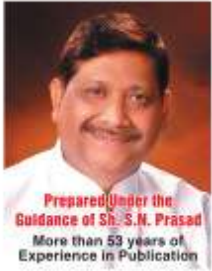


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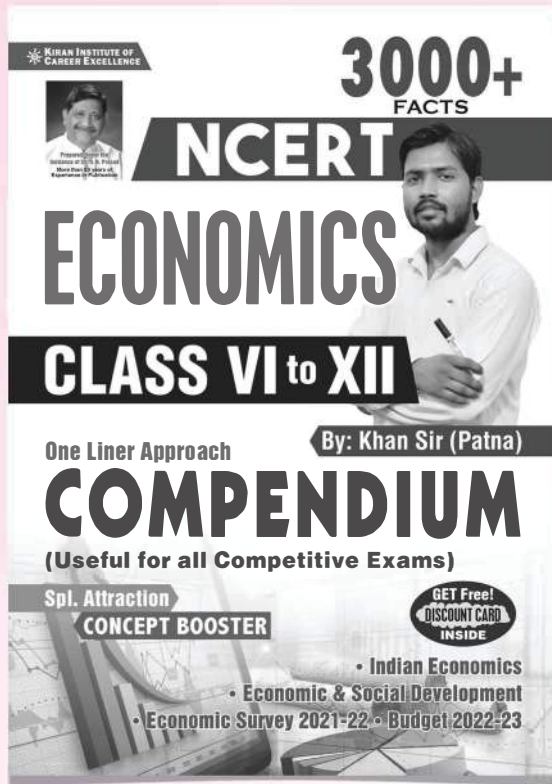
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# ABOUT THE BOOK

Today, Indian Economy and Economic Geography constitute the most important part of the General Knowledge and the General Studies paper of any competitive exam in India such as **UPSC, State PCS, Banks, SSC**, and all other one day exam with objective type questions. In this scenario, the readers have felt the need for exclusive study material on this topic. The GS books and Guides generally have a small segment devoted to economy. The NCERT books and other text books have a huge amount of study material that is found difficult to study systematically by many students.

This book is prepared after the evaluation of these challenges. The publisher and the think tank of **Kiran Institute of Career Excellence** came out with the idea of this book after a thorough research on the needs of the students and their constant demands. Therefore, certain standard considerations in this book are the following:

- The book should be comprehensive, easy to study and digest.
- The book should contain only the relevant information
- After reading the book, the student should be able to handle all the questions on economy asked in the exam.
- The book should be relevant for both the objective and subjective exams.
- The book should be useful across the exams.

In this sense this book is a master-key. The quality of a master key is that it can unlock all locks. Similarly, the content of this book will match the questions asked in all competitive exam with question on Indian economy.

You may ask how we can ensure the book will be relevant for all exams. Our think tank studied all the economy questions asked in the competitive exams. It was found that examiners usually take help of the following sources in framing the questions for the exam:

- NCERT book on economy
- Survey of the Indian economy
- The Annual Budget
- The India Year Book

Our think tank used all these sources. This will become more clear if you see the topics included in this book from Agriculture and Industry to Banking and Finance, and Monetary Policy to Planning and Industrial policies.

Our think tank then researched on the best way students can assimilate all the information presented in this book. It was found that single statement on fact or information is remembered for a long time. Secondly, the single statement in question – answer format – gives the best learning and memorable format.

While one reading will be enough followed by another reading after a gap of some weeks to reinforce learning, we would recommend you to read this book several times to gain the best advantage from this book. If you do one or few readings, you can tackle objective type questions because these questions have choices. The choices would trigger your memory to find the right choice. However, if you have done several readings, you can easily tackle the subjective questions asked in the **UPSC and State PCS exam**.

This book is constantly modified with new information such as the latest budget and survey chapters included each year and the old data figures corrected each year. Therefore, you can rely on this book for the most updated data and relevant information. Besides, the addition of questions asked in the previous years' exams included in this book will help you evaluate the relevance of this book. You will not only answer the most or all questions, if you have read the book, but will also realize the importance of this book in saving your time and providing only the relevant and essential content.

It is hoped that this book will be found highly useful no matter which exam you are appearing in which Indian Economy forms an essential component.

*With best wishes,*

— **Publisher**

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- ◆ What is the name of the system under which resources of a nation are allotted and goods and services are distributed – **Economic System**
- ◆ In an economic system, three questions are considered – what should be produced, what quantity and by which method should it be produced and for whom and at what price should it be produced? What are the three points under which an economic system is defined? – **Production, Distribution and Pricing Methods.**
- ◆ Who is the father of Economics? – **Adam Smith**
- ◆ There are three major types of economy – **Capitalism, Socialism, and the Mixed economy.** Under capitalism, the means of production is owned by an individual or a private institution. Who owns the means of production under socialism? – **The State**
- ◆ Under which economic system, the independent operation of demand and supply determines the solution to its central problem. – **The capitalist system.**
- ◆ In the capitalist economy, the pricing system operates on the forces of demand and supply. With which other name is this economy known as? – **Market economy.**
- ◆ The socialist system addresses their problems through planning. What is the context of planning here? – **The choice of economic priorities.**
- ◆ Mixed economy is a combination of capitalist and socialist systems. Who gave the concept of Mixed Economy? – **J.M. Keynes**
- ◆ The Indian economy has dual nature. In this form it is both a modern and a traditional economy. What type of economy is this? – **Mixed economy**
- ◆ Professor Lerner calls Mixed economy as controlled economy. By what name does Henson call it? – **Dual economy**
- ◆ In which economy public and private sectors co-exist and what should be produced, how and for whom is decided partly by the market and partly by the state and public enterprises? – **Mixed economy.**
- ◆ What is the name of the conceptual process in which along with the growth in monetary income there is a focus on increasing basic facilities in education, health, quality of life and lifestyle, communication and transport? – **Economic Development**
- ◆ Economic development is a constant, ongoing, longterm process. Therefore, in economic development the actual increase in the national income is not sudden. Then what is it? Continuous and Longterm.
- ◆ What is the nature of change in economy undergoing the economic development? – **Structural Change**
- ◆ Economic development brings about an improvement in the level of lifestyle and welfare of common man. In this form what is economic development related to? – **Human welfare**

**MICRO ECONOMICS**

*Micro Economics does not study the overall economy. Microeconomics is the study of the economic activity of individuals and small groups of individuals. In microeconomics, special firms, special families, personal prices, wages, income, individual industries and special commodities are studied.*

**MACRO ECONOMICS**

*The branch of economics in which the overall economy is studied is called the macro-economics. In the macro-economics, aggregate demand, aggregate supply, overall employment, aggregate investment and overall income are studied.*

**POSITIVE ECONOMICS**

*The branch of economics which is concerned with 'what is' instead of 'what should be' is called direct economics. Direct economics is the opposite of standard economics.*

**CAPITALISM**

*That economic system, in which private property is one of the means of production and the guiding force of profit generation, is called capitalism. Under this, all economic actions are governed by market forces and price system. Therefore it is also called market economy. Under this, the concept of free market works in which the entire process of production and prices are determined according to the principle of demand and supply, by the intervention of the pow-*

