GS SCORE

Prelims 2016

REVISION NOTES

Economic Terminologies

For Civil Services Examination

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ECONOMIC TERMINOLOGIES

Currency Board	:	The exchange rate is fixed, with institutional constraints on monetary policy. The monetary authority can only issue domestic money when it is fully backed by inflows on foreign exchange.
Bank Rate	:	Bank rate is the rate at which the RBI is prepared to buy or rediscount eligible bills of exchange or other commercial papers. In simple words, bank rate is the rate at which RBI extends advices (Credit) to commercial banks.
Repo Rate	:	Repurchasing option is traded in this market for a short time periods. Repo is Repurchasing by RBI. Repo rate is the discount rate at which banks borrow from RBI. Reduction in repo rate will help banks to get money at a cheaper rate, while increase in repo rate will make bank borrowings from RBI more expensive. If RBI wants to make it more expensive for the banks to borrow money, it increases the repo rate. Similarly, if it wants to make it cheaper for banks to borrow money, it reduces the repo rate.
Reverse Repo Rate	:	In a reverse repo transaction, banks purchase government securities form RBI and lend money to the banking regulator, thus earning interest. Reverse repo rate is the rate at which RBI borrows money from banks. Banks are always happy to lend money to RBI since their money is in safe hands with a good interest.
Counter Trade	:	It is the international exchange of goods and services using barter system.
Fiscal Drag	:	It is the effect of inflation upon effective tax rate, sometimes the effect of growth in nominal gross domestic product on tax revenue. In other words, fiscal drag is directly related to inflation and tax rates.
Cash Reserve Ratio	:	It is the % of deposit which a bank has to keep with the central bank of the country (RBI).
Call Money	:	It is a loan that is made for a very short period of a few days only or for duration of a week. It carries a low rate of interest. In case of a stock exchange market, the duration of call money may be for a fortnight.
CAMELS	:	The CAMELS rating system is a recognized international rating system that bank supervisory authorities use in order to rate financial institutions according to six factors represented by the acronym "CAMELS" (Capital Adequacy, Asset Quality, Management, Earnings Liquidity and Systems). Supervisory authorities assign each bank a score on a scale, and a rating of one is considered the best and the rating of five is considered the worst for each factor.
Cost-push Inflation	:	It arises due to an increase in production cost. Such types of Inflation are caused by three factors (i) an increase in wages, (ii) an increase in profit and (iii) imposition of heavy taxation.

Notes

Demand-pull inflation	:	The most common cause of inflation is the pressure of ever-rising demand on a less rapidly increasing supply of goods and services. The expansion in aggregate demand may be the result of rapidly increasing private investment and/or expending government expenditure for war or for economic development.
HyperInflation (or) Galloping Inflation	:	The main feature of Hyper-Inflation is that money looses almost all of its value. Prices rise to fantastic levels, and the velocity of circulation becomes enormous, money looses value so rapidly that people are unwilling to hold it for more a few movements.
Capital Widening	:	It is a phenomenon of growth in which capital to lobour ratio is constant. When capital ratio is constant then wage rate is also constant.
Social Dumping	:	It is a practice of exporting goods form a country where the labours are suppressed and labour court is low in order to compete in international market.
Deminimus Support Under WTO	:	It is a support given by government, which does not fall under green, blue, amber box subsidies. They are subject to reduction under WTO.
Debt Swap Scheme	:	It is a scheme through which farmers get loan from bank with minimum rate of interest to pay back loan from local money center, PNB launched it first.
Administered Price Mechanism	:	In which the government decides the price of scarce goods and sell them at price less than the cost of its purchase and bears the burden.
Amber Box	:	It comprises all forms of domestic support deemed to be trade distorting, primarily by encouraging excessive production. It is a market price support mechanism that set no product limit.
Appreciation	:	When the value of currency rises with respect to another currency is said to have appreciated. It also indicates the increase in value of an asset.
Agri Export Zone	:	It was setup in EXIM policy 2001-02 for encouraging exports of specific agriculture products from geographically identified areas.
Hard Currency	:	It refers to the currency of an industralised country which has general convertibility.
Human Poverty Index	:	It is brought by UNDP which indicates the extent of deprivation of people in society/country in terms of longevity, literacy and standard of living.
Badla	:	A carrying forward mechanism wherein only some margin is paid for shared, by the delivery of share and settlement could be carried forward for up to two weeks.
Open economy	:	Capitalist or mixed/progressive capitalist economy.
Zone Base Budget	:	A technique where the budget of each ministry is prepared assuming that there was no budget in the previous years.
Lorenz Curve	:	It is a cumulative frequency curve showing the distribution of a variable such as population against an independent variable such as income. In cumulative % of income less than a given value are plotted against the cumulative % of persons.
Poverty Line	:	The per capital expenditure on certain minimum needs of a person including food intake of a daily average of 2400 calories in rural areas and 2100 calories in urban areas.

