Understanding Indian Economy

The economy of India is currently the world’s fourth largest in terms of real GDP (purchasing power parity) after the USA, China and Japan and the second fastest growing major economy in the world after China.

- India’s annual growth rate is above 8% while that of China is about 10%.
- India is a developing country and our economy is a mixed economy.
- In a mixed economy the public sector co-exists with the private sector.
- Dadabhai Naoroji is known as the Father of Indian Politics and Economics. He is also called the ‘Grand Old Man of India’.
- In his book *Poverty and UnBritish Rule in India* he describes his theory, i.e. the economic exploitation of India by the British. His theory is popularly called the Economic Drain Theory.
- ‘Brain drain’ means talented men leaving their own country because of lack of opportunities and facilities and going to foreign countries for better conditions.
- Which of the following does not contribute to the development in India?
  
  (a) Technological research  
  (b) Population growth  
  (c) Diversification of Industry  
  (d) Increased saving  
  Ans: (b) Population growth

- The socialist pattern aimed at by our planning comes through
  
  (a) a closed economy  
  (b) mixed economy  
  (c) public sector  
  (d) open economy  
  Ans: (b) mixed economy

- Which of the following is not a characteristic of Indian economy?
  
  (a) High rate of population growth  
  (b) Extensive disguised unemployment  
  (c) Low level of adult literacy  
  (d) High level of exports  
  Ans: (d) High level of exports

Basic Features of Indian Economy

(i) Low per capita income.  
(ii) Inequalities in income distribution.  
(iii) Predominance of agriculture.  
(More than 2/3rd of India’s working population is engaged in agriculture. But in USA only 2% of the working population is engaged in agriculture.)  
(iv) Rapidly growing population.  
(v) Chronic unemployment
(A person is considered employed if he / she works for 273 days of a year for eight hours every day.)

(vi) Low rate of capital formation.
(vii) Dualistic Nature of Economy (features of a modern economy, as well as traditional).
(viii) Mixed Economy
(ix) Follows Labour Intensive Techniques.

National Income

- The national income is the sum total of the value of all the final goods produced and services of the residents of the country in an accounting year.
- For comparison purposes the national income is measured at constant prices with a base year. The base year at present is now 1993 - 94 and current prices are converted to the prices of the base year (Base year was originally 1960-61 but later periodically revised.)
- CSO : Central Statistical Organisation is under the Department of Statistics. Govt. of India is responsible for estimating the national income.
- CSO was founded by Prof. Mahalanobis.
- CSO is assisted by the National Sample Survey Organisation (NSSO) in estimating National Income.
- Dadabhai Naoroji was the first to calculate the national income of India.

Gross Domestic Product (GDP) is the money value of final goods and services produced in the domestic territory of a country during the accounting year.
- In India Gross Domestic Product (GDP) is larger than national income because net factor income from abroad is negative, i.e. foreign payment is larger than the foreign receipt.

Net National Product (NNP) at market prices = Gross National Product at Market Prices - Depreciation
- Depreciation is the losses arised due to wear and tear and technological obsolescence.
- Net National Product at factor cost NNP (fc) = NNP at market prices - Net Indirect taxes.
- Net National Product at factor cost is the actual National income.

Five Year Plans

- Father of Indian Planning : M. Visveswarayya.
- M. Visveswarayya, in his book, Planned Economy of India, advocated the need of economic planning in India.
- The concept of planning is based on the Russian model initiated by Joseph Stalin.
  - The best way to describe the overall aim of Indian planning is
    (a) achievement of industrial development
    (b) growth with justice
    (c) socialism
    (d) regional prosperity
  Ans : (b) growth with justice
- The Planning Commission was set up in 1950 with Jawaharlal Nehru as its first Chairman.
- The Planning Commission is only an advisory body according to 39th article of constitution.
- The National Development Council (NDC) was set up in August 6, 1952. It gives final approval to Plans in India. The Prime Minister is its Chairman. All the Chief Ministers of the States, Lt. Governors of Union Territories, all Union Cabinet Ministers and other Planning Commission members are its members.
  - The main function of the National Development Council in India is to

New Economic Policy (NEP)

- LPG - ie. Liberalisation Privatisation & Globalisation are the three steps in NEP.
- Globalisation of Indian Economy means that the Indian Economy is having minimum possible restrictions on economic relations with other countries.
- Privatisation is the forecast of the Removal of state interference in the economic programme.
- The New Economic Liberalisation Policy was launched in India in July 1991.
- LERMS - Liberalisation Exchange Rate Money System.
- Devaluing the Indian Currency is considered to a step towards liberalisation.
- Under LERMS 16% of the foreign exchange reserve could be converted into the market.
(a) promote national integration
(b) review the working of the National Plan from time to time
(c) develop villages
(d) None of the above

Ans: (b) review the working of the National Plan from time to time

On which of the following did the Mahalanobis Model lay greater emphasis for planned development in India after Independence?

(a) Agriculture
(b) Development of heavy industries
(c) Generation of power
(d) Science and Technology

Ans: (d) Development of heavy industries

### Poverty

According to NSSO report, the people living below poverty line in India during (1999-2000) is 26.10%.

- In Kerala 12.72% people live below poverty line (1999-2000).
- Punjab has the least percentage of people living below poverty line among the states (6.16%).
- Orissa has the highest number of poor people. About 47.15% live below poverty line.

New parameters for identifying BPL (Below Poverty Line)

13 new parameters have been notified by the centre for defining the category of people living Below Poverty Line (BPL) in the country. They are type of dwelling, clothing, food, hygiene, capacity to buy commodities, literacy, minimum wages, education of children, debt, migration and priority for assistance. The earlier definition based on food calories or annual earning has been scrapped.

### The First Plan (1951-56)

- It gave priority to agricultural development.
- Community Development Programme (CDP), and Family Planning Programme (FPP) were launched in 1952.
- National Extension Service (NES) was launched in 1953 during the first five year plan period.
- Important multipurpose projects in India like Bhakranangal, Hirakud and Damodar Valley Projects were also launched during this plan period.
- The first five year-plan was a successful one.

### The Second Plan (1956-61)

- It gave priority to industrial development.
- The three important steel plants of India were built during this plan period. They are Durgapur (West Bengal) with British help, Bhilai (Chhattisgarh) with Russian help and Rourkela (Orissa) with German help.

### The Third Plan (1961-66)

- It failed because of the Chinese aggression in 1962 and the conflict with Pakistan in 1965.
- A plan holiday was declared during 1966-1969 due to the conflict with Pakistan.

### The Fourth Plan (1969-74)

- It also failed due to the Indo-Pak war of 1971. Growth with stability was the objective of the plan.

### The Fifth Plan (1974-79)

- It is associated with Indira Gandhi’s slogan of “Garibi hatao” (remove poverty).
- Indira Gandhi launched the 20 point programmes during this plan. Self sufficiency in food grains was the major achievement of this Plan.
- The Plan was terminated in 1978 by the Janata Government, and they started the Rolling Plan.

### The Sixth Plan (1980-85)

- Elimination of unemployment and poverty was its objective.

### The Seventh Plan (1985-90)

- It also aimed to eliminate poverty and unemployment.
The 8th plan would not take off due to fast changing political situation at the centre. So the new government decides that the 8th plan could start in 1992.

From 1990-92, two Annual Plans.

**The Eighth Plan (1992-97)**
- It proposed a growth rate of 5.6% per annum and the energy sector was accorded top priority in the plan allocation.

- It aimed for 6.5% annual growth rate.
- 3 Annual plans-1966-69 (Plan Holiday)
  - Fourth Plan .............................. 1969-74
  - Fifth Plan ................................. 1974-79
  - (Plan was terminated in 1978)
- Rolling Plan was introduced in .......... 1978
- Annual Plan ................................ 1979
- Sixth Plan ................................. 1980-85
- Seventh Plan ............................... 1985-90

**The Tenth Plan (2002 - 2007)**
- The total outlay envisaged for the 10th plan is Rs. 19,68,815 crore at 2001-02 prices.
- The plan envisaged rapid growth in labour force over the next decade. The 10th plan aimed at creating 50 million jobs.
  - The targeted growth rate for 10th plan was 8%

**11th Plan (2007-11)**
- National Development Council (NDC) has given final approval for the 11th Plan. The theme of the plan is ‘towards faster and more inclusive growth’.
- The plan aims to achieve a growth rate of 9% in the initial years and culminating to a growth target of 10% at the end of the plan period.

