



**Jayakrishnan
EduTips**

COMMON **BANKING FINANCIAL & COMPUTER AWARENESS**



HIGHLIGHTS

- .Extensive MCQs with Detailed Solutions
- .Precisely Aligned with the Latest Banking Exam Pattern
- .Time-Saving Techniques (TST) for Faster and Accurate Problem-Solving

**Jayakrishnan
Ramachandran**



Contact Info

Phone No: +91 9074564415

Mail: mail@jayakrishnanramachandran.in

Website: www.jayakrishnanramachandran.in



Disclaimer

This book is meant for educational and learning purposes. The author(s) of the book has/have taken all reasonable care to ensure that the contents of the book do not violate any existing copyright or other intellectual property rights of any person in any manner whatsoever. In the event the author(s) has/have been unable to track any source and if any copyright has been inadvertently infringed, please notify the publisher in writing for corrective action.

Every effort has been made to avoid errors or omissions in this publication. In spite of this, errors may creep in. Any mistake, error or discrepancy noted may be brought to our notice which shall be taken care of in the next edition. It is notified that neither the publisher nor the author or seller will be responsible for any damage or loss of action to any one, of any kind, in any manner, therefrom. It is suggested that to avoid any doubt the reader should cross-check all the facts, law and contents of the publication with original Government publication or notifications.

For binding mistake, misprints or for missing pages, etc., the publisher's liability is limited to replacement within seven days of purchase by similar edition. All expenses in this connection are to be borne by the purchaser.

All copyright reserved

No part of this book may be reproduced or copied in any form or by any means(graphic, electronic or mechanical, including photocopying, recording, taping, or information retrieval systems) or reproduced on any disc, tape, perforated media or other information storage device, etc., without the written permission of the publishers. Breach of this condition is liable for legal action.

Author represents and warrants that the Author is the author and proprietor and sole owner of all rights in the work, that the Work is original except for such excerpts from copyrighted works as may be included with the permission of the copyright owner thereof, that the Work does not violate the right of privacy of or libel any person that it does not infringe any copyright, trademark, patent or any right of others.

Dear Aspirant,

To succeed in any competitive examination, you need strong internal motivation. No one can force you to prepare & work hard. Your passion for excellence, ability to learn and expert's guidance can certainly determine your success in a top level competitive examination.



Usually students do not know how to start and what to study. To crack any exam, a smart aspirant must know that the previous year exam papers can give the glimpse of the pattern of exam. Besides this targeted preparation under expert guidance coupled with unmatched study material makes the task much easier.

We help you to gain knowledge, simultaneously it also inculcates positive attitude, self-belief and high level of confidence, which is essentially required to qualify in any competitive examinations. We provide a student centric learning environment to simulate intellectual development; encourage analytical thinking that develops competitive ability.

Our goal is to enhance student's achievements by improving their knowledge base & exam taking skills. At the same time you must inculcate positive thought within and always bear in mind that only your own resolution to achieve success is more important than any other one thing.

Students are today enlightened and focused. They know what they are up to. They need just a ray of guidance. I feel I have accomplished the reason of my existence on this earth. Proud to be that faint ray of guidance, proud to be a reason of smile on certain lips, proud to be your teacher, friend and guide.

Jayakrishnan Ramachandran

INDEX

1.	Basics of Economy	5
2.	National Income	6
3.	Planning in India: Pre-Independence	9
4.	NITI Aayog	12
5.	Economic Reforms	13
6.	Inflation	14
7.	Agriculture and Food Management	17
8.	Irrigation & Seed Development	21
9.	WTO and Indian Agriculture	23
10.	Disinvestment	25
11.	MSME Sector	26
12.	Rebooting Infrastructure	28
13.	Indian Financial Market	32
14.	NBFC- Non-Banking Financial Companies	35
15.	Reserve Bank of India	36
16.	Instruments of Monetary Policy	37
17.	Nationalisation and Development of Banking in India	39
18.	Financial Reforms	41
19.	Banking Sector Reforms	43
20.	NPA and its Resolution	44
21.	Insolvency & Bankruptcy	45
22.	CAR & BASEL Norms	46
23.	Types of Money	47
24.	Deposits of NRI's & ATM Types	49
25.	Small and Payment Banks	50
26.	Credit Rating in India	51
27.	Security Market in India	52
28.	Foreign Trade	59
29.	Tax	64
30.	Public Finance	66
31.	Miscellaneous Banking Concepts/Terms	70
32.	Insurance	75
33.	Static General Awareness	82
34.	Banking Awareness - Mocks	109
35.	Computer Awareness - Mocks	198

BASICS OF ECONOMY

Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people.

Distribution networks in Economy: State (Government), Market (Consumers) and State-Market Mix (Govt and Consumers both)

Types of Economy: Capitalistic Economy, Socialist Economy & Mixed Economy.