- ◆ Economic development is a constant, longterm and dynamic process. What factors are studied in it? **-Both economic and non-economic.**
- ◆ What is that process called under which only economic factors are studied? **-Economic growth.**
- ◆ Economic development is a qualitative concept. What kind of concept is economic growth? **-A quantitative concept.**
- ◆ Economic growth is a steady process. What prior changes have already taken place in it? **-Structural changes.**
- ◆ Under the process of economic development the benefit of increase in gross national or domestic product and per capita income trickle down to different areas. What is this process called? **-Trickle down effect of growth.**
- ◆ When the benefit of economic development does not uniformly reach all segments of society, then which economist has called this form of growth as growth without development? **-Robert Clower.**
- ◆ Who has defined underdevelopment on the basis of growth prospects? **-Jacob Viner**
- ◆ In underdeveloped economies, the dual forms of economy, that is both old and modern forms of production processes are seen. What is this dual form referred to as by Boeke of Netherlands? **-Social Dualism.**
- ◆ In underdeveloped economies, the agricultural techniques are backward but advanced techniques have been adopted for the industries. Since the modern techniques are capital intensive, therefore, increase in employment in industries are only possible when large scale capital is available. What is this system known as? **-Technological Dualism.**
- ◆ Approximately 84.5 percent of the global population live in Developing Economies, but they have access to only 24.6 percent of the world income. The Asian, African, and Latin American nations apart from some of the European nations are included in it. Professor Karen Cross refers to these underdeveloped economies as which settlements of the global economy? **-Dirty Settlements.**
- ◆ Increase in which measure is considered to be the best form of measurement of the economic development by most of the economists today? **-Per Capita Income.**
- ◆ As opposed to the traditional thought on economic development, according to the new thought on economic development the major aim of economic development is to eliminate inequity, poverty and unemployment. What slogan was given during this time? **-Redistribution with growth.**
- ◆ In underdeveloped nations, the labour productivity is low. Is this a cause or effect of their low standard of living? **-Both cause and effect.**
- ◆ There are two types of economic development strategy – the strategy of balanced development and the strategy of unbalanced development. Rosenstein-Rodan, Ragnar Nurkse, and W. Arthur Lewis support the strategy of balanced growth. Who are the supporters of the strategy of unbalanced growth? **-Albert O. Hirschman, H.W. Singer, and Paul Streeton.**
- ◆ While presenting the blue print of the second five year plan, P.C. Mahalanobis had said that it is not possible to develop all sectors uniformly in India. This statement of Mahalanobis supports which strategy of development? **-The strategy of unbalanced development.**
- ◆ What is the per capita maximum production capacity within a definite time frame called which has been achieved while keeping the natural resources and environment sustainable? **-Green GNP.**

ers of the market without any other outer power.

#### **COMMUNISM**

An economic and social system, which according to Karl Marx, is a classless society and in which each is employed to the best of his ability and each is given remuneration according to the principle of his need, is called communism.

#### **SOCIALISM**

The form of economy in which private ownership on the means of production does not exist is called socialism. It is owned by society, community or any central authority over the means of production, distribution and exchange. Under this, all decisions are taken by the central authority, often the government. It is also called a planned economy, because under it all decisions and its implementation are made by the central planners under a scheme.

**What is the difference between economic growth and economic development?**

While economic growth is measured as an increase in national or domestic product or per capita product, the qualitative aspect in economic development, i.e. poverty, hunger, illiteracy, etc. is also considered. This means that economic growth is defined as an increase in per capita income as well as an improvement in the standard of living of people.

While national income data is taken into account for examining economic growth, economic development is mainly estimated on the basis of structural changes.

#### **OVERALL DEVELOPMENT**

When the process of development involves all sectors of the economy (primary, secondary and tertiary), all geographical regions of the country and all sections of society

- ◆ Green GNP is also known as the health of nation. This concept was propounded for the first time in 1995 by whom? **-The World Bank.**
- ◆ In 1995, the World Bank published a list of Green GNP for 192 nations. Australia was at the top and India was at 20th from the bottom. Which country was ranked last? **-Ethiopia.**
- ◆ In 1973, the measure of economic welfare (New: Net Economic Welfare) was introduced in place of GNP. Who were the economists who gave this concept. **-William D Nordhaus and James Tobin.**
- ◆ Who was the economist who modified the concept of Measure of Economic Welfare to Net Economic Welfare? **-Paul A Samuelson.**
- ◆ In 1989, three economists Herman Daly, John Cobb and Clifford Cobb presented the concept of which index in place of GNP to measure welfare? **-Index of Sustainable Economic Welfare.**
- ◆ As an alternative to the traditional GNP, which index was postulated to redefine development in 1995? **-Genuine Progress Indicator.**
- ◆ Morris D Morris has developed the Physical Quality of Life Index (PQLI). Who propounded the concept of Basic Needs Approach? **-Paul Streeton.**
- ◆ The human development index was developed for the first time in 1990 by which Pakistani economist associated with UNDP in collaboration with A.K.Sen and Hans W. Singer? **-Mahbub Ul Haq.**
- ◆ Human development Index is based on three indices-educational index, life expectancy index and gross domestic product. Human development index is the average of these three indices. What is the value of human development index? **-In between 0 and 1.**

(rich and poor, rural and urban men, women, all castes and denominations), such development is inclusive. It is called development. Such development includes providing equality of opportunity and empowering people through education and skill development. Inclusive development entails providing basic amenities i.e. housing, food, drinking water, education, skill development, health as well as means of livelihood for leading a dignified life for all sections of the population. If development is not inclusive, it does not become sustainable and gradually the economy begins to decline. Unbalance...

**SUSTAINABLE DEVELOPMENT**

Development that meets the needs of the present without compromising the ability to meet the needs of future generations is called sustainable development. The Brundtland Commission, constituted by the United Nations, first used the term Sustainable Development in its 1987 report. It is also called 'sustainable development', development with continuity, 'regular development'. Any development is sustainable only when the total natural capital is either stable or it continues to grow.

**HUMAN DEVELOPMENT INDEX**

Human development index is the average attainment of basic human ability in any country. The Human Development Index is created on the basis of life expectancy, educational level, per capita income and purchasing power. The Human Development Index was first presented in the 1990 Human Development Report of the United Nations Development Program. It was produced under the direction of Pakistani economist Mahbubul Haq.

**Human Development Index 2020**

Source: Human Development Report 2020 by UNDP

The year 2020 report shows India ranking 131 in the list of 189 countries. Its position has declined by two places. It is known that India was ranked 129 in the year 2019. Norway ranks first, Ireland and Switzerland second, Hong Kong and Iceland fourth and Germany sixth in the index of this index. Niger (189), Central African Republic (188), Chad (187) and South Sudan and Burundi (185) are at the bottom of the index respectively. Among India's neighbors, Sri Lanka is ranked 72nd, China 85th, Bhutan 129th, Bangladesh 133rd, Nepal 142nd, Myanmar 147th, Pakistan 154th and Afghanistan 169th. According to the report, group-based inequality exists around the world, particularly affecting women. According to the report, India ranks 123 in the list of 162 countries in the Gender Inequality Index, while neighboring countries China (39), Sri Lanka (90), Bhutan (99) and Myanmar (118) are better than India. The index is based on women's reproductive health, empowerment and economic activity.

Life expectancy at birth  
Female 71.0 years and Male 68.5 years

Expected years of schooling  
Female 12.6 and Male 11.7

Human Development Index of India							
1990	0.427	1995	0.460	2005	0.535	2010	0.581
2015	0.627	2016	0.636	2017	0.640	2018	0.647

Rank	Country	Score	
71	Sri Lanka	0.780	High
104	Maldives	0.719	
129	India	0.647	
134	Bhutan	0.617	Medium
135	Bangladesh	0.614	
147	Nepal	0.579	
152	Pakistan	0.560	Low
170	Afghanistan	0.496	