**The important highlights of 11th Plan**
- GDP growth to be increased to 10% by the end of the plan.
- Farm sector growth to be increased to 4%.
- Double per capita income by 2016-17.
- Create 7 crore new jobs.
- Reduce educated unemployment rate to below 5%.
- Literacy to be increased to 80%.
- Infant mortality rate to be reduced to 28 per 1000 births.
- Maternal mortality rate to be cut to 1 per 1000 births.
- Clean drinking water to all by 2009.
- A telephone in every village by November 2007.
- Broadband connectivity to all Villages by 2011-12.
- Increase forest cover and tree cover by 5%.

Which of the plan priorities is wrongly matched?
- (a) 2nd Five Year Plan : Industry
- (b) 1st Five Year Plan : Agriculture
- (c) 6th Five Year Plan : Poverty alleviation
- (d) Ninth Five Year Plan : Growth with equity
- (e) All correctly matched

Answer: (e) All correctly matched

Janata Government introduced the concept of
- (a) Five Year Plan
- (b) Rolling Plan
- (c) National Development Council
- (d) Zero based budgetting

Answer: (b) Rolling Plan

The concept ‘Rolling Plan’ was introduced by Gurnal Myrdal, in his famous book *Asian Drama*.
Which of the following is true?
- (a) Physical and financial plannings are complementary

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**Five Year Plans at a Glance**

<table>
<thead>
<tr>
<th>Plan Period</th>
<th>Plan Period</th>
</tr>
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<tbody>
<tr>
<td>First Plan</td>
<td>1951-56</td>
</tr>
<tr>
<td>Second Plan</td>
<td>1956-61</td>
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<tr>
<td>Third Plan</td>
<td>1961-66</td>
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<td>Ninth Plan .......................... 1997-2002</td>
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<tr>
<td>Tenth Plan ........................... 2002-2007</td>
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<tr>
<td>Eleventh plan .......................... 2007-2011</td>
<td></td>
</tr>
</tbody>
</table>
Physical and financial plannings are equally important

Financial planning is more important than physical planning

Physical planning is more important than financial planning

Ans: (a) Physical and financial plannings are complementary

A serious effort to tackle the problem of poverty began with the
(a) First Five Year Plan
(b) Second Five Year Plan
(c) Fourth Five Year Plan
(d) Seventh Five Year Plan

Ans: (c) Fourth Five Year Plan

The general price level declined during the ______ Plan
(a) first (b) second
(c) third (d) fourth

Ans: (a) first

The concept of Five Year Plans was adopted from
(a) China (b) Russia
(c) USA (d) Britain

Ans: (b) Russia

At present the share of service sector in the Indian economy at present is 42%.

The Trickle Down Theory of Development holds that development spreads downwards through greater demand for labour.

Discomfort index is a composite of annual inflation and unemployment rate.

State Planning Board (Kerala)

Deputy Chairman of Planning Commission: Dr. Montek Singh Ahluwalia.

Chairman of the State Planning Board: Chief Minister

State Planning Board was set up in 1967.

Vice Chairman of the State Planning Board: V. Ramachandran

Perceptive planning refers to long term planning.

Decentralised planning on the basis of Panchayati Raj institutions was recommended by Balwant Rai Mehta Committee.

Agriculture in India

Agriculture is the lifeblood of Indian Economy.

Agriculture sector in India employs about 64% of the work force, contributes 20% of GDP and accounts for about 18% share of the value of the country’s export.
Green Revolution

- Green Revolution means sudden increase of agricultural output, especially wheat in India.
- The Father of Green Revolution - Norman Borlaug.

- In India the Borlaug Award is given to agricultural scientists.
- Borlaug Award is given to the best agricultural scientist in India.
- M.S. Swaminathan is the world renowned Indian agricultural scientist.
- He is known as the Father of Indian Green Revolution.
- Greening of the East means spread of green revolution to non traditional areas of eastern India.

Which of the following is not true about Green Revolution?
- (a) It was launched in 1966-67
- (b) It had substantial impact on wheat and rice production only
- (c) It created regional disparity in food production
- (d) High Yielding Variety Programme (HYVP) was associated with Green Revolution
- (e) All the above are correct

Answer: (e) All the above are correct

Which of the following is the leading export item among Indian plantation crops?
- (a) Coffee
- (b) Rubber
- (c) Tea
- (d) Spices

Answer: (c) Tea

Dr. C. Rangarajan is the Chairman of 12th Finance Commission.
- RBI KhÀ®-dpw, BÀ®-
- B Zys Ð AÀ®-
- Article 280 of the Constitution provides the appointment of a Finance Commission every five year.
- The chairman of the 11th Finance Commission was Prof. A.M. Khusrau.
- The 11th Finance Commission recommended that the states share of net central revenue from divisible pool will be 29.5%, i.e. 0.5% more than what recommended by the 10th Finance Commission.

- The new name of APC is
  - (a) CACP
  - (b) ICAR
  - (c) REC
  - (d) K&VIC

Answer: (a) CACP

CACP is Commission of Agricultural Costs and Prices.
- Prices of agricultural products are fixed on the recommendation of CACP which was established in 1965.
- ICAR is Indian Council of Agricultural Research.
- REC is Rural Electrification Corporation. It was set up in 1969.
- Khadi and Village Industries Commission (K & VIC) was set up in 1957.
- Irrigation potential of the country increased from 22.6 million hectors in 1950 to 89.56 million hectors in 1997.
Keeping agriculture with livestock is known as **mixed farming**.

In **shifting cultivation**, place of cultivation is shifted for fertility reason. This method is popular among tribals.

The first agricultural census was conducted in the country in
(a) 1970 (b) 1883 (c) 1988 (d) 1993
**Answer (a) 1970**

Leading producer of wheat in India
(a) Uttar Pradesh (b) Punjab (c) West Bengal (d) Karnataka
**Answer: (a) Uttar Pradesh**

Uttar Pradesh is also the leading producer of sugarcane.

Wheat per hectare yield (i.e., productivity of wheat) is the highest in Punjab.

West Bengal is the leading producer of rice and jute in India.

Karnataka leads in the production of coffee, silk and sandal wood.

Which of the following types of farming is popular in India?
(a) Individual farming (b) State farming (c) Co-operative farming (d) All the above
**Answer: (d) All the above**

Which of the following leading producer-product relationship is wrong?
(a) Rubber - Malaysia (b) Coffee - Brazil (c) Coconut - Philippines (d) Silk - India
**Answer: (d) Silk - India**

Leading producer of silk in the world is China. India stands at second place. The main impact of the Green Revolution has been on
(a) cereals (b) pulses (c) fruits (d) vegetables
**Ans: (a) cereals**

Which is India’s most fertile state?
(a) Tamil Nadu (b) Kerala (c) Uttar Pradesh (d) Punjab
**Ans: (d) Punjab**
Food Production

<table>
<thead>
<tr>
<th>Year</th>
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<td>2004-05</td>
<td>210.44</td>
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<td>2003-04</td>
<td>213.46</td>
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<tr>
<td>2002-03</td>
<td>212.0</td>
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<tr>
<td>2001-02</td>
<td>211.32</td>
</tr>
<tr>
<td>2000-01</td>
<td>195.92</td>
</tr>
<tr>
<td>1995-91</td>
<td>54</td>
</tr>
</tbody>
</table>

Which state in India has the smallest farm holdings?
(a) Assam  (b) Goa  (c) Sikkim  (d) Kerala
Ans: (b) Goa

- Targeted annual growth rate of agriculture during 10th plan period is 4%.
  But the actual growth is less than 2% during the period.
- Horticulture, floriculture, fishery, poultry and animal husbandry accounts for 30% of production in agriculture and allied sector.
- National Horticulture Mission (NHM) was launched in May 2005.
- India is the 3rd largest producer of fish and second largest producer of inland fish in the world.
- National Commission of Farmers was set up in 2004 to suggest an action plan for farmers and farm sector with M.S. Swaminathan as its chairman.