1. It is a free-market form or may be characterized as an automatic self-regulating system motivated by self-interest of individuals and regulated by competitions: **Capitalist Economy**
2. A type of system in which property is held in common and not individually, and relationships are governed by Political Hierarchy is called: **Socialist Economy**.
3. Any economy in which private parties as well as public enterprises exists side by side and decisions taken through market mechanism are supplemented by some form of partial planning is termed as: **Mixed Economy**

The term 'Washington Consensus' was coined by the US economist: John Williamson (in 1989)

Key policy reforms under Washington consensus:

1. Fiscal discipline
2. A redirection of public expenditure priorities.

3. Tax reform (to lower marginal rates and broaden the tax base)
4. Interest rate liberalization
5. A competitive exchange rate
6. Trade liberalization
7. Liberalization of FDI inflows
8. Privatization
9. Deregulation (in the sense of abolishing barriers to entry and exit)
10. Secure property rights

Sectors of an economy categorized under: Primary, Secondary and tertiary Sector.

1. **Primary Sector:** This sector includes all those economic activities where there is the direct use of natural resources as agriculture, forestry, fishing, fuels, metals, minerals, etc. (Agrarian Economy).
2. **Secondary Sector:** This sector is rightly called the manufacturing sector, which uses the produce of the primary sector as its raw materials (Industrial Economy).
3. **Tertiary Sector:** This sector includes all economic activities where different 'services' are produced such as education, banking, insurance, transportation, tourism, etc. (Service Economy).

Based upon the shares of the particular sectors in the total production, economies can be divided into: Agrarian Economy, Industrial Economy and Service Economy.

NATIONAL INCOME

National Income refers to the money value of all the goods and services produced in a country during a financial year.

There are four ideas/ways to calculate the income of a nation namely GDP, NDP, GNP and NNP.

Gross Domestic Product (GDP) is the value of the all final goods and services produced within the boundary of a nation during one year period.

- For India, this calendar year is from 1st April to 31st March.
- It is also calculated by adding national private consumption, gross investment, government spending and trade balance (exports-minus imports).

Net Domestic Product (NDP) is the GDP calculated after adjusting the weight of the value of 'depreciation'.

- It is, basically the net form of the GDP, i.e., $GDP - \text{Depreciation}$ (wear and tear cost).
- Thus, $NDP = GDP - \text{Depreciation}$.
- That is why, NDP of an economy has to be always lower than its GDP for the same year

Gross National Product (GNP) is the GDP of a country added with its 'income from abroad'.

'Income from Abroad' constitutes:

1. Private Remittances
 2. Interest on External Loans
 3. External Grants
- The balance of all the three components of the 'Income from Abroad' segment may turn out to be positive or negative.
 - But in India's case it has always been negative (due to heavy outflows on account of trade deficits and interest payments on foreign loans).
 - It means, the 'Income from Abroad' is subtracted from India's GDP to calculate its GNP.
 - Formula: $GNP = GDP + \text{Income from Abroad}$.

- This is the 'national income' according to which the IMF ranks the nations of the world in terms of the volumes—at purchasing power parity (PPP).

Net National Product (NNP) of an economy is the GNP after deducting the loss due to 'depreciation'.

- The formula to derive it may be written like: $NNP = GDP + \text{Income from Abroad} - \text{Depreciation}$
- This is the 'National Income' (NI) of an economy and is the purest form.
- When we divide NNP by the total population of a nation we get the 'per capita income' (PCI)

Cost: Income of an economy.

The value of total produced goods and services of economy may be calculated at either the 'factor cost' or the 'market cost'.

The 'factor cost' is the 'input cost' the producer has to incur in the process of producing something.

Example: cost of capital, i.e., interest on loans, raw materials, labour, rent, power, etc.

Also known as 'factory price' or 'production cost/price'.

A '**market cost**' is derived after adding the indirect taxes to the factor cost of the product.

- Example: MRP's of any commodity (includes all types of taxes)
- Also known as 'ex-factory price'.
- Note: India officially used to calculate its national income at factor cost.

Price: Income can be derived at two prices, constant and current.

- The difference in the constant and current prices is only that of the impact of inflation.
- Note: India calculates its national income at constant prices.

Income of a person has three forms: Nominal Income, Real Income and Disposable Income.

1. **Nominal Income:** The wage someone gets in hand per day or per month.
2. **Real Income:** This is nominal income minus the present day rate of inflation—adjusted in percentage form.
3. **Disposable Income:** The net part of wage one is free to use which is derived after deducting the direct taxes from the real/nominal income.

Similar to the indirect taxes, the various subsidies which are forwarded by the governments need to be adjusted while calculating national income.

National Income at Factor Cost = NNP at Market Cost + Subsidies

If the national income is derived at the market cost and governments forward no subsidies there is no need of adjustments for the subsidies.

Putting 'indirect taxes' and 'subsidies' together, India's National Income will thus be derived with the following formula:

National Income at Factor Cost = NNP at Market Cost – Indirect Taxes + Subsidies

- In 2015, The Central Statistics Office (CSO) released the new and revised data of National Accounts.
- The Base Year was revised from 2004–05 to 2011–12. (Revised in every 5 years)
- This was done in accordance with the recommendation of the National Statistical Commission (NSC),

Major changes incorporated are:

1. Headline growth rate will now be measured by GDP at constant market prices.
2. Sector-wise estimates of Gross Value Added (GVA) will now be given at basic prices instead of factor cost.

GVA at factor cost = GVA at basic prices – production taxes – production subsidies.

GDP = GVA at basic prices + product taxes – product subsidies.

Human Development Index

- The dilemma of measuring the developmental level of economies was solved once the United Nations Development Programme (UNDP) published its first Human Development Report (HDR) in 1990.

