BRIDGE COURSE

Basic Fundamentals of Economics

Department of Economics

**TTWR DEGREE & PG COLLEGE (MEN)
NAGARKURNOOL**

Bridge Course Meaning

Bridge courses can be considered as s**upplementary knowledge** that can be provided to students to **impart basic knowledge in them** about the advanced subjects that will be taught to them in the upcoming future.

For example, if a student has completed his graduation in Engineering with **Computer Science specialization** and wants to pursue post-graduation in Information Sciences, a bridge course may be taught to him so that he can have the basic knowledge of the course that will be taught to him. This will make sure the student does not have to study the **entire undergraduate course of Information Sciences** currently saving all of the student's time, energy and money.

The completion time of a bridge course can vary from institution to institution but generally, a bridge course lasts from 6 months and up to a year.

BRIDGE COURSE FOR STUDENTS

The bridge course will enable the student to **spare a couple of valuable years without settling** on the field he needs to consider. For example, an **Art student** wants to pursue higher education in **Accounting or Finance**. For this, he/she should contemplate the essential courses needed for accounting/finance and a typical course in these will keep going quite a while which will hurt the student a lot in their career.

This is the place where bridge courses become an integral factor as the student can take up bridging courses in the very essentials needed for bookkeeping like **Maths, Stocks, Bonds,** and so on which will again spare student's valuable time and efforts.

These days, different organizations all over the globe additionally have bridge courses that are compulsory for **new joiners** so they can have the fundamental information on the work they can expect and will show them the necessary aptitudes for the occupation which will later spare a ton of time, the cash of the organization and execution in the test, will give the organization an essential thought of the effectiveness, information, and specialization of the worker and help the organization in choosing the most reasonable work the representative can be relegated with.

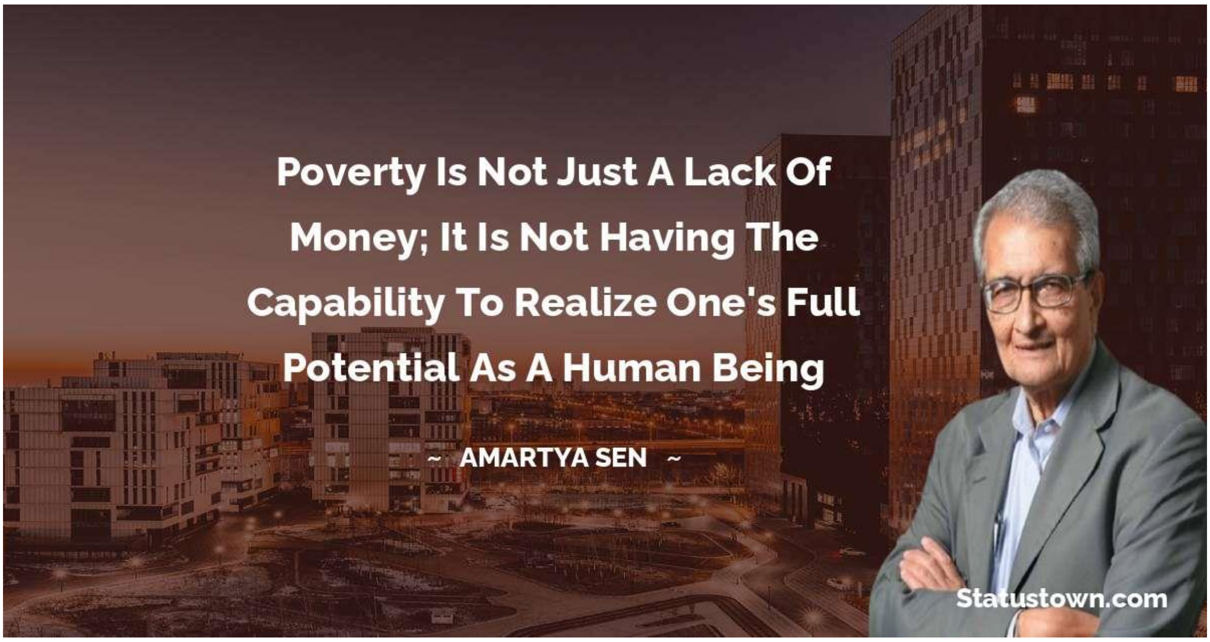
The Essential and basics of 10 +2 level subjects are important to comprehend the subject with ease. Hence the bridge course is planned so that it turns into the piece of the educational program of twelfth Standard and B.Sc. subjects. The Bridge course is expected to go about as a support for the new enters with certain targets to give sufficient chance to the progress to the in-your-face of a degree course.

Bridge Course Objectives

- To give a sufficient establishment in the fundamental Arts subjects, with the goal that students don't confront any trouble when the college classes start.
- This course gives a superior progress stage to set themselves up before the beginning obviously for the primary semester.
- To overcome any barrier between subjects learned at the pre-college level and subjects they would concentrate on BA classes.
- Bridge course goes about as a cradle for the new passage.
- Interactive and dynamic learning students will be outfitted with information and certainty before the main year course. It is course conduct by every Department by framing their own syllabus.

The bridge course is a start and not an end in itself. Lamentably, schools are not set up to acknowledge the truth. The explanation is somewhat that instructors, as a rule, trust it isn't beneficial to go through over ten days for a bridge course.

