducing risk), **speculation** (betting on price moves) and **arbitrage** (profiting from price gaps between markets).

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7.8 Bond Market

- A **bond** is a loan by the investor to the issuer, paying a fixed **coupon** and returning the **face value** at maturity.
- **Bond prices and yields move in opposite directions.** When interest rates rise, existing bond prices fall.
- **Corporate bonds** are issued by companies; their safety is shown by a **credit rating** from agencies such as CRISIL, ICRA and CARE.
- **Masala bonds** (from 2014) are rupee-denominated bonds sold to investors abroad, so the exchange rate risk is borne by the investor.
- **Green bonds** raise money for projects that help the environment; India issued its first **sovereign green bonds** in 2023.

7.9 Foreign Investors and Cross-border Instruments

Term	Meaning
FPI	Foreign Portfolio Investor: buys shares and bonds without taking control of the company; regulated by SEBI
FDI	Foreign Direct Investment: a long-term stake with management control
P-Notes	Participatory Notes: issued by registered FPIs to overseas investors who are not directly registered with SEBI
ADR and GDR	Depository receipts that let an Indian company list shares abroad: **ADRs** in the US, **GDRs** in other foreign markets

Quick Recall

- Money market: up to 1 year; capital market: more than 1 year.
- T-bills: 91, 182 and 364 days; they are issued at a discount.
- BSE (1875): Sensex of 30 stocks; NSE (1992): Nifty 50.
- SEBI: set up 1988; statutory in 1992; appeals go to SAT.
- Demat depositories: NSDL (1996) and CDSL (1999).
- Futures: obligation; options: right. Call = buy; put = sell.
- Bond prices and yields are inversely related.
- FPI is portfolio investment; FDI gives control.

8. Inflation

8.1 What is Inflation?

Inflation is a sustained rise in the general price level, which reduces the purchasing power of money. It is measured as the **percentage change in a price index** over a year.

Related terms

Term	Meaning
Deflation	A fall in the general price level
Disinflation	A fall in the **rate** of inflation; prices still rise, but more slowly
Reflation	Deliberate policy to raise prices after a period of deflation
Stagflation	High inflation together with high unemployment and slow growth
Skewflation	Prices of only some commodities rise sharply while others stay stable
Headline inflation	Inflation based on the full basket of goods and services

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Term	Meaning
Core inflation	Headline inflation **excluding food and fuel**, which are volatile
Base effect	A low (or high) price level in the previous year makes this year's inflation look high (or low)
Shrinkflation	Pack size is reduced while the price stays the same

Types by speed of price rise

Type	Description
Creeping	Mild and slow, up to about 3% a year
Walking	Moderate, around 3% to 10% a year
Running (galloping)	High, in double digits
Hyperinflation	Extremely rapid price rise, such as in Germany in the 1920s and Zimbabwe in the 2000s

8.2 Causes of Inflation

Type	Cause
Demand-pull	Total demand rises faster than supply: "too much money chasing too few goods"
Cost-push	Higher input costs (wages, raw materials, oil) push up the prices firms charge
Structural	Supply bottlenecks and poor storage, transport or marketing, especially for food
Imported inflation	A rise in global commodity prices, such as crude oil, or a weaker rupee
Wage-price spiral	Higher wages raise costs and prices, which then lead to demands for still higher wages

Remember

- The **Phillips curve** (A. W. Phillips, 1958) shows an inverse link between inflation and unemployment in the short run; stagflation in the 1970s challenged this.
- **Real interest rate** = Nominal interest rate − Inflation rate.
- **Quantity theory of money:** MV = PT, so more money in the system tends to push prices up.

8.3 Effects of Inflation

Group	Effect
Borrowers	Gain, because they repay in money that is worth less
Lenders and savers	Lose, especially if the interest rate is lower than inflation
Fixed-income earners	Lose purchasing power; the poor are hit hardest because they spend more on food
Exports	Become costlier and less competitive
Investment	High and unpredictable inflation makes planning difficult

8.4 Measuring Inflation in India

Index	Compiled by	Key Point
CPI (Combined)	National Statistics Office (NSO), MoSPI	The main measure of **retail inflation** and the **RBI's target**
CPI-IW	Labour Bureau	For industrial workers; used for **Dearness Allowance** of government employees
CPI-AL and CPI-RL	Labour Bureau	For agricultural and rural labourers

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Index	Compiled by	Key Point
WPI	Office of the Economic Adviser, DPIIT	Wholesale prices of goods only; **no services**
GDP deflator	NSO, MoSPI	Covers all goods and services in the economy

New CPI series (base year 2024)

- MoSPI released the new **CPI series with base year 2024 (2024 = 100)** on **12 February 2026**, replacing the earlier 2012 base.
- Weights come from the **Household Consumption Expenditure Survey (HCES) 2023-24**.
- The basket now has **358 items** (earlier 299) and follows the UN **COICOP 2018** classification, with **12 divisions**.
- The weight of **food and beverages** fell from about 45.86% to **36.75%**, and the weight of **housing** rose to about 17.67%.
- New items such as OTT subscriptions, smartphones and internet data packs are included.

New WPI series (base year 2022-23)

- The Office of the Economic Adviser, DPIIT, released the revised **WPI with base year 2022-23** on **15 June 2026**, replacing the 2011-12 series.
- Items increased from 697 to **957**, and weights now use the **Gross Value of Output**.
- Alongside it, the Government launched **Producer Price Indices (PPI)**: Output PPI, trial Input PPI and Service PPI.
- The WPI will be released for **five more years** and then **discontinued**, as India moves from WPI to PPI, the global practice.

Why the base year matters

- A **base year** is the reference year with index value 100. Revising it keeps the basket and weights in line with how people spend now.
- The **GDP base year** was also revised, from 2011-12 to **2022-23**, in the new series released on **27 February 2026**.

8.5 Inflation Targeting in India

- India adopted **flexible inflation targeting** in **2016**, using **CPI (Combined)**.
- The Government, in consultation with the RBI, notified on **25 March 2026** that the target stays at **4% with a tolerance band of ±2% (2% to 6%)** for **1 April 2026 to 31 March 2031**.
- The target was first set for 2016 to 2021, retained in 2021, and retained again in 2026.
- The **Monetary Policy Committee (MPC)** sets the repo rate to meet the target.
- If inflation stays outside the band for **three consecutive quarters**, the RBI must report to the Government with reasons and remedial action.

8.6 Controlling Inflation

Measure	Tools
Monetary	Raising the repo rate and CRR; selling government securities through OMO to remove liquidity
Fiscal	Cutting government spending, raising taxes, reducing the fiscal deficit

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Measure	Tools
Supply-side	Buffer stocks, imports, stock limits, and cutting duties on essentials; the **Price Stabilisation Fund** (2014-15) buys pulses and onions in bulk
Administrative	Using the **Essential Commodities Act, 1955** to limit hoarding; **Open Market Sale Scheme (OMSS)** by FCI to sell grain from its stocks

Because much Indian inflation comes from **food prices**, supply-side measures often matter as much as RBI action.

Quick Recall

- CPI (Combined) is the RBI's inflation anchor; the new CPI base year is 2024.
- New WPI base year is 2022-23 (June 2026); WPI will be phased out in favour of PPI.
- GDP base year is now 2022-23 (released 27 February 2026).
- Target: 4% ± 2% for April 2026 to March 2031.
- Core inflation = headline inflation excluding food and fuel.
- CPI-IW is used for the Dearness Allowance.
- Real interest rate = Nominal rate − Inflation.
- Stagflation = high inflation with high unemployment.

9. Poverty

9.1 Concept of Poverty

Poverty is the condition in which a person or household cannot meet the basic needs of life such as food, clothing, shelter, health and education.

Term	Meaning
Absolute poverty	Living below a fixed minimum level of income or consumption, called the **poverty line**
Relative poverty	Having much less than others in the same society; measured against average income
Poverty line	The minimum consumption expenditure needed to meet basic needs
Headcount ratio	Share of the population living below the poverty line
Poverty gap	How far, on average, the poor fall below the poverty line
Chronic and transient poverty	Chronic poverty lasts for years; transient poverty is temporary, caused by shocks such as a drought or job loss
Vicious circle of poverty	Low income leads to low savings and investment, which keeps income low. The idea is linked to **Ragnar Nurkse**

9.2 Estimating Poverty in India

India's poverty line was first based on **calorie intake**; later committees shifted to a wider **basket of consumption**. Poverty estimates come from the **consumption expenditure surveys** of the **National Statistics Office (NSO)**.

Committee / Study	Key Point
Working Group (1962)	Planning Commission; a poverty line of about Rs 20 per person per month at 1960-61 prices
Dandekar and Rath (1971)	First systematic estimate; based on a calorie norm of 2,250 per person per day
Alagh Task Force (1979)	Calorie norms of **2,400 (rural) and 2,100 (urban)** per person per day; adopted by the Planning Commission
Lakdawala Committee (1993)	**State-specific** poverty lines; price updating through CPI-AL (rural) and CPI-IW (urban)

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Committee / Study	Key Point
Tendulkar Committee (2009)	Moved **away from the calorie norm** to a common basket for rural and urban areas, including spending on health and education. Poverty line for 2011-12: about **Rs 816 (rural) and Rs 1,000 (urban)** per person per month
Rangarajan Committee (2014)	Higher lines of about **Rs 972 (rural) and Rs 1,407 (urban)** per month; not adopted by the Government

Poverty ratio (headcount)

Estimate	Year	Poverty ratio
Tendulkar	2004-05	37.2%
Tendulkar	2011-12	**21.9%** (rural 25.7%, urban 13.7%)
Rangarajan	2011-12	**29.5%**
Lakdawala	1993-94	36%

Remember

- 2011-12 is the **last year for which an official national poverty line estimate** was released based on a full consumption survey.
- Since 2022-23 the NSO has run new **Household Consumption Expenditure Surveys (HCES)**, and these use a **Mixed Modified Reference Period (MMRP)**.
- The Planning Commission, which published the estimates, no longer exists; NITI Aayog now works on multidimensional poverty.

9.3 Multidimensional Poverty

Poverty is more than low income. The **Multidimensional Poverty Index (MPI)** counts overlapping deprivations in health, education and living standards. It uses the **Alkire-Foster method**, developed by **Sabina Alkire and James Foster** at the Oxford Poverty and Human Development Initiative (OPHI).

Global MPI

- Published by **UNDP and OPHI**, first in **2010**.
- Three equally weighted dimensions (**health, education, standard of living**) with **10 indicators**.
- A person is MPI-poor if deprived in **one-third (33.33%) or more** of the weighted indicators.
- **MPI = H × A**, where **H** is the headcount ratio and **A** is the **intensity** of poverty (average share of deprivations among the poor).

India's National MPI (NITI Aayog)

- **NITI Aayog** is the nodal agency under the Global Indices for Reforms and Growth (GIRG) initiative. The first report came in **2021**, using **NFHS** data.
- It has **12 indicators** in the same three dimensions, adding **maternal health** and **bank account** to the global list.

Dimension	Indicators
Health	Nutrition, child and adolescent mortality, maternal health
Education	Years of schooling, school attendance
Standard of living	Cooking fuel, sanitation, drinking water, electricity, housing, assets, bank account

Edition	Result
2021 report (NFHS-4, 2015-16)	About **25%** of the population multidimensionally poor; **Bihar** had the highest and **Kerala** the lowest poverty
2023 report (NFHS-5, 2019-21)	About **15%**; roughly **13.5 crore** people moved out of multidimensional poverty

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Edition	Result
NITI Aayog discussion paper (January 2024)	Headcount fell from **29.17% in 2013-14** to **11.28% in 2022-23**; **24.82 crore** escaped poverty. Uttar Pradesh, Bihar and Madhya Pradesh saw the largest fall in numbers

9.4 World Bank Measures

Feature	Detail
International Poverty Line	Raised in June 2025 from **$2.15 per day (2017 PPP)** to **$3.00 per day (2021 PPP)**
Lower-middle-income line	Revised from $3.65 to **$4.20 per day**
India at $3.00 per day	Extreme poverty fell from **27.1% in 2011-12** to **5.3% in 2022-23**, or about 7.5 crore people
India at $4.20 per day	Fell from about 57.7% in 2011-12 to about 23.9% in 2022-23

- These lines use **purchasing power parity (PPP)**, so they are not the same as India's own poverty line.

9.5 Inequality

Measure	Meaning
Lorenz curve	Shows the cumulative share of income held by cumulative shares of the population. The farther the curve from the equality line, the greater the inequality
Gini coefficient	A number from **0 (perfect equality) to 1 (perfect inequality)** based on the Lorenz curve
Kuznets curve	Inequality first rises and then falls as income grows; an inverted-U shape
Palma ratio	Income share of the top 10% divided by that of the bottom 40%

9.6 Poverty Alleviation Programmes

Scheme	Key Point
VB-G RAM G Act, 2025	Replaced **MGNREGA, 2005** from **1 July 2026**. Guarantees **125 days** of wage employment (earlier 100 days) to every rural household whose adult members volunteer for unskilled manual work. MGNREGA gave a legal right to work and was a **demand-driven** scheme
DAY-NRLM	Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (2011): builds women's **Self-Help Groups** to raise rural incomes. **DAY-NULM** (2013) does so for urban areas
PM Awas Yojana (2015)	Housing for all, in urban (PMAY-U) and rural (PMAY-G) areas
National Food Security Act, 2013	Covers up to **75% of rural and 50% of urban** population; **5 kg** of foodgrain per person per month. **Antyodaya Anna Yojana** households get 35 kg per household
PM Garib Kalyan Anna Yojana	Free foodgrain to NFSA beneficiaries; extended for five years from January 2024
National Social Assistance Programme (1995)	Pensions for the elderly, widows and persons with disabilities among the poor
PM-KISAN (2019)	Income support of Rs 6,000 a year in three instalments to farmer families
Ayushman Bharat PM-JAY (2018)	Health cover of up to **Rs 5 lakh per family per year**
PM Ujjwala Yojana (2016)	Free LPG connections to women from poor households

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Scheme	Key Point
Jal Jeevan Mission (2019)	Tap water connection to every rural household

Quick Recall

- Tendulkar 2011-12: 21.9%; Rangarajan 2011-12: 29.5%.
- Alagh: 2,400 (rural) and 2,100 (urban) calories; Lakdawala: state-specific lines.
- National MPI: NITI Aayog, 12 indicators, NFHS data; global MPI has 10 indicators (UNDP and OPHI).
- MPI = H × A (headcount ratio × intensity).
- World Bank: $3.00 a day (2021 PPP); India 5.3% in 2022-23.
- MGNREGA was replaced by VB-G RAM G from 1 July 2026; 125 days of work.
- Gini coefficient: 0 is equality and 1 is full inequality.

10. Unemployment

10.1 Basic Concepts

A person is **unemployed** when they are able and willing to work at the going wage, are looking for work, but cannot find any. Those who are not seeking work, such as students and homemakers, are **outside the labour force**.

Term	Meaning
Labour force	Persons who are employed plus persons who are unemployed (seeking or available for work)
Labour Force Participation Rate (LFPR)	Labour force ÷ Population × 100
Worker Population Ratio (WPR)	Employed persons ÷ Population × 100
Unemployment Rate (UR)	Unemployed persons ÷ Labour force × 100
Full employment	A situation where everyone who wants a job at the going wage can get one; some frictional unemployment still remains
Natural rate of unemployment	The rate at which frictional and structural unemployment exist even when the economy is at full employment

Remember

- The unemployment rate is calculated on the **labour force**, not on the whole population.
- A person who has stopped looking for work is **not counted** as unemployed; this is why a low UR can hide weak job conditions.

10.2 Types of Unemployment

Type	Meaning
Frictional	Short-term unemployment while people move between jobs or enter the job market
Structural	A mismatch between workers' skills and the jobs available; long-lasting
Cyclical	Caused by a fall in demand during a recession or slowdown
Seasonal	Work available only in certain seasons, as in farming and tourism

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Type	Meaning
Disguised	More people work on a job than needed, so removing some does not reduce output. Common in **agriculture**
Underemployment	Working fewer hours or at jobs below one's skills
Open	Able-bodied people who are willing to work but have no job at all
Educated	Unemployment among those with school or college degrees
Technological	Jobs lost because machines or software replace human labour
Voluntary and involuntary	Voluntary: choosing not to work at the going wage. Involuntary: willing to work but unable to find a job

Remember

- **Jobless growth** means the economy grows but few new jobs are created.
- **Employment elasticity** shows how much employment rises for a one per cent rise in output.
- Most workers in India are in the **informal sector** and more than half are **self-employed**, so open unemployment alone understates the problem.

10.3 Measuring Unemployment in India

Periodic Labour Force Survey (PLFS)

- Conducted by the **National Statistics Office (NSO)** under **MoSPI**.
- **Launched in April 2017**, with the first annual results for 2017-18. It replaced the older five-yearly Employment and Unemployment Surveys of the NSS.
- The survey method was changed from **January 2025** to give **monthly and quarterly** estimates for both rural and urban areas.
- **Monthly bulletins** have been released since **April 2025**. They give the LFPR, WPR and UR at the all-India level for persons aged **15 years and above**.

Approaches to defining employment

Approach	Reference period and rule
Usual Status (ps+ss)	Reference period of **365 days**. **Principal status (ps)** is the activity on which a person spent the longer time; **subsidiary status (ss)** covers other work done for at least 30 days. Shows long-term trends
Current Weekly Status (CWS)	Reference period of the **last 7 days**. A person is counted as employed if they worked **at least one hour on any day** in that week. Captures short-term changes and is used in the monthly bulletin

- **National Career Service (NCS)** portal (2015) matches job seekers with employers. The **e-Shram** portal (2021) is a national database of unorganised workers.

10.4 Causes of Unemployment in India

- **Population growth**: a large number of new entrants to the labour force each year.
- **Dependence on agriculture**: many workers remain in low-productivity farm work with disguised and seasonal unemployment.
- **Slow job creation** in manufacturing; growth has often

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been driven by capital-intensive and service sectors.

- **Skill mismatch**: education does not always give the skills employers need.
- **Informalisation**: many jobs are casual, low paid and without social security.
- **Low female participation**, due to social barriers and a lack of suitable jobs.
- **Regional imbalance** in industry and jobs, leading to migration.

10.5 Government Initiatives

Scheme / Reform	Key Point
Skill India Mission (2015)	Launched on 15 July 2015 (World Youth Skills Day) with the **Pradhan Mantri Kaushal Vikas Yojana (PMKVY)**. The **Ministry of Skill Development and Entrepreneurship** was set up in 2014
DDU-GKY (2014)	Deen Dayal Upadhyaya Grameen Kaushalya Yojana: skills and placement for rural youth
National Apprenticeship Promotion Scheme (2016)	Supports employers who train apprentices
Start-up India (2016) and Stand-Up India (2016)	Support for new enterprises, including for women and SC/ST entrepreneurs
PM MUDRA Yojana (2015)	Collateral-free loans to micro enterprises to promote self-employment
VB-G RAM G Act, 2025	Guarantees **125 days** of wage employment to rural households; replaced MGNREGA from 1 July 2026
Production Linked Incentive (PLI) schemes (2020)	Incentives to manufacturers to boost output, exports and jobs
PM Viksit Bharat Rozgar Yojana (2025)	The Employment Linked Incentive scheme, effective **1 August 2025**: first-time employees registered with EPFO get **one month's EPF wage up to Rs 15,000** in two instalments; employers get **up to Rs 3,000 a month** per additional employee. It covers jobs created between 1 August 2025 and 31 July 2027, with an outlay of **Rs 99,446 crore**

The four Labour Codes

The Government brought all four Labour Codes into force on **21 November 2025**. They merge **29 central labour laws** into four codes.