Irrigation

In 1950-51, gross irrigated area, as percentage of gross cropped area was only 17%. This ratio increased to 36% in 1993-94.
- India’s irrigational potential has increased from 22.6 million hectares in 1950-51 to 86.26 in 1996-97 and to 93.95 million hectare in 2001-2002 and is expected to increase 109.11 million hectare in 2006-07.
- Approximately 33% of the irrigated area in India are watered by canals 54% area are watered by wells and 6.2% irrigated by tanks.
- Rural Infrastructure Development Fund (RIDF) was launched in 1995-96 by NABARD.

Dairy Development

- Unfinished Dream is a book written by
  (a) Amrita Patel  (b) V. Kurian  (c) M.S. Swaminathan  (d) None of these
  Answer: (b) V. Kurian
- Varghese Kurian is known as the Father of White Revolution.
- NDDB at Anand in Gujarat was set up in 1965.
- The Technology Mission on Dairy Development was launched in 1988.
- Kerala State Co-operative Milk Marketing Federation Ltd is located at Thiruvananthapuram.
- ICDP is Intensive Cattle Development Project. It was launched in 1964-65
- India is the largest producer of milk in the world.
- Percentage of protein in Indian milk is as high as 4% which make Indian milk one of the best in the world.
- Second largest producer of milk in the world
  (a) India  (b) USA  
  (c) Canada  (d) Denmark
  **Answer:** (b) USA

- Largest constituent of milk is
  (a) water  (b) protein  
  (c) fat  (d) None of these
  **Answer:** (a) water

**Telecom Revolution**

- TRAI – Telecom Regulatory Authority of India
- DOT – Department of Telecommunications
- DOT has been corporatised with effect from 1 October 2000 to form Bharat Sanchar Nigam Limited (BSNL).
- MTNL – Mahanagar Telephones Nigam Limited.
- A National Task Force on Information Technology and Software Development was formed under the Chairmanship of Jaswant Singh.
- Father of Indian IT: Rajeeve Gandhi

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**Special Economic Zone**

A policy was introduced on April 1, 2000 for setting up Special Economic Zone (SEZ) in the country with a view to provide an internationally competitive and hassle free environment for exports. Units may be set up in SEZ for manufacturing of goods and rendering of services. Some of the existing Export Processing Zones (EPZ) including one at Kochi were converted to SEZ. Currently, the country has 15 SEZs. The government has approved as many as 164 or more SEZs.

A comprehensive Special Economic Zone Act, 2005 was passed by the parliament in May 2005. It came into force on February 10, 2006.

A host of concessions have been allowed to attract investments and set up SEZs in various parts of the country. Andhra Pradesh, Maharashtra, Haryana and Gujarat leads in proposed SEZ commitments.

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**Shilpa Shetty Wins**

The cute Bollywood film star proved that Indians are more intelligent and smart. She outwitted all her opponents in the British Television Channel 4 Big Brother Show in January 2007.

Jade Goody the British actor has tormented Shilpa with racial insult. In fact it has proved a blessing in disguise. The viewers felt sympathy for Shilpa and voted her the No. 1.
Navaratna

On July 4, 1997, The Government identified nine leading, well-performing and high profit making public enterprises as Navaratna (Cina Precious Jewels). Later in the same year two more were added to the list. They are

Indian Oil Corporation (IOC), Hindustan Petroleum Corporation Ltd (HPCL), Steel Authority of India Ltd. (SAIL), Bharat Heavy Electrical Ltd (BHEL), Oil and Natural Gas Commission (ONGC), Videsh Sanchar Nigam Ltd (VSNL), National Thermal Power Corporation (NTPC) and Indian Petrochemical Corporation Ltd. (IPCL). The Bharat Petroleum Corporation Ltd. (BPCL) Gas Authority of India Ltd. (GAIL), and Mahanagar Telephones Nigam Ltd (MTNL). The main aim of establishing the Navaratna is to give autonomy to these industries. Now some of these grants have been disinvested and others are on the line of disinvestment.

Industry in India

- The cotton textile industry is the oldest industry in India.
- The largest number of workers are employed in this industry.
- Most of the cotton textile factories are in Maharashtra.
- The industrially developed states in India include Maharashtra, Gujarat, Tamil Nadu, and West Bengal.
- Industrially backward states are Rajasthan, Kerala, Haryana, Orissa, Himachal Pradesh.
- To remove poverty and to achieve full employment faster industrialisation and greater productivity are vital.
- Industrialisation means setting up of cottage, small scale and large scale industries.
- In industrialisation equal opportunities are to be given to public, private and joint sectors.
- The investment limits being considered for a small scale unit is Rs. 3 crore for plant and machinery as suggested by Abid Hussain Committee in 1997. However, the limit has been brought down to Rs 1 crore in July 1998.
- For the tiny unit the investment limit is Rs. 25 lakhs.
- When was the New Liberalised Industrial Policy announced in India?
  (a) 1989  (b) 1990  (c) 1991  (d) 1992
  Ans: (c) 1991
- An unorganised industry
  (a) Sugar  (b) Cement  (c) Jute  (d) Silk
  Ans: (d) Silk
- Public Sector consists of those enterprises in which the State owns
  (a) 50 per cent of the capital  (b) 66 per cent of the capital  (c) 85 per cent of the capital  (d) 100 per cent of the capital
  Ans: (d) 100 percent of the capital
- NRIs have invested mainly in which of the following Industries?
  (a) Film Industry  (b) Colleges  (c) Finance Companies  (d) Hospitals and Real Estates
  Ans: (d) Hospitals and real estates
- _______ is the largest consumer goods manufacturer of India.
  (a) Hindustan Lever Ltd.  (b) Colgate – Palmolive India Ltd.  (c) Smithkline Beecham Consumer Health Care Ltd.
Almost 99% of the sick units are in the small scale sector.

SICA: Sick Industrial Companies Act - 1985

Omkar Goswami Committee set up for enquiring about Industrial sickness and corporate restructuring.

BIFR: The Board for Industrial and Financial Reconstruction. It was established in May 1987.

Joint Sector refers to a partnership between the Government and the private sector.

The committee appointed to examine the wage-income price

Ans: S. Bhoothalingam

The profit and loss of a partnership concern is shared among the partners
(a) equally  (b) in agreed ratio
(c) in capital ratio  (d) none of these

Ans: (b) in agreed ratio

India’s major export items are
(a) Handicrafts  (b) Tea leaves
(c) Chemical and Engineering Goods  (d) All the above

Ans: (d) All the above

Industrial Relations

AITUC – All India Trade Union Congress was formed in 1920. CPI bps X ngm fkr v S - hV AITUC.

Important Economic Facts

RBI does not transact the business of the State Government of Jammu and Kashmir.

National Renewal Fund (NRF) was instituted for the purpose of restructuring and modernisation of industries.

Multifibre agreement deals with textiles.

Total Fertility Rate (TFR) in population means the average number of children born to a woman during her life time.

The unit of valuation known as paper gold is SDR (Special Drawing Right)

The labour participation of women in India is 20%

Specific schemes for employment generation were evolved for the first time in the 6th Plan.

Planning Commission was set up in accordance with the Directive Principles in Article 39.
### Banking Sector

The organised banking system in India can be divided into the RBI, the Commercial Banks and Co-operative Banks.

#### The Reserve Bank of India
- The central banking functions in India are performed by (a) Central Bank, (b) State Bank of India, (c) Reserve Bank of India, (d) Both (b) and (c)
- Ans: (c) Reserve Bank of India
- RBI was established in 1935 and was nationalised in 1949.
- It represents India at the IMF.
- It is the Central Bank of India.
- It is also known as the Banker’s Bank and its headquarters is in Mumbai.
- Its first Governor was Sir Osbourne Arkall Smith and its first Indian Governor was C.D. Deshmukh (1943).
- Y.V. Reddy is the present Governor of RBI. He replaced the post of Mr. Bimal Jalan.
- RBI has several banking functions like (1) issue of notes, (2) act as governments bank, (3) act as Banker’s bank, (4) Custodian of Foreign Exchange Reserves, (5) To Manage Public debt, (6) To stabilise the value of money, etc.