A bridge course should be followed up consistently. For a recognizing student with an English medium foundation, the way to deal with the bridge course could be changed by restricting syntax to the learning of tenses, cognizance to tuning in and perusing and appending high significance to bunch exercises.



OVERVIEW:

Bridge courses are supplemental knowledge given to students. Further, they deliver them with an elementary understanding of the advanced subjects that will teach them in the future. A bridge course may lead a person to ensure that he has a basic knowledge of the course that will guide him.

The objective of bridge course is to act as a cushion to improve and orient the subject knowledge keeping in mind the students coming from different streams. This gives them an overview and acquaints them with the basics of the subject before the classes start in full swing. During this interaction of 6 to 8 hours with the faculty and their classmates, the students are equipped with the basic knowledge and the assurance needed to take on greater challenges in future. With this objective in mind, the bridge course was organized by the Department of Economics, to help the students who are studying the paper for the first time. It was one week course which covered the basics and general concepts of Economics to enhance student's understanding towards the subject. Students participated enthusiastically and majority of the students felt that the course improved their basic understanding and will help in developing the interest in the subject during regular classes. Approximately 60 percent of the students who had taken this course had not studied economics before and all of them had given very positive feedback that they would like to attend such courses even in future. The main purpose of the course was to bridge the gap between the students who had studied economics in their higher secondary and those who had not and also to revise certain concepts which the students need to revise. The course fulfilled its purpose well.

DAY TO DAY BRIDGE COURSE SYLLABUS:

SL NO	DAY	TITLES	BRANCH	CONTENT WRITER
1	Day 1	Economics Foundation	Micro economics	G.Raghavendra DL In Economics TTWR Degree& PG College (MEN) Nagarkurnool
2	Day 2	Consumer Behaviour	Micro economics	
3	Day 3	Market Structure	Micro economics	
4	Day 4	Pricing Strategies	Micro economics	
5	Day 5	National income	Macro Economics	
6	Day 6	Supply of Money Demand For Money	Macro Economics	
7	Day 7	Indian Economy Structure	Indian Economy	
8	Day 8	Economic Reforms & NITI Ayog	Indian Economy	
9	Day 9	Budget , Public Revenue & Expenditure	Public Economics	M Maduri DL In Economics TTWR Degree& PG College (WOMEN) Shadnagar
10	Day 10	Taxation	Public Economics	G.Raghavendra DL In Economics TTWR Degree& PG College (MEN) Nagarkurnool
11	Day 11	Economic Growth & Development	Developmental Economics	
12	Day 12	International trade	International Economics	
13	Day 13	International &National Financial Organisations	Financial Economics	
14	Day 14	Introduction of Statistics in Economics & Econometrics	Statistical Economics & Applied Economics	
15	Day 15	Research in Economics	Research Methodology	

VARIOUS BRANCHES IN ECONOMICS:

Let us understand each of the branches of economics subject one by one:

1. **Macroeconomics** is the branch of economics that studies the behaviour and performance of an economy as a whole, meaning it focuses on the sum total of changes in the economy such as GDP, unemployment, national income, price indices, and the interrelations among the different sectors of the economy.
   The study also focuses on questions such as: what causes unemployment? What influences or impacts growth? What causes inflation? Etc. In short, macroeconomics attempts to measure how the economy is performing to understand what factors drive it upwards or downwards.

2. **Microeconomics** is the branch of economics that studies what choices people make, what factors influence their choices, what other aspects change consumer behaviour, and how their decisions affect the markets by influencing the price, demand as well as supply. It is the study of an individual's behaviour in decision making and distribution of resources.

3. **Behavioural Economics** approach psychology and economics to explore and understand why people make irrational decisions and how their behaviour does not follow the predictions of economic models. Decisions such as how much to spend on lunch, whether to go for higher education, how much money to save or invest, etc. and other decisions that most people make in their lives. Behavioural economists try to explain why consumers decided choice A instead of choice B.

4. **Business Economics** is the field of applied economics that uses economic theory and quantitative methods to study and analyze business enterprises. Business Economists study and evaluate the business economic aspects that directly impact the growth and development of the organization. The study focuses on how and why corporations expand, what is the impact of entrepreneurs, how large corporations interact, and what is the role of governments in regulation.

5. **Computational Economics** uses advanced computer-based economic modeling for solving analytically and statistically- formulated economic problems. (Computational modeling refers to the process of mathematical modelling which is carried out on a computer to predict the behaviour or the outcome of a real-world or an objective system).
   Economists use advanced modelling techniques like machine learning, evolutionary algorithms, (neural) network modelling; computational aspects of dynamic systems, optimization, optimal control, games, equilibrium modelling; hardware and software developments, modelling languages, etc. to understand and solve economic problems.

6. **Developmental Economics** focuses on improving the fiscal, economic, and social state of affairs in developing countries. In simpler words, it studies the transformation or the development of emerging nations into more prosperous economies. Developmental economists determine to what extent the growing population impacts the development, what is the role of education and healthcare in the development, and what leads to the structural transformation of economies. This branch of economics subject considers factors such as health, education, working conditions, national and international policies, and market conditions with a focus on boosting growth and development in the developing countries.