Code	Key Point
Code on Wages, 2019	Replaces four laws, including the Minimum Wages Act, 1948; covers wages for organised and unorganised workers
Industrial Relations Code, 2020	Replaces three laws, including the Industrial Disputes Act, 1947 and the Trade Unions Act, 1926
Code on Social Security, 2020	Merges nine laws; extends social security to **gig and platform workers** and the unorganised sector
Occupational Safety, Health and Working Conditions Code, 2020	Replaces 13 laws on safety, health and working conditions

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Quick Recall

- UR = Unemployed ÷ Labour force; LFPR = Labour force ÷ Population; WPR = Workers ÷ Population.
- PLFS: launched April 2017 by NSO; monthly bulletins from April 2025.
- Usual Status: 365 days; Current Weekly Status: 7 days with one hour of work.
- Disguised unemployment is typical of agriculture; jobless growth means output rises without jobs.
- Skill India Mission: 15 July 2015; PMKVY is its flagship scheme.
- PM-VBRY (ELI): first-time employees get up to Rs 15,000; effective 1 August 2025.
- Four Labour Codes: in force 21 November 2025; they replace 29 laws.
- VB-G RAM G: 125 days of rural employment; replaced MGNREGA on 1 July 2026.

11. Agriculture

11.1 Role of Agriculture

- Agriculture and allied activities employ the **largest share of India's workforce**, but contribute a much smaller share of the economy's output. This gap points to low productivity and disguised unemployment in farming.
- The **agricultural year** runs from **July to June**.
- Agriculture supplies food, raw materials for industry (cotton, jute, sugar) and a large share of rural income.
- **Gross Cropped Area** counts every crop sown, including repeats on the same land. **Net Sown Area** counts each piece of land once. **Cropping intensity** = Gross cropped area ÷ Net sown area × 100.

11.2 Cropping Seasons

Season	Sowing and harvest	Crops	Need
Kharif	Sown with the onset of the south-west monsoon (June to July); harvested September to October	Rice, maize, jowar, bajra, ragi, cotton, groundnut, soybean, tur, moong, urad	Warm weather and heavy rain
Rabi	Sown October to December; harvested March to April	Wheat, barley, gram, masur, mustard, peas, linseed	Cool weather for growth and warm, dry weather for ripening
Zaid	Between rabi and kharif, March to June	Watermelon, muskmelon, cucumber, vegetables, fodder	Irrigation and warm weather

Major crops

Crop	Key Points
Rice	Kharif staple; needs high temperature and heavy rainfall (above about 100 cm) or irrigation; grown on alluvial and clayey soils
Wheat	Rabi staple; needs a cool growing season and a warm, dry harvest; major in the Indo-Gangetic plain
Millets (Shree Anna)	Jowar, bajra and ragi; hardy, rain-fed, nutritious. **2023** was the International Year of Millets

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Crop	Key Points
Pulses	Fix nitrogen in soil; main crops are gram, tur (arhar), moong, urad and masur. India is the largest producer and consumer but still imports
Oilseeds	Groundnut, mustard, soybean, sunflower, sesamum; India imports a large share of its edible oil
Cotton	Kharif cash crop; grows best in **black (regur) soil**; needs warm weather and many frost-free days
Sugarcane	Tropical crop; needs heavy water and warm weather; price set as the **Fair and Remunerative Price (FRP)**
Jute	Called the **golden fibre**; needs alluvial soil, warmth and high humidity

11.3 Farm Structure

- India has a very large number of **small and marginal farmers**. In the **10th Agriculture Census (2015-16)**, small and marginal holdings (below 2 hectares) formed over 85% of all holdings, and the average holding was about **1.08 hectares**.
- Small holdings limit mechanisation and investment, which keeps productivity low.
- The **Agriculture Census** is conducted every five years.
- **Land reforms** are a State subject (Entry 18 of the State List).

Land reforms

Measure	Key Point
Abolition of intermediaries	Ended zamindari and similar systems so that farmers hold land directly from the State
Tenancy reforms	Regulate rent, give security of tenure and confer ownership rights on tenants
Land ceiling	Limit on the area one family can own; surplus land is given to the landless
Consolidation of holdings	Joins scattered small plots into one block to ease farming
Bhoodan and Gramdan	Movement led by **Vinoba Bhave**, begun in **1951**, asking landowners to donate land voluntarily
Ninth Schedule	Added by the First Amendment (1951) to protect land reform laws from court challenge

11.4 Agricultural Revolutions

Revolution	Key Point
Green Revolution	Began in **1966-67** with high-yielding seeds, fertilisers and irrigation, first for wheat and rice in Punjab, Haryana and western Uttar Pradesh. Linked to **Norman Borlaug** (world) and **M. S. Swaminathan** (India)
White Revolution	**Operation Flood (1970)**, led by **Verghese Kurien** with the **National Dairy Development Board (NDDB, 1965)**; made India the world's largest milk producer
Blue Revolution	Growth of fisheries and aquaculture
Yellow Revolution	Oilseed production, through the Technology Mission on Oilseeds (1986)
Golden Revolution	Horticulture and honey
Silver Revolution	Poultry and eggs

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Revolution	Key Point
Evergreen Revolution	Sustainable, environment-friendly increase in productivity; an idea of M. S. Swaminathan

11.5 Agricultural Pricing and MSP

- The **Commission for Agricultural Costs and Prices (CACP)** was set up in **January 1965** as the Agricultural Prices Commission and renamed in **1985**. It recommends **Minimum Support Prices (MSP)**; the **Cabinet Committee on Economic Affairs (CCEA)** approves them.
- MSP is announced for **22 mandated crops**: **14 kharif crops, 6 rabi crops, and 2 others (raw jute and copra)**. Sugarcane has a separate **FRP**.
- The MSP purpose is to give farmers a floor price, to encourage production and to support food stocks.

Cost concept	Meaning
A2	Actual paid-out costs of seeds, fertiliser, hired labour, fuel and similar items
A2 + FL	A2 plus the imputed value of unpaid **family labour**
C2	A2 + FL plus the rental value of owned land and interest on owned capital; the **comprehensive cost**

Remember

- **Union Budget 2018-19** announced MSP at **at least 1.5 times the all-India weighted average cost of production (A2 + FL)**.
- The **Swaminathan Commission** (National Commission on Farmers, report 2006) suggested **C2 + 50%**.
- **Kharif MSP for 2026-27** was approved by the CCEA on **13 May 2026**: common paddy Rs 2,441 per quintal (up Rs 72) and Grade A paddy Rs 2,461; the highest absolute rise was for **sunflower seed (Rs 622)**.
- Procurement of wheat and rice at MSP is done mainly by the **Food Corporation of India (FCI)**, set up in **1965**.

11.6 Agricultural Marketing

- Farm produce was traditionally sold in **APMC mandis** regulated by State Agricultural Produce Marketing Committee Acts.
- **e-NAM (National Agriculture Market)**, launched on **14 April 2016**, is an online trading portal that links mandis across the country; **SFAC** is the nodal agency.
- The **three farm laws of 2020** were **repealed in 2021** after protests.
- **Farmer Producer Organisations (FPOs)**: the scheme to form **10,000 FPOs** was launched in 2020 to give small farmers collective bargaining power.
- The **Agriculture Infrastructure Fund (2020)** gives loans for post-harvest infrastructure such as cold storage and warehouses.
- The **Essential Commodities Act, 1955** lets the Government limit stocks and control prices of essential goods.

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11.7 Credit, Insurance and Income Support

Scheme	Key Point
Kisan Credit Card (KCC), 1998	Short-term crop loans at subsidised interest through banks and cooperatives; the collateral-free loan limit was raised to **Rs 5 lakh** in Budget 2025-26
NABARD (1982)	Apex body for agricultural and rural credit; refinances banks and cooperatives
PM Fasal Bima Yojana (2016)	Crop insurance; farmers pay a low premium: **2% for kharif**, **1.5% for rabi** and **5% for commercial and horticultural crops**
PM-KISAN (2019)	**Rs 6,000 a year** in three instalments of Rs 2,000 to farmer families; fully funded by the Centre
Soil Health Card (2015)	Gives farmers the nutrient status of their soil and advice on fertiliser use
PM Krishi Sinchayee Yojana (2015)	"Har Khet Ko Pani" and **"Per Drop More Crop"** to improve irrigation and micro-irrigation
Paramparagat Krishi Vikas Yojana (2015)	Promotes organic farming in clusters
National Mission on Natural Farming	Promotes chemical-free natural farming and certifies farmers

Fertiliser subsidy

- **Urea** is sold at a controlled maximum retail price; the Government pays the difference between cost and the farmer's price.
- **Nutrient Based Subsidy (NBS)** since **2010** applies to phosphatic and potassic fertilisers, fixed per nutrient.
- **Neem-coated urea** became compulsory in **2015** to reduce diversion to industry and improve nitrogen use.

11.8 Recent Initiatives

Initiative	Key Point
PM Dhan-Dhaanya Krishi Yojana	Launched on **11 October 2025**; aims to lift **100 low-productivity districts** on yield, irrigation, storage and credit. Modelled on the Aspirational Districts Programme and brings together **36 existing schemes**
Mission for Aatmanirbharta in Pulses	Six-year mission with an outlay of **Rs 11,440 crore** to reach self-reliance in pulses; target of **350 lakh tonnes by 2030-31**
National Mission on High Yielding Seeds	Announced in Budget 2025-26 to develop and spread high-yield, pest-resistant and climate-resilient seeds
Mission for Cotton Productivity	Five-year mission to raise cotton yield and sustainability, announced in Budget 2025-26
Digital Agriculture Mission and AgriStack	Digital farmer registry and data systems for services and crop surveys

11.9 Allied Sectors and Food Security

Sector	Key Point
Dairy	India is the **largest milk producer in the world**; cooperatives such as **Amul** follow the Anand model
Fisheries	**PM Matsya Sampada Yojana (2020)** supports fish production, cold chains and fishers' welfare

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Sector	Key Point
Horticulture	Fruits, vegetables and spices; India is among the top producers; the National Horticulture Board promotes post-harvest handling
Food processing	**PM Kisan SAMPADA Yojana** builds cold chains and processing units to cut post-harvest losses
Warehousing	**Warehousing Development and Regulatory Authority (WDRA, 2007)** regulates negotiable warehouse receipts
Food security	The **FCI** buys grain at MSP, stores buffer stocks and supplies the **Public Distribution System** under the **National Food Security Act, 2013**

Quick Recall

- Kharif: June-July sowing; Rabi: October-December sowing; Zaid: summer between rabi and kharif.
- Green Revolution began in 1966-67; Operation Flood began in 1970 (Verghese Kurien).
- CACP (1965) recommends MSP; the CCEA approves it; 22 crops: 14 kharif, 6 rabi, 2 others.
- MSP at least 1.5 times A2 + FL (Budget 2018-19); Swaminathan Commission suggested C2 + 50%.
- Kharif MSP 2026-27: common paddy Rs 2,441 per quintal.
- e-NAM: April 2016; PM-KISAN: Rs 6,000 a year; PMFBY: 2% (kharif), 1.5% (rabi).
- PM Dhan-Dhaanya Krishi Yojana: 100 districts; Pulses Mission: Rs 11,440 crore, 350 lakh tonnes by 2030-31.

12. Industry and Infrastructure

12.1 Evolution of Industrial Policy

Policy	Key Features
Industrial Policy Resolution, 1948	Accepted a **mixed economy**. Arms, atomic energy and railways were reserved for the State; key industries were to be regulated
Industries (Development and Regulation) Act, 1951	Brought in **industrial licensing** to control the start and growth of industries
Industrial Policy Resolution, 1956	Called the "economic constitution" of India; it divided industries into **Schedule A** (State monopoly), **Schedule B** (State leads, private joins) and **Schedule C** (private sector); linked to the Mahalanobis model of the 2nd Plan
MRTP Act, 1969	Controlled concentration of economic power and monopolies
Industrial Policy, 1977	Gave priority to **small-scale and village industries**; set up **District Industries Centres**
New Industrial Policy, 1991	Part of the **LPG reforms** (liberalisation, privatisation and globalisation): ended most licensing, relaxed MRTP limits, opened automatic approval for foreign investment and cut the list of industries reserved for the public sector

After 1991

- **Industrial licensing** is now needed for only a few industries: alcohol, tobacco products, electronic aerospace and defence equipment,

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industrial explosives and specified hazardous chemicals.

- Industries reserved for the public sector were cut to **atomic energy and railways** (with limited exceptions).
- The **MRTP Act** was replaced by the **Competition Act, 2002**; the **Competition Commission of India (CCI)** was set up in **2009**.
- **FERA, 1973** was replaced by **FEMA, 1999**.
- The World Bank **stopped publishing its Doing Business ranking in 2021** after data concerns; it now produces the **B-READY** report (first edition in 2024).

12.2 Public Sector and Disinvestment

Term	Key Point
Navratna and Maharatna	Special status for large, profitable public sector companies, giving them more financial freedom. **Miniratna** is the lower category; Maharatna is the highest
Disinvestment	Sale of the Government's stake in a public sector enterprise. Managed by the **Department of Investment and Public Asset Management (DIPAM)**
Strategic disinvestment	Sale that transfers **management control**, as with Air India, which went to the **Tata Group in January 2022**
Public Sector Enterprise Policy (2021)	Limits the public sector in a few **strategic sectors**; other sectors are to be privatised or merged
National Monetisation Pipeline (2021)	Leasing of existing government infrastructure assets to private players for a fixed period, with the money used to build new assets

12.3 Micro, Small and Medium Enterprises (MSMEs)

MSMEs are classified under the **MSME Development Act, 2006**, using both investment in plant and machinery and annual turnover. The limits were revised, effective from **1 April 2025**.

Category	Investment (up to)	Turnover (up to)
Micro	Rs 2.5 crore	Rs 10 crore
Small	Rs 25 crore	Rs 100 crore
Medium	Rs 125 crore	Rs 500 crore

- An enterprise must meet **both** limits for a category. If it exceeds either limit it moves to the next higher category.
- **Udyam Registration** (from July 2020) is the online registration system for MSMEs.
- The **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)** guarantees collateral-free loans.
- Under the **Public Procurement Policy for MSEs**, central ministries buy **25%** of their annual purchases from micro and small enterprises.
- **Government e-Marketplace (GeM)**, launched in 2016, is the online platform for public procurement.

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12.4 Manufacturing Push

Initiative	Key Point
Make in India (2014)	Launched on **25 September 2014** to turn India into a manufacturing hub; the aim was a 25% share of manufacturing in GDP, which has not been reached
Production Linked Incentive (PLI) schemes	Started in **2020** with mobile phones and electronics; extended to **14 sectors** with an outlay of about **Rs 1.97 lakh crore**. Incentives are paid on extra sales over a base year
National Manufacturing Mission	Announced in Budget 2025-26 to support small, medium and large manufacturing, including clean technology
India Semiconductor Mission (2021)	Supports chip fabrication, packaging and design in India
Start-up India (2016)	Tax benefits, funding support and easier rules for new firms
Special Economic Zones (SEZs)	**Kandla** had Asia's first export processing zone in **1965**; the **SEZ Act, 2005** governs SEZs, which get tax and duty benefits to promote exports
Industrial corridors	Planned zones along transport routes, such as the **Delhi-Mumbai Industrial Corridor**; the **National Industrial Corridor Development and Implementation Trust** coordinates them

12.5 Measuring Industrial Output

Index of Industrial Production (IIP)

- The **IIP** is a monthly index of the **volume** of industrial production, compiled by the **National Statistics Office (NSO), MoSPI**.
- MoSPI revised the base year from 2011-12 to **2022-23** in 2026. The new series adds a **water supply and waste management** sector to the earlier mining, manufacturing and electricity sectors.

Index of Core Industries (ICI)

- Compiled by the **Office of the Economic Adviser, DPIIT**; it tracks the output of the core industries, which feed into the IIP.
- The **new series with base year 2022-23** was released on **20 July 2026**. It replaced the 2011-12 series.
- Core industries rise from **eight to nine** with the addition of **iron ore**.
- The nine are: **coal, crude oil, natural gas, refinery products, fertilisers, steel, cement, electricity and iron ore**.
- **Electricity now has the largest weight** in the index, and steel is measured by gross, not net, production.

> **Remember**
>
> - The IIP and ICI are **volume** indices (they measure quantity, not price).
> - The earlier "eight core industries" had a combined weight of about 40% in the old IIP; the new series has changed the weights, so older figures should not be reused.

12.6 Infrastructure

Infrastructure means the basic physical systems that support production and daily life. **Economic infrastructure** includes transport, energy and

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communication; **social infrastructure** includes schools, hospitals and housing.

Sector	Key Points
Roads	India has one of the world's largest road networks. The **Golden Quadrilateral** (NHDP, 1998) links Delhi, Mumbai, Chennai and Kolkata. **Bharatmala Pariyojana (2017)** is the highway development programme
Railways	**Dedicated Freight Corridors** (Eastern and Western) separate freight from passenger trains and are run by DFCCIL
Ports	**Sagarmala (2015)** promotes port-led development; **Maritime India Vision 2030** is the long-term plan
Aviation	**UDAN (2016)** makes regional flights affordable and connects smaller airports
Inland waterways	**National Waterway-1** runs on the Ganga from Prayagraj to Haldia
Energy	**Electricity Act, 2003**; **PM Surya Ghar Muft Bijli Yojana (2024)** for rooftop solar; **National Green Hydrogen Mission (2023)**; target of **500 GW** non-fossil capacity by 2030; **International Solar Alliance** founded in 2015
Digital	**BharatNet** takes broadband to villages; **5G services** were launched in October 2022
Urban	**Smart Cities Mission (2015)** and **AMRUT** for urban services

12.7 Financing Infrastructure

Model / Institution	Key Point
BOT (Build-Operate-Transfer)	A private firm builds and runs a project, collects fees (such as tolls) and then hands it to the Government
Hybrid Annuity Model (HAM)	The Government pays part of the project cost during construction and the rest as annual payments, so the private partner carries less risk
Toll-Operate-Transfer (TOT)	Existing public highways are leased to private operators for a fixed period
Viability Gap Funding (VGF)	Government grant to make a project that is socially useful but not fully profitable attractive to private investors
IIFCL (2006)	India Infrastructure Finance Company Ltd, a government-owned lender for infrastructure
NIIF (2015)	National Investment and Infrastructure Fund, set up to attract domestic and foreign long-term capital
NaBFID (2021)	National Bank for Financing Infrastructure and Development, a development finance institution
InvITs	Infrastructure Investment Trusts, regulated by SEBI since 2014; allow investors to put money in completed projects

12.8 Planning and Logistics

Initiative	Key Point
National Infrastructure Pipeline (NIP)	Launched in December 2019 with a pipeline of projects worth over **Rs 100 lakh crore** for 2020 to 2025
PM GatiShakti National Master Plan	Launched on **13 October 2021**; a digital platform that brings many ministries together to plan multimodal connectivity and avoid delays

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Initiative	Key Point
National Logistics Policy (2022)	Launched in **September 2022** to cut logistics costs and improve efficiency; the **Unified Logistics Interface Platform (ULIP)** connects data systems
Logistics Performance Index (LPI)	A World Bank index; India ranked **38th in 2023**, improved from 44th in 2018

Quick Recall

- IPR 1956: the "economic constitution"; Schedules A, B and C.
- 1991 policy: licensing ended for most industries; MRTP replaced by the Competition Act 2002.
- MSME limits (from 1 April 2025): micro Rs 2.5 crore, small Rs 25 crore, medium Rs 125 crore; turnover Rs 10, 100 and 500 crore.
- Make in India: 25 September 2014; PLI: 2020, 14 sectors.
- ICI new base 2022-23 (20 July 2026): nine core industries, iron ore added.
- IIP new base 2022-23; compiled by NSO, MoSPI; ICI compiled by DPIIT.
- PM GatiShakti: 13 October 2021; National Logistics Policy: September 2022.
- HAM: Government pays in annuities; BOT: private firm collects tolls.