Rank	Country	Score
1	Norway	0.954
2	Switzerland	0.946
3	Ireland	0.942

Rank	Country	Score
187	Chad	0.401
188	Central African Rep.	0.381
189	Niger	0.377



- ◆ The index less than 0.50 indicates low human development. What is the value for high human development index? **-From 0.8 to 1.**
- ◆ On what concept is the human development index based? **-Expansion of capacity**
- ◆ In which year's human development report, three new index of Inequality-adjusted Human Development Index, Gender Inequality Index, and Multidimensional Poverty Index were added? **-Human Development Report, 2010.**
- ◆ When inequality is more in a country, then Inequality Adjusted Human Development Index will be more or less? **-Less**
- ◆ If there is no inequality between people, then what will be the value of IHDI and HDI? **-Same.**
- ◆ From the perspective of women, three important measures have been added under Gender Inequality Index – productive health, empowerment, and participation in the labour market. The value of this index is between 0 and 1. The GII value of 0 indicates equality between men and women, what is the meaning when the value is 1? **-The position of women in comparison to women is poor.**
- ◆ Which Human Development Report included the concept of Human Poverty Index for the first time with a view to comprehensively understand poverty? **-Human Development Report, 1997.**
- ◆ There are two types of Human Poverty Index – HPI-1 and HPI-21 – Which of these two has been developed for the developing nations? **-HPI-1.**
- ◆ In the Human Development Report, 2010 which new measure in place of HPI has been adopted which measures multidimensional poverty by multiplying the number of people suffering from multidimensional poverty to average deficiencies of each multidimensional poor family. **-MPI (Multidimensional Poverty Index).**
- ◆ The HDI method of measuring the economic development is better than PQIL method, why? **-Because income in HDI is taken as a variable but not in PQIL.**
- ◆ The better and the most modern measure to express the living standard is known as PPP or purchasing power parity. What kinds of things are included in it? **-Both commercial and non-commercial.**
- ◆ The International Monetary Fund introduced the use of the method of PPP for the first time in 1993. This method is also being used by the World Bank because the measure of income based on foreign exchange cannot clarify the income differences between two nations. Who has propounded this method? **-G.R. Cassel.**
- ◆ The biggest economies based on PPP are America and China. According to World Economic Outlook, April 2019, which country is the third largest economy? **-India.**
- ◆ From the PPP point of view in the year 2020, what percentage of the Indian economy contributes to the world GDP? **- Only 8.27%**
- ◆ (Note: Based on PPP, the Indian economy is estimated at \$ 12,363 billion in the year 2020. India ranks third in this regard. **-The first two countries are China and America.)**
- ◆ Which index was developed by the UNDP in the Human Development Report 2001 to express the achievement of a nation in industrial construction, dissemination and skilled human work force? **-Technological Progress Index.**

#### **GLOBAL HUMAN CAPITAL INDEX**

The Global Human Capital Index measures the development and use of human capital. This index is released by the World Economic Forum. This index is prepared on the basis of 46 indicators. This shows how any country is developing and using human capital and how much attention is being paid to education, skills and employment. Norway tops the list of 130 countries released in September 2017, while India is ranked 130. Meanwhile, on 11 October 2018, the World Bank released its first human capital index. Singapore ranks first in the list of 157 countries and India is ranked 115. The Government of India has rejected this conclusion.

#### **INEQUALITY ADJUSTED HUMAN DEVELOPMENT INDEX**

Not only does IHDI get information about the average human development of the country on the basis of health, education and income, but also its distribution. IHDI calculates age probability, years spent in schools and inequalities in income. If there is no equality between people, then IHDI and HDI will be the same, but as inequality increases, so will ISDI and SBI. Thus the difference between ISDI and SBI is a sign of possible human development loss due to skyrocketing. Conclusion HDI represents possible human development level and SBI annual human development level.

#### **PURCHASING POWER PARITY**

Purchasing power parity refers to the difference in price of goods or services between any two countries. Through this, it is ascertained how much difference or parity in purchasing power of currency between two countries. From this, the size of the economy of a country can be ascertained. Also, it also plays an important role in determining the currency exchange rate.

- ◆ In the blind race for industrial development, there has been large scale destruction of natural resources and environment. Therefore, in any project of industrial development programme, it is mandatory to introduce environmental conservation. What name do economists give to this type of development? -Sustainable development.
- ◆ Agriculture, forestry, fishery and mining have been included under the primary sector. In which sector has industry and manufacturing been included? -Secondary sector.
- ◆ In which sector is transport, communication, commerce, banking, insurance, and public and private service included? -Tertiary Sector.
- ◆ (Note: As the momentum of development in the economy grows, the structural changes in the economy take place. In the process of change, generally the direction of change is from primary sector (agriculture), to secondary sector (industry) and finally the tertiary sector (Service). At the same time there is a change in the national productivity and the ratio of labour force.)
- ◆ What does 'market' mean in economics? -Contest attendance
- ◆ Which is the cigarette industry under market type definition? -Oligopoly
- ◆ What is a market with large number of large firms called? -Oligopoly
- ◆ 'Fulfilment determines its own demand' Whose statement is this? - J.B. Sey
- ◆ The huge number of buyers and sellers is an essential condition of which market type? -Perfect Competition
- ◆ Which type of market type is one of the essential conditions of an equal price for the same goods at a same time? -Perfect competition
- ◆ What does the average income equal in the full competition? -Marginal Income
- ◆ Without which price and product are the determinants in the market structure? -Perfect competition
- ◆ What is the market situation in which there is only one seller of a commodity in the market? -Monopoly
- ◆ What is an essential condition of monopolistic competition? -Product differentiation
- ◆ The principle of monopolistic competition has been developed by whom? -By E.H. Chamberlin
- ◆ Under what market conditions do firms have greater dominance? -Monopolistic competition
- ◆ The amount of monopoly power has to be measured as which profit of the firm? -As preferential benefit of the firm
- ◆ What does the monopoly's marginal income decrease? -At price
- ◆ In which market structure is the market demand curve represented by the firm's demand curve? -Monopoly
- ◆ Who is produced by monopolistic competition? -Nearby Substitute
- ◆ The production of a disadvantage profit -loss condition is the production in which the producer can recover what cost? -Of the total cost
- ◆ Does the producer gain or lose at the equilibrium level point? -No profit no loss
- ◆ When does the equilibrium-level point occur? -When the average income is equal to the average cost
- ◆ If the average cost falls, at what rate does the marginal cost fall? -Same rate

#### CONCEPT OF LAISSEZ-FAIRE

The concept of laissez-faire states that the economy and business work best when there is no government intervention. It is a French phrase, meaning to be left alone. The concept was introduced by the Italian economist Sera, but it was systematically developed by Adam Smith and developed by classical economists such as J S Mill. Inclusive Growth

#### MARKET ECONOMY

The economic system in which the main problems of the economy - what, how and for whom - are solved by open market forces of supply and demand is called market economy.

#### IMPERFECT COMPETITION

The market condition, which lies between the two extremes of absolute competition and monopoly, is called imperfect competition. It can be transformed into oligopoly or monopolistic competition.

#### PERFECT COMPETITION

The market situation in which a very large number of buyers and sellers buy and sell identical goods at the same price in all parts of the market is called absolute competition. Under this there is complete mobility in the goods and instruments market and buyers and sellers have complete knowledge of prices and costs (present and future).

#### PURE COMPETITION

The market condition in which no buyer or seller can influence the price prevailing by its independent individual process is called pure competition.

#### MONOPOLISTIC COMPETITION

A form of market in which a specific product has a very large num-

- ◆ What is the movement along a demand curve called?  
-Expansion and contraction of demand
- ◆ If the demand curve shifts to the right and reaches the first price due to change in demand, what will be the quantity demanded?  
-Will increase
- ◆ If the income elasticity of demand is more than one, how will be the commodity?  
-Luxury
- ◆ If the buyer is one and the seller is many, then what is that situation called?  
-Franchise
- ◆ What does the demand for an item mainly depend on?  
-Purchasing Power
- ◆ What is the action taken by a buyer or seller to protect their business or assets due to changes in prices?  
-Immunity
- ◆ What is the price determined by demand and supply?  
-Equilibrium price
- ◆ When can be the situation of equilibrium change?  
-When an internal factor changes
- ◆ Who determines the equilibrium price in the market?  
-Similarity between Marginal Cost and Marginal Revenue
- ◆ When the marginal utility is zero, what is the total utility? -Maximum
- ◆ If the price of a cheap item falls, what is its demand? -Falls down
- ◆ In equilibrium, what does a perfectly competitive firm equate to?  
-Marginal benefit from marginal cost
- ◆ What are the factors of production that the firm neither rents nor buys, so what is the fixed cost on them? - Social cost
- ◆ The cost that has been spent and cannot be recovered, what is called?  
-The incurred cost
- ◆ What states Angel's law that the relationship between?  
-Quantity of demand and income of consumers
- ◆ How is the demand curve for Giffin goods? -Climbing up
- ◆ What are the things that are rare and their supply is limited?  
-Luxury goods
- ◆ A firm is in equilibrium when its marginal cost is equal to?  
-Marginal income
- ◆ What does production mean in economics? -Generation of Utility
- ◆ "Consumers decide what goods and services will be produced and in what quantity under the free enterprise system", what is this concept called?  
-Consumer dominance
- ◆ When the complete product increases at the current rate, what happens to the marginal product?  
-Increases
- ◆ How is the supply of agricultural products usually? -Inelastic
- ◆ Which law expresses the effect of a change in the price of a commodity on its demand?  
-Law of demand
- ◆ Under what circumstances does the law of demand fail? -Giffen good
- ◆ Then 'law of demand' means that when the demand for a commodity is high, what is the price of that commodity?  
-Increases
- ◆ What happens when there is a decrease in demand for goods or an increase in supply?  
-Commodity prices drop
- ◆ Which economics is related to price theory? -Micro Economics
- ◆ What is a person called when he has to pay more for something than leaving it? -Producer's surplus
- ◆ When the price of a commodity falls, what is expected?  
-To increase its demand

ber of buyers or sellers is called a monopolistic competitive market. There is no interruption of firms in the industry in this market form. The demand curve of the personality seller in this market form is shielded.