#### Nationalised Banks
- Allahabad Bank
- Bank of Baroda
- Bank of Maharashtra
- Andhra Bank
- Bank of India
- Corporation Bank
- Canara Bank
- Dena Bank
- Indian Bank
- Punjab National Bank
- Syndicate Bank
- Central Bank of India
- Indian Overseas Bank
- Oriental Commercial Bank
- Punjab & Sind Bank
- United Bank of India
- UCO Bank
- United Bank of India

#### The State Bank of India
- SBI is the largest public sector bank in India.
- First Presidency Bank is the Bengal Presidency Bank (1806).
- In 1921, the three Presidency Banks (Bengal, Bombay & Madras) amalgamated to form Imperial Bank of India.
- In 1955 Imperial Bank was nationalised and named as State Bank of India.
- It is now the largest Commercial Bank in India in terms of branches. It has seven associated banks.

#### NABARD
- The National Bank for Agricultural and Rural Development was set up in July 12, 1982.
- Its primary objective is to promote agriculture and rural development through credit facilities to farmers. It is the apex bank for rural credit.
- Its headquarters - Mumbai.

#### EXIM Bank
- The Export Import Bank of India (1982) was set up to boost exports from India.
- Exim Policy 2002-2007 was announced by government on March 31, 2002.

#### IDBI
- The Industrial Development Bank of India was established on 1964. It is the apex bank for industrial finance in India.

#### Lead Bank Scheme
- Under the Lead Bank Scheme a bank adopts a district for developmental purpose.

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### Days in Economics

<table>
<thead>
<tr>
<th>Day</th>
<th>Date</th>
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<tbody>
<tr>
<td>World Thrift Day</td>
<td>October 30</td>
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<tr>
<td>World Book and Copyright Day</td>
<td>April 23</td>
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<tr>
<td>World Population Day</td>
<td>July 11</td>
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<tr>
<td>World Consumer’s Day</td>
<td>March 15</td>
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<td>World Standard Day</td>
<td>October 14</td>
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<tr>
<td>World Tourism Day</td>
<td>September 27</td>
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<tr>
<td>Inter National Customs Day</td>
<td>January 26</td>
</tr>
<tr>
<td>Central Excise Day</td>
<td>February 20</td>
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</table>
- Nariman Committee recommended the Lead Bank Scheme.
- Lead Bank of Trivandrum District: Indian Overseas Bank
- Lead Bank of Kollam District: Indian Bank
- The first bank of limited liability managed by Indians was Oudh Commercial Bank founded in 1881.
- Punjab National Bank was established in 1894.

**Scheduled Banks**

Scheduled banks are banks included in the second schedule of Reserve Bank Act 1934. The bank included in this list should fulfill certain conditions and also enjoy certain facilities.

- The paid up capital and collected funds of banks should not be less than Rs. 5 lakh.
- They should safeguard the interest of the depositors.
- The Federal Bank, The South Indian Bank, The Catholic Syrian Bank, etc. are scheduled banks.

**ICICI**

- Industrial Credit and Investment Corporation of India (ICICI) was started in 1955.
- NHB: National Housing Bank.
- SIDBI: Small Industries Development Bank of India is a wholly owned subsidiary of IDBI. It is responsible for the development of small industries in the country.
- FIIs: Foreign Institutional Investors
- The term “Plastic Money” applies to the following:
  (a) Bank Drafts made of plastic coated paper to make it more durable
  (b) Credit cards mainly issued by Banks
  (c) Currency notes impregnated with plastic thread to prevent them from forgery
  (d) None of the above

**Nationalisation of Banks**

- The first nationalisation of banks took place on July 19, 1969 during the tenure of Prime Minister Indira Gandhi. 14 banks were nationalised.
- The second nationalisation took place in 1980 and six banks were nationalised.
- In 1993, the New Bank of India was merged with the Punjab National Bank. So at present there are only 19 nationalised banks in the country besides the Reserve Bank of India and State Bank of India and its seven subsidiaries.

**RRBs**

- The maximum number of partners allowed in a banking business is
  (a) 10  (b) 20  (c) 30  (d) 50

**Answer Choices**

- Overdraft facility is available for those who have
  (a) Savings Bank Account
  (b) Fixed Deposit
  (c) Current Account
  (d) Recurring Deposit

**Answer:** (c) Current Account

- Custodian of foreign exchange is
  (a) Foreign Exchange Bank
  (b) State Bank of India
  (c) Foreign Bank
  (d) Reserve Bank of India

**Answer:** (d) Reserve Bank of India

- When was 'Savings Bank System' introduced in India?
  (a) 1830  (b) 1885  (c) 1910  (d) 1935

**Answer:** (b) 1885

- The term “Plastic Money” applies to the following:
  (a) Bank Drafts
  (b) Credit cards
  (c) Currency notes
  (d) None of the above

**Answer:** (b) Credit cards mainly issued by Banks

- The maximum number of partners allowed in a banking business is
  (a) 10  (b) 20  (c) 30  (d) 50

**Answer:** (a) 10

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  (a) 10  (b) 20  (c) 30  (d) 50

**Answer:** (a) 10
The Commissions & Committees

Kelkar Committee ................. Direct Indirect Taxes
GV. Ramakrishna ....... Disinvestment Commission
Narasimham Committee ................ Banking Reforms
Malhotra Committee ......... Insurance Privatisation
Raja Chelliah Committee ............... Tax Reforms
L.C. Gupta .......................... Trading of shares

Nedungadi Bank & Lord Krishna Bank

- The Nedungadi Bank was merged with Punjab National Bank in 2003 due to acute financial problem the bank faced as a result of mismanagement. Lord Krishna Bank was merged with Centurian Bank in 2006. Ganesh Bank of Krunthvad (Maharashtra) was merged with Federal Bank in 2006.

Co-operative banks

- Central co-operative banks operate at district level, while state co-operative banks operate at the state level and primary agricultural credit societies operate at village level.

Foreign Banks

Banks which are registered outside India but has taken permission to operate in India are Foreign Banks. There are 44 Foreign Banks operating in India. HSBC, American Express are example.

- ANZ Grindleys is the largest Foreign Bank operating in India.
- Indian Banks also operate in other countries.

Private Bank

Under the recommendation of Narasimhan Committee, the government gave permission to start new private banks.

Some of the prominent Private Banks in India are ICICI Bank, UTI Bank Ltd., HDFC Bank, Centurian Bank Ltd., IDBI Bank, etc.

These banks are also called New Generation Banks, as their style of functioning is more customer oriented and high-tech.

- Which State in India sold lottery tickets for the first time?
  (a) Kerala  (b) Tamil Nadu  (c) Assam  (d) Manipur

  Ans: (a) Kerala

Tarapore Committee on Convertability

S.S. Tarapore Committee report on fuller CAC (Capital Account Convertability) was published by RBI on September 1, 2006. The Committee has recommended that the scheme for fuller convertability of rupee should be implemented in a five year period in three phases.

Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) is investment of foreign assets into domestic structures, equipments and organisations.

FDI provides opportunities to Indian Industry for technological upgradation, gaining access to global managerial skills and practices. It is also highly conducive for optimum utilization of human and natural resources and competing globally with higher efficiency. FDI has a significant role in integration of Indian economy with global production chain, which involves production of multinational corporations spread across locations the entire world over. In recent years the quantum of FDI has increased substantially. It is a sign that multinationals have picked India as their investment destination.

Banking Reforms

- M. Narasimham was the chairman of the Committee on Banking Sector Reforms.

- Second Generation Reforms

  - New Economic Liberalisation policy
  - Trading of shares
The Second generation reforms refer to major steps which are yet to be taken in the path of structural adjustments to kick start and revitalize Indian economy.