7. **Econometrics and Quantitative Economics** is a branch of economics that studies and analyses data using various statistical methods to test or develop economic theories. These statistical methods depend on statistical assumptions to quantify and analyze economic theories. This field of study uses tools such as frequency distributions, probability, correlation analysis, etc.
   The initial steps in econometric methodology include obtaining and analyzing data sets and defining a specific hypothesis which further explains the nature of the set. Now, this data set can be anything: historical prices for a stock index, unemployment rate, inflated rate, or even the observations collected from a survey of consumer finances. So, if you want to understand the relationship between the annual price change of a stock and the unemployment rate or lower GDP and rising taxes, then you would collect data sets of both the variables. You would first define your hypothesis and then go on to study these different data.

8. **Political Economics** is the study of how several economic theories such as capitalism, socialism, and communism work in the real world. Political economics draws on economy, law, and politics and their interdependence and how these economic theories impact, develop and influence the economy of nations. It can also be understood as the study of how a country is governed or regulated accounting to the interests and influences of both political and economic factors.

9. **Environmental Economics** is that area of economics subject which deals with environmental issues and the relationship of the economy and the environment. Environmental economists study to determine how the economy and environmental policies influence each other.

   There are environmental costs of economic growth and economists study how economic policies could act in favour of environmental policies. For example, if a state is trying to adapt to clean energy, the government can enforce a limit on carbon emissions or offer subsidies to companies that use renewable power sources.

10. **Financial Economics** is a branch of economics subject that analyses the utilization and distribution of resources in the markets in which decisions are made under uncertainty. Making financial decisions depends on numerous external factors such as time, risk, opportunity costs, etc. this branch of economics evaluates how certain factors impact decision making.

11. **Geo-economics** also called economic geography is the study of the location, distribution, and spatial structure of economic activities all across the world. In other words, it is a combination of economic and geographic factors relating to international trade. Economists seek to find answers

to questions like how geographic factors, internal and external trade, international politics, and other external factors influence the economic standing of nations.

12. **Health Economics** is concerned with the issues related to the efficiency, effectiveness, value, and behaviour in both production and consumption of health and healthcare. Health economists study in determining how health outcomes and lifestyle patterns can be improved, what influences or impact health, how healthcare systems are made more economical and feasible, and so on.
13. **Industrial Economics** is the study of industries, firms, and markets. It analyses and understands the levels at which capacity, output, and prices are set; how much firms invest in research and development (R&D); and how different or similar are products from each other, etc.
14. **Transport Economics** is a branch of economics subject that deals with the allocation of resources within the transport segment. It studies the movement of people and goods over space and time.
15. **International Economics** deals with the impact upon economic activity from the international differences in productive resources and consumer preferences as well as the international institutions that affect them. It studies the patterns and outcomes of trade, investment, and transactions between the residents of different countries.
16. **Labour Economics** studies the functioning and dynamics of the markets for wage labor. (Labour is a measure of the work done by humans and wage is the amount paid to them in exchange). Labour economics also studies the factors influencing the efficacy of workers, their employment between different industries and occupations, and the determination of their pay/wages.
17. **Monetary Economics** is a branch of economics subject that studies the various competing theories of money i.e. it provides a structure for analysing money and considers its functions such as the medium of exchange, store of value and unit of account, and much more. It also studies the effects of monetary systems, including regulation of money and related financial institutions.

ECONOMICS FOUNDATION

Economics is everyday life

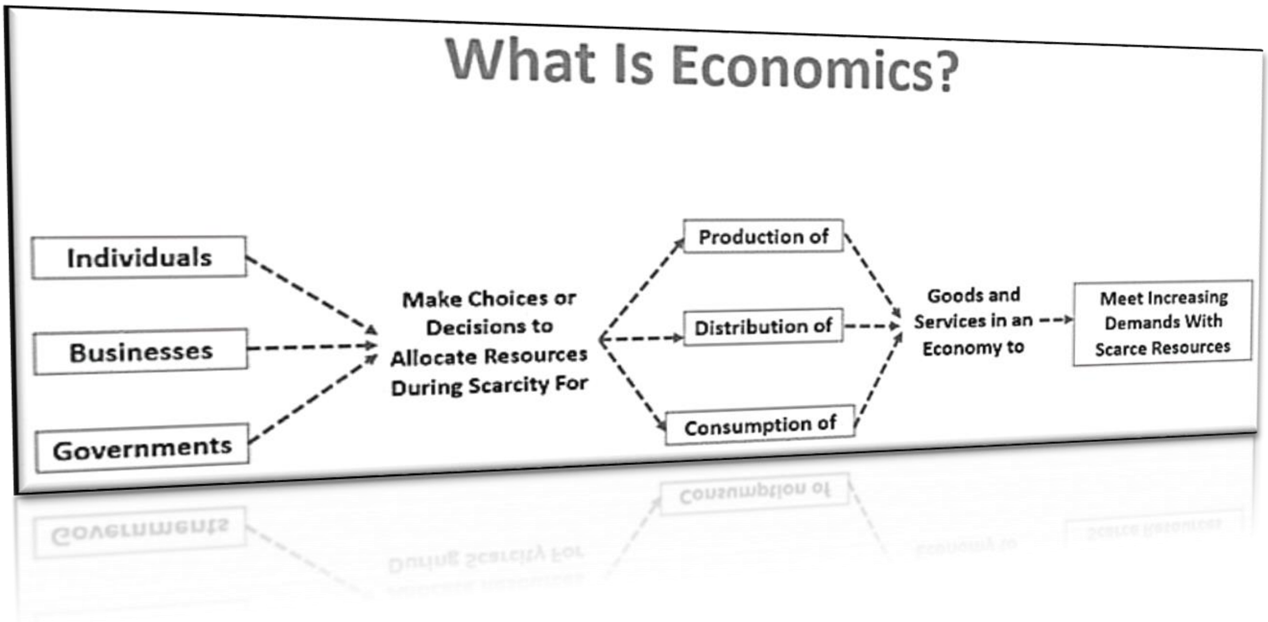
In our daily lives, we are called to make choices at our homes and in the marketplace, how much to spend and save, how to allocate our savings between different kinds of financial assets, whether to take a regular cab or an Uber, how much to pay for health insurance, whether to switch jobs, to move to a different city, where to go for vacation, and so on. These decisions are so much a part of our everyday life that they are also the domain of much of what politicians constantly make promises to us about.