#### OLIGOPOLY

If the number of sellers in a market is very small (but more than 2), then such market is called oligopoly. In this type of market, the goods sold by few sellers may or may not be the same.

#### MONOPOLY

A market condition in which there is only one seller in a market is called a monopoly. In such a situation there is lack of competition in the market.

#### BILATERAL MONOPOLY

The market situation in which the monopoly buyer faces the monopolistic seller is called bilateral monopoly.

#### DUOPOLY

The market situation in which the monopoly buyer faces the monopolistic seller is called bilateral monopoly.

#### PRICE LINE

A line in demand indifference work analysis that shows all the adjustments of two items that a consumer can buy at a particular time, while given the prices of both goods and the currency income (or budget) of the consumer, the price line. Or called the budget line.

#### SAY'S LAW

The law of 'Say' states that fulfillment creates its own demand. This theory is presented to say that goods cannot be overproduced and the economy, autocompletes leads to employment balance.

- ◆ What does demand mean in economics? Purchasing power demand
- ◆ What does the term 'Utility' mean?  
-Ability to bring into service by a commodity
- ◆ 'Consumption function' shows the relationship between  
-Income and subdivision
- ◆ What is the cost of advertising? -Selling cost
- ◆ What is the difference between the price that a consumer is willing to pay for a commodity and the price it actually gives?  
-Consumer surplus
- ◆ In whose case consumer surplus is highest? -Requirements
- ◆ Who was the proponent of the dynamic theory of profit? -Clarke
- ◆ Under which buyers and sellers will have complete knowledge of market conditions? -Full competition
- ◆ If the marginal yield increases at a decreasing rate, then what happens to the total return? -Decreases
- ◆ What does the Marginal Yield Rule mean? -Diminishing cost
- ◆ When consumer income increases, what will be its impact on small items? -Negative impact
- ◆ What is input-output Analysis often called? -Inter industry analysis
- ◆ Who introduced the 'market rules'? -J.B. Sey
- ◆ What type of market is unable to control prices? -Full competition
- ◆ What is a market system in which there are only two buyers and many sellers? -Bipartite
- ◆ In which case it is necessary to bear the selling cost?  
-Monopolistic competition
- ◆ When demand for a commodity increases with increasing income, what is such a thing called? -Excellent goods
- ◆ The demand for a commodity is a direct demand, but what is the demand for the component of production? -Derived demand
- ◆ What makes up the operating surplus? -In government sector
- ◆ Whom is determined by the resource allocation in a free enterprise economy? -The sample of consumer spends
- ◆ In which type of market system, few vendors dominate the market or industry? -Oligopoly
- ◆ What is the common feature of 'oligopoly'? -Short seller
- ◆ Who takes decisions related to savings and loan activities in Self Help Group (SHG)? -Group members
- ◆ In which market is the product differentiated?  
-Imperfect Competitive Market
- ◆ Who is related to 'labour theory of property'? -John Locke
- ◆ What is the demand for basic food? -Almost entirely inelastic
- ◆ What are durable consumer goods called? -White matter
- ◆ What does sustainable economic development mean?  
-Future economic development along with the development of the current generation
- ◆ What is the relationship between demand and supply in the event of a seller's market? -Demand exceeds supply
- ◆ What is the best criterion for growth? -Average per capita income
- ◆ According to Lord Keynes' theory, the rate of interest can be determined by whose demand and supply? -Capital
- ◆ What are the costs that remain unchanged relative to EM production, such as rent, capital, interest, etc.? -Fixed Cost

#### SELLING COSTS

The cost incurred for the first time related to the sale of the goods to the market or to motivate the buyer is called selling cost. For example advertising sales promotion, deal selling, etc.

#### BREAK EVEN POINT

The point at which the average return equals the average cost is called the equilibrium level point. In economics, the general cost is inherent in the total cost. Thus according to the definition of economics, point at equilibrium level does not mean zero profit.

#### PRICE DISCRIMINATION

The 'price differential' is different prices taken from different customers for the same commodity or for different uses or different prices for different units of the same customer. This is also possible in market conditions other than full competition.

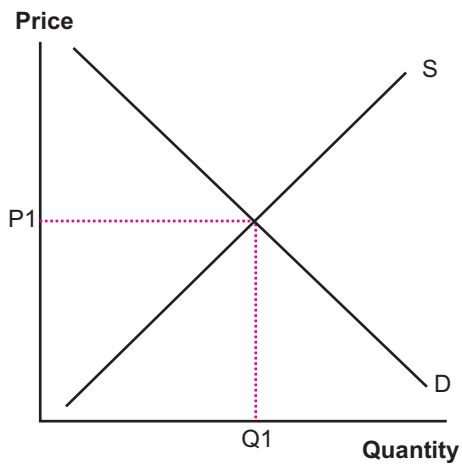
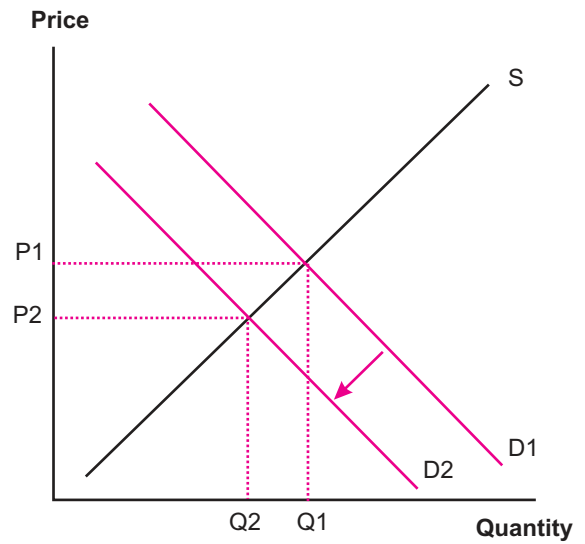
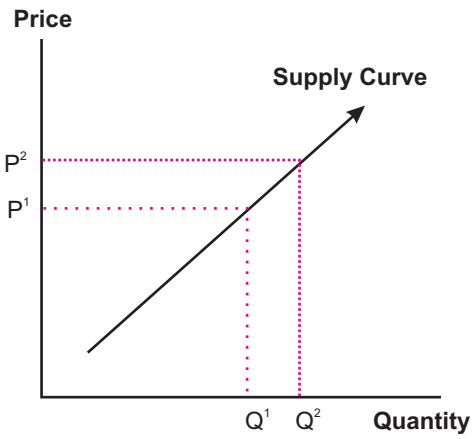
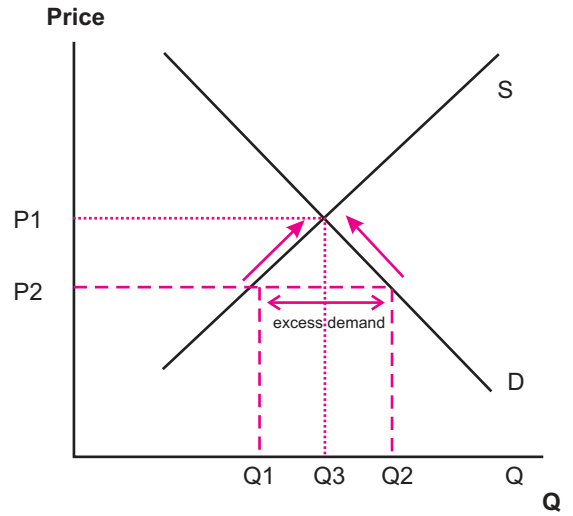
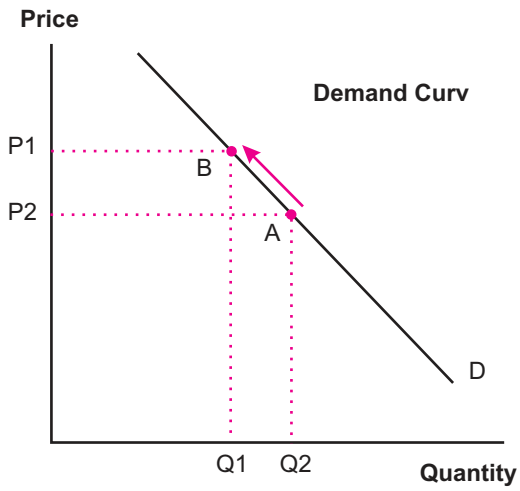
#### INDIFFERENCE CURVE