- The report had a human development index (HDI) which was the first attempt to define and measure the level of development of economies.
- The first such team which developed the HDI was led by Mahbub ul Haq and Inge Kaul.
- The term 'human development' is a corollary of 'development' in the index.

The HDR measures development by combining three indicators—Health, Education and Standard of Living.

- Education component of the HDI is now (since HDR-2010) measured by:
 1. Mean of years of schooling (for adults aged 25 years)
 2. Expected years of schooling (for children of school entering age)
- The Health component is measured by the life expectancy at birth component of the HDI.
- It is calculated using a minimum value of 20 years and maximum value of 83.57 years.
- The Standard of Living component is measured by GNI (Gross National Income/Product) per capita at 'Purchasing Power Parity in US Dollars'.

The scores for the three HDI dimension indices are then aggregated into a composite index using geometric mean.

The UNDP ranked the economies in accordance of their achievements on the above given three parameters on the scale of one (i.e., 0.000–1.000).

Categories with a range of points on the index:

- (i) **High Human Development Countries:** 0.800–1.000 points on the index.
- (ii) **Medium Human Development Countries:** 0.500–0.799 points on the index.
- (iii) **Low Human Development Countries:** 0.000–0.499 points on the index.

- ✓ By 1995, economies around the world had officially accepted the concept of human development propounded by the UNDP.
- ✓ In the past a very small kingdom (Bhutan) had been able to define development in its own way, which included material as well as non-material aspects of life and named it the Gross National Happiness (GNH).

Following are the parameters to attain Happiness are:

1. Higher real per capita income
2. Good governance
3. Environmental protection
4. Cultural promotion (i.e., inculcation of ethical and spiritual values in life)

The World Happiness Report:

Published by Sustainable Development Solution Network (UN body).

The report measures happiness and well-being of the nations to help guide public policy on the basis of the following six parameters:

1. GDP per capita (at PPP)
2. Social support (someone to count on)
3. Healthy life expectancy at birth
4. Freedom to make life choices
5. Generosity
6. Perception of corruption



PLANNING IN INDIA: PRE-INDEPENDENCE

The Soviet Union explored and adopted national planning for the first time in the world.

The First Soviet Plan commenced in 1928 for a period of five years.

The idea of Economic Planning in India mooted in the early 1930's.

The Visvesvaraya Plan

- The credit of proposing the first blueprint of Indian planning is given to the popular civil engineer M. Visvesvaraya.
- His book *The Planned Economy of India*, published in 1934, has outlined the broad contours of his plan proposal.
- Central Idea was to shift the labour from agricultural to industries, targeting to double the national income in one decade.

The FICCI Proposal

- In 1934, a serious need of national planning was recommended by the Federation of Indian Chambers of Commerce and Industry (FICCI), the leading organisation of Indian capitalists.
- FICCI emphasized for a high powered 'National Planning Commission' to coordinate the whole process of planning so that the country could make a structural break with the past and achieve its full growth potential.

The Congress Plan

- The Congress plan was on the initiative of the INC president Subhash C. Bose that the National Planning Committee (NPC) was set up in October 1938 under the chairmanship of J. L. Nehru.
- The motto of the above plan was to work out concrete programmes for development encompassing all major areas of the economy.

Some of the important developments after the NPC was set up:

1. Post War Reconstruction Committee: to consider various plans for the reconstruction of the economy.
2. Consultative Committee of Economists: Act as "Think Tank" for executing national plan for the country.
3. Planning and Development Department: for organising and co-ordinating economic planning in the country.
4. Advisory Planning Board: to review the planning that had already been done by the British government.

The Bombay Plan

- The Bombay Plan was the popular title of 'A Plan of Economic Development for India', which was prepared by a cross-section of India's leading capitalists.
- The Plan was published in 1944-45.

Important Agreements between National Planning Committee and Bombay Planning Club:

1. A basic agreement on the issue of the agrarian restructuring—abolition of all intermediaries etc.
2. Agreement on rapid industrialization
3. Simultaneous development of the essential consumer goods.
4. Promoting the medium scale, small-scale and cottage industries.
5. Strengthening state to play an active role in the economy through planning, controlling and overseeing.
6. Large-scale measures for social welfare.

The Gandhian Plan

- Sriman Narayan Agarwal formulated The Gandhian Plan in 1944.
- The plan laid more emphasis on agriculture and industrialisation was limited to level of promoting cottage and village-level industries.

- The Gandhians did not agree with the views of the NPC or the Bombay Plan, particularly on issues like centralised planning and the emphasis on industrialisation being the major ones.

The People's Plan

- In 1945, yet another plan was formulated by the radical humanist leader M.N. Roy, Chairman of the Post-War Reconstruction Committee.
- The plan was based on Marxist socialism and advocated the need of providing the people with the 'basic necessities of life'
- Agricultural and industrial sectors, both were equally highlighted by the plan.
- Slogan 'Economic reforms with the human face' has the resonance of the People's Plan.

The Sarvodaya Plan

- A lone blueprint for the planned development of India was formulated by the famous socialist leader Jayaprakash Narayan which is known as Sarvodaya Plan, published in January 1950.
- The plan drew its major inspirations from the Gandhian techniques and Sarvodaya concept of Acharya Vinoba Bave, the eminent Gandhian constructive worker.