Notes

GEM (Gender Empowerment Measure)	:	Composite index measuring gender inequalities in three basic dimensions of empowerment – economic participation and decision making, political participation and decision making and power over economic resources.
GDP	:	It is the money value of all the final goods and services produced within the geographical boundaries of the country during a given period of time.
GDP Deflator	:	The ratio of nominal to real GDP. GDP Deflator = Nominal GDP/Real GDP.
GNP	:	It is referred to money value of total output or production of final goods and services produced by the nationals of a country during a given period of time.
Core inflation	:	This nomenclature is based on the inclusion or exclusion of the goods and services while calculating inflation.
ICOR (Incremental Capital Output Ratio)	:	It refers to the units of capital that have to be employed for raising one unit of output.
CARE	:	Credit Analysis and Research Ltd. It was started in November 1993. It was set up by IDBI. It assesses the ability and willingness of the issuer company for timely payment of interest and principal on debt instrument.
Capital Receipts	:	Receipts on which the government has repayment obligations : e.g. government borrowing disinvestment proceeds etc.
Cartel	:	An association of producers in a given industry whose purpose is to restrict or bar competition in the industry.
Counter Veiling Tax	:	It in the duty imposed to raise the price of imported commodity so that it becomes higher than the price of domestic goods. It is also known as counterveiling measure.
Capital Adequacy Ratio	:	It is the ratio of total capital fund of a bank to its risk weighted assets. It is an indicator of banks financial health.
Debt Service Ratio	:	The Ratio of interest and principal payments on debt as a proportion of the countries total export for a particular year in called debt service ratio. DSR = Interest + Principal/Export.
Dumping	:	Dumping, in international trade, is the export by a country or company of a product at a price that is lower in the foreign market than the price charged in the domestic market. As dumping usually involves substantial export volumes of the product, it often has the effect of endangering the financial viability of manufacturers or producers of the product in the importing nation. Dumping is also a colloquial term that refers to the act of offloading a stock with little regard for its price.
Technology Index	:	Based on observed data and survey results, the index measures the value of technology in a country. It takes into account country's involvement in innovation and import of technology from abroad.
ICRA	:	Investment Information and Credit Rating Agents of India Limited. It was established in 1991. It primarily rates short, medium and long debt instruments. But, since 1995 it has been doing equity rating also.

Notes

Structural Inflation	:	When there is a short supply of the commodity, prices rise rapidly. It is temporary structure shortage in economy. It is also called bottleneck inflation.
Soft Currency	:	A currency with limited convertibility into gold and other currencies either because it is depreciating due to balance of payment deficit or because cannot have been placed on it.
Specific Tax	:	It is a tax imposed on the basis of quantity, volume, weight, etc. of a commodity.
Special Economic Zone (SEZ)	:	Introduced in the EXIM policy of 2000-01 with a view to provide internationally competitive and hassle free environment for export. They are free from taxes and duties. Such area is consider as foreign territory for the purpose of trade operations and tariffs.
Service Area Approach	:	Under this scheme, branches of commercial banks were allotted certain specific semi-urban and rural areas. These branches were made more responsible for overall development of prescribed areas. It was implemented in 1989.
Stagflation	:	Stagflation occurs when inflation rises while output is either falling or at least not rising.
Hedge Funds	:	They are basically private investment pools for wealthy, financially sophisticated investors. Traditionally they have been organised as partnership, with the general partner managing the funds portfolio.
Mutual Funds	:	Funds set up on the principal of pooled risk and pooled resources with the purpose of giving them the benefits of share market without exposing individually to the volatility of share market.
Venture Capital	:	Risk capital is called venture capital.
Participatory notes	:	These are notes issued by FIIs and some of the Indian based foreign banks.
CAPART	:	The Council for Advancement of People's Action and Rural Technology. It is autonomous organization under the Ministry of Rural Development set up in 1986 as a supporting and funding agency to the voluntary organization.
VAT	:	Value Added Tax is a multi-point destination based system of Taxation, with Tax being levied on value addition or each stage of transaction in the production of claim.
GDR/ADR	:	Global Deposit Receipts are popularly known as Euro issues i.e. shares of Indian companies sold in the European market. When these shares of Indian companies are sold in the US capital market they are called as American Deposit Receipts.
Black-Sholes Formula	:	It is a formula used to establish a fair price for options in financial markets.
Blue Book	:	It is an annual digest published by the UK office of National Statistics containing the national income and expenditure statistics of the UK.
Swap	:	A transaction in which securities of a certain value are sold to a buyer in exchange for the purchase from the buyer of securities having the same value. The purpose being to obtain an improvement, in the eyes of either of the parties, in the quality of the security or to anticipate a change in yield. Currencies as well as securities are swapped in this way.