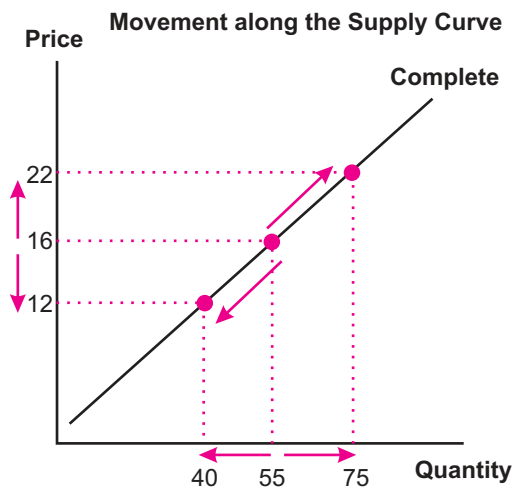
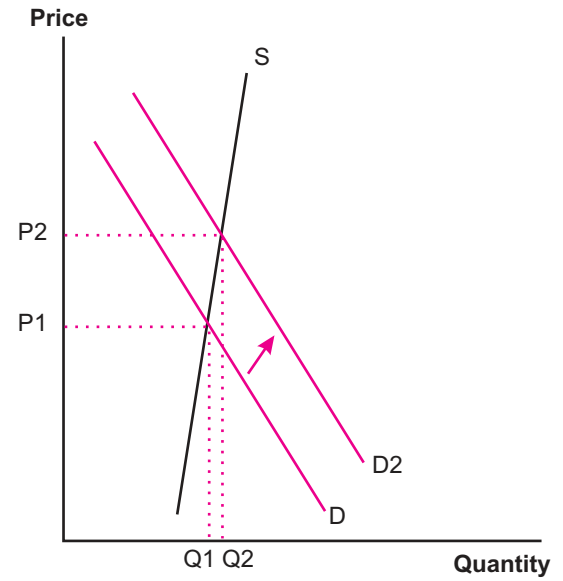
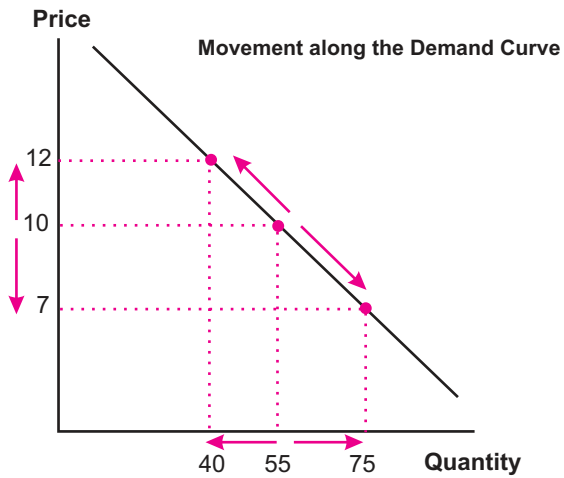
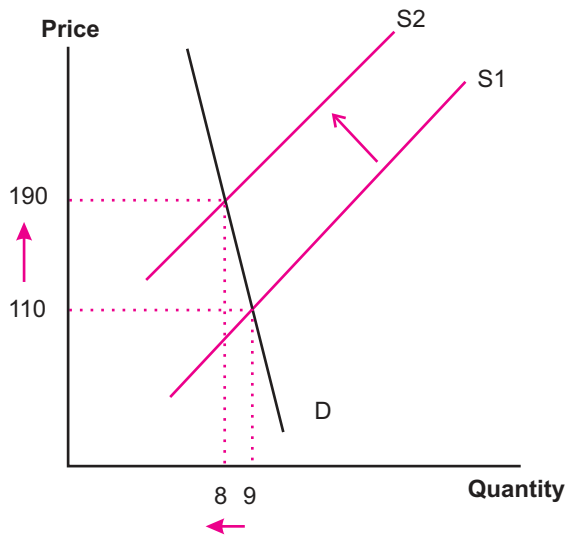
The curve showing the coincidence or quantities of two goods that gives the consumer equal satisfaction is called the indifference curve.

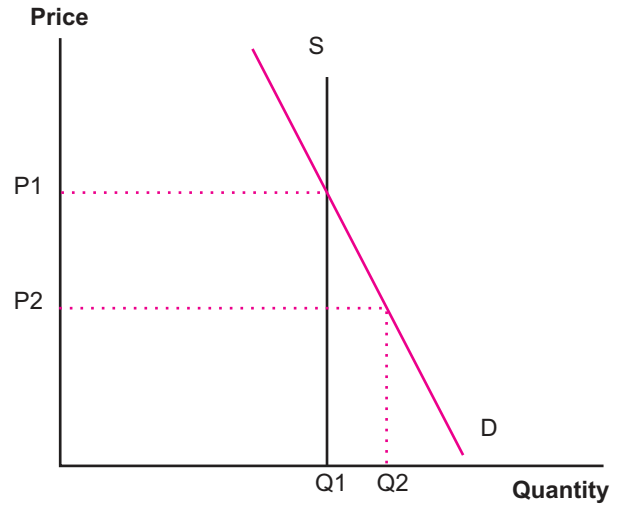
#### INCOME CONSUMER CURVE

In indifference curve analysis, the line that interconnects the points of the price line on the indifference curve which shows the tendency of any kind of change in price when income changes, is called the income consumer curve.