13. Balance of Payments (BoP)

13.1 What is the Balance of Payments?

The **Balance of Payments (BoP)** is a systematic record of all economic transactions between the residents of a country and the rest of the world over a period, usually a year or a quarter. It is a **flow** concept.

Term	Meaning
Balance of Trade (BoT)	Value of merchandise (goods) exports minus imports. It is only one part of the current account
BoP	Records goods, services, income, transfers and capital flows together
International Investment Position (IIP)	A **stock** concept: the value of a country's external financial assets and liabilities at a point of time
Autonomous transactions	Done for their own sake, such as trade and investment
Accommodating transactions	Done to cover a gap, such as drawing down reserves or borrowing from the IMF

Remember

- In accounting terms the BoP **always balances**. A "deficit" or "surplus" refers to the balance on autonomous items, covered by changes in reserves.
- The RBI compiles the BoP data using the IMF's **Balance of Payments Manual (BPM6)** format.

13.2 Structure of the BoP

Account	Components
Current Account	**Goods** (merchandise exports and imports), **Services** (software, business services, travel, transport), **Primary income** (compensation of employees, interest, dividends and profits) and **Secondary income** (remittances and other transfers)

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Account	Components
Capital Account	Small capital transfers and the purchase or sale of non-produced assets
Financial Account	**Foreign Direct Investment**, **Portfolio investment**, **Other investment** (external commercial borrowings, banking capital including NRI deposits, trade credit) and **Reserve assets**
Net errors and omissions	The balancing item for mistakes and missing data

- Identity: **Current account balance + Capital and financial account balance + Errors and omissions + Change in reserves = 0**.
- A **current account deficit (CAD)** must be financed by net capital inflows or by drawing down foreign exchange reserves.

Invisibles

Invisibles are services, income and transfers. They are called "invisible" because they are not physical goods.

13.3 India's BoP Pattern

- India has a persistent **merchandise trade deficit**, because imports of **crude oil, gold, electronics and coal** are larger than exports.
- This is partly offset by a large **services surplus**, led by **IT and business services**, and by **remittances** from Indians abroad. India is among the world's largest recipients of remittances.
- The **primary income** account is usually in deficit, because of interest and dividend payments to foreign investors and lenders.
- India had a **current account surplus in 2020-21**, when imports fell sharply during COVID-19.
- **Oil prices** and **gold imports** are the largest swing factors for the CAD.

How a CAD is financed

Source	Nature
FDI	Stable, long-term inflows; the best way to finance a deficit
Foreign Portfolio Investment (FPI)	Money invested in shares and bonds; volatile and called "**hot money**" because it can leave quickly
External Commercial Borrowings (ECBs)	Loans by Indian firms from foreign lenders
NRI deposits	Deposits from non-resident Indians in Indian banks, such as FCNR(B) accounts
Reserves	Drawing down foreign exchange reserves when inflows fall short

- A sudden stop in inflows can cause a sharp fall in the rupee. In **2013** (the "taper tantrum"), the RBI opened a special **swap window for FCNR(B) deposits** to attract dollars.

13.4 The 1991 BoP Crisis

- By mid-1991, foreign exchange reserves fell to a level that covered only **about three weeks of imports**.
- Causes: large fiscal and current account deficits, the **Gulf War oil price shock**, loss of remittances and political uncertainty.
- India **pledged gold** abroad, took a loan from the **IMF** and in **July 1991** devalued the rupee in two steps (about 9% and 11%).
- The crisis led to the **economic reforms of 1991** (LPG).

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13.5 Foreign Exchange Reserves

Component	Meaning
Foreign currency assets	The largest part; mainly foreign government securities and deposits
Gold	Held by the RBI, partly in India and partly abroad
Special Drawing Rights (SDRs)	International reserve asset created by the **IMF**; valued using a basket of **US dollar, euro, Chinese yuan, Japanese yen and British pound**
Reserve Tranche Position (RTP)	India's quota deposit at the IMF that it can draw on without conditions

- The reserves are held and managed by the **RBI**, which uses them to curb sharp swings in the rupee and to meet external obligations.
- **Import cover** (reserves expressed in months of imports) is one measure of adequacy, along with the ratio of short-term external debt to reserves.

13.6 Exchange Rate

The **exchange rate** is the price of one currency in terms of another. A rise in the rupee price of a dollar means the rupee has **depreciated**; a fall means it has **appreciated**.

Term	Meaning
Depreciation / appreciation	Fall or rise in a currency's value in a **market-determined** (floating) system
Devaluation / revaluation	Deliberate **official** reduction or increase in the value of a currency in a fixed system
NEER	Nominal Effective Exchange Rate: the rupee's value against a basket of currencies, weighted by trade
REER	Real Effective Exchange Rate: NEER adjusted for inflation differences. A rising REER means the rupee is becoming **overvalued** and exports less competitive
J-curve effect	After depreciation, the trade deficit may first widen and then improve
Marshall-Lerner condition	Depreciation improves the trade balance only if the sum of export and import demand elasticities is **greater than one**

Effects of a weaker rupee

- **Exports** become cheaper for foreigners, which can raise export volumes.
- **Imports** become costlier, which can push up inflation, especially for oil and gold.
- Foreign-currency debt becomes costlier to repay.

Evolution of the exchange rate regime

Period	Regime
1947 to 1971	Fixed rate; the rupee was linked to the **pound sterling**; the rupee was **devalued in 1966**
1971 to 1991	Linked to a **basket of currencies** (from 1975)
1991	Two-step devaluation in July
March 1992	**Liberalised Exchange Rate Management System (LERMS)**: a dual exchange rate
March 1993	**Unified market-determined exchange rate**
Since 1993	A **managed float**: the market sets the rate, and the RBI steps in to reduce volatility rather than to defend a fixed level

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13.7 Convertibility of the Rupee

Type	Position in India
Current account convertibility	The freedom to buy or sell foreign currency for trade and other current transactions. India accepted **Article VIII of the IMF Agreement in August 1994**, so the rupee is **fully convertible on the current account**
Capital account convertibility	The freedom to move capital in and out. India has **partial** capital account convertibility; the **Tarapore Committees (1997 and 2006)** suggested a phased approach with conditions such as a lower fiscal deficit and inflation

- **FEMA, 1999** replaced **FERA, 1973**, and came into force on **1 June 2000**. It treats violations as **civil** offences, unlike FERA, which was more criminal in nature.

13.8 External Debt

- **External debt** is the amount owed by residents to non-residents, to be repaid in foreign currency or goods and services.
- The Ministry of Finance publishes the **Status Report on India's External Debt**.
- Components include **commercial borrowings, NRI deposits, multilateral and bilateral loans, trade credit and short-term debt**.
- Common indicators: **external debt to GDP**, **debt service ratio** and the share of **short-term debt**.

13.9 Trade Policy and Recent Measures

Measure	Key Point
DGFT and the FT(D&R) Act, 1992	The **Directorate General of Foreign Trade**, under the Commerce Ministry, administers India's foreign trade policy
Foreign Trade Policy 2023	In effect from **1 April 2023**, without a fixed end date; focuses on export hubs, e-commerce exports and ease of doing trade
RoDTEP	Refund of Duties and Taxes on Exported Products; refunds embedded taxes that are not otherwise returned
EPCG	Export Promotion Capital Goods scheme: capital goods imported at reduced duty against an export obligation
Export Promotion Mission (2025)	Approved by the Cabinet in **November 2025** with an outlay of **Rs 25,060 crore** from 2025-26 to 2030-31. It has two parts: **Niryat Protsahan** (trade finance for MSMEs) and **Niryat Disha** (non-financial support such as branding and compliance)
Rupee trade settlement	From **July 2022** the RBI allowed trade to be invoiced and settled in rupees through **Special Rupee Vostro Accounts**

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Quick Recall

- BoP is a flow; IIP is a stock. BoT covers only goods.
- CA + KA + errors and omissions + change in reserves = 0.
- India: trade deficit, services surplus, high remittances, primary income deficit.
- 1991: reserves covered about three weeks of imports; rupee devalued in two steps.
- Exchange rate: LERMS in 1992; unified market rate in March 1993; managed float since.
- Current account convertibility: August 1994 (Article VIII); capital account is partial.
- FEMA: passed 1999, in force 1 June 2000; replaced FERA 1973.
- Export Promotion Mission: Rs 25,060 crore, 2025-26 to 2030-31.

14. Foreign Investment

14.1 Forms of Foreign Capital

Form	Key Point
Foreign Direct Investment (FDI)	Long-term investment in a business with a lasting interest and usually some say in management
Foreign Portfolio Investment (FPI)	Investment in shares and bonds for financial returns, without control; easy to enter and exit
External Commercial Borrowings (ECBs)	Loans taken by Indian companies from foreign lenders
NRI deposits	Deposits by non-resident Indians in accounts such as FCNR(B), NRE and NRO
ADRs, GDRs and FCCBs	Instruments through which Indian companies raise money abroad; FCCBs are foreign currency convertible bonds

FDI versus FPI

Feature	FDI	FPI
Nature	Long term and stable	Short term and volatile; "hot money"
Control	Gives control or influence over the company	No control
Stake	**10% or more** of paid-up equity in a listed company	**Less than 10%** in a company
Regulator	DPIIT sets policy; RBI regulates under FEMA	SEBI, with RBI limits
Brings	Capital, technology and management skills	Money and liquidity for markets

14.2 Legal Framework

- **FEMA, 1999** is the governing law. The **Foreign Exchange Management (Non-Debt Instruments) Rules, 2019** govern foreign investment in equity.
- The **Department for Promotion of Industry and Internal Trade (DPIIT)** issues the **Consolidated FDI Policy**; the **RBI** regulates and monitors FDI.
- FDI can be **greenfield** (a new venture is set up) or **brownfield** (an existing business is acquired through merger or acquisition).
- The **Foreign Investment Promotion Board (FIPB)** was **abolished in 2017**; proposals are

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now handled through the **Foreign Investment Facilitation Portal (FIFP)** by the concerned ministries.

Routes for FDI

Route	Meaning
Automatic route	No prior government approval is required; the investor only informs the RBI after the investment
Government route	Prior approval from the Government is required, through the concerned administrative ministry

14.3 Sectoral Limits

FDI limits differ by sector and change from time to time. The positions below are the main ones in the FDI policy.

Sector	Position
Insurance	**100%** under the **automatic route**. It was raised from 74% by the **Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025**, notified on 21 December 2025 and in force from **5 February 2026**
Defence	Up to **74%** automatic; beyond that through the Government route
Telecom	**100%** under the automatic route
Single-brand retail	**100%** automatic
Multi-brand retail	**51%** with Government approval
E-commerce	**100%** for the marketplace model; inventory-based e-commerce is not allowed, with a limited export-focused exception added in 2026
Private sector banks	**74%** in total (automatic up to 49%). For public sector banks the limit is **20%**
Pension	**74%**
Coal mining	**100%** automatic

Prohibited sectors

- Lottery and gambling (including casinos and betting).
- Chit funds and Nidhi companies.
- Real estate business and construction of farmhouses (but not construction development of townships and infrastructure).
- Manufacture of cigars, cigarettes and tobacco products.
- Atomic energy and railway operations (except certain infrastructure activities).

14.4 Investment from Land Border Countries

- **Press Note 3 (April 2020)** made **prior Government approval** compulsory for FDI from any country sharing a **land border** with India (China, Pakistan, Bangladesh, Nepal, Bhutan, Myanmar and Afghanistan), or where the **beneficial owner** is from such a country.
- It was meant to stop **opportunistic takeovers** of Indian companies during the COVID-19 slowdown.
- **Press Note 2 (2026)**, approved on **10 March 2026**, defined **beneficial ownership** for the first time. It eased **minority, non-controlling** investments (up to 10% beneficial ownership by such entities) so they need only **prior intimation**, while other proposals still need approval.

14.5 Foreign Portfolio Investment

- In **1992**, India allowed **Foreign Institutional Investors (FIIs)** to invest in the stock market. The **SEBI (FPI) Regulations, 2014** merged

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FIIs, sub-accounts and Qualified Foreign Investors into a single class, **FPIs**.

- FPIs are regulated by **SEBI** under the **FPI Regulations, 2019**, which have two categories of registration.
- Each FPI can hold **less than 10%** of the paid-up capital of an Indian company; above that, the holding is treated as FDI.
- The **Fully Accessible Route (FAR)** (2020) lets foreign investors buy specified government bonds without limits. The **Voluntary Retention Route (VRR)** (2019) encourages longer-term debt investment.
- **Participatory Notes (P-Notes)** are issued by registered FPIs to overseas clients who are not registered with SEBI.

14.6 Other Channels

Channel	Key Point
ECB framework	Regulated by the RBI under FEMA; sets limits on the lender, the borrower, the cost and the end-use of funds
NRI deposits	FCNR(B) deposits are in foreign currency and protect the NRI from exchange risk; NRE and NRO accounts are in rupees
Overseas Direct Investment (ODI)	Investment by Indian entities in foreign firms, under the **Overseas Investment Rules, 2022**
Foreign Venture Capital Investors (FVCIs)	Foreign investors who invest in unlisted start-ups and venture funds, registered with SEBI

14.7 Investment Promotion and Treaties

Measure	Key Point
Invest India	National investment promotion and facilitation agency, set up in 2009 under DPIIT
National Single Window System (2021)	A single online platform for approvals and clearances for investors
Double Taxation Avoidance Agreements (DTAAs)	Prevent the same income from being taxed twice in two countries; the **2016 protocol with Mauritius** let India tax capital gains on shares bought after 1 April 2017
GAAR (2017)	General Anti-Avoidance Rules: stop arrangements whose main purpose is to avoid tax
Bilateral Investment Treaties (BITs)	Protect investors of each country; India issued a **Model BIT in 2016** and ended many older treaties
Retrospective tax	The 2012 law taxing past transactions was **withdrawn in 2021**, to restore investor confidence

Trends

- **Services, computer software and hardware, telecom and trading** have been among the largest FDI receiving sectors.
- **Singapore** and the **United States** are among the leading sources of FDI in recent data; **Mauritius** has long been a major source because of its tax treaty.
- **Round-tripping** is when Indian money goes out and comes back as foreign investment to take tax or other benefits.

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Quick Recall

- FDI: 10% or more of a listed company; FPI: less than 10%.
- Routes: automatic (inform RBI later) and Government approval (FIFP; FIPB abolished in 2017).
- FEMA 1999; NDI Rules 2019; DPIIT issues the FDI Policy; FPIs are regulated by SEBI.
- Insurance FDI: 100% from 5 February 2026 (earlier 74%).
- Press Note 3 (April 2020): approval needed for land border countries; eased by Press Note 2 (March 2026).
- FIIs allowed in 1992; merged into FPIs in 2014; FAR for government bonds from 2020.
- FCNR(B) deposits protect the NRI from exchange rate risk.
- Prohibited sectors include lottery, gambling, chit funds, tobacco and atomic energy.

15. Economic Integration

15.1 What is Economic Integration?

Economic integration is the process by which countries reduce or remove trade and other economic barriers among themselves. The deeper the integration, the more national economic policies are joined together.

Stages of integration

Stage	Type	Features
1	**Preferential Trade Area (PTA)**	Lower tariffs on selected goods among members. Example: **APTA** (Asia-Pacific Trade Agreement)
2	**Free Trade Area (FTA)**	Tariffs removed on most trade among members, but each member keeps its **own tariffs on outsiders**. Examples: **SAFTA**, USMCA
3	**Customs Union**	FTA plus a **common external tariff** against non-members. Example: the EU's customs union
4	**Common Market**	Customs union plus free movement of **labour and capital**
5	**Economic (and Monetary) Union**	Common market plus a common economic policy and, often, a **common currency**. Example: the **Eurozone**
6	**Political Union**	Common government and policies; the highest stage

Key ideas

Term	Meaning
Trade creation	Trade shifts to a **more efficient** member producer, a gain
Trade diversion	Trade shifts from a **cheaper outside** producer to a costlier member, a loss; ideas from **Jacob Viner**
Rules of origin	Rules deciding whether a good was made in a member country and so qualifies for tariff benefits
Spaghetti bowl effect	Overlapping trade agreements with different rules create confusion; a term linked to **Jagdish Bhagwati**
MFN exception	Under WTO rules, FTAs and customs unions are allowed as an exception to the **Most Favoured Nation** principle if they cover substantially all trade

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Names of Indian trade agreements

Term	Scope
FTA	Mainly reduces tariffs on trade in goods
CECA / CEPA	Comprehensive Economic Cooperation / Partnership Agreement: goods, services, investment and other cooperation
CETA	Comprehensive Economic and Trade Agreement: similar breadth
TEPA	Trade and Economic Partnership Agreement: includes **investment commitments**, as in the EFTA agreement
ECTA	Economic Cooperation and Trade Agreement, as with Australia

15.2 India's Trade Agreements

Agreement	Status and Key Point
India-Sri Lanka FTA	Signed 1998; in operation from 2000
SAFTA	South Asian Free Trade Area; in force from **1 January 2006**
India-Singapore CECA (2005)	India's first comprehensive agreement
India-South Korea CEPA (2010) and India-Japan CEPA (2011)	In force; both are being renegotiated or reviewed
ASEAN-India FTA (goods, 2010)	In force; under review to update and balance it
India-Mauritius CECPA (2021)	India's **first trade agreement with an African country**
India-UAE CEPA	In force from **1 May 2022**; India's first full FTA in about a decade
India-Australia ECTA	In force from **29 December 2022**
India-EFTA TEPA	Signed **10 March 2024**; in force **1 October 2025**. EFTA is **Switzerland, Norway, Iceland and Liechtenstein**; it includes an investment commitment of **US$100 billion** over 15 years
India-UK CETA	Signed **24 July 2025**; in force from **15 July 2026**
India-Oman CEPA	Signed December 2025; in force from **1 June 2026**
India-New Zealand FTA	Concluded in December 2025; signed **27 April 2026**
India-EU FTA	Negotiations **concluded on 27 January 2026**; legal scrubbing and ratification pending, with entry into force expected in about 2027
India-US	An **Interim Trade Framework** was announced in February 2026

Remember

- India **withdrew from RCEP** (Regional Comprehensive Economic Partnership) in **November 2019**, citing concerns on trade deficits and market access. RCEP came into force on **1 January 2022** without India.
- Negotiations are also under way with **Israel**, the **Gulf Cooperation Council** and **Canada** (CEPA talks launched in March 2026).
- The **EU's Carbon Border Adjustment Mechanism (CBAM)**, with its charges due from 2026, is an issue for India's exports of steel, aluminium and similar goods.