Notes

Tap Issue	:	An issue of treasury bills to government departments and others at a fixed price without going through the market, as distinct from a tender issue.
Tax Avoidance	:	Arranging one's financial affairs within the law so as to minimize taxation liabilities as opposed to tax evasion, which is failing to meet actual tax liabilities through, for example not declaring income or profit.
Tax Base	:	The quantity or coverage of what is Taxed.
Taylor Rule	:	A simple rule for setting interest rates with a view to keeping inflation stable.
Tied Loan	:	These are loans made on condition that certain purchases are made from the Lender.
Tournament theory	:	The piece of economic thinking that suggests rewards can usefully be based upon the relative performance of economic agents, rather than on their absolute performance.
Turnover Tax	:	A tax levied as a proportion of the price of a commodity on each sale in the production and distribution chain all so called as cascade tax. Such a tax encourages vertical integration.
Undated Securities	:	These are securities not bearing a redemption date or option hence irredeemable securities.
Unemployment trap	:	The existence of social security benefits for the out of work that erode an incentive for the unemployed to take a job.
Visible Balance	:	The balance of payments in visible trade (imports and exports).
Voting Shares	:	Equity shares entitling holders to vote in the election of directors of a company. Normally all ordinary shares are voting shares, but sometimes a company may create a class of non-voting ordinary shares.
Yield Curve	:	A graphical representation of the relationship between the annual return on an asset and the number of years the asset has to run before expiring. Long term assets usually offer some premium over shorterm ones and yield curves, thus typically slop upwards.
Zero sum game	:	A game in which one players gain is equal to other player's losses.
Window Dressing	:	Financial adjustments made solely for the purpose of accounting presentation normally at the time of auditing of company accounts.
Money in Circulation	:	It is the money in use to finance current transactions as distinct from idle money.
Poverty Gap	:	It is calculated as the total shortfall of consumption below the poverty line, divided by the total population. This per capital shortfall in consumption below the poverty line is then expressed on a percentage of the poverty line.
Poverty Gap Index	:	Poverty ratio × (Poverty line = per capita conception of the poor) / poverty link × 100.
Merchant Banking	:	It is an activity under which a bank take up portfolio management (Banks advising their clients about management of fund) as well as banker to the issue of the company.

Notes

Tobin Tax	:	The tax foresighted by James Tobin. It is a tax that should be imposed on portfolio capitals, so that when a foreign investor wants to take out this investment he has to pay tax, which is expected to discourage the tendency to move from one country to another in search of quick gains.
Greshem's Law	:	It states that bad money (Black Money) pushes good money (White Money) out of circulation.
Phillips Curve	:	The relationship between the percentage change of money wage and the level of unemployed is called as Phillips curve. The lower the unemployment, the higher will be the rate of change of wages.
Plan Holidays	:	It refers to a period which is not covered in any five year plan (period between 1966 to 69 between 3rd and 4th Five Year Plan).
Fringe Benefit	:	Fringe benefits are the low or no tax benefits that companies offer to attract employees in addition to the normally taxed salaries, such as free transportation, health cover, etc.
Exim Bank	:	It is established for financing, facilitating and promoting foreign trade in India.
External Commercial Borrowings (ECB)	:	It is an additional source of funds to Indian corporate and PSU's for financing expansion of existing capacity as well as for frresh investment, augmenting the resources available domestically.
Zero Coupon Bonds	:	Zero Coupon Bonds (also called as pure discount bonds) are bonds that pay no periodic interest payments or so called 'Coupons'. Zero coupon bonds are purchased at a discount from their value at maturity. The holder of a Zero Coupon bond is entitled to receive a single payment, usually of a specified sum of money at a specified time in future. Investors earn interest via difference between the discounted price of the bond and its par (or redemption) value.
Sovereign Wealth Fund	:	It is state owned fund composed of financial assets such as stocks, bonds, property or other financial investment.
Green Field Investment	:	In software engineering jargon Greenfield is a project which lacks any constraints imposed by prier work. The image is that of construction on Greenfield land. Where there is no need to remodel or demolish an existing structure.
Brown Field Investment	:	Those facilities which are modified/ upgraded are called Brown Field Projects.
Goods and Services Tax	:	Goods and Services Tax (GST) is a part of the proposed tax reforms that center round evolving an efficient and harmonized consumption tax system in the country. Presently there are parallel systems of indirect taxation at central and state levels. Each of the systems needs to be reformed to eventually harmonize team.
Subprime Crisis	:	The sub prime mortgage financial crisis of 2007 was a sharp rise in home fore closures which started in the US during the fall of 2006 and become a global financial crisis within a year.
Competition Act	:	In 1980, the aforesaid act was passed to withdraw all such restrictions to that retarded competition. So as to encourage a better and effective utilization of the sources and to lower the cost of production and to raise the quality of the produce.