Important Reports related to Planning:

1. Gadgil Report on Rural Credit
2. Kheragat Report on Agricultural Development
3. Krishnamachari Report on Agricultural Prices
4. Saraiya Report on Cooperatives
5. A series of reports on Irrigation (ground water, canal, etc.)

Major objectives of planning in India:

1. Economic Growth: Sustained increase in the levels of production in the economy is among the foremost objectives of planning in India.
2. Poverty Alleviation: Several programmes have been launched in India directing the cause of poverty alleviation by all the governments
3. Employment Generation: Providing employment to the poor has been the best tool of economics to alleviate poverty.
4. Controlling Economic Inequality: Economic planning as a tool of checking all kinds of economic disparities and inequalities

5. Self-reliance: an effort to strike against a subordinate position in the world economy.
6. Modernization: Modernizing the traditional economy was set as a foremost objective of planning.

Planning Commission

The National Planning Committee published its Report in 1949, after that there was a firm inclusion of the need for 'Economic and Social Planning' in the Constitution. Thus, in March 1950 the Planning Commission (PC) was set up by the government by a Cabinet Resolution.

Features of Planning Commission:

1. An extra-constitutional (i.e., non constitutional) and non-statutory body.
2. An advisory body to the Government of India on an array of issues of economic development.
3. A 'think tank' on economic development with the Prime Minister as its ex-officio Chairman and with the provision of a Deputy Chairman.
4. An autonomous body entitled to form its own views on important issues and place them before the governments.
5. Linked with the Union Cabinet at the secretariat level.
6. The PC was a technical body with experts and professionals coming from an array of specific areas as per the need of planning of the concerned period.
7. The Commission had executive powers.

Functions:

1. Make an assessment of the material, capital and human resources of the country.
2. Formulate a plan for the most effective and balanced utilization of the country's resources
3. Indicate the factors which are tending to retard economic development.

National Development Council (NDC)

- The National Development Council (NDC) was set up on August 6, 1952 by a Resolution issued from the Cabinet Secretariat.
- Need: The Central Plans were to be launched in the states and the UTs with the participation of the state-level personnel.

Composition:

The NDC initially comprised the Prime Minister of India (de facto Chairman), the Chief Ministers of all States and the Members of the Planning Commission.

Functions:

1. To consider the proposals formulated for Plans at all important stages and accept them;
2. To review the working of the Plans from time to time
3. To consider the important questions of social and economic policy affecting national development
4. To recommend measures for the achievement of the aims and targets set out

Central Planning:

The Plans which are formulated by the Central Government and financed by it for the implementation at the national level are known as Central Plans.

The Five Year Plans:

1. **First plan:** The period for this plan was 1951–56. The Plan was launched with all the lofty ideas of socio-economic development.
2. **Second Plan:** The plan period was 1956–61. The strategy of growth laid emphasis on rapid industrialization with a focus on heavy industries and capital goods. The plan was developed by Professor Mahalanobis.
3. **Third Plan:** The Plan period was 1961–65. The Plan specifically incorporated the development of agriculture as one of the objectives of planning in India.

4. **Fourth Plan:** The Plan period was 1969–74. The Plan was based on the Gadgil strategy with special focus to the ideas of growth with stability and progress towards self-reliance.
5. **Fifth Plan:** The Plan (1974–79) has its focus on poverty alleviation and self-reliance.
6. **Sixth Plan:** This Plan (1980–85) was launched with the slogan of 'Garibi Hatao' (alleviate poverty)
7. **Seventh Plan:** The Plan (1985–90) emphasized on rapid food grain production, increased employment creation and productivity in general.
8. **Eighth Plan:** The Eighth Plan (1992–97) was launched in a typically new economic environment.
9. **Ninth Plan:** The Ninth Plan (1997–2002) was launched when there was an all round 'slowdown' in the economy led by the South East Asian Financial Crisis (1996–97).
10. **Tenth Plan:** The Plan (2002–07) commenced with the objectives of greater participation of the NDC in their formulation.
11. **Eleventh Plan:** The Plan targets a growth rate of 10 per cent and emphasizes the idea of 'inclusive growth'.
12. **Twelfth Plan:** The 'Draft Approach Paper' of the Twelfth Plan (2012–17) was prepared by the Planning Commission after widest consultation till date.

Note: In January 2015, the NITI Aayog replaced the Planning Commission, thus the comparison between the latter and the Finance Commission no more exists, but it will always have its academic importance in the area of development planning in the country.

NITI AAYOG

- The acronym NITI stands for National Institution for Transforming India.
- In January 2015, the NITI Aayog replaced the Planning Commission.
- The NITI has been termed by the Central Government as the 'bestfriend of states in the Centre'.