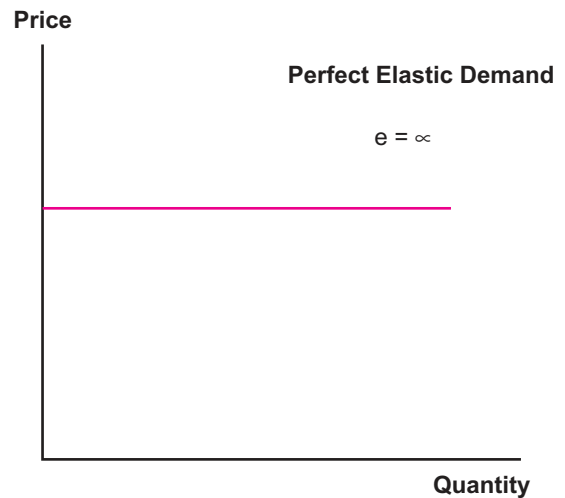
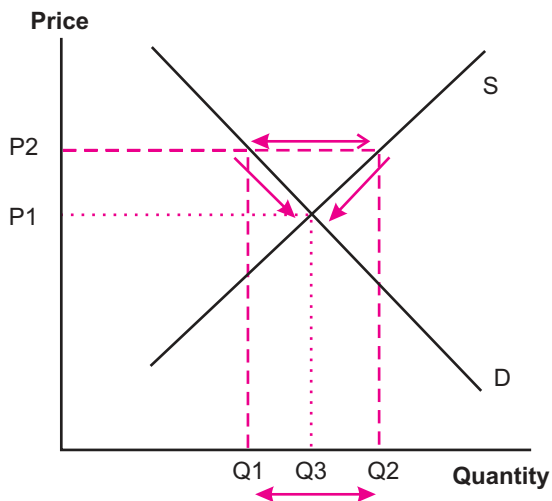
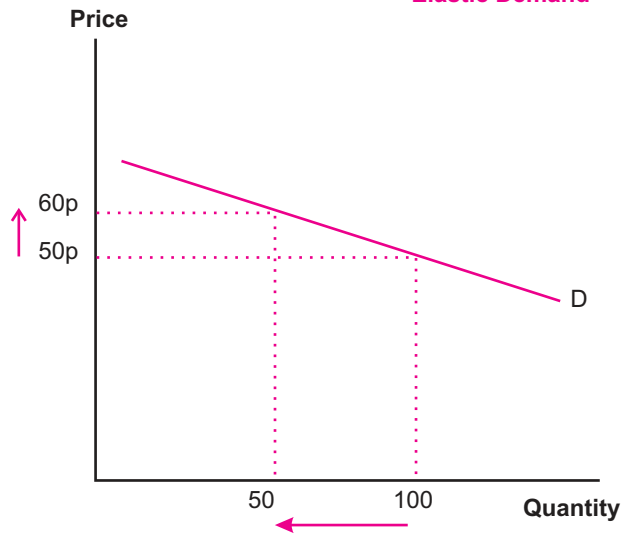
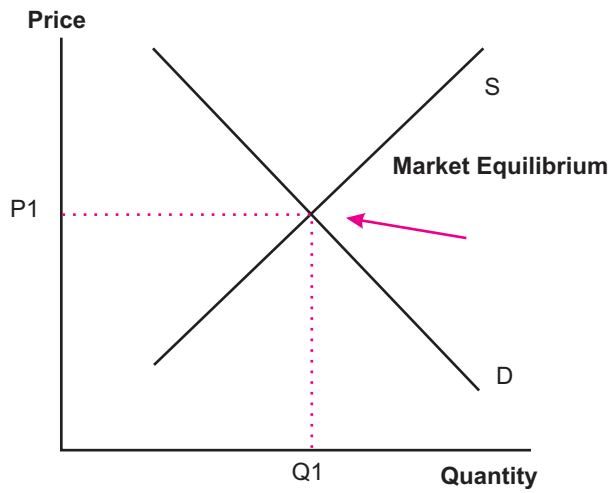


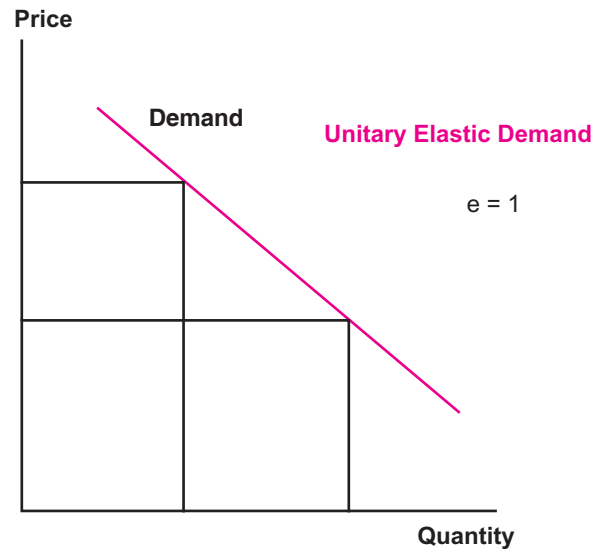
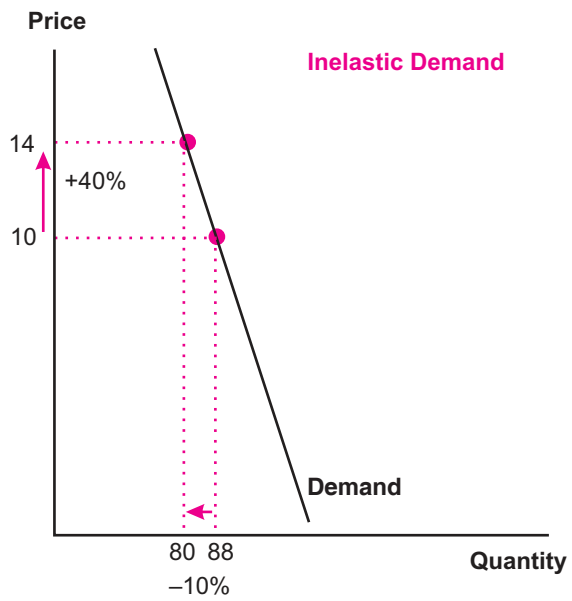
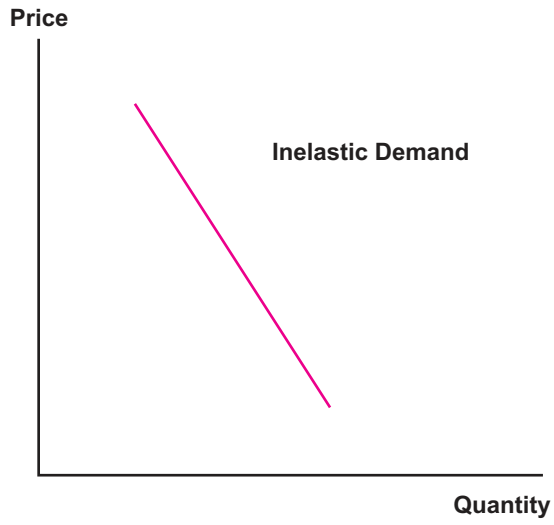






Elastic Demand







KEY ECONOMIC INDICATORS

Figure category	Unit	2017-18	2018-19	2019-20	2020-21
<b>GDP and Related Indicators</b>					
GDP at Current Market Rate	Lakh Crore Rs.	171.0	189.7	203.4 <sup>a</sup>	194.8 <sup>b</sup>
GDP at Stable Market Rate	Lakh Crore Rs.	131.8	139.8a	145.7 <sup>a</sup>	134.4 <sup>b</sup>
Growth rate	Percentage	7.0	6.1	4.2 <sup>a</sup>	-7.7 <sup>b</sup>
GVA at current base price	Lakh Crore Rs.	155.1	171.4	183.4 <sup>a</sup>	175.89 <sup>b</sup>
GVA at constant base price	Lakh crore Rs.	120.7	128.0	133.0	123.42 <sup>b</sup>
Growth rate	Percentage	6.6	6.0	3.9 <sup>a</sup>	-7.2 <sup>b</sup>
Gross saving	% GDP	32.4	30.1	NA	NA
Gross capital formation	% GDP	34.2	32.2	NA	NA
Net national income per capita	(at current price) Rs	1.15 293	1 26 521	134.226	1, 26,968 <sup>b</sup>
<b>Production</b>					
Food-grains	Million tonnes	285.0	285.2	296.7 <sup>c</sup>	144.5 <sup>c</sup>
Index of Industrial Production	Percentage	4.4	3.8	-0.8	-15.5 <sup>d</sup>
Electrical Swelling (Growth)	Percentage	5.4	5.2	1.0	-4.6 <sup>d</sup>
<b>Price</b>					
WPI Average	Percentage	3.0	4.3	1.7	-0.1 <sup>c</sup>
CPI (Combined) Inflation (Average)	Percentage	3.6	3.4	4.8	6.6 <sup>c</sup>
<b>Foreign Sector</b>					
Commercial Goods Exports Growth (US Dollar)	Percentage	10.0	8.8	-5.1	-15.7 <sup>c</sup>
Trade Goods Export Growth (US Dollar)	Percentage	21.1	10.4	-7.7	-29.1 <sup>c</sup>
Current Account Fund	% GDP	-1.8	-2.1	-0.9	3.1 <sup>f</sup>
Foreign Exchange Reservation Fund (Sal)	US Dollar Billion	424.4	411.9	475.6	586.1 <sup>k</sup>
Average Exchange Rate	Rupees US Dollar	64.45	69.92	70.90	74.64 <sup>j</sup>
<b>Currency and Debt</b>					
Broad Currency (M3) Growth (Annual)	Percentage	7.8	10.2	10.1	12.4 <sup>g</sup>
Scheduled Commercial Bank Credit (Growth)	Percentage	10.0	13.3	6.1	6.1 <sup>g</sup>
<b>Fiscal Indicator (Center)</b>					
Gross fiscal deficit	%GDP	3.5	3.4	4.6	3.5 <sup>l</sup>
Revenue Deficit	%GDP	2.6	2.4	3.3 <sup>h</sup>	2.7 <sup>i</sup>
Primary Deficit	%GDP	0.4	0.4	1.6 <sup>h</sup>	0.4 <sup>i</sup>