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15.3 Regional Groupings

Grouping	Key Facts
European Union (EU)	Formed by the **Maastricht Treaty (1993)**. A single market with a common currency, the **euro** (introduced 1999; notes and coins in 2002), used by many but not all members. The UK left in **January 2020** (Brexit)
ASEAN	Set up in **1967** (Bangkok Declaration) by Indonesia, Malaysia, the Philippines, Singapore and Thailand; secretariat in **Jakarta**. India's **Act East Policy** (2014) builds on its earlier Look East policy
USMCA	Replaced **NAFTA** in **2020**; covers the US, Canada and Mexico
SAARC	Founded **1985**; eight members; secretariat in **Kathmandu**. Largely inactive since 2016
BIMSTEC	**Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation** (1997): Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand; secretariat in **Dhaka**. It links South and Southeast Asia and has become important as SAARC has stalled
SCO	Shanghai Cooperation Organisation (2001); India became a full member in **2017**
AfCFTA	African Continental Free Trade Area; trading began on **1 January 2021**
APEC	Asia-Pacific Economic Cooperation (1989); **India is not a member**
Quad	India, the US, Japan and Australia; a strategic grouping for a free and open Indo-Pacific
G20	Forum of major economies. India held the **G20 Presidency in 2023**, and the **African Union** became a permanent member at the New Delhi Summit

15.4 BRICS

- **BRICS** began as BRIC in 2001 (a term by economist **Jim O'Neill**). The first summit was in **2009** at Yekaterinburg, Russia, and **South Africa** joined in **2010-11**.
- India's official list for 2026 counts **11 full members**: **Brazil, Russia, India, China, South Africa, Egypt, Ethiopia, Iran, the UAE, Indonesia and Saudi Arabia**. Egypt, Ethiopia, Iran and the UAE joined on **1 January 2024** and Indonesia in **January 2025**.
- A **Partner Country** category was created at the **Kazan Summit (2024)**. The ten partners are **Belarus, Bolivia, Cuba, Kazakhstan, Malaysia, Nigeria, Thailand, Uganda, Uzbekistan and Vietnam**.
- **India chairs BRICS in 2026**, its fourth time (after 2012, 2016 and 2021). The **18th BRICS Summit** was scheduled for **New Delhi, 12 to 13 September 2026**, with the theme "Building for Resilience, Innovation, Cooperation and Sustainability".
- The **New Development Bank (NDB)**, with headquarters in **Shanghai**, was set up by the **Fortaleza Summit (2014)** and began work in 2015. The **Contingent Reserve Arrangement (CRA)** gives members short-term liquidity support.

15.5 Connectivity Corridors

Corridor	Key Point
India-Middle East-Europe Economic Corridor (IMEC)	Announced at the **G20 New Delhi Summit (September 2023)**; links India, the Gulf, Israel and Europe by rail and shipping

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Corridor	Key Point
International North-South Transport Corridor (INSTC)	Shortens routes between India, Iran, Russia and Central Asia
Chabahar Port	An Iranian port developed with Indian help to give access to Afghanistan and Central Asia, bypassing Pakistan
India-Myanmar-Thailand Trilateral Highway	A road link between India's Northeast and Southeast Asia

Quick Recall

- Stages: PTA, FTA, customs union, common market, economic union, political union.
- EFTA = Switzerland, Norway, Iceland and Liechtenstein; TEPA in force 1 October 2025.
- UK CETA in force 15 July 2026; Oman CEPA in force 1 June 2026; EU FTA concluded 27 January 2026.
- India left RCEP in November 2019; RCEP in force from 1 January 2022.
- BRICS: 11 full members and 10 partners; India chairs in 2026; NDB is in Shanghai.
- SAARC (1985) is stalled; BIMSTEC (1997) is active.
- India is not a member of APEC; it joined the SCO in 2017.
- G20 Presidency of India: 2023; the African Union was made a permanent member.

16. WTO: Evolution and Contemporary Issues

16.1 From GATT to WTO

After the Second World War, the **Bretton Woods Conference (1944)** created the **IMF** and the **World Bank**. A third body, the **International Trade Organisation (ITO)**, was planned in the **Havana Charter (1948)** but was never set up because the US did not ratify it. In its place the **General Agreement on Tariffs and Trade (GATT)**, signed in **1947** by **23 countries**, took effect from **1 January 1948**.

GATT trade rounds

Round	Years	Focus
Geneva, Annecy, Torquay	1947 to 1951	Tariff cuts on goods
Geneva and Dillon	1956 and 1960-61	Tariff cuts
Kennedy Round	1964-67	Tariff cuts and an Anti-Dumping Code
Tokyo Round	1973-79	Tariffs and **non-tariff barriers** such as subsidies and technical standards
Uruguay Round	1986-94	Launched at **Punta del Este**; concluded with the **Marrakesh Agreement (April 1994)**; added services, intellectual property and agriculture, and created the **WTO**

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Remember

- The **WTO came into existence on 1 January 1995**, with its headquarters in **Geneva**.
- India is a **founding member** of both GATT and the WTO.
- The WTO has **166 members** (after Comoros and Timor-Leste joined in 2024).
- **Ngozi Okonjo-Iweala**, the first woman and first African to head the WTO, became Director-General on 1 March 2021 and was reappointed for a second term from 1 September 2025.

16.2 Structure and Functioning

Body	Role
Ministerial Conference	Highest decision-making body; meets **at least once every two years**
General Council	Runs the WTO between conferences; also meets as the **Dispute Settlement Body** and the **Trade Policy Review Body**
Councils	For Trade in Goods, Trade in Services and TRIPS
Secretariat	Led by the **Director-General**; does administrative and technical work, with no power to make decisions for members

- Decisions are taken by **consensus**. Each member has **one vote**, but a vote is rarely used.
- The **Trade Policy Review Mechanism** regularly reviews the trade policies of members.

Core principles

Principle	Meaning
Most Favoured Nation (MFN)	A trade benefit given to one member must be given to **all members**
National Treatment	Imported goods must be treated no less favourably than **domestic** goods once they enter the market
Tariff binding	Members commit to upper limits ("bound rates") on their tariffs
Transparency	Trade rules must be published and notified
Special and Differential Treatment (S&DT)	Extra flexibility and longer time for **developing and least developed countries**
Reciprocity	Members exchange comparable market access

Exceptions include general exceptions for public morals, health and the environment (**Article XX of GATT**), national security (**Article XXI**), regional trade agreements (**Article XXIV**), and safeguards, anti-dumping and countervailing measures.

16.3 Major WTO Agreements

Agreement	Key Point
GATT 1994	Trade in goods
GATS	Trade in services, through four modes: cross-border supply, consumption abroad, commercial presence and movement of persons
TRIPS	Minimum standards for intellectual property rights such as patents, copyright and geographical indications
TRIMs	Investment measures that affect trade, such as local content rules
Agreement on Agriculture (AoA)	Rules on **market access, domestic support and export competition**

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Agreement	Key Point
SPS and TBT	Sanitary and phytosanitary measures (food safety, animal and plant health) and technical barriers to trade
Anti-Dumping, Subsidies (SCM) and Safeguards	Rules for trade remedies against unfair or sudden imports
Trade Facilitation Agreement (TFA)	Agreed at **Bali (MC9, 2013)**; in force from **22 February 2017**; simplifies customs procedures
Agreement on Fisheries Subsidies	Agreed at **MC12 (June 2022)**; bans subsidies for **illegal, unreported and unregulated (IUU) fishing**; entered into force in **September 2025**

Agriculture: the "boxes"

Box	Meaning
Green box	Subsidies that do **not distort trade** (research, extension, food security stocks, income support not linked to production). Allowed without limit
Amber box	Trade-distorting support linked to prices or output. Capped by the **de minimis** limit: **5%** of the value of production for developed countries and **10%** for developing countries
Blue box	Support linked to production-limiting programmes
S&DT box	Input and investment subsidies to poor farmers in developing countries

16.4 Dispute Settlement

- A member files a complaint, which leads to **consultations (60 days)**, then a **panel**, and then an appeal to the **Appellate Body**.
- Rulings are adopted by **negative consensus** (automatic unless every member votes against), which makes the system strong.
- The **Appellate Body has not functioned since 11 December 2019**, because the **United States blocked the appointment of new judges** and its quorum of three was lost.
- A member that loses at the panel stage can **appeal "into the void"**, which stops the ruling from becoming binding.
- **MPIA** (Multi-Party Interim Appeal Arbitration Arrangement, 2020) is a workaround used by the EU and some other members; **India is not part of it**.

16.5 Ministerial Conferences

MC	Venue and Year	Key Outcome
MC3	Seattle, 1999	Collapsed amid protests and developing country objections
MC4	Doha, 2001	Launched the **Doha Development Agenda (DDA)**; TRIPS and public health declaration
MC5	Cancun, 2003	Talks broke down; the **G20** developing countries group emerged on agriculture
MC6	Hong Kong, 2005	Agreed to end agricultural export subsidies by 2013
MC9	Bali, 2013	**Trade Facilitation Agreement**; interim **peace clause** on public stockholding
MC10	Nairobi, 2015	Ended agricultural **export subsidies**

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MC	Venue and Year	Key Outcome
MC12	Geneva, 2022	**Fisheries Subsidies Agreement**; TRIPS waiver limited to COVID-19 vaccines; e-commerce moratorium extended
MC13	Abu Dhabi, 2024	E-commerce moratorium extended to MC14; no permanent solution on public stockholding
MC14	Yaounde, Cameroon, 2026	Ended in **March 2026 without consensus**

MC14 (Yaounde, March 2026)

- The conference ended **without agreement**, mainly over the **e-commerce moratorium**.
- The moratorium on customs duties on electronic transmissions, in place since **1998**, **lapsed for the first time in 26 years**. Countries may now impose such duties.
- The **TRIPS non-violation complaints** safeguard also lapsed.
- **India** had opposed a permanent moratorium, citing revenue loss, and blocked the **Investment Facilitation for Development (IFD)** plurilateral agreement.
- Talks on **WTO reform** and **fisheries subsidies** were carried on, with the fisheries aim set for **MC15**.

16.6 India and the WTO: Contemporary Issues

Issue	India's Position
Public stockholding (PSH)	India buys foodgrain at **MSP** for the public distribution system. The WTO formula for measuring subsidy uses **1986-88 reference prices**, which makes India's support look larger than it is. India wants a **permanent solution** and not only an interim peace clause
Special Safeguard Mechanism (SSM)	India and other developing countries want a way to raise tariffs temporarily if imports surge or prices fall, to protect small farmers
Plurilateral agreements	India opposes bringing plurilateral deals, such as **IFD** and the **e-commerce Joint Statement Initiative**, into the WTO without consensus, saying they weaken the multilateral, consensus-based system
E-commerce moratorium	India has opposed making it permanent, as it loses customs revenue on digital goods
Fisheries subsidies	India seeks protection and a long transition for small, traditional fishers
S&DT	India opposes attempts by developed members to reduce the special treatment of developing countries
TRIPS and public health	India supports flexibilities such as compulsory licensing, based on the **Doha Declaration (2001)**

Wider challenges

- **Unilateral tariffs and trade wars** weaken the MFN principle and the idea of bound tariffs.
- **Dispute settlement** is weakened without a working Appellate Body.

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- **Subsidies and industrial policy** by large economies make it hard to maintain a level playing field.
- **Climate and trade**: measures such as the EU's **Carbon Border Adjustment Mechanism** raise questions about WTO rules and fairness to developing countries.
- **WTO reform**: how to take decisions, how to treat developing members and how to restore dispute settlement.

Quick Recall

- GATT: 1947 (23 countries; effective 1948); WTO: 1 January 1995, headquartered in Geneva.
- Uruguay Round (1986-94) created the WTO; Doha Round launched in 2001.
- MFN and national treatment are the core principles.
- TFA: Bali 2013, in force 22 February 2017; Fisheries Subsidies Agreement: MC12 (2022), in force September 2025.
- Amber box de minimis: 5% (developed) and 10% (developing).
- Appellate Body inactive since 11 December 2019.
- MC14 (Yaounde, 2026): no consensus; e-commerce moratorium lapsed.
- India seeks a permanent solution on public stockholding and opposes IFD.

17. Reports and Indices

For each index, remember three things: **who publishes it**, **what it measures** and **India's latest position**. Ranks change every year, so always check the latest edition.

17.1 India's Latest Positions at a Glance

Index (Publisher)	Latest edition	India's position
Human Development Index (UNDP)	HDR 2025	**130th of 193**; HDI value **0.685** (medium human development)
Global Gender Gap Index (WEF)	2026	**131st of 145**; 64.5% of the gender gap closed
Global Innovation Index (WIPO)	2026	**38th of 139**; score 40.1; 1st among lower-middle-income economies
Global Hunger Index	2025	**102nd of 123**; score 25.8 ("serious")
Corruption Perceptions Index (Transparency International)	2025	**91st of 182**; score **39 out of 100**
Sustainable Development Report (SDSN)	2026	**94th of 167**; score 68.3; highest ever rank
Logistics Performance Index (World Bank)	2023	**38th**

Remember

- The **Global Hunger Index** is released every October; the 2026 edition was due at the time of writing.
- The **Human Development Report** for 2026 had not been released at the time of writing, so HDR 2025 remains the latest.
- Do not mix up the **Global Innovation Index (GII)** with the UNDP **Gender Inequality Index (GII)**.

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17.2 Human Development Report (UNDP)

- First published in **1990** under the leadership of **Mahbub ul Haq**, with ideas from **Amartya Sen**.
- The **HDI** is built from three dimensions: **Health** (life expectancy at birth), **Education** (mean and expected years of schooling) and **Standard of living** (GNI per capita in PPP). It uses the **geometric mean** of the three.
- Categories: **very high** (0.800 and above), **high** (0.700 to 0.799), **medium** (0.550 to 0.699) and **low** (below 0.550).
- India in HDR 2025: HDI **0.685**, up from 0.676; it is still in the **medium** category and close to the 0.700 "high" threshold. India shares its rank with Bangladesh. Inequality reduces India's HDI by about **30.7%**.
- Related UNDP indices: **IHDI** (inequality-adjusted), **GDI** (gender development), **Gender Inequality Index (GII)** and **PHDI** (planetary pressures-adjusted). India's Gender Inequality Index rank in HDR 2025 is **102 of 166**.
- The **global MPI** is published by UNDP with **OPHI** (see Chapter 9).

17.3 Other Major Indices

Index	Key Facts
Global Gender Gap Index (WEF)	Published since **2006**. Four sub-indices: **economic participation and opportunity, educational attainment, health and survival, political empowerment**. Scored 0 to 1 (1 = full parity). In 2026, **Iceland** led, followed by **Finland** and **Norway**; India's economic participation score was 41.2%
Global Innovation Index (WIPO)	Published with Cornell University and INSEAD; started in **2007**; ranks 139 economies on **80+ indicators** in seven pillars. **Switzerland** has topped it for 16 years. India ranks **49th in inputs** and **25th in outputs**; **Bengaluru, Delhi, Mumbai and Chennai** feature among the top 100 innovation clusters
Global Hunger Index	By **Concern Worldwide** and **Welthungerhilfe**. Four indicators: **undernourishment, child stunting, child wasting and child mortality**. Scale of 0 to 100: low (up to 9.9), moderate (10 to 19.9), serious (20 to 34.9), alarming (35 to 49.9), extremely alarming (50 and above). The Government of India has objected to the method, especially its heavy use of child data
Corruption Perceptions Index	By **Transparency International** (Berlin); scale **0 (highly corrupt) to 100 (very clean)**; based on expert and business surveys, so it measures **perception**. **Denmark** led in 2025 with 89; the global average was 42

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Index	Key Facts
Sustainable Development Report	By **SDSN** (UN Sustainable Development Solutions Network); ranks countries on the **17 SDGs**. **Finland** led in 2026. In the 2026 edition India rose from 99th to 94th, though only about a third of its targets are on track
Logistics Performance Index	By the **World Bank**; India moved from 44th (2018) to **38th** (2023)

17.4 Reports of International Economic Institutions

Publisher	Major Reports
IMF	**World Economic Outlook** (April and October, with updates in January and July); **Global Financial Stability Report**; **Fiscal Monitor**; **External Sector Report**
World Bank	**Global Economic Prospects** (January and June); **World Development Report**; **Migration and Development Brief** (remittances); **Human Capital Index**; **Logistics Performance Index**. The **Doing Business** report was discontinued in 2021 and replaced by **B-READY**
UNCTAD	**World Investment Report**; **Trade and Development Report**; **Review of Maritime Transport**; **Digital Economy Report**
ILO	**World Employment and Social Outlook**; **Global Wage Report**; **India Employment Report** (with the Institute for Human Development)
FAO	**State of Food Security and Nutrition in the World (SOFI)**; **State of the World's Forests**
UNDP	**Human Development Report**; global **Multidimensional Poverty Index** (with OPHI)
WEF	**Global Gender Gap Report**; **Global Risks Report**; **Future of Jobs Report**; **Travel and Tourism Development Index**. The annual **Global Competitiveness Report** is no longer published in its old form
OECD	**Economic Outlook**; **PISA** (education assessment)
Others	**Oxfam** (inequality reports); **UBS** (Global Wealth Report); **IEP** (Global Peace Index); **Heritage Foundation** (Index of Economic Freedom)

17.5 Indian Reports and Surveys

Report / Survey	Key Facts
Economic Survey	Prepared by the **Department of Economic Affairs, Ministry of Finance**, under the **Chief Economic Adviser**; presented in Parliament just **before the Union Budget**; first presented in **1950-51**. It is not required by the Constitution
RBI Financial Stability Report	Published **twice a year** (June and December); reviews risks to the financial system
RBI Monetary Policy Report	Published **twice a year** (April and October), with the inflation and growth outlook
RBI Report on Currency and Finance	Annual theme-based study on a major economic issue
RBI Report on Trend and Progress of Banking in India	Annual review of the banking sector

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Report / Survey	Key Facts
NITI Aayog indices	**SDG India Index**, **Export Preparedness Index**, **India Innovation Index**, **Composite Water Management Index**, **School Education Quality Index**, **State Health Index** and the **National Multidimensional Poverty Index**
PLFS	Employment and unemployment data from the **NSO, MoSPI**; now released monthly
NFHS	**National Family Health Survey**, by the Ministry of Health and the **IIPS, Mumbai**; **NFHS-5 (2019-21)** is widely used for health and poverty data
Household Consumption Expenditure Survey (HCES)	NSO survey on household spending; basis for poverty and CPI weights
Agriculture Census	Every five years, by the Ministry of Agriculture

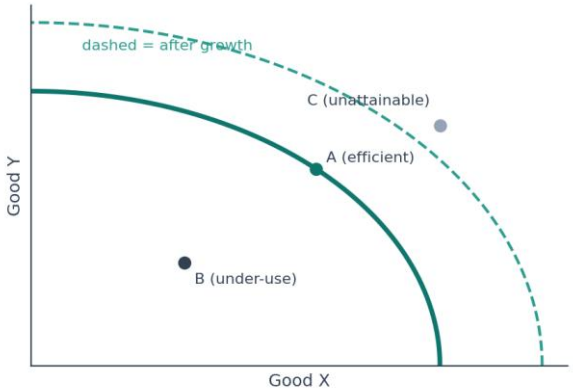
Quick Recall

- HDI: 1990; health, education, income; India 130th of 193 with 0.685 (HDR 2025).
- Global Gender Gap 2026: India 131st of 145; Iceland first.
- Global Innovation Index 2026: India 38th; Switzerland first; India tops lower-middle-income economies.
- Global Hunger Index 2025: India 102nd of 123, score 25.8 ("serious").
- Corruption Perceptions Index 2025: India 91st; score 39; Denmark first.
- Sustainable Development Report 2026: India 94th, its best; Finland first.
- Economic Survey: before the Budget; first presented 1950-51.
- Doing Business was discontinued in 2021; B-READY replaced it.

18. Important Graphs

Each graph below comes with a short guide on **how to read it** and the **exam point** to remember. In every diagram, the horizontal axis (x) and the vertical axis (y) are labelled, so check what they show before reading the curve.

1. Production Possibility Frontier (PPF)



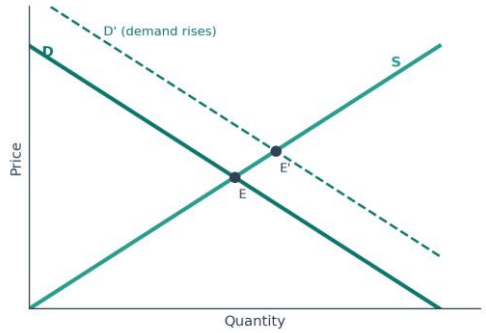
- Shows the **maximum combinations** of two goods an economy can produce with its resources and technology.

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- Points **on** the curve are efficient; points **inside** show unused resources; points **outside** are unattainable.

Economic growth shifts the PPF outward. It is concave because of rising **opportunity cost**.