Features:

- Based on the principle of Cooperative Federalism
- Act as Think Tank
- A collaborative platform facilitating Implementation

Functions:

1. Cooperative and Competitive Federalism
2. Shared National Agenda
3. State's Best Friend at the Centre
4. Decentralized Planning
5. Vision & Scenario Planning
6. Domain Strategies
7. Sounding Board
8. Network of Expertise
9. Knowledge and Innovation Hub
10. Harmonization
11. Conflict Resolution
12. Coordinating interface with the World
13. Internal Consultancy
14. Capacity Building
15. Monitoring and Evaluation

Structure:

1. Chairman: the Prime Minister of India (de-facto).
2. Governing Council: will comprise the Chief Ministers of all states and Lt. Governors of union territories.
3. Regional Councils: will be formed to address specific issues and contingencies impacting more than one state or region.
4. Special Invitees: It will have experts, specialists and practitioners with relevant domain knowledge as special invitees nominated by the Prime Minister.
5. Full-time Organizational Framework: In addition to PM as its Chairman it will comprise:
 - a) **Vice-Chairperson**—to be appointed by the PM.
 - b) **Members**: all as full-time.
 - c) **Part-time Members**: maximum of 2,
 - d) **Ex-Officio Members**: maximum of 4
 - e) **Chief Executive Officer**: to be appointed by the PM
 - f) **Secretariat**: as deemed necessary.

ECONOMIC REFORMS

- The process in which a government prescribes declining role for the state and expanding role for the private sector in an economy.
- Also known as alternative development strategies.

Famous Strategies around the world:

1. **Planning Model:** Mostly Capitalist and influenced by socialism as the governments took a central role in planned development.
2. **Washington Consensus:** Here the capitalist form of economy gets a drastic change and the focus is on privatisation.
3. **Mixed Economy:** By the mid 1990, it was clear that neither the capitalist form nor the Private form was the ultimate strategies of all time, hence there must be a correlation between the two in order to smoothen the process of economic reforms in a country.

Economic Reforms in India:

On July 23, 1991, India launched a process of economic reforms in response to a fiscal and balance-of-payment (BoP) crisis.

The economic reform programme, that India launched, consisted of two categories of measures:

1. **Macroeconomic Stabilisation Measures:** It includes all those economic policies which intend to boost the aggregate demand in the economy. Mainly focusses on increasing the purchasing power of the masses.
2. **Structural Reform Measures:** It includes all the

policy reforms which have been initiated by the government to boost the aggregate supply of goods and services in the economy. Mainly focuses on Production enhancement so that living standard may get enhanced and ultimately the Purchasing power.

The LPG Model: Consists of three main process namely liberalisation, privatization and globalisation.

Precisely seen, liberalisation shows the direction of reform, privatization shows the path of reform and globalization shows the ultimate goal of the reform.

1. **Liberalisation:** It means that the process of decreasing traits of a state economy and increasing traits of a market economy is liberalisation. In general, liberalisation is a political belief that there should be free trade around.

2. **Privatisation:** Privatisation at that time was used as a process under which the state assets were transferred to the private sector.

There are many meaning of Privatisation:

- a) Privatisation in its purest sense means de-nationalization, which means 100% transfer of ownership from states to private sector.
- b) Disinvestment is de-nationalization of less than 100 per cent ownership transfer from the state to the private sector.

3. **Globalisation:** Globalization is generally termed as 'an increase in economic integration among nations'.

INFLATION

- Inflation is defined as a sustained increase in the general level of prices for goods and services.
- It is measured as an annual percentage increase.
- As inflation rises, every rupee you own buys a smaller percentage of a good or service.
- The value of a rupee does not stay constant when there is inflation.
- The value of a rupee is observed in terms of purchasing power.

Causes:

Demand Pull

- A type of inflation in which demands of the people exceeded the supply available, which triggers prices of Goods and Services.
- It starts with an increase in consumer demand.
- Caused due to excess money supply in the market.

Cost Push

- An increase in the input cost of Goods and Services which ultimately triggers inflation.
- Cost push inflation is inflation caused by an increase in prices of inputs like labour, raw material, etc.
- The increased price of the factors of production leads to a decreased supply of these goods.
- While the demand remains constant, the prices of commodities increase causing a rise in the overall price level.

Wage Push

- Wage push inflation is a general increase in the cost of goods that is preceded by and results from an increase in wages.
- It has a negative impact on wage earners.

Pricing power

- A type of inflation in which organizations use their Goodwill to further enhance the prices of their products.
- Target Audience

Core Inflation:

When inflation occurs in the core sectors of the economy, due to which the overall sectors get affected is known as Core Inflation.

There are 8 Core sectors in India:

1. Coal
2. Crude Oil
3. Natural Gas
4. Refinery Products
5. Fertilizers
6. Steel
7. Cement
8. Electricity

Skewflation

It is an un-usual inflation, where there is an inflation in one particular sector for a particular period of time, while the other sector is experiencing no changes at all or facing deflation.

Bottleneck Inflation

A drastic increase in the price of Goods and Services, while the demand is on the same level.

And such a situation triggers Inflation is known as Bottleneck Inflation.

Inflation related terms:

Inflationary Gap:

The excess of total government spending above the national income (i.e., fiscal deficit) is known as inflationary gap.

Deflationary Gap:

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

Inflation Tax:

- Inflation is always the level to which the government may go for deficit financing. Level of

deficit financing is directly reflected by the rate of inflation.

- When Inflation erodes the value of money, the governments have the authority of printing currency and circulating it.
- This is a situation of sustaining government expenditure at the cost of people's income.
- This looks as if inflation is working as a tax.
- That is how the term inflation tax is also known as seigniorage.

Inflation Spiral:

- An Inflationary situation in which wages and prices interacts with each other.
- 'when wages press prices up and prices pull wages up' is known as the inflationary spiral.
- It is also known as the wage-price spiral.