Notes

Asian Development Bank	:	Set up in 1966 under the recommendation of United Nation Economic Commission for Asia and Pacific. The bank was formed with two fold objectives**:** • To inculcate cooperation in the Asia Pacific. • To accelerate the peace of economic development of the regions developing countries.
Crawling Peg	:	Crawl is a slow movement. When small exchange adjustments in external value of currency of a country is made to rectify and under or over valuation of the home currency in terms of a given foreign currency, it may be called as crawling peg.
GDI (Gender Related Development Index)	:	It is a composite index measuring average achievement in the 3 dimensions captured in the Human Development Index. • A long and healthy life. • Knowledge and decent standard of living. • Adjusted to account for inequalities between men and women.
Gini-coefficient	:	It represents the measurement of inequality derived from the "Lorenz curve". With every increase in the degree of inequality, the curvature of the Lorenz curve also increase and the area between the curve and 45^0 line becomes larger. The Gini – coefficient is measured as G = Area between Lorenz-curve & 45^0 line / Area above the 45^0 line.
Laffer Curve	:	This curve is given by American economist Prof. Arthur Laffer. It represents relationship between total tax revenue and corresponding tax rate.
Quantitative Restrictions	:	It is the quantitative limits placed on the importation of specified commodities. For protection, the quota is more certain then a tariff in its effects on the quantity of imports.
Open Market Operations	:	The buying and selling of securities in the open market by a central bank for the purpose of curtailing or expanding the volume of credit. By selling securities the central bank can absorb funds, and buying the securities can release funds also into the market.
Investment Bank	:	It is a Bank that provides long term fixed capital for industry, generally by taking up shares in limited companies.
Regional Rural Bank	:	It was established in 1975 under the provision of RRB Act 1976, with a view to develop rural economy.
Factoring	:	The business in which a firms takes over the collection of trade debts on behalf of others, thereby enabling them to obtain insurance against bad debts. It is a service primarily intended to meet the needs of small and medium-size firms. The procedure is for the factoring company to buy up its clients invoices and then itself claim payment of them.
Social Overhead Capital	:	The capital where the emphasis is on the capital assets that provide the services: house, bridges, roads, railways, school, etc.

Notes

Special Drawing Rights (SDR)	:	The Special Drawing Rights is an international financial assets created by IMF and serves as an international unit of account. A means of payment amount certain eligible official entities.
Futures	:	Contracts made in a future market for the purchased or sale of commodities on a specified future data. Futures provide a convenient mechanism for holding market risk. Future market forms an important part of many organized commodity exchange or market.
Lead Banking Scheme	:	Under this scheme all the nationalized banks and few private sector banks were allowed specialized and were asked to play the "Lead Role". The lead banks act as a leader to bring about co-ordination of cooperative banks, commercial banks and other financial institutions in their respective demises to bring about rapid economic development.
Industrial Finance Corporation of India	:	It was set up by Government of India in 1948 July under a special act. The scheduled banks, insurance companies, investment and cooperative banks are share holder of IFCI, to provide medium and long term credit to industry.
Primary Deficit	:	Primary deficit = Fiscal deficit – interest payment. Fiscal deficit is budgetary deficit + market borrowings and other capabilities of the government of India.
FEMA	:	Foreign Exchange Management Act was introduced in July 1998 in the Parliament to repeal FERA 1973. Under FEMA, 1999 provisions related to foreign exchange have been modified and liberalized so as so simplify foreign trend and payments.
Footloose Industry	:	These industries are mobile industry which are not based in a particular area and can be seen anywhere for performing their activities.
CENVAT	:	In Union Budget 200-01 major overhaul at the central excise system was undertaken with innovation of a uniform 16% basic central value added tax (CENVAT) at production stage.
MODVAT	:	Tax is levied on final goods and tax on inputs and intermediate goods was abolished. This amended system excluded the possibilities of Double Taxation. It was introduced on the recommendation of L.J. Jha Committee in 1976.
Golden Hand Shake	:	It is a voluntary retirement scheme (VRS) in Industrial Policy Resolution 1991. For reducing the pressure of employees on public sector enterprises.
Free on Board	:	A term given to the system of paying for goods shipped from or to another country when the amount is sufficient only to cover the value of the goods and excludes insurance and freights.
Exit Policy	:	It is a part of liberation policy adopted by the government. It was adopted in 1991 which aimed at closing down the sick and inefficient industries and making hand shakes with excess employees so as so reduce the financial burden on the economy.