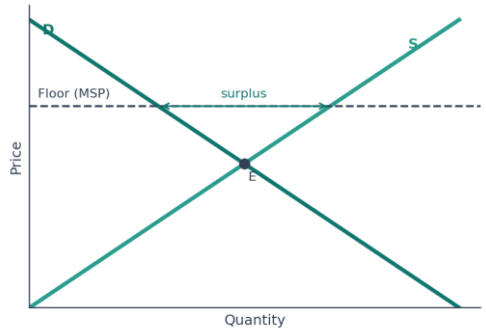
2. Demand and Supply: Equilibrium



- Equilibrium **E** is where demand equals supply, giving the market price and quantity.
- A rise in demand shifts the demand curve right; both **price and quantity rise** (E to E').

A rise in supply shifts the supply curve right; price falls and quantity rises.

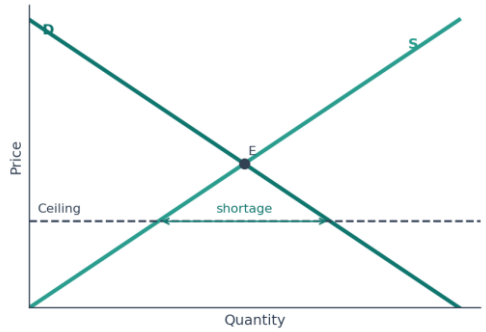
3. Price Floor (like MSP)



- A minimum price set **above** equilibrium.
- Supply exceeds demand, creating a **surplus** that the Government must buy or store.

This is why the Food Corporation of India holds large grain stocks under MSP.

4. Price Ceiling



- A maximum price set **below** equilibrium (rent control, price control on essentials).
- Demand exceeds supply, creating a **shortage**, queues and black markets.

Intended to protect consumers, but it can reduce supply.

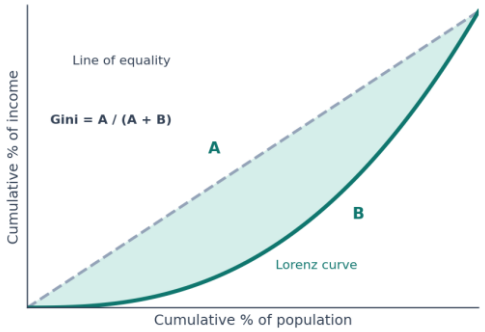
5. Giffen Good



- The demand curve **slopes upward**: demand **rises** as price rises.
- Applies to a poor household's staple inferior good, where the income effect outweighs the substitution effect.

Named after **Robert Giffen**; **Veblen goods** also show a rising demand curve, for status reasons.

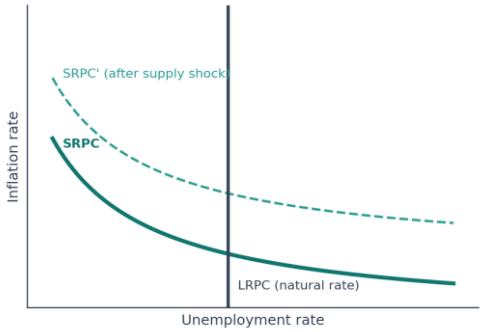
6. Lorenz Curve and Gini Coefficient



- The farther the Lorenz curve is from the line of equality, the **greater the inequality**.
- **Gini = A ÷ (A + B)**; 0 means perfect equality and 1 means complete inequality.

Used with the **Palma ratio** to compare income inequality.

7. Phillips Curve



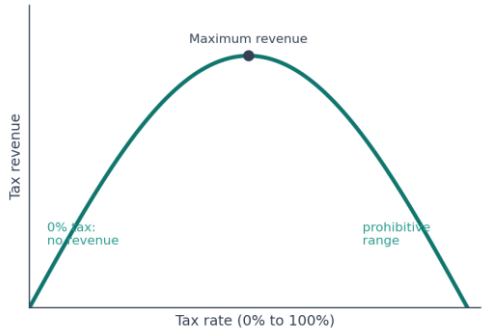
- In the short run, **lower unemployment goes with higher inflation** (a trade-off).

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- In the long run the curve is **vertical** at the natural rate of unemployment.

Stagflation in the 1970s shifted the curve outward, which challenged the idea of a stable trade-off.

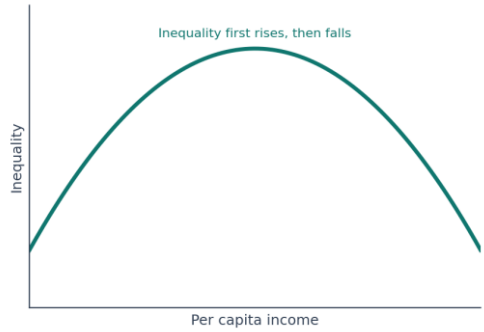
8. Laffer Curve



- Tax revenue first **rises** with the tax rate, then **falls** after a point because people work, earn and declare less.
- At 0% and at 100%, revenue is zero.

Used to argue that very high tax rates can **reduce** revenue.

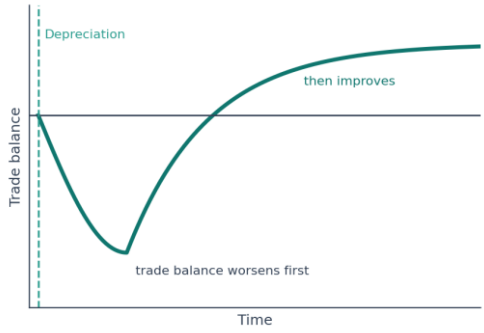
9. Kuznets Curve



- An **inverted-U**: inequality **rises** in the early stages of development and **falls** later as income grows.
- Proposed by **Simon Kuznets**.

An environmental version links pollution to income in the same way.

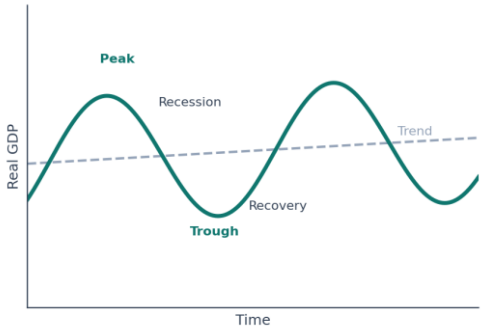
10. J-Curve



- After a currency **depreciates**, the trade balance often **worsens first** because import and export contracts adjust slowly.
- Later, exports rise and imports fall, so the balance **improves**.

Linked to the **Marshall-Lerner condition**.

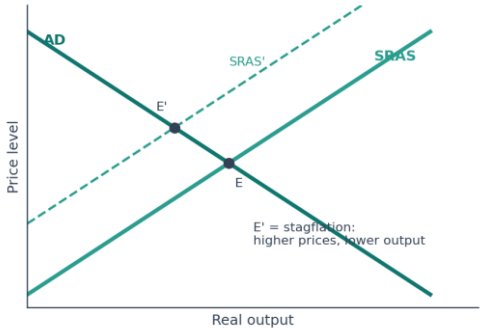
11. Business Cycle



- Phases: **expansion (recovery), peak, recession (contraction) and trough**.
- Output moves around a long-run **trend**.

A recession is usually seen as a fall in real GDP for two or more consecutive quarters.

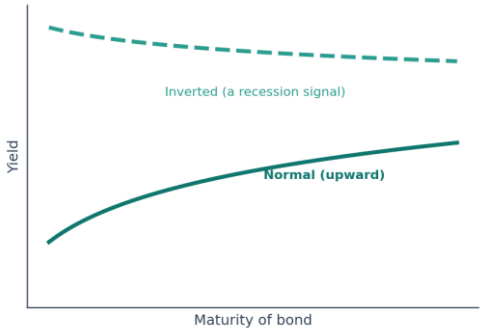
12. AD-AS and Stagflation



- Where **AD** meets **SRAS** gives the price level and output.
- A leftward shift of SRAS (from a rise in oil or input costs) raises prices and cuts output: **stagflation**.

A rightward shift of AD (more demand) raises both prices and output: **demand-pull inflation**.

13. Yield Curve

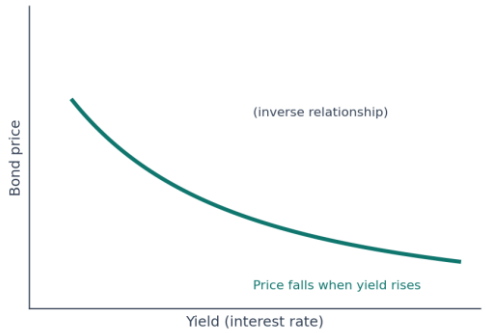


- Plots the yield on bonds of different maturities.
- **Normal curve**: slopes upward; investors need higher returns for lending longer.

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Inverted curve: short-term yields exceed long-term yields; often seen as a **recession signal**.

14. Bond Price and Yield



- Bond prices and yields move in **opposite directions**.
- When market interest rates rise, the price of existing bonds with lower coupons falls.

A central bank that raises rates therefore reduces bond prices.

Quick Recall

- PPF: concave; growth shifts it outward; points inside show unused resources.
- Price floor above equilibrium creates a surplus (MSP); price ceiling below equilibrium creates a shortage.
- Giffen good: an upward-sloping demand curve.
- Lorenz curve: Gini = A ÷ (A + B).
- Phillips curve: short-run trade-off between inflation and unemployment; long-run vertical.
- Laffer curve: an inverted U of tax revenue against tax rate.
- Kuznets curve: inequality rises, then falls, with income.
- J-curve: the trade balance worsens before it improves after depreciation.
- Inverted yield curve: a recession signal.

Glossary

0-9

Term	Meaning
101st Constitutional Amendment	2016 amendment that introduced GST; added Articles 246A, 269A and 279A.

A

Term	Meaning
A2, A2+FL and C2	Cost concepts: A2 = paid-out costs; A2+FL adds the value of family labour; C2 adds the rental value of owned land and interest on owned capital. MSP is at least 1.5 times A2+FL; the Swaminathan Commission suggested C2+50%.
Absolute poverty	Living below a fixed minimum level of income or consumption (the poverty line).
Accommodating transactions	Transactions done to cover a gap, such as drawing down reserves or borrowing from the IMF.
Act East Policy	India's 2014 policy of deeper engagement with Southeast Asia, building on the earlier Look East policy.
AD-AS	**Aggregate Demand and Aggregate Supply.** Model giving the price level and output; a leftward shift of SRAS causes stagflation.
ADR and GDR	**American / Global Depository Receipts.** Instruments that let an Indian company list shares abroad: ADRs in the US and GDRs in other foreign markets.
AfCFTA	**African Continental Free Trade Area.** Trading began 1 January 2021.

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Term	Meaning
Agriculture Infrastructure Fund	2020 fund giving loans for post-harvest infrastructure such as cold storage and warehouses.
AgriStack	Digital farmer registry and data system for services and crop surveys.
AIM	See **Atal Innovation Mission**.
Alagh Task Force	1979 task force: calorie norms of 2,400 (rural) and 2,100 (urban) per person per day.
Alkire-Foster method	Method for multidimensional poverty measurement by Sabina Alkire and James Foster at OPHI.
AMC	**Asset Management Company.** Company that manages a mutual fund's investments.
AMFI	**Association of Mutual Funds in India.** Industry body of mutual funds.
Anchor investors	Large institutions that bid a day before an IPO opens, giving confidence to others.
Anti-dumping duty	Duty on goods sold in India at an unfairly low price; recommended by DGTR.
AoA	**Agreement on Agriculture.** Rules on market access, domestic support and export competition.
APMC	**Agricultural Produce Marketing Committee.** State-regulated mandis (agricultural markets).
Appellate Body	WTO appeals court; not functioning since 11 December 2019 because the US blocked appointments.
Appropriation Bill	Bill under Article 114 that allows withdrawal of money from the Consolidated Fund.
AQR	**Asset Quality Review.** 2015 exercise that forced banks to recognise hidden bad loans.
Arbitrage	Profiting from price differences between markets.

Term	Meaning
ARC	**Asset Reconstruction Company.** Company that buys bad loans from banks and tries to recover them.
Article 265	No tax can be levied or collected without the authority of law.
ASBA	**Application Supported by Blocked Amount.** Money stays in the investor's account until shares are allotted.
ASEAN	**Association of Southeast Asian Nations.** Set up in 1967 (Bangkok Declaration); secretariat in Jakarta; India's Act East Policy builds on it.
Aspirational Districts Programme	2018 NITI Aayog programme to improve backward districts on health, education and basic infrastructure.
Atal Innovation Mission (AIM)	NITI Aayog initiative to promote innovation and entrepreneurship.
Automatic route	FDI route requiring no prior government approval; investor only informs the RBI afterwards.
Autonomous transactions	Transactions done for their own sake, such as trade and investment.

B

Term	Meaning
B-READY	**Business Ready.** World Bank report (first edition 2024) that replaced Doing Business, which was discontinued in 2021.
Bank rate	Rate for long-term lending to banks without collateral; aligned with the MSF rate and used as a penal rate.
Base effect	A low (or high) price level in the previous year makes this year's inflation look high (or low).

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Term	Meaning
Base Rate	Minimum lending rate introduced in 2010; no loan could be given below it.
Base year	Reference year with index value 100, used for measuring real change. India's GDP base year is now 2022-23; CPI base is 2024; WPI base is 2022-23.
Basel norms	Global capital rules by the Basel Committee on Banking Supervision: Basel I (1988), Basel II (2004) with three pillars, Basel III (after 2008) with better capital and liquidity ratios.
Bear market	Market with falling prices.
Beneficial owner	The person who ultimately owns or controls an investment, even through other entities.
Bharatmala Pariyojana	2017 highway development programme.
Bhoodan and Gramdan	Movement led by Vinoba Bhave from 1951 asking landowners to donate land voluntarily.
BIMSTEC	**Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation.** 1997 grouping of Bangladesh, Bhutan, India, Myanmar, Nepal, Sri Lanka and Thailand; secretariat in Dhaka.
BIT	**Bilateral Investment Treaty.** Treaty protecting investors of each country; India issued a Model BIT in 2016.
Blue Revolution	Growth of fisheries and aquaculture.
Bombay Plan	1944 plan by eight industrialists; stressed state support for industry and infrastructure.
Bond	Loan by an investor to an issuer, paying a fixed coupon and returning the face value at maturity.
Bond price and yield	Move in opposite directions: when market interest rates rise, existing bond prices fall.

Term	Meaning
Book building	Method of pricing an issue where investors bid within a price band.
BoP	**Balance of Payments.** Systematic record of all economic transactions between residents of a country and the rest of the world over a period; a flow concept. It always balances in accounting terms.
BOT	**Build-Operate-Transfer.** Private firm builds and runs a project, collects fees (such as tolls), then hands it to the government.
BoT	**Balance of Trade.** Value of merchandise (goods) exports minus imports; only one part of the current account.
BPLR	**Benchmark Prime Lending Rate.** Earlier lending benchmark; not transparent because banks lent below it.
BRICS	Grouping that began as BRIC in 2001 (Jim O'Neill); India chairs in 2026; 11 full members and 10 partner countries.
Brownfield investment	FDI in which an existing business is acquired through merger or acquisition.
BSE	**Bombay Stock Exchange.** Established 1875; Asia's oldest stock exchange; index is the Sensex.
Bull market	Market with rising prices.
Business cycle	Fluctuation of real GDP around a trend: expansion, peak, recession and trough.

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C

Term	Meaning
CACP	**Commission for Agricultural Costs and Prices.** Set up in January 1965 as the Agricultural Prices Commission, renamed in 1985; recommends MSP.
CAD	**Current Account Deficit.** Excess of payments over receipts on the current account; financed by capital inflows or by drawing down reserves.
Call money	Overnight lending between banks; notice money is for 2 to 14 days and term money for more than 14 days.
Call option	Right to buy an asset at a fixed price.
Canons of taxation	Adam Smith's principles: equity, certainty, convenience and economy.
Capital account	Part of the BoP recording small capital transfers and non-produced assets.
Capital account convertibility	Freedom to move capital in and out; India has partial convertibility. The Tarapore Committees (1997, 2006) suggested a phased approach.
Capital expenditure	Spending that creates assets or reduces liabilities, such as roads, dams and loan repayment.
Capital gains tax	Tax on profit from selling assets such as shares or property; short-term and long-term gains are taxed differently.
Capital goods	Durable goods used to produce other goods, such as machines and tools.
Capital market	Market for long-term funds (more than one year) through equity and debt; has primary and secondary parts.
Capital receipts	Borrowings, recovery of loans and disinvestment proceeds.
Capitalism	System with private ownership of resources, where prices and profit guide production and the state role is small.
CBAM	**Carbon Border Adjustment Mechanism.** EU charge on carbon-intensive imports; a concern for India's steel and aluminium exports.
CBDC	See **e-Rupee**.
CBDT	**Central Board of Direct Taxes.** Administers direct taxes; under the Department of Revenue.
CBIC	**Central Board of Indirect Taxes and Customs.** Administers GST (central), customs and excise; under the Department of Revenue.
CCI	**Competition Commission of India.** Set up in 2009 under the Competition Act, 2002.
CCIL	**Clearing Corporation of India Ltd.** Set up in 2001; clears and settles trades in government securities, forex and money market.
CD	See **Certificate of deposit**.
CECA and CEPA	**Comprehensive Economic Cooperation Agreement / Comprehensive Economic Partnership Agreement.** Cover goods, services, investment and other cooperation.

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Term	Meaning
Certificate of deposit (CD)	Short-term deposit certificate issued by banks and financial institutions.
Cess	Tax levied for a specific purpose; not part of the divisible pool.
CETA	**Comprehensive Economic and Trade Agreement.** Similar in breadth to CEPA; India-UK CETA signed 24 July 2025 and in force from 15 July 2026.
CGST	**Central Goods and Services Tax.** Central GST on supply within a State.
CGTMSE	**Credit Guarantee Fund Trust for Micro and Small Enterprises.** Guarantees collateral-free loans.
Charged expenditure	Expenditure that is discussed but not voted on, such as salaries of the President and judges and debt charges.
Chelliah Committee	1991 Tax Reforms Committee: lower rates, fewer exemptions, simpler customs duties and a move towards VAT.
Chronic and transient poverty	Chronic: lasts for years. Transient: temporary, caused by shocks such as drought or job loss.
Circuit breaker	Temporary halt in trading when prices move too sharply; market-wide limits are 10%, 15% and 20%.
Circular flow of income	Flow of money between households and firms: households sell factors and receive income, then spend it on goods and services.
Club good	Good that is non-rival but excludable, such as cable TV and a toll road.

Term	Meaning
COICOP	**Classification of Individual Consumption According to Purpose.** UN classification followed by the new CPI series (12 divisions).
Commercial bank	Bank that accepts deposits and gives loans; public sector, private, foreign, RRBs, small finance banks and others.
Commercial bill	Bill of exchange drawn by a seller on a buyer for goods sold on credit.
Commercial paper (CP)	Unsecured short-term note issued by large, well-rated companies.
Common market	Customs union plus free movement of labour and capital.
Common resource	Good that is rival but non-excludable, such as fish in open seas and groundwater.
Compensation cess	Cess meant to compensate States for GST revenue loss; being phased out.
Complementary goods	Goods used together (pen and ink). If one becomes costlier, demand for the other falls.
Consolidated Fund of India	Main government account (Article 266); all revenues and loans go into it; money is withdrawn only with Parliament's approval.
Consolidation of holdings	Joining scattered small plots into one block to ease farming.
Consumer goods	Goods bought by final users for direct use, such as clothes and food.
Contingency Fund of India	Fund held by the President (Article 267) for urgent, unforeseen expenditure.
Contractionary fiscal policy	Less spending and/or higher taxes to cool demand and control inflation.