Inflation Accounting:

- Due to the presence of inflation, the profit of firms/companies gets overstated.
- So when a firm calculates its profits after adjusting the effects of current level of inflation, this process is known as inflation accounting.

Inflation Premium:

- The bonus brought by inflation to the borrowers is known as the inflation premium.
- The interest banks charge on their lending is known as the nominal interest rate.
- To calculate the real cost a borrower is paying on its loan, the nominal rate of interest is adjusted with the effect of inflation and thus the interest rate we get is known as the real interest rate.

Phillips Curve:

- It is a graphic curve which advocates a relationship between inflation and unemployment in an economy.
- This curve shows the inverse relationship between Inflation and unemployment.

NAIRU:

- That rate of unemployment which is consistent with a constant rate of inflation.
- If monetary policy tried to hold unemployment below its natural rate, inflation will be rising to higher level, which is also known as the non-

accelerating inflation rate of unemployment (NAIRU).

Inflation Targeting:

- The announcement of an official target range for inflation is known as inflation targeting. It is done by the Central Bank in an economy.
- Note: India commenced inflation targeting 'formally' in February 2015.

GDP Deflator:

- This is the ratio between GDP at Current Prices and GDP at Constant Prices.
- If GDP at Current Prices is equal to the GDP at Constant Prices, GDP deflator will be 1, implying no change in price level.

Inflation in India

India calculates its inflation on two price indices-

1. Wholesale price index (WPI)
2. Consumer price index (CPI).

While the WPI-inflation is used at the macro-level policy making, the CPI-inflation is used for micro-level analyses.

Wholesale Price Index:

- The first index number of wholesale prices commenced in India in 1942.
- Currently 2011-12 is the Base Year for 697 Commodities which was released in May 2017.
- WPI continues to constitute three major groups—
 1. Primary Articles
 2. Fuel and Power
 3. Manufactured Products

The number of items has been increased from 676 to 697.

Consumer Price Index:

Depending upon the socio-economic differentiations among consumers, India has four differing sets of CPI with some differentials in the basket of commodities allotted to them.

1. CPI-IW: The Consumer Price Index for the industrial workers (CPI-IW).

- ✓ Commodities: 260 items (plus services)
- ✓ Base Year: 2001

- ✓ Basically, this index specifies the government employees.
- ✓ Note: When the Pay Commission recommends pay revisions, the base is the CPI (IW).

2. CPI-UNME: The Consumer Price Index for the Urban Non-Manual Employees (CPI-UNME).

- ✓ Base Year: 1984-85
- ✓ Commodities: 146-365 (data is collected at 59 centres in the country)
- ✓ Note: Generally used for determining dearness allowances (DAs) of employees of some foreign companies operating in India.

3. CPI-AL: The Consumer Price Index for Agricultural Labourers (CPI-AL).

- ✓ Base Year: 1986-87
- ✓ Commodities: 260
- ✓ Note: This index is used for revising minimum wages for agricultural labourers in different states.

4. CPI-RL: There is yet another Consumer Price Index for the Rural Labourers (CPI-RL).

- ✓ Base Year: 1983
- ✓ Commodities: 260 (data is collected at 600 villages on monthly basis)
- ✓ Problem: The agricultural and rural labourers in India create an overlap, i.e., the same labourers work as the rural labourers once the farm sector has either low or no employment scope.

Revision in CPI:

- In 2011 the government announced a new Consumer Price Index (CPI)- CPI(Rural) and CPI(Urban) and by combining them into National CPI as CPI-C where C stands for Combined.
- Note: Now the Base Year has been revised to 2012.

Producer Price Index (PPI):

- The proposal of switching over to the PPI (from the WPI) came up from the government by mid-2003.

- Major Difference: The PPI measures price changes from the perspective of the producer while the consumer price index (CPI) measures it from the consumers' perspective.
- In PPI, only basic prices are used while taxes, trade margins and transport costs are excluded.
- Future: Once India shifts from the WPI to the upcoming PPI, the economy is supposed to have a better idea about the trends of inflation.

Housing Price Index(HPI):

- India's official Housing Price Index (HPI) was launched in July 2007 in Mumbai.
- Developed by: Indian home loans regulator, the National Housing Bank (NHB) the index is named NHB Residex.
- Currently, it is published for 50 cities on quarterly basis with 2012-13 as base year.

Business/Trade Cycle:

The fluctuations in the level of economic activity between the depressions and booms are termed as Business Cycle.

The business cycle is characterized by four phases or stages in which economies alternate:

1. **Depression:** Depression is a severe and prolonged downturn in economic activity in which consumer confidence and investments decrease, causing the economy to shut down.
2. **Recovery:** An economic recovery is a stream of improved business activity indicating the end of a recession.
3. **Boom:** A boom refers to a period of increased commercial activity within either a business, market, industry or economy as a whole.
4. **Recession:** A recession is a significant decline in economic activity that goes on for more than a few months.

AGRICULTURE AND FOOD MANAGEMENT

Kharif and Rabi

- The agricultural crop year in India is from July to June.
- The Indian cropping season is classified into two main seasons-
- kharif and rabi based on the monsoon.

Kharif cropping season: July to October (during the South-West/Summer Monsoon)

Kharif crops include: rice, maize, sorghum, pearl millet/bajra, finger millet/ragi (cereals), arhar (pulses), soyabean, groundnut (oilseeds), cotton, etc.