How should we evaluate what our elected leaders tell us? How should we participate in a democracy as responsible, informed citizens? We cannot answer such questions without having a proper understanding of economics. It is a basic civic literacy requirement. It teaches us how to make choices, how to interact in society, how to evaluate the work being done by our elected representatives and much more. Every citizen in a country needs to know economics so as to live and participate meaningfully in the society.

Becoming an economist is a sound professional choice

Studying economics provides one with not just an understanding of human behaviour, but also cultivates in students the problem-solving, analytical, communication and persuasion skills that are critical for success in today's job market. In business, economists can provide key insights into how to make a product or service appeal more to customers by de-constructing their incentives and desires. The deep insights into customer behaviour, business strategy and volatile markets that economics provides can help companies make intelligent decisions to promote greater business growth and success.

Companies are always eager to find better ways to make their value proposition clearer and more compelling; this is why skilled economists and economic analysts are in heavy demand across industries today. Following up the study of economics with an MBA opens up lucrative opportunities in marketing, finance and consulting, making it a vital first step onto a career path with exciting growth opportunities and prospects. This is one of the reasons that graduates in economics and postgraduates with a background in economics command some of the highest wages in the global job market.



What Is Economics?

Economics is a social science concerned with the production, distribution, and consumption of goods and services. It studies how individuals, businesses, governments, and nations make choices about how to allocate resources. Economics focuses on the actions of human beings, based on assumptions that humans act with rational behaviour, seeking the most optimal level of benefit or utility. The building blocks of economics are the studies of labour and trade. Since there are many possible applications of human labour and many different ways to acquire resources, it is the task of economics to determine which methods yield the best results.

Economics word origin:

The English term '**Economics**' is derived from the Greek word '**Oikonomia**'. Its meaning is **'household management'**. Economics was first read in ancient Greece. **Aristotle**, the Greek Philosopher termed Economics as a science of 'household management'. But with the change of time and progress of civilization, the economic condition of man changes. As a result, an evolutionary change in the definition of Economics is noticed.

A BRIEF HISTORY OF ECONOMICS

ECONOMICS IN THE ANCIENT WORLD

Economics in its basic form began during the Bronze Age (4000-2500 BCE) with written documents in four areas of the world: Sumer and Babylonia (3500-2500 BCE); the Indus River Valley Civilization (3300-1030 BCE), in what is today's Afghanistan, Pakistan, and India; along the Yangtze River in China; and in Egypt's Nile Valley, beginning around 3500 BCE. Societies in these areas developed notation systems using markings on clay tablets, papyrus, and other materials to account for crops, livestock, and land. These accounting systems, arising in tandem with written language, eventually included methods for tracking property transfers, recording debts and interest payments, calculating compound interest, and other economic tools still used today.[1]