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Term	Meaning
Cooperative bank	Bank owned by its members: urban cooperative banks, State and district cooperative banks and PACS.
Cooperative federalism	Approach in which the Centre and States work as partners; the idea behind NITI Aayog's Governing Council.
Core inflation	Headline inflation excluding food and fuel, which are volatile.
Corporation tax	Tax on company profits; concessional rate of 22% for domestic companies (from 2019) and 15% for new manufacturing companies.
Cost-push inflation	Higher input costs (wages, raw materials, oil) push up prices.
Countervailing duty	Duty imposed to offset the effect of a subsidy given by the exporting country.
Coupon	Fixed interest a bond pays.
CP	See **Commercial paper**.
CPI	**Consumer Price Index.** Measures retail inflation. CPI (Combined), compiled by NSO, is the RBI's inflation target measure. New base year 2024 (released 12 February 2026), with 358 items.
CPI	**Corruption Perceptions Index.** Transparency International index on a 0 to 100 scale (higher is cleaner); India 91st of 182 in 2025 (score 39).
CPI-AL and CPI-RL	**CPI for Agricultural Labourers and Rural Labourers.** Compiled by the Labour Bureau for agricultural and rural labourers.
CPI-IW	**CPI for Industrial Workers.** Compiled by the Labour Bureau; used for Dearness Allowance of government employees.
CRA	**Contingent Reserve Arrangement.** BRICS arrangement giving members short-term liquidity support.
CRAR	**Capital to Risk-weighted Assets Ratio.** Bank's capital as a share of its risk-weighted assets. In India it is at least 9%, plus a 2.5% capital conservation buffer.
Credit rating	Assessment of a borrower's ability to repay, by agencies such as CRISIL, ICRA and CARE.
Credit rationing	Caps on credit given by banks to certain borrowers.
Creeping, walking and running inflation	Creeping: mild, up to about 3%; walking: 3% to 10%; running: double digits.
Cropping intensity	Gross cropped area ÷ net sown area × 100.
Crowding out	Heavy government borrowing raises interest rates and leaves less credit for private investment.
CRR	**Cash Reserve Ratio.** Share of a bank's Net Demand and Time Liabilities that it must keep as cash with the RBI. No interest is paid on it. Raising CRR reduces liquidity; cutting it increases liquidity.
Currency appreciation	Rise in a currency's value in a market-determined system.
Currency depreciation	Fall in a currency's value in a market-determined (floating) system.

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Term	Meaning
Current account	Part of the BoP recording goods, services, primary income and secondary income.
Current account convertibility	Freedom to buy or sell foreign currency for current transactions; India accepted Article VIII of the IMF Agreement in August 1994.
Current Weekly Status (CWS)	Employment measured over the last 7 days; a person is employed if they worked at least one hour on any day; used in monthly bulletins.
Customs duty	Tax on imports and exports under the Customs Act, 1962.
Customs union	FTA plus a common external tariff against non-members.
Cut motion	Motion to reduce a demand: policy cut (to Re 1), economy cut (by a stated amount) and token cut (by Rs 100).
CWS	See **Current Weekly Status**.
Cyclical unemployment	Caused by a fall in demand in a recession or slowdown.

D

Term	Meaning
Dandekar and Rath	1971 first systematic poverty estimate, based on 2,250 calories per day.
Dated security	Long-term government bond (5 to 40 years) paying a fixed coupon.
DAY-NRLM	**Deendayal Antyodaya Yojana-National Rural Livelihoods Mission.** 2011 mission that builds women's Self-Help Groups to raise rural incomes; DAY-NULM (2013) is the urban version.
DDA	See **Doha Development Agenda**.
DDT	See **Dividend Distribution Tax**.
DDU-GKY	**Deen Dayal Upadhyaya Grameen Kaushalya Yojana.** 2014 scheme for skills and placement of rural youth.
De minimis	Allowed amber-box support: 5% of the value of production for developed countries and 10% for developing countries.
Decentralised planning	Plans prepared at State, district and local levels, supported by the 73rd and 74th Amendments.
Deflation	Fall in the general price level.
Demand-pull inflation	Total demand rises faster than supply: too much money chasing too few goods.
Demands for Grants	Ministry-wise requests for money that only the Lok Sabha votes on.
Demat account	Account that holds shares in electronic form with a depository.
Demerit good	Good such as alcohol or tobacco that harms society; it is taxed or restricted.
Depreciation	Wear and tear of capital. In foreign exchange, it also means a fall in a currency's market value (see Exchange rate).

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Term	Meaning
Derivative	Contract whose value comes from an underlying asset such as a share, index, currency or commodity.
Destination-based tax	Tax collected where the goods or services are consumed; GST is one.
Devaluation	Deliberate official reduction in a currency's value in a fixed system (rupee devalued in 1966 and in two steps in July 1991).
DFC	**Dedicated Freight Corridor.** Rail lines for freight only (Eastern and Western), run by DFCCIL.
DGFT	**Directorate General of Foreign Trade.** Administers India's foreign trade policy under the Commerce Ministry.
DGTR	**Directorate General of Trade Remedies.** Body that recommends anti-dumping, countervailing and safeguard duties.
DICGC	**Deposit Insurance and Credit Guarantee Corporation.** RBI subsidiary that insures bank deposits up to Rs 5 lakh per depositor per bank.
DIPAM	**Department of Investment and Public Asset Management.** Manages disinvestment and strategic sale of government stakes.
Direct tax	Tax charged on income or wealth and paid by the person on whom it is levied, such as income tax.
Disguised unemployment	More people work on a job than needed, so removing some does not reduce output; common in agriculture.

Term	Meaning
Disinflation	Fall in the rate of inflation; prices still rise, but more slowly.
Disinvestment	Sale of the government's stake in a public sector enterprise; managed by DIPAM.
District Planning Committee	Body under Article 243ZD that consolidates village and municipal plans into a district plan.
Dividend Distribution Tax (DDT)	Tax paid by companies on dividends; abolished in 2020, so dividends are taxed in the receiver's hands.
Divisible pool	Central taxes that are shared with States under Article 270 on the Finance Commission's recommendation; excludes cesses and surcharges.
DMEO	**Development Monitoring and Evaluation Office.** Office under NITI Aayog that assesses government programmes.
Doha Development Agenda (DDA)	Round launched at Doha in 2001; largely stalled.
Doing Business	World Bank ranking discontinued in 2021 after data concerns; replaced by B-READY.
DRT	**Debt Recovery Tribunal.** Tribunal set up under the Recovery of Debts due to Banks and Financial Institutions Act, 1993 to recover bank dues.
DSB	**Dispute Settlement Body.** WTO body (the General Council sitting as DSB) that handles disputes: consultations, panel, appeal.

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Term	Meaning
DTAA	**Double Taxation Avoidance Agreement.** Agreement between two countries to prevent the same income from being taxed twice.
Dumping	Selling in a foreign market at a price below the home price or cost; countered with anti-dumping duty.

E

Term	Meaning
E-commerce moratorium	Ban on customs duties on electronic transmissions, in place since 1998; lapsed for the first time at MC14 (2026).
e-NAM	**National Agriculture Market.** Online trading portal linking mandis, launched 14 April 2016; SFAC is the nodal agency.
e-Rupee (CBDC)	Central Bank Digital Currency: digital form of the rupee issued by the RBI; in pilot since 2022.
e-Shram	2021 national database of unorganised workers.
EBLR	**External Benchmark based Lending Rate.** From October 2019; floating-rate retail and MSME loans are linked to an external benchmark such as the repo rate, so policy changes pass through quickly.
ECB	**External Commercial Borrowing.** Loans taken by Indian companies from foreign lenders; regulated by the RBI.
Economic agents	Units that take economic decisions: households, firms, the government and the external sector.
Economic growth	Rise in the real value of goods and services an economy produces over time.
Economic integration	Process by which countries reduce or remove trade and other economic barriers among themselves.
Economic Survey	Annual report of the Ministry of Finance (Chief Economic Adviser) presented before the Budget; first in 1950-51.
Economic union	Common market plus common economic policy and often a common currency, as in the Eurozone.
Economics	Study of how a society uses limited resources to meet unlimited wants: what, how and for whom to produce.
ECTA	**Economic Cooperation and Trade Agreement.** India-Australia agreement in force from 29 December 2022.
Educated unemployment	Unemployment among those with school or college degrees.
Effective revenue deficit	Revenue deficit minus grants for creating capital assets.
EFTA	**European Free Trade Association.** Switzerland, Norway, Iceland and Liechtenstein.
ELSS	**Equity Linked Savings Scheme.** Tax-saving equity mutual fund with a three-year lock-in.
Employment elasticity	How much employment rises for a one per cent rise in output.
EPCG	**Export Promotion Capital Goods scheme.** Capital goods imported at reduced duty against an export obligation.

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Term	Meaning
Equilibrium	Point where demand equals supply, giving the market price and quantity.
Escape clause	Provision in the FRBM Act that lets the government exceed fiscal targets in special conditions such as war or calamity; used in 2020-21.
Essential Commodities Act	1955 law that lets the government limit stocks and control prices of essential goods.
Estate duty	Tax on inherited wealth; abolished in 1985.
ETF	**Exchange Traded Fund.** Fund traded on stock exchanges like a share.
EU	**European Union.** Formed by the Maastricht Treaty (1993); single market with the euro; the UK left in January 2020.
Evergreen Revolution	Sustainable, environment-friendly increase in productivity; an idea of M. S. Swaminathan.
Exchange rate	Price of one currency in terms of another.
Excludable good	A good from which people can be kept out unless they pay.
Expansionary fiscal policy	More spending and/or lower taxes to raise demand; used in a slowdown; it widens the deficit.
Export Promotion Mission	Approved November 2025 (Rs 25,060 crore, 2025-26 to 2030-31): Niryat Protsahan (trade finance for MSMEs) and Niryat Disha (non-financial support).
External debt	Amount owed by residents to non-residents, to be repaid in foreign currency or goods and services.

F

Term	Meaning
Face value	Amount repaid at maturity on a bond.
Faceless assessment	2020 system of tax assessment with no direct contact between taxpayer and officials.
Factor cost (FC)	What factors of production receive; it leaves out indirect taxes and adds back subsidies. GDP at MP = GDP at FC + indirect taxes − subsidies.
Factors of production	Land (reward: rent), labour (wages), capital (interest) and entrepreneurship (profit).
FAR	**Fully Accessible Route.** 2020 route letting foreign investors buy specified government bonds without limits.
FC	See **Factor cost**.
FCCB	**Foreign Currency Convertible Bond.** Bond issued by an Indian company abroad in foreign currency that can be converted into shares.
FCI	**Food Corporation of India.** Set up in 1965; buys grain at MSP, stores buffer stocks and supplies the PDS.
FCNR(B)	**Foreign Currency Non-Resident (Bank) account.** NRI deposit held in foreign currency; protects the NRI from exchange rate risk.
FDI	**Foreign Direct Investment.** Long-term investment giving control or influence; 10% or more of a listed company.
FEMA	**Foreign Exchange Management Act, 1999.** In force from 1 June 2000; replaced FERA; treats violations as civil offences.

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Term	Meaning
FERA	**Foreign Exchange Regulation Act, 1973.** Earlier, more criminal law on foreign exchange; replaced by FEMA.
FIFP	**Foreign Investment Facilitation Portal.** Portal through which FDI proposals are handled; replaced the FIPB.
FII	**Foreign Institutional Investor.** Institutional investor allowed into the stock market from 1992; merged into FPIs in 2014.
Final goods	Goods meant for final use and not processed further, such as a finished car.
Finance Bill	Bill under Article 117 that gives effect to the Budget's tax proposals.
Finance Commission	Body under Article 280, set up every five years, that recommends how central taxes are shared with States.
Financial account	Part of the BoP recording FDI, portfolio investment, other investment (ECBs, banking capital, trade credit) and reserve assets.
Financial Stability Report	RBI report published in June and December reviewing risks to the financial system.
Financial system	System that moves savings to investment through institutions, markets, instruments and services.
FIPB	**Foreign Investment Promotion Board.** Body that cleared FDI proposals; abolished in 2017.
Fiscal deficit	Total expenditure minus total receipts excluding borrowings; equals the total borrowing requirement. Stated as a percentage of GDP.

Term	Meaning
Fiscal policy	Government's use of taxation, public spending and borrowing to influence the economy.
Fisheries Subsidies Agreement	Agreed at MC12 (June 2022); bans subsidies for illegal, unreported and unregulated (IUU) fishing; in force September 2025.
Five Year Plan	Medium-term national plan with targets and outlays. India had twelve (1951-2017); the 12th was the last.
Foreign exchange reserves	Foreign currency assets, gold, SDRs and the reserve tranche position held by the RBI.
Foreign Trade Policy 2023	In effect from 1 April 2023 with no fixed end date; focuses on export hubs, e-commerce exports and ease of doing trade.
FPI	**Foreign Portfolio Investor.** Buys shares and bonds without taking control; holds less than 10% of a company; regulated by SEBI.
FPO	**Follow-on Public Offer.** Listed company issues more shares to the public.
FPO	**Farmer Producer Organisation.** Collective of farmers; scheme for 10,000 FPOs launched in 2020 to give small farmers bargaining power.
FRBM Act	**Fiscal Responsibility and Budget Management Act, 2003.** Law setting fiscal discipline rules, such as a fiscal deficit target of 3% of GDP and removal of the revenue deficit.
Frictional unemployment	Short-term unemployment while people move between jobs or enter the job market.

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Term	Meaning
FRP	**Fair and Remunerative Price.** Price for sugarcane fixed by the government on CACP's recommendation.
FSDC	**Financial Stability and Development Council.** Set up in 2010 and chaired by the Union Finance Minister; coordinates among financial regulators.
FTA	**Free Trade Area.** Tariffs removed on most trade among members, but each keeps its own tariffs on outsiders; examples: SAFTA, USMCA.
Full employment	Everyone who wants a job at the going wage can get one; some frictional unemployment remains.
Futures	Contract in which both buyer and seller must complete the deal at a fixed price on a future date.
FVCI	**Foreign Venture Capital Investor.** Foreign investor in unlisted start-ups and venture funds, registered with SEBI.

G

Term	Meaning
G-secs	See **Government securities**.
G20	Forum of major economies; India held the Presidency in 2023 and the African Union became a permanent member.
GAAR	**General Anti-Avoidance Rules.** 2017 rules that stop arrangements whose main purpose is to avoid tax.
Gadgil formula	Formula for sharing central plan assistance among States, adopted in the 4th Plan.
Gandhian Plan	1944 plan by Shriman Narayan focused on village industries and a decentralised rural economy.
Garibi Hatao	Slogan and aim of the 5th Plan (1974-79): removal of poverty and self-reliance.
GATS	**General Agreement on Trade in Services.** WTO agreement on services through four modes: cross-border supply, consumption abroad, commercial presence and movement of persons.
GATT	**General Agreement on Tariffs and Trade.** Signed 1947 by 23 countries and in effect from 1 January 1948; replaced by the WTO.
GDI	**Gender Development Index.** UNDP index comparing HDI of women and men.
GDP	**Gross Domestic Product.** Total market value of all final goods and services produced within a country's borders in a year.
GDP deflator	(Nominal GDP ÷ Real GDP) × 100. A broad measure of price change across the whole economy.
GeM	**Government e-Marketplace.** 2016 online platform for public procurement.
Gender budgeting	Tracks how much of the budget benefits women; introduced in 2005-06.
GHI	**Global Hunger Index.** Concern Worldwide and Welthungerhilfe index using undernourishment, child stunting, wasting and mortality; India 102nd of 123 in 2025 (score 25.8, "serious").
Giffen good	Rare inferior staple whose demand rises as its price rises, because it is a poor household's main food. Its demand curve slopes upward. Named after Robert Giffen.

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Term	Meaning
GII	**Gender Inequality Index.** UNDP index of reproductive health, empowerment and labour market; India 102nd of 166 in HDR 2025 (not to be confused with the Global Innovation Index).
GII	**Global Innovation Index.** WIPO index (with Cornell and INSEAD) of 139 economies; Switzerland first; India 38th in 2026.
Gini coefficient	Measure of inequality from 0 (perfect equality) to 1 (perfect inequality); Gini = A ÷ (A + B) on the Lorenz diagram.
Global Economic Prospects	World Bank report published in January and June.
Global Gender Gap Index	WEF index (since 2006) of economic participation, education, health and political empowerment; India 131st of 145 in 2026.
GNP	**Gross National Product.** GDP plus Net Factor Income from Abroad; counts income earned by a country's residents anywhere.
Golden Quadrilateral	Highway link between Delhi, Mumbai, Chennai and Kolkata under NHDP (1998).
Golden Revolution	Growth in horticulture and honey.
Government route	FDI route requiring prior government approval through the concerned ministry.
Government securities (G-secs)	Debt instruments issued by the government; carry no default risk. T-bills are short term and dated securities long term.
Green bond	Bond raising money for environment-friendly projects; India issued sovereign green bonds in 2023.

Term	Meaning
Green Revolution	From 1966-67: high-yielding seeds, fertilisers and irrigation raised wheat and rice output, first in Punjab, Haryana and western UP. Norman Borlaug (world) and M. S. Swaminathan (India).
Green, amber and blue box	Agricultural subsidy categories: green (non-distorting, allowed), amber (trade-distorting, capped by de minimis) and blue (production-limiting).
Greenfield investment	FDI in which a new venture is set up.
Gross cropped area	Total area sown, counting every crop, including repeats on the same land.
Gross investment	Total spending on capital goods in a year.
Gross NPA	Total of all non-performing assets.
GST	**Goods and Services Tax.** Single, destination-based tax on supply of goods and services, in force from 1 July 2017 (101st Amendment). Rates since 22 September 2025: 5%, 18% and 40%.
GST Council	Body under Article 279A chaired by the Union Finance Minister; decisions need a three-fourths weighted majority.
GSTN	**Goods and Services Tax Network.** IT backbone for GST registration, returns and payments.
GVA	**Gross Value Added.** Value of output minus the value of intermediate consumption. In India, GVA at basic prices = GDP at market prices − (product taxes − product subsidies).

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H

Term	Meaning
HAM	**Hybrid Annuity Model.** Government pays part of the project cost during construction and the rest as annual payments, so the private partner carries less risk.
Harrod-Domar model	Growth depends on the savings rate and capital-output ratio; basis of the 1st Plan.
HCES	**Household Consumption Expenditure Survey.** NSO survey on household spending; used for CPI weights and poverty analysis.
HDI	**Human Development Index.** UNDP index (since 1990, Mahbub ul Haq and Amartya Sen) of health, education and standard of living. India: 130th of 193, HDI 0.685 (HDR 2025).
Headcount ratio	Share of the population living below the poverty line.
Headline inflation	Inflation based on the full basket of goods and services.
Hedging	Using derivatives to reduce risk.
Hindu rate of growth	Term coined by Raj Krishna for India's low growth (about 3.5% a year) from 1950 to about 1980.
Hot money	Volatile portfolio capital that can leave a country quickly.
Hyperinflation	Extremely rapid price rise, as in Germany in the 1920s and Zimbabwe in the 2000s.

I

Term	Meaning
IBBI	**Insolvency and Bankruptcy Board of India.** Regulator under the IBC.
IBC	**Insolvency and Bankruptcy Code, 2016.** Time-bound resolution of insolvency through the NCLT, with a limit of about 330 days.
ICI	**Index of Core Industries.** Tracks core industry output (compiled by DPIIT); new series base 2022-23 released 20 July 2026, with nine industries including iron ore.
IDRA, 1951	**Industries (Development and Regulation) Act.** Introduced industrial licensing.
IFD	**Investment Facilitation for Development.** Plurilateral agreement; India blocked it at MC14.
IFSCA	**International Financial Services Centres Authority.** Regulator of financial services in International Financial Services Centres such as GIFT City (set up 2020).
IGST	**Integrated Goods and Services Tax.** GST on inter-state supply and on imports; collected by the Centre and shared with the destination state.
IHDI	**Inequality-adjusted Human Development Index.** HDI discounted for inequality.
IIFCL	**India Infrastructure Finance Company Ltd.** Government-owned infrastructure lender, set up in 2006.
IIP	**Index of Industrial Production.** Monthly index of the volume of industrial output, compiled by NSO; new base year 2022-23.