- **NPA**: Non Performing Assets.
- **Performing Assets**: Assets that are not non-performing.
- An NPA (Non Performing Asset) is a loan which is in default for more than 6 months.

## Indian Currency System

- The rupee is the monetary unit of India and is based on the decimal system.
- The rupee coin is a token coin made of nickel and its face value is higher than its metallic value.
- The RBI calculates four concepts of money supply in India. These concepts are known as Money Stock Measures.
- The money stock measures are:
  1. **Narrow Money** ($M_1$) = Currency with the public (i.e., coins and currency notes) + demand deposits of the public.
  2. **M_2** = **M_1** + Post Office Savings deposit.
  3. **Broad money** ($M_3$) = **M_1** + Time deposits of the public with banks.
- Rupee was first minted in India during the reign of Sher Shah Suri.
- Paper currency in India was introduced for the first time in 1883.
- Indian rupee became an independent currency with the establishment of RBI in 1935.
- India became a member of the IMF and exchange value of the rupee came to be fixed by IMF standards in 1947.
- Decimal System of Coinage was introduced in India in 1957.
- Currency notes are printed at Currency Note Press (Nasik) and the Bank Note Press at Dewas in Madhya Pradesh.
- Paper for making currencies and other security papers are manufactured by Security Paper Mill (Hoshangabad, MP).

## Insurance Sector

- **LIC**
  - Life Insurance Corporation was set up in 1956. Its headquarters is in Mumbai. Life Insurance Corporation (LIC) is the largest insurance company in the world in terms of number of policies covered.
- **ISI** - Indian Standard Institution was set up in 1946. Now it is named Bureau of Indian Standards (BIS).
- **UTI** - (Unit Trust of India) was set up in 1964. It is the first mutual fund operated in India.
- UTI is associated with:
  - (a) Regulating Foreign Exchange Transactions
  - (b) Foreign Trade
  - (c) Road Transport
  - (d) Investment Trust
  **Ans:** (d) Investment Trust
VABAL is Value Based Advanced Licence Scheme. R.N. Malhotra was the head of the Insurance Sector Reforms Committee.

IRDA – Insurance Regulatory and Development Authority.

Insurance Regulatory Authority by IRDA.

Commercer

The multi-crore security scam was first investigated by the Janaki Raman Committee. Later a Joint Parliamentary Committee (JPC) under the chairmanship of Ram Nivas Mirdha enquired about it. Harshad Mehta is the chief accused in the case.

Maximum number of partners in a partnership firm is 20.

A private company must have at least 2 members.

Minimum number of share holders necessary for a public company is 7.

Break - even - point in a business means No profit and loss.

Goodwill of a firm represents Intangible asset.

The excess of current assets over current liability is called Working capital.

Single entry system of book-keeping means
(a) making entry for one aspect of transaction
(b) making entry for both aspects of a transaction
(c) incomplete double entry
(d) None of these

Ans: (a) Making entry for one aspect of transaction

The closing stock should be valued at
(a) cost price     (b) market price
(c) cost price or market price which ever is lower
(d) None of these

Ans: (c) Cost price or market price which ever is lower

The shares in a co-operative society
(a) can be sold
(b) cannot be transferred
(c) can be transferred
(d) none of these

Ans: (c) can be transferred

When two or more companies dissolve to form a new company, the process is called amalgamation.

When one company merges with another company, it is merging.

Who manages a joint stock company?
(a) Its Board of Directors
(b) Its General body
(c) Its Management council
(d) All of the above

Ans: (a) Its Board of Directors

What is the percentage of net earning of the Central Government through excise and customs (as % of total receipts)?
(a) 40%     (b) 39%
(c) 38%     (d) 36%

Ans: (c) 38%

Activities which are undertaken by human beings for earning money may be called as
(a) business     (b) profession
(c) employment     (d) cultivation

Ans: (b) Profession

Managerial control is more in the case of a
(a) partnership firm     (b) sole trading concern
(c) co-operative Society
(d) private limited company

Ans: (b) Sole trading concern

Partner’s liability in India is
(a) equal     (b) limited
(c) unlimited     (d) None of these

Ans: (b) limited

Uncertain income in any enterprise is
(a) Rent     (b) Wages
(c) Interest     (d) Profit

Ans: (d) Profit

National Rural Employment Guarantee Programme (NREGP)

The programme accept a right based approach to work. The NREGP empowers the poor households to demand employment of at least 100 days from government. Rs. 11,300 crore has been provided to NREGP in 2006-07. The scheme is protected by the National Rural Employment Guarantee Act.
The code for corporate governance has been given by
(a) ASSOCHAM      (b) CII
(c) Chamber of Commerce (d) UTI
Ans: (b) CII

CII: Confederation of Indian Industries
Debenture holders of a company are its
(a) Members (b) Creditors
(c) Debtors (d) Directors
Ans: (b) Creditors
Equity shareholders are the company’s
(a) Owners (b) Creditors
(c) Customers (d) None of these
Ans: (a) Owners

Macro Economics is a
(a) study of aggregates (b) machine
(c) chemical analysis (d) branch of Engineering
Ans: (a) study of aggregates

The backbone of all economic activities is
(a) agriculture (b) finance
(c) industry (d) education
Ans: (b) finance

Internal trade means
(a) Export (b) Import
(c) Trade within the country (d) None of these
Ans: (c) Trade within the country

In Monopoly pricing, there will be
(a) less competition (b) perfect competition
(c) more competition (d) no competition
Ans: (d) No competition

What is the life blood of commerce?
(a) Export, import (b) Trade
(c) Agriculture (d) Industry
Ans: (b) Trade

Saving is a function of
(a) investment (b) export
(c) improvement in productivity (d) Income
Ans: (d) Income

*Budget*: *A budget is the anticipated annual estimate of expenditure and revenue of a country or a subordinate authority like a corporation.*

‘Budget’ is a
(a) Plan outlay (b) Annual Financial Statement
(c) Balance Sheet (d) Estimate of expenditure
Ans: (b) Annual Financial Statement

Who said, “The budget need not be a secret affair?”
(a) R. Venkatraman (b) Palkiwalah
(c) C. Subramaniam (d) Chintamani Deshmukh
Ans: (b) Palkiwalah

**Taxes**

- Taxes can be broadly divided into two
  (i) Direct Taxes (ii) Indirect Taxes.
- Personal Income tax, corporate tax, estate duty, gift tax and wealth tax come under direct taxes.
- Sales tax and excise duty, customs duty come under indirect taxes.
- **Union Excise Duties** are the chief source of revenue of the Central Government.
- Excise duties, customs duties, income tax and corporation tax are levied by the Central Government.
- **Sales tax** is the major source of revenue to the State Government.
- Land revenue, stamp duties and registration fees are collected by the states.
- Estate duty on property other than agricultural income is collected by the central government.
- The agricultural income has been exempted from the Union Income Tax. But the states have the statutory powers to do that.
- Taxation is a part of - **fiscal Policy**
- Interest is a - **taxable income**
- **Octroi** is the tax imposed on articles coming into a city; it simply means city tax.
- The most important source of revenue for the government - **taxes**.
- **PPP - Purchasing Power Parity**
- The form of market structure where the produce has total control over the price - **Monopoly**
- Real national income divided by population is - **per capita income**.
A regressive tax will tend to redistribute income more
(a) equally  (b) unequally
(c) equitably (d) inequitably

Ans: (b) unequally

- L.K. Jha was the head of the **Indirect Taxation Committee** which recommended introduction of ad valorem taxes as far as possible.
- Raja. D. Chelliah was the Chairman of the Tax Reforms Committee.
- Finance Commission recommends distribution between the Union and the States of the net proceeds of taxes as enumerated in the Constitution and allocation between the states of the respective shares of such proceeds.

- Excise duty is a tax levied on
  (a) import of goods  (b) export of goods
  (c) production of goods  (d) sales of goods

Ans: (c) production of goods

- The tax paid by every individual is
  (a) an indirect tax  (b) a direct tax
  (c) a progressive tax  (d) None of these

Ans: (b) a direct tax

- An ad-valorem duty is a tax basis of
  (a) the price of the commodity
  (b) the value added
  (c) the advertisement expenses
  (d) the unit of the commodity

Ans: (a) the price of the commodity

### MODVAT

- MODVAT is modified Value Added Tax. MODVAT has been in place from April 1, 1986. This was introduced to avoid double taxation of both the raw materials and finished goods.