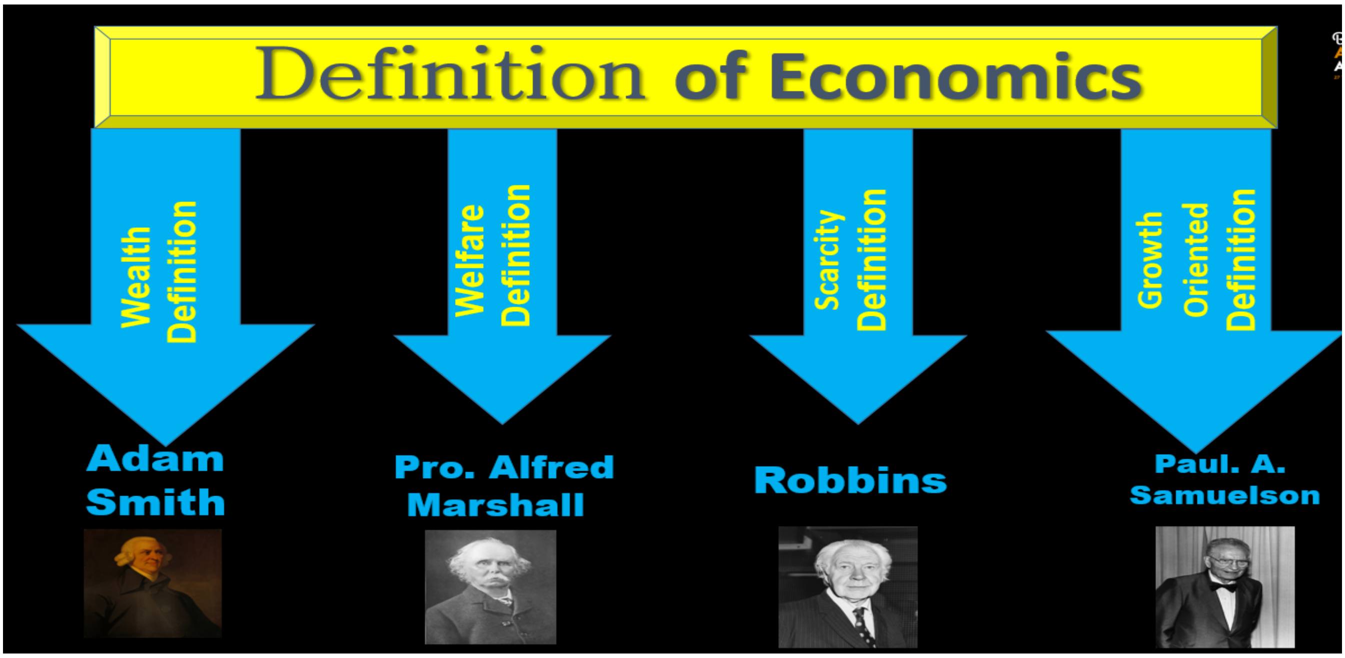
From the third millennium BCE onward, Egyptian scribes recorded the collection of and redistribution of land and goods.[2] Sumerian traders developed methods to calculate compound interest over a period of months and years. The Code of Hammurabi (circa 1810–1750 BCE), the earliest work of economic synthesis, specifies norms for economic activity and provides a detailed framework for commerce, including business ethics for merchants and tradespeople.[3]

The first millennium BCE saw the emergence of more detailed written treatises on economic thought and practice. The Greek philosopher and poet Hesiod, writing in the eighth century BCE, laid out precepts for managing a farm in his *Works and Days*. Athenian military leader, philosopher, and historian Xenophon built on this in *Oikonomikon*, a treatise on the economic management of an estate.[4] In *Politics*, Aristotle (circa 350 BCE) took these ideas further still, concluding that while private ownership of property was preferred, the accumulation of wealth for its own sake was "dishonorable."

The Guanzi essays from China (circa the fourth century BCE) laid out one of the first explanations of supply and demand pricing; the crucial roles of a well-managed money supply and a stable currency. Among key insights was the notion that it was money, not armies, that ultimately won wars.[1]

In Western Europe during the Middle Ages, economic theory was often blended with ethics, as seen in the work of Thomas Aquinas (1225-1274) and others. Few of those writers went into the amount of detail that Ibn Khaldun (1332-1406), Tunisian historian and philosopher, did. In *Al-Muqaddimah*, Ibn Khaldun analyzes economic issues such as the perils of monopolies, the benefits of division of labor and the profit motive, and the rise and fall of economic empires. The importance of his work was recognized by Machiavelli and Hegel, and many of his ideas prefigure those of Adam Smith and those who followed him centuries later.

Definitions of Economics



ADAM SMITH'S WEALTH DEFINITION:

Classical economists like Adam Smith and his distinguished followers J.S. Mill, F.A. Walker, David Ricardo, etc. define economics as a science of wealth. Adam Smith is the leader of the classical school of economic thought. There were many economists before the emergence of the classical school of economic thought. However, the first definition was given by Adam Smith. He categorized economics as a separate science which was the link with other subjects. For this great contribution of the Smith in economic science, he is respected with the honour of the **father of economics**.

After the publication of Adam Smith's book **(An inquiry into nature and cause of the wealth of nation)** in 1776 A.D, economics got its independent identity. He defined economics as the science which studies the nature and causes of the wealth of the nation.

According to him, economics maintain the relationship between consumption and production of wealth. It is concerned with the knowledge of earning money. Every individual of the society has a desire to earn wealth. So, economics provides guidelines to the individual in earning more wealth. The main points or ideas in the definition of Adam Smith are:

1. **Study of the wealth of the nation:** Economics is the study of the wealth of the nation. It deals with consumption, production, exchange, and distribution of wealth.
2. **Study of economic activities:** Economics is only concerned with the activities of the economic man, who is involved in earning more wealth. But it is not a study of non-economic man, who is not involved in earning wealth.
3. **The main goal is to earn wealth:** The main goal of human beings is to earn wealth because wealth is only the means for satisfying human wants.
4. **The first place to wealth:** Adam Smith gave the first place to wealth and second place for man in the study of economics. In other words, the subject matter of economics is wealth. He advocated that man is made for wealth.
5. **Only material goods constitute wealth:** The definition has given emphasize only material goods constitute wealth in society and there is no concern of economics with non-material goods or like free goods: – air, water, sunlight, water, etc. which do not play any role in the creation of wealth in society.
6. **Employed labour is the source of wealth:** The source of wealth of nation is employed labour whose productivity would be increased through the division of labour in production and distribution of goods and services.