◆ **Remarks:** Sub No. : Not Available a: Provisional Assessment b: First Advance Assessment, C. Fourth Advance Estimate of 2019-20 and First of 2020-21. Advance Estimate, d: (April - November) 2020. e : (April - December) 2019. f (April - September) 2020, g till 18 December 2020, h: Revised Estimates, Budget Estimates. End of December 2020. k:8 as of January 8, 2020.

# NATIONAL INCOME AND RELATED CONCEPTS

- ◆ What is the last value of a product or service produced by the citizens of a country in a definite time frame called? **-National Product**
- ◆ What is the name for the four resources of production –Land, Labour, Capital, and Courage – employed in an economic activity leading to the sum of the four outcomes of rent (tax), labour (salary), interest and profit? **-National Income.**
- ◆ National product is a quantitative concept while national income is? **-A qualitative concept.**
- ◆ National product is a concept related to stock. In contrast national income is related to which concept? **-Flow**
- ◆ What kinds of objects are included in the national income, only last objects, only intermediate objects or both? **-Only last objects.**
- ◆ What is the name of the monetary value of the last goods and services produced by the common citizens within the territorial boundaries in a definite time? **-Gross Domestic Product.**
- ◆ In India, there are many foreign companies engaged in producing goods and services. Which concept of national income is included in the value addition of their production? **-Gross Domestic Product.**
- ◆ While counting Gross Domestic Product is sale, purchase of old goods, transfers and payments, financial instruments, and self services included? **-No**
- ◆ Is commission given or received on sale and purchase of financial instruments and old goods included in GDP? **-Yes**
- ◆ The word 'gross' is added to Gross Domestic Product because something in addition to total production is added in it. What is that? **-Depreciation or consumption value of fixed capital goods also**
- ◆ In Gross domestic product why is only last goods and services included? **-In order to avoid double counting**
- ◆ In calculation of GDP is the cost of old goods included or not? **-No**
- ◆ What is the value obtained by subtracting the depreciation expense or depreciation of local consumption or capital assets from the value of gross domestic product? **-Net Domestic Product**
- ◆ Depreciation of capital goods, machines, equipment, factory buildings etc. is involved in production work. What is it called? **Wear cost or Depreciation**
- ◆ What is the difference between gross domestic product and net domestic product called? **-Depreciation**
- ◆ What is the name of the monetary value of the last goods and services produced by the common citizens within the territorial boundaries in a definite time (one year)? **-Gross Domestic Product.**
- ◆ Between GDP and GNP, which is comparatively a broader concept? **-Gross Domestic Product.**
- ◆ What is obtained after subtracting the means of income received from foreign countries and income earned by foreigners in that country? **-Net income from abroad**

## NATIONAL INCOME ACCOUNTING

National income accounting is a book accounting system, which the government uses to measure the level of economic activity of a country over a given time period. Accounting records of this nature include the total revenue earned by domestic corporations, wages paid to foreign and domestic workers, and the amount spent on sales and income taxes by corporations and individuals living in countries. Some of the assumptions calculated using national income accounting include GDP, GNP and GNI.

## NATIONAL INCOME

National income is the sum of the returns of a country by appropriating all the means of production into an economic activity. Transfer payments, capital gains, income from illegal work and self-consumption services are not included in GDP. The national product consists of the final production made by the common inhabitants of a country within the domestic boundary of that country and the income received from foreign countries and the income earned by foreigners in that country is subtracted. In contrast, the domestic product includes only the final product to be produced by all producers and general residents and non-residents within the domestic limits of that country.

## GNP GAP

The difference between the actual output of a country and the total output that occurs in the state of full employment is called the GNP interval. In other words, it is the difference between the real GNP and the probable GNP in a given

ANNUAL GROWTH RATE (PERCENTAGE) OF GROSS NATIONAL INCOME AND NET NATIONAL INCOME						
Year	Gross National Income		Net National Income		Per Capita Net National	
	Current Continuous	Income Continuous	Current Continuous	Current Continuous	Income Continuous	Current Continuous
<b>2004-05 Series</b>						
1951-52	6.4	3.1	6.2	3.5	4.5	1.8
1960-61	9.5	5.5	9.6	5.8	7.6	3.8
1970-71	6.8	5.2	6.0	4.7	3.6	2.4
1980-81	19.1	6.8	19.5	6.9	16.8	4.5
1990-91	16.6	5.3	16.6	5.2	14.3	3.1
2000-01	7.3	3.6	6.9	3.2	5.1	1.4
2001-02	8.4	5.0	8.2	4.8	6.0	2.7
2004-05	14.1	7.9	13.8	7.7	12.0	6.0
2005-06	13.9	9.3	13.9	9.2	12.2	7.5
2006-07	16.2	9.2	16.3	9.1	14.7	7.6
2007-08	16.5	10.2	16.6	10.1	15.0	8.6
2008-09	12.7	3.7	12.3	3.0	10.7	1.6
2009-10	15.1	8.5	14.9	8.1	13.3	6.7
2010-11	19.6	9.8	20.1	9.8	18.5	8.3
2011-12	16.0	6.9	16.0	6.5	14.5	5.1
<b>2011-12 Series (New Series)</b>						
2012-13	13.5	5.1	13.2	4.5	11.9	3.3
2013-14	12.9	6.3	12.9	6.0	11.5	4.6
2014-15	11.1	7.5	10.9	7.5	9.5	6.2
2015-16	10.5	8.0	10.8	8.0	9.4	6.7
2016-17	11.8	8.3	12.0	8.2	10.6	6.9
2017-18	11.1	6.9	11.1	6.7	9.9	5.5
2018-19 (2nd RE)	10.5	6.6	10.3	6.4	9.3	5.3
2019-20 (1st RE)	7.9	4.2	7.7	3.6	6.6	2.5
2020-21 (PE)	3.0	-7.2	-3.0	-7.4	-4.0	-8.4
2021-22 (FAE)	17.8	9.4	17.8	9.5	16.7	8.4

Source: Central Statistical Office : PE : Provisional Estimates, RE: Revised Estimates, FAE: First Advance Estimates

- ◆ When net income from foreign countries is positive, then which is greater between the gross national product and Gross Domestic Product?  
-Gross National Product
- ◆ When a country's Gross Domestic Product is greater than Gross National Product, then Net income from abroad is negative or positive?  
-Negative
- ◆ What is obtained when depreciation of capital goods is subtracted?  
-Net National Product.
- ◆ What is the income obtained after deducting indirect tax from net national product and adding subsidy known as?  
-Net national product at the instrument cost
- ◆ What is the net national product at the instrument cost often known as?  
-National income.

time-period. Potential GNP is the maximum and ideal output of an economy in all sectors with high or full employment conditions and currency and product price stability. The stalled real GNP rarely reaches the probable GNP, so this gap is often present in the economy. However, to maintain the status of full employment it is necessary that GNP. Interval is zero. The difference between GNPs at market price is also called GNP interval.