### VAT

- VAT is Value Added Tax.
- VAT has replaced the Sales Tax.
- VAT has been adopted by all the States except Uttar Pradesh and Pondicherry in 2007.
- Lakshadweep and Andaman and Nicobar has been exempted from VAT.

- The BJP ruled States and Tamil Nadu initially refused to introduce VAT when other States accepted and introduced VAT from April 1, 2005.
- Kerala introduced VAT on April 1, 2005.
- France was the first country to introduce VAT.

#### Economic Offences

- **Black money** is money accumulated by evading tax.
- **Hawala Transaction** means the illegal way of bringing foreign currency to India. Usually the foreign currency will be collected from outside India and its equivalent amount will be given here. The chief accused in the Hawala case is S.K. Jain.
- FERA has been replaced by FEMA Foreign Exchange Management Act on June 1, 2000.
- **FECA** - Foreign Exchange Contribution Act.

#### Stock Exchange

- India has the second largest share holding population, next to United States of America.
- A stock exchange is an organised market for buying and selling shares and other securities.
- There are 22 stock exchanges in the country.
  - National Stock Exchange (NSE), Over The Counter Exchange of India (OTCEI) Stock Exchange-1
  - Bombay Stock Exchange (BSE) Stock Exchange-1
The first stock exchange was established in Mumbai in 1875.

Dalal Street is the place where the Bombay Stock Exchange operates.

National Stock Exchange (NSE) was set up in 1992. It was made a statutory body in 1992.

SEBI oversees the working of the Stock Exchange.

Unit Trust of India, established in 1964, was the first mutual fund in India.

CRISIL - Credit Rating Investment Services of India Limited.

CARE - Credit Analysis and Research Limited.

Blue Chip Share is a high valued share.

Bulls and Bears are terms associated with share market.

Bulls are the stock brokers who tries to raise the price of shares and make profit out of it.

Bears are the stock brokers who tries to dip the price of share and make profit out of it.

Harshad Mehta and Kethan Pareak were the stock brokers associated with stock scam in two different time in India.

Profit from shares is called dividend while profit from debentures is called interest.

Co-operative Sector

The state famous for ‘Dairy Co-operatives’ in India is Gujarat

The only ‘Scheduled Bank’ in the co-operative sector is Kerala State Co-operative Bank.

Jawaharlal Nehru gave importance to co-operative movement in the Five year Plans of the country.

The ‘Birthplace’ of land mortgage banks is Germany.

The report of All India Rural Credit Survey Committee is known as ‘Magnacarta’ of the Co-operative movement in India.

The name of retail stores started in 1997-98 by Government of Kerala under the direct supervision of Kerala Co-operative consumer Federation is Neethi.

The head of Co-operative Department is Registrar of Co-operative Societies.

Supermarket run by the Kerala State Co-operative Consumer Federation is Thriveni.

There are 14 district Co-operative Banks in Kerala.

‘CAMPCO’ was a Co-operative institution registered as a joint venture of Karnataka and Kerala government.

The headquarters of ‘Coirfed’ is at Alappuzha.

The headquarters of ‘MATSYAFED’ (Kerala State Co-operative Federation for Fisheries Development) is in Trivandrum.

Central Co-operative banks function at the district level.

Nelkkather Award is given to the best group farming society

Karshakothama Award is given to the best farmer in the state by Kerala Government - Karshakashree is given to the best farmer by Malayala Manorama.

Kera Kesari award is given to the best coconut farmer in the state.

Granary of Kerala is Kuttanad, while the leading producer of rice is Palakkad district.

Rural Development

Pradana Mantri Grama Sadak Yojana (PMGSY) launched in December 2000, to provide connectivity of roads to the unconnected habitations in the rural areas.

Antyodaya Anna Yojana (AAY) is launched by the government for the poorest of the poor.

Valmiki Ambedkar Awas Yojana (VAMBAY) is announced by the Prime Minister of India on 15 August, 2001 to provide shelter or upgrade the existing shelter for people living below the poverty-line in urban slums in a march towards the goal of slumless cities with a healthy and enabling urban environment.

IRDP - Integrated Rural Development Programme. It was launched in 1978 and is a self-employment scheme to improve economic and social conditions of the poor.

TRYSEM - Training of Rural Youth for Self-Employment. It was launched in August, 1979 to equip rural youth with necessary skills for self-employment.

DPAP - Drought Prone Area Programme was launched in 1973.
JRY - Jawahar Rozgar Yojana. It was launched in 1989. It aims to guarantee employment to at least one person in a rural family below the poverty line.

NRY - Nehru Rozgar Yojana. It is the urban counterpart of JRY both launched in 1989.

NREP (National Rural Employment Programme) and RLEGP (Rural Landless Employment Guarantee Programme) have been merged with JRY.

Jawahar Gram Samridhi Yojana (JGSY) is the new name of Jawahar Rozgar Yojana (JRY). The new scheme was launched on 1 April, 1999.

DWCRA - Development of Women and Children in Rural Areas (1982).

ICDS - Integrated Child Development Service

IREP - Integrated Rural Energy Programme.

BSY is the Balika Samridhi Yojana

Swarnajayanthi Gram Swarozgar Yojana (SGSY) is the new scheme launched on 1 April, 1999 which replaced IRDP, TRYSEM, DWCRA (Development of Women and Children in Rural Areas), MWS (Million Wells Scheme) GKY (Ganga Kalyan Yojana), SITRA (Supply of Improved Tool Kits to Rural Artisans). It is the only self-employment programme currently being implemented. The scheme is being implemented with the help of self help groups.

EAS - Employment Assurance Scheme was launched in 1993 to provide employment of at least 100 days to the villagers.

JGSY - Jawahar Gram Samridhi Yojana (JGSY) was launched in 1999 and it replaced Jawahar Rozgar Yojana (JRY).

PMGY - Pradhan Mantri Gramodaya Yojana was launched in 2000-01 in order to achieve an objective of sustainable human development at village level.
SGRY - Sampoorna Grameen Rozgar Yojana (SGRY) was launched in September 2001 by merging Jawahar Samridhi Yojana (JGSY) and Employment Assurance Scheme (EAS).

PMRY - Pradhan Mantri Rozgar Yojana was launched with the objective of making available self employment opportunities to the educated unemployed youth by assisting them to set up any economically viable activity.

Eco-mark is given to environmentally friendly products by the Bureau of Indian Standards (BIS). Agmark is given to agricultural products. Rugmark is given to child labour free carpets.

CAPART - Council for Advancement of Peoples’ Action and Rural Technology.

To promote voluntary action in rural development CAPART was launched in 1986.

MSY - Mahila Samriddhi Yojana. It is a savings scheme for rural women.

AVARD - Association of Voluntary Agencies for Rural Development.

CRISP - Computerised Rural Information System Programme. It was started in 1985.


Midday meal programme was launched by the Prime Minister on August 15, 1995.

ISO-International Organisation for Standardisation. Cochin Shipyard has recently been given ISO certificate.

SSI - Small Scale Industry. An industrial unit with a capital investment of not more than Rs. 1 crore is treated as a small scale industry.

Community Development Programme (CDP) was launched in the year
- (a) 1953
- (b) 1952
- (c) 1975
- (d) 1965

Answer: (b) 1952

National Extension service was launched in 1953.

Twenty Point Programme was launched in 1975

The National Co-operative Consumer’s Federation of India Limited was registered in 1965.

CRSP was launched in
- (a) 1986
- (b) 1985
- (c) 1973
- (d) 1978

Answer: (d) 1978

CRSP is Centrally sponsored Rural Sanitation Programme

Nirmithi movement was started in Kerala in 1985.

Command Area Development Programme was (CADP) launched in 1974-75.