MARSHALL'S WELFARE DEFINITION:

Many economists have realized that there are serious mistakes in Adam Smith's definition. His definition of economics made man selfish. People started thinking about economics as a science of getting rich etc. In order to save economics from this shiver criticism, Marshall, the leader of neo-classical economists, gave a new concept about economics by publishing his book," Principles of economics" in 1890 A.D. Marshall enlarged the scope of economics by shifting the emphasis from wealth to man. He said that people were not for wealth but wealth was made for the people. The objective of economics is to increase human welfare. Wealth is not the end but it is only the means. So, Marshall gave primary place to man and secondary place to wealth. Many economists like A.C. Pigou, Cannon, and Beverage, etc. have supported the view of Marshall. The main points or ideas in the definition of Marshall are as follows:

1. **Primary Concern to mankind.**
   Economics is mainly concerned with the study of mankind in relation to wealth. Wealth is for the benefit of mankind and secondary importance should be given to mankind and secondary importance to wealth.
2. **Study to an ordinary man.**
   According to Marshall, economics is related to the behavior of an ordinary man. Ordinary men are those who are involved not only in accumulating more wealth but also try to experience love, sympathy, goodwill, etc. to make their social life more meaningful.
3. **Study of material welfare.**
   Economics does not study the hole of human welfare but only part of it called material welfare. Material welfare means satisfaction derived from the consumption of physical goods. Any forms of goods of economic value that provide satisfaction are regarded as the subject matter of economics. Non-material welfare is outside the scope of economics.
4. **Study of social science.**
   Marshall explains that economics studies those people who live in society. It does not study about isolated people, not belonging to a society such as a sadhu, priests, beggar, monks, etc.

ROBBINS' SCARCITY DEFINITION:

The modern economist Lionel Robbins has highly criticized Marshall's definition of economics. He gave the most scientific and logical definition of economics in his book **(An essay on the nature and significance of economic science)** in 1932 A.D. According to him, "Economics is the science which studies human behaviour as a relationship between ends and scares means which have alternative uses". His argument is that economics is concerned with the problems arising from scarcity. People solve the problem of scarcity by allocating scarce resources to the best possible use. Most of the man's economic activities are moving around the problem of scarcity and choice. This is the central idea in Robbins's definition. The main points or ideas in Robbins's definition are as follows:

1. **Unlimited human wants or use.**
   According to Robbins's, human wants are unlimited. These unlimited wants are not possible to satisfy at a time. If one want is satisfied, another arises in our mind immediately. Thus there is a chain of wants, one want chasing another. There are no ends of human needs.
2. **Limited resources.**
   Human wants are unlimited but the means to satisfy them are limited relatively. The wants are more times than means. We called such a resource as a limited whose supply is less than demand. Limited resources mean time, money, wealth, etc.
3. **Scarce resources have an alternative use.**
   Human wants are unlimited but the means to satisfy this wants are scare but the scare means have alternative uses. For example, money can be used to buy food, a book or to go to the cinema.
4. **All wants are not equally urgent.**
   According to Robbins's, all wants are not equally urgent. They differ in urgency. Some wants are more urgent than the other ones. So, more urgent wants need more immediate satisfaction and others can wait. Current wants are more important than future wants. For example – Medicine is more important than cosmetics for a sick girl.
5. **Problems of choice**
   Although human wants are unlimited, all the wants are not equally important or urgent.

More important wants have to be fulfilled immediately and less important wants have to be fulfilled immediately and less important can be postponed. So, human beings make a choice of wants to derive maximum satisfaction. So, according to Robbins's, choice making is really an economic problem.

PAUL SAMUELSON GROWTH DEFINITION:

Paul Samuelson was a noted academic economist who left a lasting imprint on the field. In 1970, Samuelson was the first American to be awarded the **Nobel Memorial Prize in Economics** for his outstanding contributions. Upon receiving the award, Samuelson was praised for raising "the level of scientific analysis in economic theory."[1]

His legacy includes a college textbook called *Economics: **An Introductory Analysis**,* first published in 1948, currently in its 19th edition, and available in 40 languages.[1]

Samuelson defined Economics as follows:

"Economics is the study of how people and society choose, with or without the use of money, to employ scarce productive resources which could have alternative uses, to produce various commodities over time and distribute them for consumption now and in the future among various persons and groups of society."

The importance of economics : Examples of the importance of economics

1. **Dealing with a shortage of raw materials.** Economics provides a mechanism for looking at possible consequences as we run short of raw materials such as gas and oil. See also: Effects of a world without oil.

2. **How to distribute resources in society.** To what extent should we redistribute income in society? Is inequality necessary to create economic incentives or does inequality create unnecessary economic and social problems?

3. **To what extent should the government intervene in the economy?** A critical divide in economics is the extent to which the government should intervene in the economy. Free market economists, like Hayek and Friedman, argue for limited government intervention and free markets. Other economists, like Stiglitz or Krugman, argue government intervention can overcome inequality and the underprovision of public goods. For example – should the government provide health care free at the point of use or is it more efficient to encourage private health care? See also: To what extent should the government intervene in the economy?