Notes

Essential Commodities Act (1955)	:	This act was introduced for ensuring supply of essential commodities to the consumers at fair prices and to save them from sellers exploitation.
LIBOR	:	It is London Inter- Bank Offered Rate, an interest rare at which banks can bestow funds, in marketable size, from other banks in London inter bank market.
Frictional Employment	:	Temporary unemployment caused by incessant changes in the economy. It takes time, for example for new workers to search among different job possibilities, even experienced workers often spend a minimum period of unemployment time moving from one job to another.
Underwriting	:	Underwriting is the business of insuring against risk.
NSDL	:	It is the first registered depository in India set up in November 1996 and has been promoted by IDBI, UTI and NSE.
CDSL	:	Central Depository Services Limited's main function is the holding securities either in certified or uncertified form to enable book entry transfer of securities.
MAT (Minimum Alternative Tax)	:	MAT is a tax on companies making high profits and declare dividends to their shareholders out have no significant taxable income because of exemptions, deductions and incentives.
NCDEX	:	National Commodity Derivatives Exchange. It is the largest commodity futures exchange.
Buy Back of Shares	:	Various individuals, financial institutes, directors of the company hold company shares. This indicates the ownership of the company, when a company is allowed to buyback its shares. It means it is increasing its ownership.
Exempt-Exempt Tax	:	The contributors will be excluded from income for tax purpose; the accruals will also be exempted from tax; and only the terminal benefits will be at the applicable rate in year or receipt.
Screen Based Book	:	Where securities are auctioned through an anonymous screen based system, and the price of which securities are sold is discovered in screen. This eliminates the delays, risks and implementation difficulties associated with traditional procedures.
Book Building	:	This is the first draft or preliminary prospect, which carries the information of the company and the project.
Presumptive Tax	:	It refers to the use of appropriate indicators of income, wealth, etc. instead of actual records of the tax bases. In case of income tax, a presumptive tax is imposed on the basis of an estimated taxable income.
Cross Subsidy	:	The government purchases at a lesser cost and sells at a higher cost, like petrol. In this system government is the sole purchaser of the goods.
Monetised Deficit	:	The budget deficit can be financed in two ways. Either borrowing from the public or by borrowing from the RBI. When it is financed through borrowing from the RBI, it is called monetised deficit. In other word, it is increase in the net RBI credit to the Government.
Performance Budget	:	It emphasizes on the purpose at expenditure rather than the expenditure itself. It presents budget in terms of functions, programmes, activities and projects.

Notes

Current Daily Status of Unemployment	:	It considers the activity status of a person for each day of the preceding seven days. A person who works for one hour but less then 4 hours is considered having worked for half a day. If he works for 4 hours or more during a day, it is considered whole day.
Sunrise Industries	:	Industries in the forefront of development which have immense future potential. e.g. IT, Biotechnology, Pharma.
Second Green Revolution	:	It aims at efficient use of resources and conservation of soil, water and ecology on sustainable basis and in a holistic framework.
Green Index	:	It is measure of nation's wealth by using produced assets, natural resources and human resources, each being allocated specific value to see whether the development is sustainable or not.
Universal Banking	:	It is a banking scheme according to which conduction of all financial activities under one roof by a bank or financial institution occures. In other words, this means integration of roles of bank and other development banks.
MIGA	:	It is set up in 1988 as an agency of the World Bank whose purpose/objective is to protect the interest of the foreign investors operating in a country against non – commercial risks (communal riots, natural calamities, etc) due to which property of foreign investors may be destroyed.
Penny Stocks	:	Penny stocks are securities or stocks which are sold by smaller new companies. They are generally sold because companies are seeking money for expansion, basic operations, and even for the commencement of business.
Sub-Prime Loans	:	It is also called as 'B' loans or second chance loans, originated to borrowers who do not qualify for market interest rates because of problems in their credit history.
Wind Fall Tax/ Super Profit Tax	:	Tax on sudden profit or high profit i.e petroleum industry, etc.
Inclusive Grown	:	Faster economic growth is also transferring into more inclusive growth, both in terms of employment generations and poverty reduction.
Rural Infrastructure Development Fund (RIDF)	:	It was set up under NABARD in 1995-96. Its main function is to improve rural roads and bridges, to remove inter regional, rural - urban or inter-state disparities to help the new agriculture policy to release more than 4% growth rate.
Micro Finance	:	Financial services offered to rural and urban poor. Its include insurance, credits and savings.
Inflation Targeting	:	It is the goal of RBI, where RBI focuses on maintaining prices at a certain level or within a specific range. This helps in expectation building by economic agents.
Headline Inflation	:	It is a inflation which includes commodities such as food and energy prices which tend to be much more volatile and prone to inflationary spikes.
Duty Drawback Scheme	:	It is a scheme in which exporter are allowed to drawback the duties (customs duty, service tax, etc) as a part of an incentive to increase exports.