Which of the following is wrongly matched?
- (a) IRDP - 1978-79
- (b) NREP - 1980
- (c) RLEG - 1983
- (d) DWCRA - 1982
- (e) All are correct

Answer: (e) All are correct

BPL census - Below Poverty Line census- was held in Kerala in 1998. The aim of the census was to find out the families living under poverty in Kerala. Earlier this census was called IRDP survey.

The annual income limit of poverty line was refixed to Rs. 20,000 from Rs. 11,000 per year.

The State Institute of Rural Development is at Kottarakkara.

The National Institute of Rural Development is in Hyderabad.

Name the scheme launched by the government to develop saving tendency among rural women.
- (a) National Saving Scheme
- (b) Indira Vikas Pathra
- (c) Mahila Samrithi Yojana (MSY)
- (d) Post Office Saving Scheme

Answer: (c) Mahila Samrithi Yojana (MSY)

The number of developmental blocks in Kerala
- (a) 150
- (b) 151
- (c) 152
- (d) 153

Answer: (c) 152

Chairman of DRDA is
- (a) District Panchayat President
- (b) Block Development Officer
- (c) District Collector
- (d) Manager District Co-operative Bank

Answer: (a) District Panchayat President

Local Administration Department and Rural Development have been amalgamated to form Local Self Government Department.

Kerala Institute of Local Administration (KILA) is located at
- (a) Mulamkunnathu kavu (Thrissur)
- (b) Kottarakkara (c) Kottayam
- (d) Kannur

Answer: (a) Mulamkunnathu kavu (Thrissur)

The poverty alleviation programme launched by Kerala government with the help of NABARD and Panchayat Raj Institutions in the state is
(a) IRDP  
(b) SGSY  
(c) Maithri  
(d) Kudumbha sree  

**Answer:** (d) Kudumbha sree

- The cultural mission launched by the state government to welcome the new millennium is ‘Manaveeyam’.
- Bangladesh Grammeen Bank was set up by Mohammad Yunus. He won the 1998 Indira Gandhi International Award and Nobel Prize for Peace in 2006.

**ENERGY**

### Conventional forms of Energy

- Coal, oil, natural gas, nuclear material and water power are at present major sources of conventional forms of energy.
- Electricity produced from these conventional forms of energy is used by many industries. Per capita consumption of electricity is often considered as an indicator of economic development.
- Of the total installed capacity in India:
  - Thermal power accounted for 70%
  - Hydel power accounted for 27%
  - Nuclear power accounted for 2%
  - Non conventional energy accounted for 1%

#### Thermal power

- In the case of thermal power, supply of coal, oil and natural gas is the limiting factor.
- Super thermal power stations are set up near coal fields like Korba in Madhya Pradesh, Obra in Uttar Pradesh, Talcher in Orissa and Kothagudem in Andhra Pradesh.

#### Nuclear Power

- In the case of nuclear power, disposal of waste and hazards of radio activity are the problems.
- Nuclear Power Stations:
  - (i) Kota in Rajasthan
  - (ii) Tarapur in Maharashtra
  - (iii) Kalpakkam near Chennai in Tamil Nadu
  - (iv) Narora in Uttar Pradesh
  - (v) Kakrapara in Gujarat
  - (vi) Kudangulam in Tamil Nadu

#### Hydel Power

- Among the various sources of electricity, water is perhaps the best in the sense that it is renewable and pollution free. The water used for generating power can be again used for irrigation.
- **The first hydro electric power plant:** Sivasamudram across Cauvery in Karnataka (1902).
- **Damodar Valley Project,** which included generation of electricity as one of its multipurposes, is the earliest of its kind.
Bhakra - Nangal project, a project which consists of Bhakra Dam is associated with Sutlej river. Punjab, Himachal Pradesh, Haryana and Rajasthan are the beneficiary states of the project.

Damodar Valley is associated with the Damodar river. Bihar and West Bengal are the beneficiary states of the project.

Tungabhadra project is associated with river Tungabhadra. Andhra Pradesh and Karnataka are the beneficiary states of the project.

Hirakud Dam project is associated with Mahanadi river. Orissa is the main beneficiary state of Hirakud project.

Kosi project is a multipurpose project which is associated with the Kosi river, was built by India in association with Nepal.

Rajasthan Canal project is associated with River Sutlej, Beas and Ravi. Rajasthan, Punjab and Haryana are the beneficiary states of the project. It is also called the Indira Gandhi Canal Project.

Kakrapara project is associated with Tapti river. Gujarat is the main beneficiary state of the project.

Koyna project is associated with river koyna. Maharashtra is the main beneficiary state of the project.

Farakka project is associated with Ganges and Bhagirathi. West Bengal is the main beneficiary state of the project.

Tehri Dam project is associated with rivers Bhagirathi and Bhilangana. Uttarakhand is the main beneficiary state of the project.

Kahalgaon project is a joint venture of NTPC and a Russian company.

Nagarjunsagar dam located on Krishna river is situated in Andhra Pradesh.

Parambikulam - Aliyar project is a joint venture of Tamil Nadu and Kerala.

Ranjit Sagar Dam (Thein Dam) is a multipurpose dam project in the country, built on the Ravi river. Punjab, Haryana & Jammu and Kashmir are the main beneficiary states of this project.

Sardar Sarovar project on the Narmada river in Gujarat is an inter-state project beneficiary to Gujarat, Madhya Pradesh and Rajasthan.

Alamatti Dam located in the Krishna river is a bone of contention between Karnataka and Andhra Pradesh. The Dam is in Karnataka.

Mullaperiyar Dam exists as a controversial factor between Kerala and Tamil Nadu.

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Tehri Dam project is associated with rivers Bhagirathi and Bhilangana. Uttarakhand is the main beneficiary state of the project.

Kahalgaon project is a joint venture of NTPC and a Russian company.

Nagarjunsagar dam located on Krishna river is situated in Andhra Pradesh.

Parambikulam - Aliyar project is a joint venture of Tamil Nadu and Kerala.

Ranjit Sagar Dam (Thein Dam) is a multipurpose dam project in the country, built on the Ravi river. Punjab, Haryana & Jammu and Kashmir are the main beneficiary states of this project.

Sardar Sarovar project on the Narmada river in Gujarat is an inter-state project beneficiary to Gujarat, Madhya Pradesh and Rajasthan.

Alamatti Dam located in the Krishna river is a bone of contention between Karnataka and Andhra Pradesh. The Dam is in Karnataka.

Mullaperiyar Dam exists as a controversial factor between Kerala and Tamil Nadu.

Kosi project is a multipurpose project which is associated with the Kosi river, was built by India in association with Nepal.

Rajasthan Canal project is associated with River Sutlej, Beas and Ravi. Rajasthan, Punjab and Haryana are the beneficiary states of the project. It is also called the Indira Gandhi Canal Project.

Kakrapara project is associated with Tapti river. Gujarat is the main beneficiary state of the project.

Koyna project is associated with river koyna. Maharashtra is the main beneficiary state of the project.

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Development of conventional forms of energy for meeting the growing energy needs of society at a reasonable cost is the responsibility of ministries of power, coal petroleum and natural gas. Nuclear energy development is being controlled up by the department of Atomic Energy. Electricity is a concurrent subject at entry 38 in list III of the seventh schedule of the Constitution of India.

The construction and operation of generation and transmission projects in the central sector are entrusted to central sector corporations; They are
- National Thermal Power Corporation (NTPC) (setup on 1975)
- National Hydro Electric Power Corporation (NHPC) (set up on 1975)
- North Eastern Electric Power Corporation (NEEPCO)
- Power Grid Corporation of India Ltd. (PGCIL) which is incorporated on 23 October 1989.

Non Conventional Forms of Energy
- The Ministry of Non-Conventional Energy source (MNES) created in 1992 is the nodal agency of the Govt. of India for all matters relating non conventional / renewable energy.
- India has one of the world’s largest programme for renewable energy.
- India has now recognised that renewable energy sources can provide the basis for sustainable energy development on account of their inexhaustible nature and environment friendly features.
- The greatest advantage of Non Conventional energy sources is their inexhaustible condition

Solar Energy
- Sun is the main source of non conventional energy though it may not be available during right and cloudy days.
- India receives 5,000 trillion kWh of solar radiation per year.
- In India, solar energy is being utilised through two different routes.
  1. Solar thermal routes
  2. Solar photovoltaic route
- India is the third largest producer in the world of solar cells and photovoltaic cell.