4. **The principle of opportunity cost.** Politicians win elections by promising more spending and cutting taxes. This is because lower taxes and more spending is what voters want to hear. However, an economist will be aware that everything has an opportunity cost. Spend more on subsidising free university education, and it means higher taxes and lower spending elsewhere. Giving students £4,000 a year to spend at university may be a noble ideal. But, is it the best use of public money? Are there better uses of money, such as spending on primary education? See: Opportunity Cost

5. **Social efficiency.** The free market leads to countless examples of market failure. I feel one of the best uses of economics is to provide solutions to overcoming market failure. For example, driving into the centre of town creates negative externalities such as pollution and congestion. There is overconsumption. An economist can suggest a tax on driving into towns to internalise the externality. Of course, new taxes are not popular, but, it might provide a better solution for society. You may not want to pay £10 a week to drive into a city centre. But, if it saved you two hours of sitting in a jam, then maybe you would be much happier to pay it.

6. **Knowledge and understanding.** One of the principal jobs for economists is to understand what is happening in the economy and investigate reasons for poverty, unemployment and low economic growth. For example, in a political debate such as – Should, the UK leave the EU? There are many emotional arguments made about immigration. Economic studies can try and evaluate the costs and benefits of free movement of labour. Economic studies can try to examine the economic effects of immigration. This can help people make a decision about political issues.

7. **Forecasts**. Economic forecasts are more difficult than understanding the current situation. However, although forecasts are not always reliable, they can help give decision-makers an idea of possible outcomes. For example, in 2003, the UK took a decision about whether to join the Euro. Many economists suggested the UK could struggle with a common monetary policy. The Euro was not an optimal currency area with the UK in. This analysis was a factor in UK government deciding not to join. In retrospect, the analysis under-estimated the costs of the Euro. But, if it had been taken on purely political grounds, the UK may have joined.

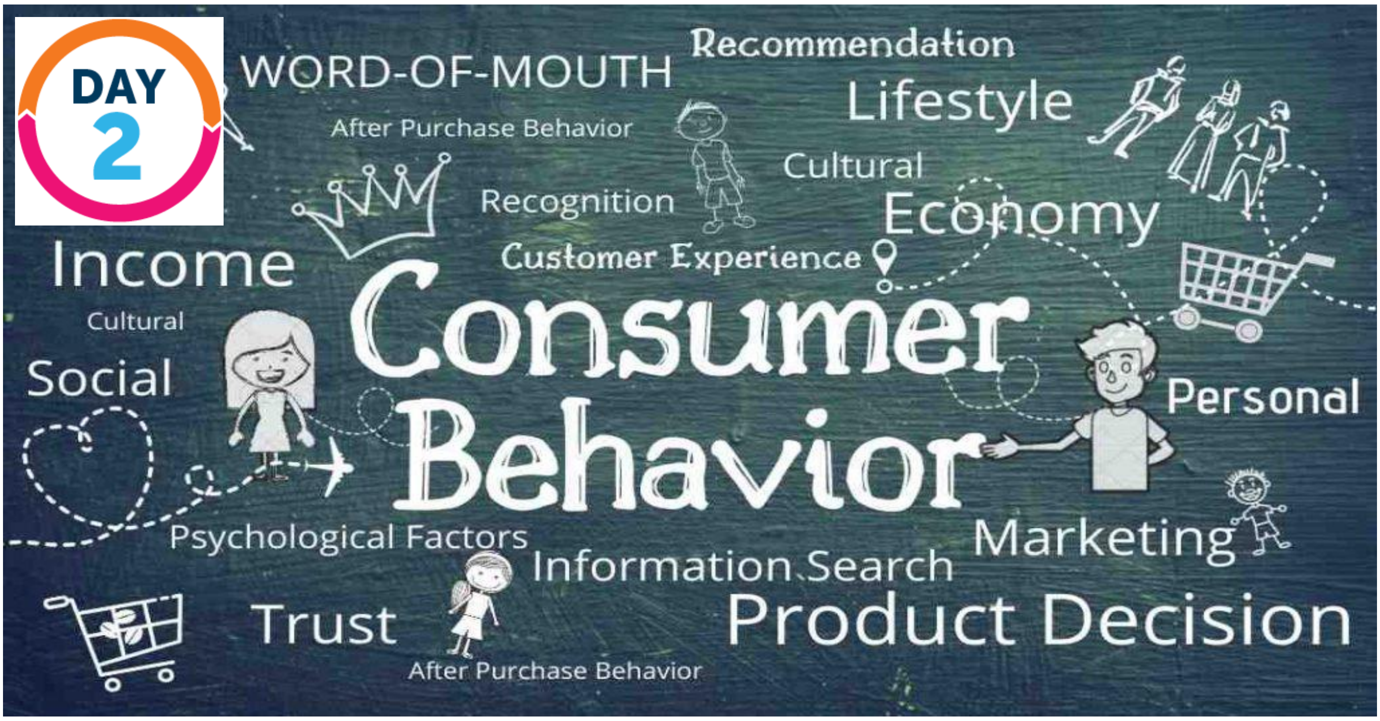
8. **How to deal with an economic crisis.** In the 1930s, the Wall Street Crash precipitated a significant rise in unemployment. There was a debate on how to respond. Many western

governments increased taxes, tariffs and benefits. This response caused John M. Keynes to develop a new branch of economics – focused on dealing with a persistent recession.