Notes

Current Account Deficit	:	It is the difference between exports and imports of goods and services as well as the transfer on invisibles. It signifies saving investment gap.
Rainbow Revolution	:	• Over 4% annual growth rate in agriculture. • Greater private sector participation through farming. • Price protection for farmers. • National Agriculture Insurance Scheme to be lowered for all farmers and all crops. • Dismantling movement and agriculture commodity throughout the country.
Physical Quality of Life Index	:	Given by Morris, which means 1/3 of life expectancy index + infant mortality index + Basic literary index. PQL1 = 1/3 (LQI + IMI + BLI)
Producers Price Index	:	It is the cost incurred by the producer in producing single unit in terms of GDP. It does not include any indirect taxes. It is used as early warming. It is having effect on the consumer price.
Accelerated Irrigation Benefit Programme	:	It is started in 1995 by government of India to complete incomplete projects of states in which central funds flow on.
Market Stabilization Scheme	:	It is a scheme under which RBI buys and sells Government of India securities in order to control liquidity.
TRIPS	:	Trade Related Intellectual Property Rights
TRIMS	:	Trade Related Investment Measures
White Goods	:	White goods are luxury goods. After the economic reforms consumption of white goods increased in India, it gives more tax benefit to government.
Wage Goods Strategy	:	It is a strategy in which the society gives more importance to the production of basic necessity like food, shelter and health care. It is in contrast with heavy industry.
Washington Consensus	:	It is given by John Williamson in 1989. It gives a prescription on various measures on which developing countries have to take in order to grow in a faster way. The measure includes fiscal policy reform, monitory policy reforms.
Asset Reconstruction Company	:	Takes over NPA of banks or financial institutions at cheaper rate, reconstruct it and sells it and makes profit out of it. This helps in clearing the balance sheet of banks.
Bank of International Settlement	:	Based in Switzerland, gives the statement of international monetary transactions. It is the one which gives CAMELS, BASEL.
Contract Farming	:	It is a new way of farming in which big corporates sign contract with farmers making provision for the production of farm goods and delivery at a later date at a prize signed in the contract. This helps farmers get a fixed amount for the goods. It stabilizes the farmers income.

Notes

Counter Guarantee	:	It is given by an economic agent, the another agent will oblige the contract signed with the 3rd party.
Demographic Dividend	:	It is being enjoyed by India and if it is not managed properly it become demographic nightmare. It is when the countries working population (16-64year of age) is very large when compared to rest of the population.
Devaluation	:	In a fixed exchange rate system, when the country decide to reduce the value of its currency in comparison with foreign currency is known as devaluation. India devalued its currency in the past. It increase exports and reduces imports.
Export Pessimism	:	It happens when the government in not confident of getting sufficient amount of exports to finance its imports. India followed during the earlier days of planning era.
Capital Deepening	:	It is when capital to LIBOR ratio increase in a country, it helps in economic development of the country.
Carbon tax	:	It is tax on emission. New Zealand introduced it first.
Oil Bonds	:	The bonds issued by Government of India to oil marketing companies to overcome their losses. It is a way of transfering burden of subsidy on the future generations.
Derivative Trading	:	It is trading on claims, on claims on real producers.
Double Taxation	:	Tax imposed twice on same product or service. VAT is introduced in order to avoid double taxation.
Special Purpose Vehicle	:	It is introduced outside control and obligation of the government involved in setting up of new firms like DMRC. SPV is used by government in order to enhance public private partnership (PPP).
Soft Loan	:	It is given by IDA to under developed country for long duration and zero interest.
Demonetisation	:	When the society starts using less of currency for transaction with deepening of the financial system. Demonetisation takes place.
Procurement Price	:	It is final price a company pays for procuring goods. It includes insurance transportation in addition to the production cost.
Over Heating of Economy	:	When the supply is not able to keep phase with demand, it is as called over heating of economy. It leads to inflation and shortage goods.
Investment Led Growth	:	It is growth of which a major portion of demand comes from investment. India is facing balanced growth.
Export Led Growth	:	When exports are a major reason of growth. China and ASEAN tigers are facing export-led growth.
Currency Future	:	Where in a contract in made between two parties, in which a party agrees to buy or sell a fixed amount of currency at fixed foreign exchange at a later date. It reduces currency volatility rise for both the parties.
Financial Inclusion	:	Delivering financial services (savings, insurance, credit) to the deprived section at an affordable cost. Microfinance, SHG and post office schemes are all examples for financial inclusion.