Geo Thermal Energy
- Geo thermal energy represents energy transmitted from the centre of the earth.
- In Manikaran in Himachal Pradesh the hot springs are used to produce geothermal energy.
- Geothermal energy is most used in Iceland.

Tidal Power
- Tidal Power has been successfully developed on the Rance Estuary in Brittany, France.
- In India, potential sites are the Gulf of Kutch and Cambay and the Sunderbans.
- In India an Ocean Thermal Energy Conversion (OTEC) plant is being set up at Kulashekarapattinam in Tamil Nadu.

Bio-Mass Power
- Bio Gas is the one source for which there is no limitation.
- In Punjab and Haryana, community plants have come into existence for the processing of farm yard manure. The animal waste is used to produce gas which can be used as cooking gas.

Wind Power
- The gross wind power potential of India is estimated to be about 20,000 MW.
- India is in the fifth position in the world after Germany, USA, Denmark and Spain in the field of grid capacity.
- A Centre for Wind Energy Technology (C-WET) has been set up at Chennai with the objectives of promoting and accelerating the utilisation of wind power and supporting the growing wind sector in the country.
Indian Economy: Objective Questions

1. National income does not include
   (a) interest on unproductive national debt.
   (b) income from government expenditure.
   (c) the payments by the households to firms for the purchase of goods and services.
   (d) undistributed profits.

2. Who wrote, The General Theory of Employment, Interest and Money?
   (a) Ragnar Nurkse
   (b) J.S. Mill
   (c) J.B. Say
   (d) J.M. Keynes

3. Subsidies mean
   (a) payment by Government for purchase of goods and services
   (b) payment by business enterprises to factors of production
   (c) payment by companies to shareholders
   (d) payment by Government to business enterprises without buying any goods and services

4. Depreciation means
   (a) destruction of a plant in a fire accident
   (b) loss of equipment over time due to wear and tear
   (c) closure of the plant due to labour trouble
   (d) closure of the plant due to lockout

5. The ‘secondary sector’ of Indian economy does not include
   (a) Manufacturing
   (b) Construction
   (c) Mining and quarring
   (d) Electricity, gas and water supply

6. Expenditure on defence is an item of
   (a) public investment
   (b) private investment
   (c) private consumption
   (d) public consumption

7. Which year is known as ‘Year of the Great Divide’ with regard to population growth in India?
   (a) 1921
   (b) 1947
   (c) 1951
   (d) None of these

8. Which of the following states has the least literacy rate?
   (a) Rajasthan
   (b) Himachal Pradesh
   (c) Uttarakhand
   (d) Bihar

9. The maximum number of people in India work in the
   (a) primary sector
   (b) secondary sector
   (c) tertiary sector
   (d) none of these

10. According to the 2001 census, the most densely populated state is
    (a) West Bengal
    (b) Kerala
    (c) Bihar
    (d) Uttar Pradesh

11. Indian economy is most appropriately described as a
    (a) Socialist economy
    (b) Mixed economy
    (c) Capitalist economy
    (d) None of these

12. Mixed economy envisages
    (a) co-existence of capitalists and labourers
    (b) integrated economic development
    (c) development of agriculture and industry simultaneously
    (d) private and public sectors

13. A market economy is one in which
    (a) products are sold
    (b) products and factors are bought
    (c) products and factors are bought and sold
    (d) none of the above

Answers

1. (a)  2. (d)  3. (d)  4. (b)
5. (c)  6. (d)  7. (a)  8. (d)
9. (a)  10. (a) 11. (b) 12. (d)
13. (c)
14. Bring out the economic factors responsible for the under-development of the Indian economy
   (i) Shortage of capital
   (ii) Technological backwardness
   (iii) Lack of skilled manpower
   (iv) Low geographical mobility due to attachment to land
   (a) i & ii       (b) i, iii & iv
   (c) i, ii & iv   (d) i, ii & iii

15. Who wrote a book describing the theory of economic drain of India during British rule?
   (a) Dadabhai Naoroji (b) Lala Lajpat Rai
   (c) Mahatma Gandhi (d) Jawaharlal Nehru

16. Which one of the following is not a feature of a developing economy?
   (a) High rate of unemployment
   (b) High rate of population growth
   (c) High rate of capital formation
   (d) Widespread poverty

17. Economic development has been retarded in India mainly due to
   (a) haphazard industrialisation
   (b) westernised social attitudes
   (c) poor infrastructural facilities
   (d) inefficient agrarian system

18. In a free economy inequalities of income are mainly due to
   (a) free competition
   (b) private property only
   (c) private property and inheritance
   (d) difference in the marginal productivity of labour

19. Which one of the following is not the economic factor, for the causes of poverty?
   (a) Fast rise in population
   (b) Low productivity in agriculture
   (c) Mass illiteracy
   (d) Inequalities of income

20. Which of the following pairs is correct?
   (A) April to March   (i) A UN year
   (B) January to December (ii) A calendar year
   (C) February to March  (iii) A financial year

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28. Seasonal unemployment refers mainly to
   (a) private sector industry
   (b) public sector industry
   (c) agriculture
   (d) banks
29. Till which plan Employment Strategy had been growth linked?
   (a) 6th plan
   (b) 7th plan
   (c) 3rd plan
   (d) 5th plan
30. Which of the following programmes were started during the Fourth Five Year Plan?
   (i) Rural Works Programme (RWP)
   (ii) Marginal Farmers and Agricultural Labourers Scheme (MFAL)
   (iii) Small Farmers Development Agency (SFDA)
   (iv) Integrated Dry Land Agricultural Development (IDLAD)
   (a) (i) and (ii) only
   (b) (ii) and (iv) only
   (c) (i), (ii) and (iv) only
   (d) (i), (ii), (iii) and (iv)
31. Food for Work Programme was introduced during the
   (a) Fourth Plan
   (b) Fifth Plan
   (c) Sixth Plan
   (d) Seventh Plan
32. The SFDA has been merged into
   (a) MFAL
   (b) IRDP
   (c) IDLAD
   (d) TRYSEM
33. According to Marx, socialism is
   (a) a transitional stage in the evolution of economic systems
   (b) the final result of class struggle
   (c) a stage of historical evolution where state exists no longer
   (d) a stage on which capital is privately owned but distribution of product is according to need
34. Equilibrium price is that which
   (a) Equates ‘consumers’ and ‘producers’ surplus
   (b) Maximises consumer’s satisfaction
   (c) Equates supply and demand
   (d) Maximises producer’s profit
35. One of the main factors that led to the rapid expansion of Indian exports is
   (a) imposition of import duties
   (b) liberalisation of the economy
   (c) recession in other countries
   (d) diversification of exports
36. Which of the following is a credit rating agency?
   (a) TRAI
   (b) IRA
   (c) SEBI
   (d) Moody’s
37. What is the effect of deficit financing on economy?
   (a) inflation
   (b) deflation
   (c) depression
   (d) recession
38. Where in India are coins minted?
   (a) Delhi, Mumbai, and Calcutta
   (b) Delhi, Calcutta and Chennai
   (c) Mumbai, Delhi and Bangalore
   (d) Mumbai, Calcutta and Hyderabad
39. If a person gets the prize of state lottery, which of the following taxes will he have to pay?
   (a) Commercial Tax
   (b) Entertainment Tax
   (c) Income Tax
   (d) Wealth Tax
40. Fiscal deficit in the Union Budget means
   (a) The difference between current expenditure and current revenue
   (b) Net increase in Union Governments, borrowings from the Reserve Bank of India.
   (c) The sum of budgetary deficit and net increase in internal and external borrowings
   (d) The sum of monetised deficit and budgetary deficit.
41. The term ‘Paper Gold’ is associated with
   (a) deficit budgeting
   (b) currencies still in gold standard
   (c) special Drawing Rights of the IMF
   (d) special facility of the World Bank

Answers

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