Rabi cropping season: October to March (North-East/Returning/Winter Monsoon)

Rabi crops include wheat, barley, oats (cereals), chickpea/gram (pulses), linseed, mustard (oilseeds) etc.

Note: The crops grown between March and June are summer crops, known as jayads.

The terms 'kharif' and 'rabi' originate from Arabic language where kharif means autumn and rabi means spring.

Green Revolution

- It is the introduction of new techniques of agriculture, which became popular by the name of Green Revolution (GR) in early 1960s
- It revolutionised the very traditional idea of food production by giving a boost by more than 250 % to the productivity level.
- The Green Revolution was centred around the use of the High Yielding Variety (HYV) of seeds developed by the US agro-scientist Norman Borlaug.

Component of Green Revolution:

1. The HYV Seeds:

- These seeds were popularly called the 'dwarf' variety of seeds.
- These seeds were non-photosynthetic, hence non-dependent on sun rays for targeted yields.

2. The Chemical Fertilizers:

- The level of nutrients seeds required could not be supplied with the traditional compostes, hence a high concentration fertilisers, were required, which could be given to the targeted seed only.
- The only option was the chemical fertilisers—urea (N), phosphate (P) and potash (K)

3. The Irrigation:

- For good production a controlled means of water supply was required.
- Hence crops should be at least free of flooding and secondly, artificial water supply should be developed.

4. Chemical Pesticides and Germicides:

- Use of pesticides and germicides became compulsory for resultoriented and secured yields.

5. Chemical Herbicides and Weedicides:

- To prevent costlier inputs of fertilisers not being consumed by the herbs and the weeds in the farmlands, herbicides and weedicides were used while sowing the HYV seeds.

6. Credit, Storage, Marketing/Distribution:

- The availability of easy and cheaper credit was a must.(Provided by World Bank)
- Storage of the harvested crops was to be done in the region itself till they were distributed throughout the country.
- New yield of crops to be distributed throughout the country and a proper chain of marketing,

distribution and transport connectivity was necessary.

Impact of Green Revolution:

1. Socio-economic Impact:

- Food production increased in such a way that many countries became self-sufficient.
- Discrepancy in farmers' income.
- Rise in the incidence of malaria due to water-logging.

2. Ecological Impact:

- Soil fertility being degraded due to the repetitive kind of cropping pattern being followed by the farmers.
- Water table falling down as the new variety needs more water.
- The uncontrolled use of chemical fertilizers, pesticides and herbicides have degraded the environment by increasing pollution levels in land, water and air.

Animal Rearing:

- The economics of animal rearing plays a very vital role in the country.
- The agriculture sector in India is predominantly a mixed crop-livestock (animals, birds and fishes) farming system.

It plays the following vital functions in the country:

- 1) Supplements family income and generates gainful employment in the rural sector;
- 2) Particularly helps the landless labourers, small and marginal farmers and women (economic empowerment of women);
- 3) Provides cheap nutritional food;
- 4) Functions as the best insurance against drought, famine and other natural calamities;
- 5) It is more inclusive in nature; and
- 6) Promotes the cause of sustainable agriculture.

Dairy Sector:

India ranks first in the world in milk production with a production of around 155.5 million tonne.

Some of the important GoI programmes/schemes for meeting the growing demand of milk:

- 1) Intensive Dairy Development Programme.
- 2) Strengthening Infrastructure for Quality and Clean Milk Production, Assistance to Cooperatives.
- 3) Dairy Entrepreneurship Development Scheme.

- 4) National Project for Cattle and Buffalo Breeding.

A new scheme, the National Dairy Plan, which has been launched in March 2012 with the following objectives:

- 1) Improving productivity of milch animals,
- 2) Strengthening and expanding village-level infrastructure for milk procurement, and
- 3) Providing producers greater access to the market in the dairy sector.

Pig Rearing Scheme:

This scheme is aimed to assist farmers/landless labourers/co-operatives and the tribals particularly in the North-Eastern states by rearing pigs under stall fed condition for quality pork production and organised pork marketing in rural areas and semi-urban areas.

The main objectives of the scheme are:

- 1) Encourage commercial rearing by adopting scientific methods and infrastructure creation;
- 2) Production and supply of improved germ plasm;
- 3) Organise stakeholders to popularise scientific practices;
- 4) Create supply chain for the meat industry;
- 5) Encourage value addition for better income.

Note:

- The central government has put in place a modified Centrally Sponsored Fodder and Feed Development Scheme since 2014 to supplement the efforts of the states to improve fodder production.
- Also the Accelerated Fodder Development Programme was launched as a component of the Rashtriya Krishi Vikas Yojana in 2011-12

Animal Health:

- With the improvement in the quality of livestock through launching of extensive cross-breeding programmes, the susceptibility to various diseases, including exotic diseases has increased.
- The 'Livestock Health & Disease Control' is being run as a centrally sponsored scheme to assist the attempts of the states and UTs in the area.

Food Management

- Managing enough food in the domestic market has been the prime focus of the government since Independence.

- Meeting the physical target of food together with the challenge of enabling Indians to procure food for their consumption was also there.
- When India joined WTO, a new need was felt for producing surplus and competing with the world, so that the benefits of globalisation could also be reaped by the agriculture sector.