Notes

MIBOR	:	Mumbai Inter Banking Operative Rate.
Market Capitalisation	:	Total value of the equity in the present market price is called market capitalization.
Insider Trading	:	When insider (managers, directors, others) have more information of the companies performance than the external share holders. And they use it to make a profit is called insider trading. It is banned in India by SEBI.
Multi Commodity Exchange (MCE)	:	The trading happening in papers instead of commodities in physical. The largest MCX is in Ahmedabad.
Dalit Budgeting	:	It is like that of gender budgeting where in an analysis made on how much resources are allocated for the deprived section in planning, implementation and post-implementation analysis.
Double Taxation Avoiding Agreement	:	When two countries have an agreement to avoid the tax on same goods is called Double Taxation Avoiding Agreement.
Non Tax Receipts	:	It is revenue receipts of government of India from social services and taxes like dividend from PSU's, interest on loan given to states and other agencies, fees provided for services, etc.
Non Debt Capital Receipts	:	The capital receipts of Government of India agencies which are non debt in nature like selling of PSU's, foreign aids.
Priority Sector Lending	:	It is lending to some particular sector at lower interest rate. RBI orders all public sector banks to give 18% of credit to priority sector.
Index of Industrial Production	:	It is used to measure the growth rate of industry in India. It is the weighted average of mining, manufacturing and electricity.
Tariff Binding and WTO	:	The maximum Tariff, which country can impose on imports. Indian tariff rates are much below than the binding rate which are prescribed for developing countries.
Special Safeguard Measure Under WTO	:	It is a mechanism which allows developing countries to impose tariff, when the price of agriculture commodities fells by a certain percentage. The amount of percentage is bone of contention in WTO, between India and western countries. India says 10% fall and West says 40% fall.
Counter Trade	:	It is exchange in goods and services that are paid for other goods and service. i.e. Barter System, Switch Trading, Buy Bank, Off set.
Bandwagen Effect	:	It is an observation of people to do and believe, what other people do.
Back Wash Effect	:	Where in people move from poorer region to richer (Industrial) region, which will undercut the industry and development of poorer region.
EPCG Scheme	:	It is Export Promotion Capital Goods (EPCG) scheme, where in capital goods is imposed 5% rate for export purpose. If the capital is imported for agriculture exports then it is zero percent (0%).
Underlying Inflation	:	Measure of headline inflation after the removal of volatile items.
Selective Credit Controls	:	Under the Banking Regulation Act 1949, section 21 empowers RBI to issue directives to the banking companies regarding their advance in order to check speculation and rising prices. The controls are selective as they are used to

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		control and check the rising tendency of price and hoarding of certain individual commodities of common use.
Pump Priming	:	The infection of small amounts of government spending into a depressed economy with the aim of boosting business confidence and encouraging large scale private sector investment.
Advalorem	:	In this case the duty is imposed on the basis of value of the product.
Arbitrage	:	The act of buying a currency or a commodity in one market and simultaneously selling it for a profit in another market.
Amovtization	:	It refers to repayment of loan principle.
Merit Goods	:	All essentials like elementary education, environment, roads, bridges, food control, research related to agriculture, space, atomic energy, primary health and infectious diseases.
Demerit Goods	:	A demerit good is defined as a good which can have negative impact on the consumer – but these damaging effects may be unknown or ignored by the consumer. Demerit goods also usually have negative externalities – where consumption causes a harmful effect to a third party.
Misery Index	:	Index combining unemployment rate and inflation rate. It is measured for practical significance of condition of economy, as well as consumer confidence.
Minimum Export Price	:	MOP as floor prices and are fixed by government in the nature of long term guarantee for investment decision of procedures, with the assurance that price of their commodities would not be allowed to fall below the level fixed by the government even in core of bumper crops, at present 24 crops covered in MSP.
Millennium Development Goals	:	Adopted by U.N. General Assembly in 2000; it prescribes the goal to achieve by year 2015. It has 8 goods to be achieved.
Economic Integration	:	Economic integration is an economic arrangement between different regions marked by the reduction or elimination of trade barriers and the coordination of monetary and fiscal policies. The aim of economic integration is to reduce costs for both consumers and producers, as well as to increase trade between the countries taking part in the agreement. The different forms are:
a. Free Trade Area	:	A group of countries committed to removing all barriers to the free flow of goods and services between each other, but pursuing independent external trade policies.
b. Customs Union	:	Form of regional economic integration that combines features of free trade area with common trade policies toward non-member countries.
c. Common Market	:	A form of economic integration whereby members move forward to establish not only free trade in goods and services but also free movement of factors of production.