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Term	Meaning
IIP	**International Investment Position.** Stock of a country's external financial assets and liabilities at a point of time (not to be confused with the Index of Industrial Production).
IMEC	**India-Middle East-Europe Economic Corridor.** Announced at the G20 New Delhi Summit (September 2023); links India, the Gulf, Israel and Europe.
Impact and incidence of tax	Impact is on the person who first pays the tax; incidence is on the person who finally bears the burden.
Imperative planning	State gives orders and targets that must be followed, as in the former Soviet Union.
Imperial Bank of India	Formed in 1921 by merging the three Presidency Banks; became the State Bank of India in 1955.
Import cover	Foreign exchange reserves expressed in months of imports; a measure of adequacy.
Imported inflation	Price rise caused by costlier imports such as crude oil, or a weaker rupee.
IMPS	**Immediate Payment Service.** Instant interbank transfer through mobile, available 24x7.
Income-tax Act, 2025	New direct tax law replacing the Income-tax Act, 1961, in force from 1 April 2026; uses a single "tax year" and has 536 sections.
India VIX	Index of expected market volatility; called the "fear index".
Indicative planning	State sets broad goals and guides the private sector through incentives. India moved towards this after 1991.

Term	Meaning
Indirect tax	Tax whose burden can be passed on to the consumer, such as GST and customs duty.
Indradhanush	2015 seven-point plan to revive public sector banks: Appointments, Bank Board Bureau, Capitalisation, De-stressing, Empowerment, Accountability and Governance reforms.
Industrial corridor	Planned industrial zone along transport routes, such as the Delhi-Mumbai Industrial Corridor.
Industrial licensing	Government permission to set up or expand an industry; now needed for only a few industries such as alcohol, tobacco and defence electronics.
Industrial Policy Resolution, 1956	Called the "economic constitution" of India; Schedules A (State monopoly), B (State leads, private joins) and C (private).
Inferior good	Good whose demand falls when income rises, such as coarse grains.
Inflation	Sustained rise in the general price level that reduces the purchasing power of money.
Inflation targeting	Framework since 2016 where the RBI aims at 4% CPI inflation with a band of ±2%. Retained for 1 April 2026 to 31 March 2031.
Infrastructure	Basic physical systems supporting production and daily life: economic (transport, energy, communication) and social (schools, hospitals, housing).
Insider trading	Trading on unpublished price-sensitive information; banned and punished by SEBI.

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Term	Meaning
INSTC	**International North-South Transport Corridor.** Shortens routes between India, Iran, Russia and Central Asia.
Intermediate goods	Goods used up as inputs to make other goods, such as rubber used for tyres.
Internal debt	Government borrowing within India through securities, treasury bills and small savings.
International Poverty Line	World Bank line of $3.00 a day (2021 PPP) since June 2025, replacing $2.15 (2017 PPP).
Invest India	National investment promotion and facilitation agency, set up in 2009 under DPIIT.
Invisibles	Services, income and transfers in the current account; not physical goods.
InvIT	**Infrastructure Investment Trust.** Trust regulated by SEBI (since 2014) that lets investors put money in completed infrastructure projects.
IPO	**Initial Public Offer.** Company offers shares to the public for the first time.
IRDAI	**Insurance Regulatory and Development Authority of India.** Regulator of the insurance sector.
ITC	**Input Tax Credit.** Seller can set off tax paid on inputs against tax on output, so tax is charged only on the value added.
ITO	**International Trade Organisation.** Planned in the Havana Charter (1948); never set up.

J

Term	Meaning
J-curve	After depreciation, the trade deficit may first widen and then improve.
Jal Jeevan Mission	2019 mission to provide tap water to every rural household.
Jobless growth	Economy grows but few new jobs are created.

K

Term	Meaning
KCC	**Kisan Credit Card.** 1998 scheme giving short-term crop loans at subsidised interest; collateral-free limit raised to Rs 5 lakh in Budget 2025-26.
Kelkar Task Force	2002 task force that recommended a broad VAT and later a national GST.
Kharif	Crops sown with the monsoon (June to July) and harvested September to October: rice, maize, cotton, groundnut and others.
Kuznets curve	Inverted-U: inequality first rises and then falls as income grows (Simon Kuznets).
KYC	**Know Your Customer.** Norms to verify customer identity and prevent money laundering and fraud.

L

Term	Meaning
Labour Codes	Four codes in force from 21 November 2025 merging 29 central labour laws: Wages, Industrial Relations, Social Security, and Occupational Safety, Health and Working Conditions.
Labour force	Persons who are employed plus those who are unemployed (seeking or available for work).

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Term	Meaning
LAF	**Liquidity Adjustment Facility.** Introduced in 2000; manages day-to-day liquidity through repo and reverse repo.
Laffer curve	Inverted-U showing tax revenue rising with the tax rate and then falling; revenue is zero at 0% and 100%.
Lakdawala Committee	1993 committee: state-specific poverty lines, updated using CPI-AL and CPI-IW.
Land ceiling	Limit on the area one family can own; surplus land goes to the landless.
Lead Bank Scheme	1969 scheme assigning each district to a bank to coordinate credit and banking services.
Leakages and injections	Leakages (savings, taxes, imports) take money out of the circular flow; injections (investment, government spending, exports) add money back.
Lender of last resort	Role of the central bank in giving emergency funds to banks facing a liquidity crisis.
LERMS	**Liberalised Exchange Rate Management System.** March 1992 dual exchange rate system; unified into a market-determined rate in March 1993.
LFPR	**Labour Force Participation Rate.** Labour force ÷ population × 100.
Local Area Bank	Small bank working within a few districts; introduced in 1996.
Lorenz curve	Plots the cumulative share of income against the cumulative share of population; the farther from the line of equality, the greater the inequality.
LPG reforms	**Liberalisation, Privatisation and Globalisation.** Economic reforms begun in 1991 after the balance of payments crisis.
LPI	**Logistics Performance Index.** World Bank index; India ranked 38th in 2023 (44th in 2018).
Luxury good	Good whose demand rises more than proportionately as income rises.

M

Term	Meaning
M0 (Reserve money)	Currency in circulation + bankers' deposits with the RBI + other deposits with the RBI. Also called high-powered money.
M1 (Narrow money)	Currency with the public + demand deposits with banks + other deposits with the RBI.
M2	M1 plus savings deposits with Post Office Savings Banks.
M3 (Broad money)	M1 plus time deposits with banks; the most commonly used measure of money supply.
M4	M3 plus all deposits with Post Office Savings Banks (excluding National Savings Certificates).
Macroeconomics	Branch dealing with the economy as a whole: GDP, inflation, unemployment and policy.
Mahalanobis model	Priority to capital goods and heavy industry to build a base for long-run growth; basis of the 2nd Plan.
Make in India	Launched 25 September 2014 to make India a manufacturing hub; target of 25% manufacturing share in GDP not yet reached.
Managed float	Market sets the exchange rate and the RBI steps in only to reduce volatility; India's system since 1993.

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Term	Meaning
Margin requirement	Difference between the value of a loan's security and the loan amount.
Market price (MP)	Price actually paid, including indirect taxes and net of subsidies.
Marshall-Lerner condition	Depreciation improves the trade balance only if the sum of export and import demand elasticities is greater than one.
Masala bond	Rupee-denominated bond sold to investors abroad (from 2014); exchange rate risk is borne by the investor.
MAT	**Minimum Alternate Tax.** Companies with low taxable profit must still pay a minimum tax on book profits.
MCLR	**Marginal Cost of Funds based Lending Rate.** Lending benchmark from April 2016 linked to banks' own cost of funds.
Merit good	Good such as education or health that gives society benefits beyond the buyer's own; the state encourages or provides it.
MFN	**Most Favoured Nation.** A trade benefit given to one WTO member must be given to all members.
MGNREGA	**Mahatma Gandhi National Rural Employment Guarantee Act, 2005.** Gave a legal right to 100 days of wage employment to rural households; demand-driven; replaced by VB-G RAM G.

Term	Meaning
MIBOR	**Mumbai Interbank Offer Rate.** Benchmark short-term rate in the interbank market.
Microeconomics	Branch dealing with decisions of individual units such as a household, a firm or a single market.
Minimum Reserve System	System followed since 1957 under which the RBI must hold at least Rs 200 crore of assets (Rs 115 crore gold and Rs 85 crore foreign securities) as backing for notes.
Ministerial Conference	WTO's highest decision-making body; meets at least once every two years. MC14 (Yaounde, March 2026) ended without consensus.
Mission for Aatmanirbharta in Pulses	Six-year mission (outlay Rs 11,440 crore) aiming at 350 lakh tonnes of pulses by 2030-31.
Mixed economy	Public and private sectors exist together; the state regulates and provides public goods. India follows this model.
MMRP	**Mixed Modified Reference Period.** Method of collecting consumption data used in HCES since 2022-23.
MODVAT	**Modified Value Added Tax.** 1986 scheme giving credit for tax paid on inputs and reducing the cascading effect of taxes.
Monetary policy	RBI's management of money supply and interest rates to achieve price stability and support growth.

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Term	Meaning
Monetary Policy Report	RBI report published twice a year (April and October) with the inflation and growth outlook.
Monetised deficit	Deficit financed by borrowing from the RBI; automatic monetisation ended in 1997.
Money	Anything generally accepted in payment: medium of exchange, unit of account, store of value and standard of deferred payment.
Money market	Market for short-term funds with maturity up to one year; regulated by the RBI.
Money multiplier	M3 ÷ M0; shows how a bank deposit lent out again and again creates a multiple of reserve money.
Moral suasion	Persuasion, advice and informal requests by the RBI to banks.
MP	See **Market price**.
MPC	**Monetary Policy Committee.** Six-member statutory body (Finance Act, 2016; Section 45ZB of the RBI Act) that sets the policy rate; Governor has a casting vote; meets at least four times a year.
MPI	**Multidimensional Poverty Index.** Counts overlapping deprivations in health, education and living standards; MPI = H × A (headcount ratio × intensity). Global MPI is by UNDP and OPHI (10 indicators); India's National MPI by NITI Aayog has 12 indicators.

Term	Meaning
MPIA	**Multi-Party Interim Appeal Arbitration Arrangement.** 2020 workaround to the Appellate Body used by the EU and some others; India is not part of it.
MRTP Act, 1969	**Monopolies and Restrictive Trade Practices Act.** Controlled concentration of economic power; replaced by the Competition Act, 2002.
MSF	**Marginal Standing Facility.** Overnight borrowing by banks from the RBI against their SLR holdings in an emergency; rate is above repo and sets the upper end of the corridor.
MSME	**Micro, Small and Medium Enterprises.** Classified by investment and turnover (from 1 April 2025): micro up to Rs 2.5 crore and Rs 10 crore; small Rs 25 crore and Rs 100 crore; medium Rs 125 crore and Rs 500 crore.
MSP	**Minimum Support Price.** Floor price for farm produce, announced by the CCEA on CACP's recommendation for 22 mandated crops. Kharif 2026-27: common paddy Rs 2,441 per quintal.
MSS	**Market Stabilisation Scheme.** Started in 2004; RBI sells special government bonds to absorb excess liquidity.
Mutual fund	Pool of money from many investors, invested in securities by an Asset Management Company.

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N

Term	Meaning
NABARD	**National Bank for Agriculture and Rural Development.** Apex body for agricultural and rural credit, set up in 1982.
NaBFID	**National Bank for Financing Infrastructure and Development.** 2021 development finance institution for infrastructure.
NAPS	**National Apprenticeship Promotion Scheme.** 2016 scheme supporting employers who train apprentices.
Narasimham Committee	Banking reform committees: I (1991) cut SLR/CRR, freed interest rates and set prudential norms; II (1998) raised capital adequacy to 9% and advised merging strong banks.
NARCL	**National Asset Reconstruction Company Ltd.** The "bad bank" set up in 2021 to take over large stressed loans.
National income	NNP at factor cost: total income earned by a country's factors of production.
National Logistics Policy	September 2022 policy to cut logistics costs; includes the Unified Logistics Interface Platform (ULIP).
National Monetisation Pipeline (NMP)	2021 plan to lease government infrastructure assets to private players for a fixed period.
National treatment	Imported goods must be treated no less favourably than domestic goods once they enter the market.
Nationalisation of banks	14 major banks nationalised on 19 July 1969 (deposits above Rs 50 crore) and 6 more on 15 April 1980 (deposits above Rs 200 crore).
Natural rate of unemployment	Rate at which frictional and structural unemployment exist even at full employment.
NAV	**Net Asset Value.** Price per unit of a mutual fund: (assets − liabilities) ÷ number of units.
Navratna and Maharatna	Special status for large, profitable public sector companies giving them more financial freedom; Miniratna is the lower category.
NBFC	**Non-Banking Financial Company.** Company that lends and invests but is not a bank; cannot accept demand deposits; regulated by the RBI.
NBS	**Nutrient Based Subsidy.** Since 2010, subsidy on phosphatic and potassic fertilisers fixed per nutrient.
NCLT	**National Company Law Tribunal.** Tribunal that handles company insolvency cases under the IBC.
NCS	**National Career Service.** 2015 portal matching job seekers with employers.
NDB	**New Development Bank.** BRICS bank headquartered in Shanghai, set up by the Fortaleza Summit (2014).

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Term	Meaning
NDC	**National Development Council.** Non-constitutional body set up in 1952, chaired by the Prime Minister; approved the Five Year Plans and linked the Centre and States.
NDI Rules, 2019	**Foreign Exchange Management (Non-Debt Instruments) Rules.** Rules governing foreign investment in equity in India.
NDP	**Net Domestic Product.** GDP minus depreciation.
NDTL	**Net Demand and Time Liabilities.** Total demand and time deposits of a bank (net of interbank items); the base on which CRR and SLR are applied.
Neem-coated urea	Compulsory since 2015 to reduce diversion of urea to industry and improve nitrogen use.
NEER	**Nominal Effective Exchange Rate.** Rupee's value against a basket of currencies, weighted by trade.
NEFT	**National Electronic Funds Transfer.** Electronic fund transfer in batches; available 24x7.
Negative consensus	A ruling is adopted unless every member votes against it.
Net errors and omissions	Balancing item for mistakes and missing data in the BoP.
Net investment	Gross investment minus depreciation.
Net NPA	Gross NPA minus provisions made by the bank.
Net sown area	Area sown counting each piece of land once.

Term	Meaning
NFHS	**National Family Health Survey.** Health survey by the Ministry of Health and IIPS Mumbai; NFHS-5 (2019-21) is widely used.
NFIA	**Net Factor Income from Abroad.** Income earned by residents abroad minus income earned by foreigners in the country.
NFSA	**National Food Security Act, 2013.** Covers up to 75% of rural and 50% of urban population with 5 kg of foodgrain per person a month; Antyodaya households get 35 kg per household.
Nifty 50	NSE index of 50 companies, base November 1995 = 1000.
NIIF	**National Investment and Infrastructure Fund.** 2015 fund to attract domestic and foreign long-term capital.
NIP	**National Infrastructure Pipeline.** December 2019 pipeline of projects worth over Rs 100 lakh crore for 2020 to 2025.
NITI Aayog	**National Institution for Transforming India.** Policy think tank formed on 1 January 2015 by a Cabinet resolution; promotes cooperative federalism; does not allocate funds.
NMP	See **National Monetisation Pipeline**.
NNP	**Net National Product.** GNP minus depreciation. NNP at factor cost is national income.
Nominal GDP	GDP measured at current prices, so it is affected by inflation.
Normal good	Good whose demand rises when income rises.

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Term	Meaning
NPA	**Non-Performing Asset.** Loan whose interest or principal is overdue for more than 90 days.
NPCI	**National Payments Corporation of India.** Umbrella organisation for retail payments in India; runs UPI and RuPay.
NSAP	**National Social Assistance Programme.** 1995 programme giving pensions to the elderly, widows and persons with disabilities among the poor.
NSDL and CDSL	**National Securities Depository Ltd (1996) and Central Depository Services Ltd (1999).** India's two depositories, under the Depositories Act, 1996.
NSE	**National Stock Exchange.** Set up 1992; trading began 1994; first fully electronic, demutualised exchange; index is the Nifty 50.
NSO	**National Statistics Office.** Body under MoSPI that compiles national accounts, CPI, IIP and surveys such as PLFS.

Term	Meaning
OMO	**Open Market Operations.** RBI buying or selling government securities. Buying adds liquidity; selling removes it.
OMSS	**Open Market Sale Scheme.** FCI sells grain from its stocks in the open market to ease prices.
Open unemployment	Able-bodied people willing to work but with no job at all.
OPHI	**Oxford Poverty and Human Development Initiative.** Research centre that co-publishes the global MPI with UNDP.
Opportunity cost	Value of the next best alternative given up when a choice is made.
Options	Contract giving the buyer a right, not an obligation, to buy or sell; the buyer pays a premium.
Organised sector	Formal sector registered with the government and covered by labour laws; workers get regular wages and social security.
Outcome budgeting	Shows the outcomes expected from each scheme; presented from 2005-06.

O

Term	Meaning
ODI	**Overseas Direct Investment.** Investment by Indian entities in foreign firms, under the Overseas Investment Rules, 2022.
OFS	**Offer for Sale.** Existing promoters or large shareholders sell shares through the exchange.

P

Term	Meaning
P-Notes	**Participatory Notes.** Issued by registered FPIs to overseas investors not directly registered with SEBI.
PACS	**Primary Agricultural Credit Society.** Village-level cooperative credit society at the base of the rural cooperative credit structure.

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Term	Meaning
Palma ratio	Income share of the top 10% divided by that of the bottom 40%.
Paramparagat Krishi Vikas Yojana	2015 scheme promoting organic farming in clusters.
Payments Bank	Bank that accepts deposits (limit Rs 2 lakh per customer) and offers payment services but cannot lend. First: Airtel Payments Bank (2016).
PCA	**Prompt Corrective Action.** RBI restrictions on weak banks, triggered by low capital, high NPAs or poor profitability.
PCR	See **Provision Coverage Ratio**.
Peace clause	Interim 2013 Bali decision that protects food stockholding programmes from legal challenge until a permanent solution.
People's Plan	1945 plan by M. N. Roy based on socialist ideas and priority to agriculture.
Per capita income	National income divided by population.
Performance budgeting	Links money allotted to the work and results expected.
PFRDA	**Pension Fund Regulatory and Development Authority.** Regulator of the pension sector, including the National Pension System.
Phillips curve	Short-run trade-off between inflation and unemployment (A. W. Phillips, 1958); vertical in the long run.
Plan holiday	1966-69, when three Annual Plans were followed after the failure of the 3rd Plan.

Term	Meaning
Planning	Deliberate use of state power to set economic goals, estimate resources and decide how to use them over a fixed period.
Planning Commission	Body set up in March 1950 by a government resolution (neither constitutional nor statutory) to prepare Five Year Plans. Replaced by NITI Aayog on 1 January 2015.
PLFS	**Periodic Labour Force Survey.** NSO survey launched in April 2017; method changed from January 2025; monthly bulletins since April 2025; covers persons aged 15 and above.
PLI	**Production Linked Incentive.** 2020 incentive schemes paying manufacturers on extra sales to boost output, exports and jobs; 14 sectors; outlay about Rs 1.97 lakh crore.
Plurilateral agreement	Agreement among a subset of WTO members; India opposes bringing such deals into the WTO without consensus.
PM GatiShakti	Launched 13 October 2021; digital master plan bringing many ministries together for multimodal connectivity.
PM Kisan SAMPADA Yojana	Scheme to build cold chains and processing units to cut post-harvest losses.
PM Mudra Yojana	2015 scheme giving collateral-free loans to micro enterprises in three stages: Shishu, Kishore and Tarun.
PM Ujjwala Yojana	2016 scheme giving free LPG connections to women from poor households.