Minimum Support Price (MSP):

- It is a form of market intervention by the Government of India to insure agricultural producers against any sharp fall in farm prices – a guarantee price to save farmers from distress sale.
- The MSPs are announced at the beginning of the sowing season for certain crops on the basis of the recommendations of the Commission for Agricultural Costs and Prices (CACP, 1985).

Objective: to support the farmers from distress sales and to procure food grains for public distribution.

Benefit: In case the market price for the commodity falls below the announced minimum price due to bumper production and glut in the market, government agencies purchase the entire quantity offered by the farmers at the announced minimum price.

Purpose:

- (i) to induce more investment by farmers in the farm sector,
- (ii) to motivate farmers to adopt improved crop production technologies,
- (iii) to enhance production and thereby farmers, income.

The Market Intervention Scheme (MIS):

- It is similar to MSP, which is implemented on the request of state governments for procurement of perishable and horticultural commodities in the event of fall in market prices.
- The scheme is implemented when there is at least 10% increase in production or 10% decrease in the ruling rates over the previous normal year.

Issue Price:

- The price at which the government allows offtake of foodgrains from the FCI (the price at which the FCI sells its foodgrains).

- The transportation, godowning, the cost of maintaining the FCI carriage losses, etc., make the foodgrains costlier.
- The additional expenses other than the MSP is known as the 'economic cost of foodgrains'.
- To make the foodgrains affordable to the consumers, the issue prices for foodgrains are set lower than the total cost of procurement.

Buffer Stock:

India has a policy of maintaining a minimum reserve of foodgrains (only for wheat and rice) so that food is available throughout the country at affordable prices round the year.

Decentralised procurement (DCP) scheme:

- Under this scheme, the designated states procure, store and also issue foodgrains under the TPDS.
- The difference between the economic cost of the states and the central issue price (CIP) is passed on to the states by the Government of India as subsidy.

Open Market Sale Scheme:

- The FCI has been undertaking sale of wheat at pre-determined prices (reserve prices) in the open market from time to time, known as the Open Market Sale Scheme (OMSS).
- Note: Under the Open Market Sale Scheme (Domestic), the government now adopts a policy of differential prices to encourage sale of older stock first.

Price Stabilisation Fund (PSF):

- The Government of India, by late March 2015, launched the Price Stabilisation Fund (PSF) as a Central Sector Scheme to support market interventions for price control of perishable agrihorticultural commodities.
- The cost to be borne between the centre and the states in equal ratio.
- Note: The scheme will commence with only two crops, viz., onion and potato.

Food Security:

- India attained self-sufficiency in food by late 1980s, though food security still evades the country.

- Food security means making food available at affordable prices at all times, to all, without interruptions.
- Note: As per the State of Food Insecurity in the World, 2015 (FAO), India has the second highest number of undernourished people at 194.6 million which is around 15.2 per cent of the world's total undernourished population.

Due to high level of undernourishment and volatility in agricultural prices, India has one of the largest number of food schemes in the World to ensure food security –

1. Integrated Child Development Scheme (ICDS – It covers all Children under six, pregnant and lactating mothers)
2. Mid Day Meal Schemes (MDMS),
3. Food subsidy programmes like the Targeted Public Distribution System (through which the National Food Security Act is being implemented)
4. Annapurna (10 kgs of free food grain for destitute poor)
5. Employment Programmes like Mahatma Gandhi National Rural Employment Guarantee Scheme (100 days of employment at minimum wages) to ensure food security.

Agriculture Marketing:

- India's agrimarket is presently regulated by the Agricultural Produce Market Committee (APMC) Act enacted by the state governments.
- There are about 2,477 principal regulated agrimarkets and 4,843 sub-market yards regulated by the respective APMCs in India.

Model APMC Act:

It created fragment markets for agricultural commodities and curtailed the freedom of farmers to sell their produce other than through the commission agents

The Model APMC Act provides the following new things:

1. Direct sale of farm produce by the farmer to contract farming sponsors;
2. Setting up 'special markets' for 'specified agricultural commodities'– mostly perishables;

3. Permits private persons, farmers and consumers to establish new markets for agricultural produce in any area;
4. A single levy of market fee on the sale of notified agricultural commodities in any market area;
5. Replaces licensing with registrations of market functionaries, which would allow them to operate in one or more different market areas;
6. Establishment of consumers' and farmers' markets to facilitate direct sale of agricultural produce to consumers;
7. Creation of marketing infrastructure from the revenue earned by the APMCs;
8. Provides some freedom to the farmers to sell their produce directly to the contract sponsors or in the market set up by private individuals, consumers or producers;
9. Increases the competitiveness of the market of agri-produce by allowing common registration of market intermediaries.

NAM (National Agriculture Market):

- An Agri-Tech Infrastructure Fund (ATIF) has been established by Government of India in July 2015, which will be implemented up to 2017–18.
- NAM will provide a common e-market platform of regulated wholesale markets in states/UTs

Upstream and Downstream Requirements:

1. **Upstream:** The upstream stage of the production process involves searching for and extracting raw materials—it does not do anything with the material itself, such as processing the materials.
2. **Downstream:** The downstream stage in the production process involves processing the materials collected during the upstream stage into a finished product.

Supply Chain Management:

A supply chain is a network of facilities and distribution options that performs the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these finished products to customers.