## NATIONAL INCOME AND RELATED CONCEPTS

- ◆ What is the difference between Gross National Product at market price and Gross National Product at instrument cost known as?  
-Net Indirect Tax
- ◆ The difference between Gross National Product at market price and Gross National Product at instrument cost is equal to what?  
-Depreciation
- ◆ The difference between GNP and GDP is equal to what?  
-Net income earned from abroad.
- ◆ If the income received by the Indians from abroad is more than the income from India by the foreigners, then which will be greater, GDP or GNP?  
-GDP
- ◆ What is that income called which is sum of the income from all private sector sources plus the current transfer income from the government and from the rest of the world?  
-Private Income.
- ◆ What do we get when we subtract income of the departmental industries and non-departmental industries of the government from the investment on net domestic product?  
-Net domestic income of the private sector.
- ◆ What kind of income is obtained when undistributed profit from national income, profit tax, income from the government enterprise and capital, excess revenue and the share of the contributors to the social security pension-employment is subtracted and the interest on different transferred receipts and on non-productive national loans are added?  
-Personal Income.
- ◆ What is that income called which is obtained when undistributed profit and corporate tax are added to the personal income?  
-Private Income.
- ◆ Which among the personal income and private income, do not include corporate savings and corporate tax?  
-Personal income.
- ◆ What is that part of the national income called which people can spend whenever and for whatever purpose they want? -Disposable income.
- ◆ What is the difference between GDP on constant price and the GDP on current price known as?  
-GDP deflator
- ◆ What is the income known as when National income is divided by the population of the nation?  
-Per Capita Income
- ◆ Which is the best indicator of economic development – per capita income or national income?  
-Per capita income.
- ◆ What is the ratio of national income at constant price and the total population known as?  
-Real Per capita income
- ◆ What is the national income divided by the total population of the nation known as?  
-Per Capita Income.
- ◆ Which is better measure of economic development? Per capita income or National Income?  
-Per capita income
- ◆ The ratio of national income and the total population at constant price is known as?  
-Real Per capita income
- ◆ The national income of any country is measured on current prices and on constant prices. Which price is taken into consideration for the comparative study of the growth of different classes? -Constant price

which indicates the inflationary interval of GNP.

### CORE SECTOR

Some infrastructure is required for the development of the economy, such as cement, iron steel, petroleum, heavy machinery etc. Only by developing these basic industries can other industries be established. These industries are called core sector industries.

### GDP AT CURRENT MARKET PRICE

From the point of view of expenditure, GDP at current market price can be said to be the sum of- (a) this consumption - private and government, (b) investment, also called gross capital accumulation and in which fixed capital accumulation, stock and Changes in valuables include and (c) net exports, which reflect the difference between exports and imports of goods and non-production services. Gross fixed capital accumulation or fixed investment is related to the value of new machinery and equipment value of newly constructed works during the year. Net accumulation of valuable items includes valuables, gems and precious stones, silver, gold, platinum and gold silver jewelry.

### ECONOMIC GOODS

That rare commodity is called an economic commodity or a commodity that has a market value.

### NORMAL GOODS

An item whose consumption increases with an increase in income is called a normal commodity.

### GIFFIN GOODS

The Giffin item contains the following categories of items. The rule of

PER CAPITA INCOME AND INCREASE THEREIN										Source : CSO
Year	2011-12	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Current Price (Rs)	63,462	79,118	86,647	94,797	1,04,880	1,15,224	1,25,883	1,34,186	1,28,829	1,50,326
Increase (%)	14.5	11.5	9.5	9.4	10.6	9.9	9.3	6.6	-4.0	16.7
Fixed Price (Rs)	63,462	68,572	72,805	77,659	83,003	87,586	92,241	94,566	86,659	93,973
Increase (%)	5.1	4.6	6.2	6.7	6.9	5.8	5.3	2.5	-8.4	8.4



(Current price keep on fluctuating constantly. So, it is not possible to make a comparative study based on current prices.).

- ◆ Complete employment without inflation comes into existence when total demand is....to GDP? **-Equal**
- ◆ Production method, expenditure method, income distribution method and commodity flow method are the methods to measure the national income. In India which of these methods is used to measure the national income. **-All the four**
- ◆ Statistics related to the registered manufacturing sector are estimated by production or value addition method and non-manufacturing sector data by income method. How is the data obtained from primary sector calculated? **-By production method**

#### CONCEPTS OF NATIONAL INCOME

1. GDP (at market value) GDP <sub>mp</sub>	= The total market or monetary value of all final goods and services produced within a country's border in a year
2. Net domestic product (On market value) NDP <sub>mp</sub>	= GDP <sub>mp</sub> - depreciation
3. Net domestic product (at instrument price) NDP <sub>mp</sub>	= NDP <sub>mp</sub> - Indirect Tax + Subsidy
4. Gross National Product (at market price) GDP <sub>mp</sub>	= GNP <sub>mp</sub> + Net Foreign Income
5. Net National Product (at market price) NNP <sub>mp</sub>	= GNP <sub>mp</sub> - Depreciation
6. Net National Product (at Instrument Price) NNP <sub>fc</sub>	= NNP <sub>mp</sub> - Indirect Tax + Subsidy
7. Private Income	= NNP <sub>fc</sub> - Receiving Government Income + Transfer Payment + Interest on National Debt - Social Security Expense
8. Personal Income	= Personal Income - Non-Distributed Corporate Profit - Corporation Tax I
9. Personal Disposable Income	= Personal Income - Direct Tax - Mandatory Fee Penalty etc.

- ◆ Who is considered the father of national income accounting, for which he also received the Nobel Prize? **-Simon Kuznets.**
- ◆ Who developed the social accounting calculation method of national income? **-Richard Stone.**
- ◆ In which book did Dadabhai Naoroji make the first calculation of the national income of India in 1863? **-Poverty and Unbritish Rule in India.**
- ◆ Who is known as the father of the national income accounting in India? **-Dadabhai Naoroji.**
- ◆ Dadabhai Naoroji made the income calculation of India by dividing the Indian economy in two parts - Agricultural and non-agricultural, but Dadabhai's method is not considered scientific. Who made the first scientific calculation of national income of India in 1931-32? **-V.K.R.V. Rao.**
- ◆ Which method of income accounting did V.K.R.V Rao propound for which he is considered as the father of this method? **-National income accounting method.**
- ◆ Under whose chairmanship was the National Income Committee appointed in 1948-49 whose members were D.K.Gadgil and V.K.R.V. Rao? **-Prof. P.C. Mahalonobis.**
- ◆ Who was appointed as the advisor of National Income Committee? **-Simon Kuznets.**
- ◆ In India, who accounts the national income and the related matters? **-Central Statistical Office.**
- ◆ On the recommendation of the National Income Committee, the announcement for the creation of Central Statistical Office was made in 1954. From which year did it begin functioning? **-April, 1955.**
- ◆ Which institution established in 1951 was brought under central statistical Office? **-Central Statistical Institution.**

demand does not apply to Giffin items. When there is an increase in the price, the demand for Giffin items increases and when there is a decrease in the demand, their demand decreases. This paradox is labeled the Giffin paradox.

#### INFERIOR GOODS

Those items, which decrease as income increases, are called inferior Goods. For example, inferior grains, cheap cloth etc.

#### SUBSTITUTE GOODS

Those things, which can be consumed in place of each other, are called local objects. For example fish and chicken, tea and coffee etc. It is known that as the price of one of the substituted goods changes, the demand for the other changes.

#### COMPLEMENTARY GOODS

Those goods, which are related in such a way that an increase in demand for one increases the demand for the other and an increase in the price of one also reduces the demand for the other, is called complementary goods. For example, pen and ink, double bread and butter.

#### TRANSFER PAYMENT

The payment made by the sector of the economy without consideration to the other is called transfer payment or payment. For example, payments made for unemployment and social security, relief payments, donations etc.

Major books and magazines published by CSO

- Statistical Year Book
- Monthly Statistical Abstract
- India in Figures-A Ready Reference
- Energy statistical
- Environment statics

National Income Series and Base Year Issued by CSO.

Series	Base Year
First	1948-49
Second	1960-61
Third	1970-71
Fourth	1981-82
Fifth	1993-94
Sixth	1999-2000
Seventh	2004-05
Eighth	2011-12