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Term	Meaning
PM-DDKY	**Pradhan Mantri Dhan-Dhaanya Krishi Yojana.** Launched 11 October 2025; aims to lift 100 low-productivity districts, bringing together 36 existing schemes.
PM-JAY	**Ayushman Bharat Pradhan Mantri Jan Arogya Yojana.** 2018 health cover of up to Rs 5 lakh per family per year.
PM-KISAN	2019 income support of Rs 6,000 a year in three instalments to farmer families; fully funded by the Centre.
PM-VBRY	**Pradhan Mantri Viksit Bharat Rozgar Yojana (ELI scheme).** Effective 1 August 2025: first-time employees registered with EPFO get one month's EPF wage up to Rs 15,000; employers get up to Rs 3,000 a month per additional employee.
PMAY	**Pradhan Mantri Awas Yojana.** 2015 housing for all scheme in urban (PMAY-U) and rural (PMAY-G) areas.
PMFBY	**Pradhan Mantri Fasal Bima Yojana.** 2016 crop insurance scheme; premium 2% (kharif), 1.5% (rabi) and 5% (commercial and horticultural crops).
PMGKAY	**Pradhan Mantri Garib Kalyan Anna Yojana.** Free foodgrain to NFSA beneficiaries; extended for five years from January 2024.
PMJDY	**Pradhan Mantri Jan Dhan Yojana.** 2014 financial inclusion scheme: zero-balance accounts, RuPay card, accident insurance and overdraft facility.

Term	Meaning
PMKSY	**Pradhan Mantri Krishi Sinchayee Yojana.** 2015 irrigation scheme: "Har Khet Ko Pani" and "Per Drop More Crop" (micro-irrigation).
PMKVY	**Pradhan Mantri Kaushal Vikas Yojana.** Flagship skill training scheme of the Skill India Mission.
PMMSY	**Pradhan Mantri Matsya Sampada Yojana.** 2020 scheme supporting fish production, cold chains and fishers' welfare.
Poverty	Condition of being unable to meet basic needs such as food, clothing, shelter, health and education.
Poverty gap	Average distance by which the poor fall below the poverty line.
Poverty line	Minimum consumption expenditure needed to meet basic needs.
PPF	**Production Possibility Frontier.** Curve showing the maximum combinations of two goods an economy can produce; points inside show unused resources; growth shifts it outward.
PPI	**Producer Price Index.** Measures prices received by producers; launched in 2026 alongside the new WPI (output, input and service PPIs).
PPP	**Purchasing Power Parity.** Exchange rate that equalises the price of a basket of goods across countries.
Press Note 3 (2020)	Requires prior government approval for FDI from countries sharing a land border with India (or with beneficial owners there); eased for minority investments by Press Note 2 (March 2026).

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Term	Meaning
Price ceiling	Maximum price set below equilibrium; creates a shortage.
Price floor	Minimum price set above equilibrium (like MSP); creates a surplus.
Price Stabilisation Fund	2014-15 fund used to buy pulses and onions in bulk to stabilise prices.
Primary deficit	Fiscal deficit minus interest payments.
Primary income	Compensation of employees plus interest, dividends and profits earned from abroad.
Primary market	Market where new securities are issued to raise money.
Primary sector	Extracts natural resources and raw produce: farming, fishing, mining and forestry.
Primary surplus	Situation where the government's current spending is covered even before interest payments.
Priority sector lending (PSL)	Domestic banks must lend 40% of their credit to priority sectors, including agriculture (18%) and weaker sections (12%).
Private good	Good that is rival and excludable, such as bread or a car.
Private placement	Shares or bonds sold directly to a small group of selected investors.
Progressive tax	Tax rate rises as income rises.
Proportional tax	Same tax rate for everyone.
Provision Coverage Ratio (PCR)	Share of NPAs covered by provisions.
PSH	**Public Stockholding for food security.** India's grain procurement at MSP; WTO measures it against 1986-88 reference prices; India wants a permanent solution.
PSL	See **Priority sector lending**.
PTA	**Preferential Trade Area.** Lower tariffs on selected goods among members; example: APTA.
Public Account of India	Fund for money held by the government as a trustee, such as provident funds and small savings (Article 266(2)).
Public good	Good that is non-rival and non-excludable, such as national defence and street lights.
Put option	Right to sell an asset at a fixed price.

Q

Term	Meaning
QIP	**Qualified Institutional Placement.** Listed company raises money quickly from institutional buyers.
Quad	Strategic grouping of India, the US, Japan and Australia.
Quantity theory of money	MV = PT: more money in the system tends to push prices up.
Quaternary sector	Knowledge-based activities such as research, IT and education.
Quinary sector	Top-level decision making in government and corporations.

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R

Term	Meaning
Rabi	Crops sown October to December and harvested March to April: wheat, barley, gram, mustard.
Rangarajan Committee	2014 committee: higher lines of about Rs 972 (rural) and Rs 1,407 (urban); poverty 29.5% in 2011-12; not adopted.
Rate corridor	Band of rates around the repo rate: SDF < Repo < MSF.
RBI	**Reserve Bank of India.** Central bank, set up on 1 April 1935 under the RBI Act, 1934; nationalised on 1 January 1949; headquartered in Mumbai.
RBI Integrated Ombudsman Scheme	2021 scheme giving customers a single place to make banking complaints.
RBI Retail Direct	2021 scheme letting small investors buy government securities directly.
RCEP	**Regional Comprehensive Economic Partnership.** Asia-Pacific trade bloc in force from 1 January 2022; India withdrew in November 2019.
Real GDP	GDP measured at base-year prices; shows true output growth.
Real interest rate	Nominal interest rate minus inflation rate.
REER	**Real Effective Exchange Rate.** NEER adjusted for inflation differences; a rising REER means the rupee is overvalued and exports less competitive.
Reflation	Deliberate policy to raise prices after deflation.
Regressive tax	Burden is heavier on lower incomes.
Relative poverty	Having much less than others in the same society.
Remittances	Money sent home by workers abroad; India is among the world's largest recipients.
Repo rate	Rate at which the RBI lends short-term funds to banks against government securities; the main policy rate.
Report on Currency and Finance	RBI's annual theme-based study on a major economic issue.
Retrospective tax	2012 law taxing past transactions; withdrawn in 2021 to restore investor confidence.
Revaluation	Deliberate official increase in a currency's value in a fixed system.
Revenue deficit	Revenue expenditure minus revenue receipts; shows the government borrows even for running costs.
Revenue expenditure	Day-to-day running costs: salaries, subsidies, interest and pensions.
Revenue receipts	Receipts that do not create a liability or reduce assets: tax revenue and non-tax revenue.
Reverse repo rate	Rate at which the RBI borrows from banks; lower than the repo rate.
Rights issue	New shares offered to existing shareholders first, in proportion to what they hold.
Rival good	A good that one person's use reduces the amount available to others.
RoDTEP	**Remission of Duties and Taxes on Exported Products.** Refunds embedded taxes on exports that are not otherwise returned.

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Term	Meaning
Rolling plan	Plan revised every year with targets extended forward; introduced by the Janata government (1978-80).
Round-tripping	Indian money going out and returning as foreign investment to gain tax or other benefits.
RRB	**Regional Rural Bank.** Bank set up in 1975 (RRB Act, 1976) for rural areas; owned 50% Centre, 15% State and 35% sponsor bank.
RTGS	**Real Time Gross Settlement.** Real-time settlement for large payments; minimum Rs 2 lakh.
RTP	**Reserve Tranche Position.** India's quota deposit at the IMF that it can draw on without conditions.
Rules of origin	Rules deciding whether a good was made in a member country and so qualifies for tariff benefits.

S

Term	Meaning
S&DT	**Special and Differential Treatment.** Extra flexibility and longer time for developing and least developed countries.
SAARC	**South Asian Association for Regional Cooperation.** Founded 1985; eight members; secretariat in Kathmandu; largely inactive since 2016.
Safeguard duty	Temporary duty to protect domestic industry from a sudden surge of imports.
SAFTA	**South Asian Free Trade Area.** In force from 1 January 2006.
Sagarmala	2015 programme for port-led development.
SARFAESI Act	**Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002.** Lets banks take over and sell a defaulter's security without going to court; does not apply to agricultural land.
Sarvodaya Plan	1950 plan by Jayaprakash Narayan, inspired by Gandhi and Vinoba Bhave.
SAT	**Securities Appellate Tribunal.** Hears appeals against SEBI orders; further appeal lies to the Supreme Court.
Scheduled bank	Bank listed in the Second Schedule of the RBI Act, 1934; others are non-scheduled banks.
SCO	**Shanghai Cooperation Organisation.** Formed 2001; India became a full member in 2017.
SDF	**Standing Deposit Facility.** Introduced in 2022; lets banks park surplus funds with the RBI without collateral; sets the lower end of the rate corridor.
SDL	**State Development Loan.** Bond issued by a State government.
SDR	**Special Drawing Rights.** International reserve asset created by the IMF; valued by a basket of US dollar, euro, Chinese yuan, Japanese yen and British pound.
SDR	**Sustainable Development Report.** SDSN ranking on the 17 SDGs; India 94th of 167 in 2026. (Not Special Drawing Rights.)

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Term	Meaning
Seasonal unemployment	Work available only in certain seasons, as in farming and tourism.
SEBI	**Securities and Exchange Board of India.** Regulator of the securities market; set up in 1988, statutory since the SEBI Act, 1992; appeals go to SAT.
Secondary income	Transfers such as remittances.
Secondary market	Market where existing securities are traded, such as stock exchanges.
Secondary sector	Turns raw materials into finished goods: manufacturing, construction and power.
Selective credit control	Limits on credit for specific sectors or commodities.
Sensex	BSE index of 30 companies, started in 1986 with base 1978-79 = 100.
Service tax	Tax on services introduced in 1994; subsumed in GST.
SEZ	**Special Economic Zone.** Zone with tax and duty benefits to promote exports; governed by the SEZ Act, 2005. Asia's first EPZ was at Kandla (1965).
SFB	See **Small Finance Bank**.
SGB	See **Sovereign Gold Bond**.
SGST	**State Goods and Services Tax.** State GST on supply within a State (UTGST in Union Territories).
Shortage	Situation where demand exceeds supply at the going price.
Shrinkflation	Pack size is reduced while the price stays the same.
Silver Revolution	Growth in poultry and eggs.
SIP	**Systematic Investment Plan.** Investing a fixed amount at regular intervals.

Term	Meaning
Skewflation	Prices of only some commodities rise sharply while others stay stable.
Skill India Mission	Launched 15 July 2015 (World Youth Skills Day) with the PMKVY as its flagship scheme.
SLR	**Statutory Liquidity Ratio.** Share of NDTL that banks must keep with themselves in cash, gold or government securities. It cannot exceed 40% under the Banking Regulation Act.
Small Finance Bank (SFB)	Bank serving small borrowers and unserved groups; at least 75% of credit must go to the priority sector.
Socialism	System where the state owns or controls the main resources, aiming at equality and welfare.
SOFI	**State of Food Security and Nutrition in the World.** FAO-led annual report on hunger and nutrition.
Soil Health Card	2015 card giving farmers the nutrient status of their soil and fertiliser advice.
Sovereign Gold Bond (SGB)	2015 scheme letting investors hold gold in paper form and earn interest.
Spaghetti bowl effect	Confusion from overlapping trade agreements with different rules; term linked to Jagdish Bhagwati.
Special Rupee Vostro Account	From July 2022, accounts through which trade can be invoiced and settled in rupees.
Speculation	Betting on price movements to make profit.
SPS and TBT	**Sanitary and Phytosanitary / Technical Barriers to Trade.** Agreements on food safety, animal and plant health, and technical standards.

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Term	Meaning
SRAS	**Short-Run Aggregate Supply.** Aggregate supply curve in the short run, shifted by input costs.
SSM	**Special Safeguard Mechanism.** Proposed tool for developing countries to raise tariffs temporarily if imports surge or prices fall.
Stagflation	High inflation together with high unemployment and slow growth.
Stand-Up India	2016 scheme of bank loans for women and SC/ST entrepreneurs to start new businesses.
Start-up India	2016 initiative offering tax benefits, funding support and easier rules to new firms.
Strategic disinvestment	Sale that transfers management control, as with Air India (to Tata Group, January 2022).
Structural inflation	Caused by supply bottlenecks and poor storage, transport or marketing, especially for food.
Structural unemployment	Mismatch between workers' skills and available jobs; long-lasting.
STT	**Securities Transaction Tax.** Tax on buying and selling of listed securities; introduced in 2004.
Sub-standard, doubtful and loss assets	Categories of NPAs: sub-standard (NPA up to 12 months), doubtful (more than 12 months) and loss (considered uncollectable).
Substitute goods	Goods that can replace each other (tea and coffee). If one becomes costlier, demand for the other rises.
Surcharge	Extra tax on top of a tax (Article 271); retained by the Centre.
Surplus	Situation where supply exceeds demand at the going price.
Swaminathan Commission	**National Commission on Farmers.** Report of 2006; recommended MSP at C2 + 50%.

T

Term	Meaning
T-bill	See **Treasury bill**.
T+1 settlement	Trades are settled on the next working day; adopted by India in 2023.
Tariff binding	Members commit to upper limits ("bound rates") on tariffs.
Tax	Compulsory payment to the government with no direct return benefit for the payer.
Tax avoidance	Legal use of loopholes and planning to reduce tax.
Tax base	Income, property or transaction on which tax is charged.
Tax buoyancy	How much tax revenue rises with a rise in GDP, including the effect of policy changes.
Tax evasion	Illegal hiding of income or facts to pay less tax.
Tax haven	Country with very low or zero taxes that attracts foreign money.
Tax year	Single term (1 April to 31 March) replacing "previous year" and "assessment year" in the Income-tax Act, 2025.
Tax-GDP ratio	Tax revenue as a percentage of GDP; shows how much of the economy the state taxes.
Taxpayers' Charter	2020 charter setting out taxpayers' rights and the tax department's duties.

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Term	Meaning
TCS	**Tax Collected at Source.** Tax collected by the seller at the time of specified sales.
TDS	**Tax Deducted at Source.** Tax deducted by the payer at the time of paying salaries and other specified payments.
Technological unemployment	Job loss because machines or software replace human labour.
Tenancy reforms	Rules that regulate rent, give security of tenure and confer ownership rights on tenants.
Tendulkar Committee	2009 committee: moved away from the calorie norm; line for 2011-12 about Rs 816 (rural) and Rs 1,000 (urban) a month; poverty 21.9% in 2011-12.
TEPA	**Trade and Economic Partnership Agreement.** Includes investment commitments; India-EFTA TEPA in force 1 October 2025, with US$100 billion investment commitment.
Tertiary sector	Provides services: banking, transport, health, retail. It gives India's largest share of GDP.
TFA	**Trade Facilitation Agreement.** Agreed at Bali (MC9, 2013); in force 22 February 2017; simplifies customs procedures.
TOT	**Toll-Operate-Transfer.** Existing public highways are leased to private operators for a fixed period.
Trade creation	Trade shifts to a more efficient member producer; a gain (Jacob Viner).
Trade diversion	Trade shifts from a cheaper outside producer to a costlier member; a loss (Jacob Viner).
Transfer payments	One-way payments with no goods or services in return, such as pensions and PM-KISAN. They are not counted in GDP.
Treasury bill (T-bill)	Short-term government debt (91, 182 and 364 days), issued at a discount and repaid at face value.
TREPS	**Tri-Party Repo.** Short-term borrowing against government securities, run by the Clearing Corporation of India.
TRIMs	**Trade-Related Investment Measures.** Rules on investment measures that affect trade, such as local content rules.
TRIPS	**Trade-Related Aspects of Intellectual Property Rights.** Minimum standards for patents, copyright and geographical indications.

U

Term	Meaning
UDAN	**Ude Desh ka Aam Naagrik.** 2016 scheme making regional flights affordable.
Udyam Registration	Online MSME registration system from July 2020.
Underemployment	Working fewer hours or at jobs below one's skills.
Unemployment	Condition of being able and willing to work at the going wage and looking for work, but not finding any.
Unemployment rate (UR)	Unemployed persons ÷ labour force × 100.

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Term	Meaning
Union Budget	Annual Financial Statement under Article 112: estimated receipts and expenditure for the financial year (1 April to 31 March). Presented on 1 February.
Unorganised sector	Informal sector of small, unregistered units without fixed terms of work or social security, such as street vendors.
UPI	**Unified Payments Interface.** Instant mobile payment system launched in 2016 by NPCI.
UR	See **Unemployment rate**.
Uruguay Round	1986-94 GATT round (launched at Punta del Este, concluded at Marrakesh) that created the WTO and added services, IP and agriculture.
USMCA	**United States-Mexico-Canada Agreement.** Replaced NAFTA in 2020.
Usual Status (ps+ss)	Employment measured over 365 days using principal status (longer time spent) and subsidiary status (30 days or more); shows long-term trends.
UTI	**Unit Trust of India.** First mutual fund in India, set up in 1963.

V

Term	Meaning
VAT	**Value Added Tax.** Tax on value added at each stage of production; replaced State sales tax in 2005 and was later subsumed in GST.
VB-G RAM G Act, 2025	**Viksit Bharat Guarantee for Rozgar and Ajeevika Mission (Gramin).** Replaced MGNREGA from 1 July 2026; guarantees 125 days of wage employment per rural household.
Veblen good	Status good whose demand rises with its price, because a high price signals prestige. Named after Thorstein Veblen.
VGF	**Viability Gap Funding.** Government grant to make a socially useful but not fully profitable project attractive to private investors.
Vicious circle of poverty	Low income leads to low savings and investment, which keeps income low; linked to Ragnar Nurkse.
Visvesvaraya Plan	1934 "Planned Economy for India" by M. Visvesvaraya, the first serious blueprint for planning.
Vote on Account	Advance grant by Lok Sabha (Article 116) to meet expenditure until the Budget is passed.
VRR	**Voluntary Retention Route.** 2019 route encouraging longer-term foreign investment in debt.

W

Term	Meaning
Wage-price spiral	Higher wages raise costs and prices, which lead to demands for still higher wages.
WDRA	**Warehousing Development and Regulatory Authority.** Set up in 2007; regulates negotiable warehouse receipts.
Wealth tax	Abolished in 2015 and replaced by an additional surcharge on the super-rich.

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Term	Meaning
WEO	**World Economic Outlook.** IMF report published in April and October, with updates in January and July.
White Revolution	Operation Flood (1970), led by Verghese Kurien with NDDB (1965); made India the world's largest milk producer.
WIR	**World Investment Report.** UNCTAD's annual report on global FDI.
WPI	**Wholesale Price Index.** Measures wholesale prices of goods only (no services); compiled by DPIIT; new base year 2022-23 from June 2026; to be replaced by PPI in about five years.
WPR	**Worker Population Ratio.** Employed persons ÷ population × 100.
WTO	**World Trade Organisation.** Came into existence on 1 January 1995; headquartered in Geneva; 166 members; India is a founding member.

Y

Term	Meaning
Yellow Revolution	Oilseed production boost through the Technology Mission on Oilseeds (1986).
Yield	Return earned on a bond; moves in the opposite direction to the bond price.
Yield curve	Plot of yields on bonds of different maturities; normal slopes upward, inverted slopes downward and is seen as a recession signal.

Z

Term	Meaning
Zaid	Summer crops grown between rabi and kharif: watermelon, cucumber, fodder.
Zero-based budgeting	Every expense is justified afresh each year instead of carrying over the last year's amount.

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