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d. Economic Union	:	A group of countries committed to removing trade barriers, adopting a common currency, harmonizing tax rates, and pursuing a common external trade policy
e. Political union	:	Economic and political integration whereby countries coordinate aspects of their economic and political systems

Funds under GOI

National Disaster Response Fund	:	It is defined in Section 46 of the Disaster Management Act, 2005 (DM Act) as a fund managed by the Central Government for meeting the expenses for emergency response, relief and rehabilitation due to any threatening disaster situation or disaster. NDRF is constituted to supplement the funds of the State Disaster Response Funds (SDRF) to facilitate immediate relief in case of calamities of a severe nature. The DM Act defines "disaster" to mean 'a catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man-made causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of, property, or damage to, or degradation of, environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area.' The July 2015 guidelines states that natural calamities of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and cold wave and frost considered to be of severe nature by Government of India (GoI) and requiring expenditures by a state government in excess of the balances available in its own SDRF will qualify for immediate relief assistance from NDRF.
National Calamity Contingency Fund	:	It is a dedicated fund maintained by the Government of India for supplementing the disaster relief efforts of various state governments and is operated under the broad framework laid down by the 11th Finance Commission. It has a core corpus of Rs. 500 crore and is replenished through the National Calamity Contingent Duty imposed on cigarettes, pan masala, beedis, other tobacco products and cellular phones. NCCF targets immediate relief measures and excludes measures for mitigation or post-calamity reconstruction. NCCF exist for supplementing the calamity relief funds (CRFs) operated by the States when the amount in the latter is insufficient to meet the disaster relief measures. NCCF has been merged with National Disaster Response Fund (NDRF) with effect from 1 April 2010 and has ceased to exist.
Calamity Relief Funds	:	These are dedicated funds used by the state governments to meet the expenditure for providing immediate relief to victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack. It targets immediate relief measures and excludes measures for mitigation or post-calamity reconstruction. The CRF has been merged with State Disaster Response Fund (SDRF) with effect from 1 April 2010 and has ceased to exist at present.

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State Disaster Response Fund : It is the primary fund available with States for disaster response and is constituted under Section 48 of the Disaster Management Act, 2005 (DM Act).

The SDRF is used for meeting expenditures for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack, and frost and cold wave. Besides, for providing immediate relief to the victims of State-specific disaster within the local context, which are not included in the list of the above notified natural calamities, Ministry of Home Affairs has authorized the State Governments to incur an expenditure of 10% of funds available under SDRF, subject to the procedures laid down therein. This flexibility is applicable only after the state has listed the natural disasters for inclusion and has notified clear and transparent guidelines for relief, in case such disasters occur.

Any amount spent by the state for such disasters over and above the specified ceiling would have to be borne out of its own resources and it would be subject to the same accounting norms.

Gold Reserve Fund : It is a fund created by the Government of India to take care of the risk associated with its two schemes – Gold Monetization Scheme (GMS) and Sovereign Gold Bonds Scheme (SGB)– due to an increase in gold price. It is created by depositing the notional savings enjoyed by the Government in the costs of borrowing from GMS and SGB, as compared with the existing rate on government borrowings.

Central Road Fund : Central Road Fund (CRF) is a non-lapsable fund created under Section 6 of the Central Road Fund Act, 2000 out of a cess/tax imposed by the Union Government on the consumption of Petrol and High Speed Diesel to develop and maintain National Highways, State roads (particularly those of economic importance and which provides inter-state connectivity), rural roads, railway under/over bridges etc. Around Rs. 20,000 crores get collected under CRF per annum (during the years 2012-14).

Infrastructure Debt Fund (IDF) : The term Debt Fund is generally understood as an investment pool which invests in debt securities of companies. However, an Infrastructure Debt Fund (IDF) registered in India refers to a company or a Trust constituted for the purpose of investing in the debt securities of infrastructure companies or public private partnership projects. Thus in contrast to the general understanding of the term, IDF does not refer to a Scheme floated by a mutual fund or such other organizations but to the Company or Trust who is investing in debt securities. An IDF can float various Schemes for financing infrastructure projects.

Other Funds

Green Climate Fund : GCF was established in December 2011 as per the decision taken by the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Cancun in December 2010. In fact, one of the significant outcomes at the recent sessions of the UNFCCC was the decision to establish and operationalize the Green Climate Fund.

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The GCF has been designated as an operating entity of the financial mechanism, under Article 11 of the Convention for provision of financial resources on a grant or concessional basis, including for the transfer of technology to the developing countries for achieving the objectives of the Convention to counter climate change. It is guided by and accountable to the Conference of Parties (COP) which is the supreme body of the Convention. The guidance consists of policies, programme priorities and eligibility criteria.

Broad based fund : It means a fund established or incorporated outside India, which has at least 20 investors with no single individual investor holding more than 49 per cent of the shares or units of the fund. If the broad based fund has institutional investor(s), then it is not necessary for the fund to have 20 investors. Further, if the broad based fund has an institutional investor who holds more than 49 per cent of the shares or units in the fund, then the institutional investor must itself be a broad based fund.

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