9. **Evaluation.** Economics is not a definitive science like Maths. Because of many unknown variables, it is impossible to be definitive about outcomes, but a good economist will be aware the result depends on different variables, and there are different potential outcomes. This should help avoid an overly ideological approach. For example, a government may have the philosophy 'free markets are always best', but an economist would be aware of a more nuanced view that in some markets, like health care, transport, government intervention can overcome market failure and improve welfare. But, at the same time, it doesn't mean state intervention is always best.

10. **Behavioural economics** Why do people behave as they do? Can governments subtly nudge people into better behaviour, e.g. banning cigarette advertising? Are we subject to bias and irrational behaviour? For example, can we be sucked along by a bubble and lose a fortune on the stock market? Behavioural economics examines the reasons why we make decisions. See: Behavioural economics.

11. **Applying economics in everyday life**. Modern economists have examined economic forces behind every day social issues. For example, Gary Becker argued that most crime could be explained by economic costs and benefits. See: Applying economics in everyday life.



Consumer behaviour can be defined as those acts of individuals (consumers) directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts.

Understanding how consumers make purchase decisions can help marketing managers in several ways.

Consumer behaviour refers to human behaviours which go in making purchase decisions. When consumers make decisions, they are engaged in a problem-solving talks, that is, satisfying a perceived need. This is called Consumer Behaviour.

General Characteristics of Consumer Behaviour:

a. The Consumer is the King

b. The Consumer Behaviour can be known

c. The consumer's behaviour can be influenced

Why study consumer behaviour?

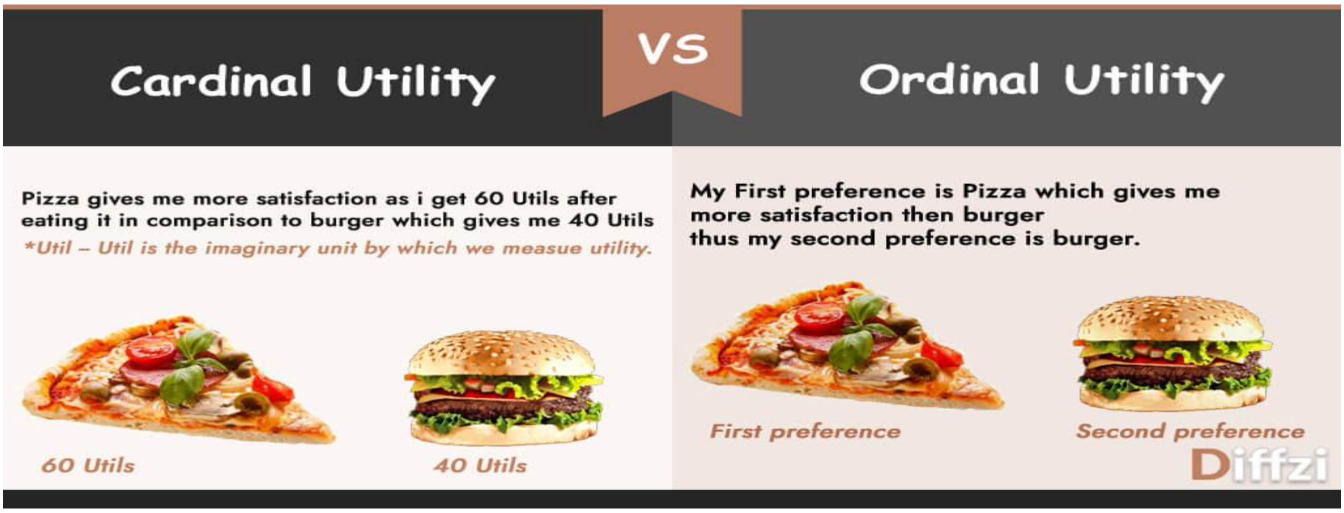
a. It will help to segment the market usefully.

b. It will aid in development of an effective marketing mix.

c. It will help to assess new market opportunities.

Cardinal Utility Vs Ordinal Utility

Basis	Cardinal Utility	Ordinal Utility
Meaning	It explains that the satisfaction level after consuming a good or service can be scaled in terms of countable numbers.	It explains that the satisfaction after consuming a good or service cannot be scaled in numbers, however, these things can be arranged in the order of preference.
Example	Sam submits pizza gives him 60 utils of satisfaction whereas burger gives only 40 utils.	Sam submit, he gets more satisfaction from Pizzas as compare to the burger.
Measurement	'Utility' is measured on the basis of **'utils'**	'Utility' is ranked on the basis of **"satisfaction"**
Realistic	It is less practical.	It is more practical and sensible.
Used by	This theory was applied by Prof. Marshall	This theory was applied by J . R . Hicks and R . G . D . Allen
Other Name	Utility Analysis	Indifference Curve Analysis



MARGINAL UTILITY ANALYSIS

Marginal Utility analysis helps us understand the behavior of a consumer by looking at the way he spends his income on different goods and services to attain maximum satisfaction. In this article, we will look at the assumptions, laws, and limitations under marginal utility analysis.

Before we begin, let's understand the meaning of two important terms – total utility and marginal utility

- Total Utility or Full Satiety – is the sum of utility derived from different units of a commodity consumed by a consumer. Therefore, Total Utility = the sum total of all marginal utility.

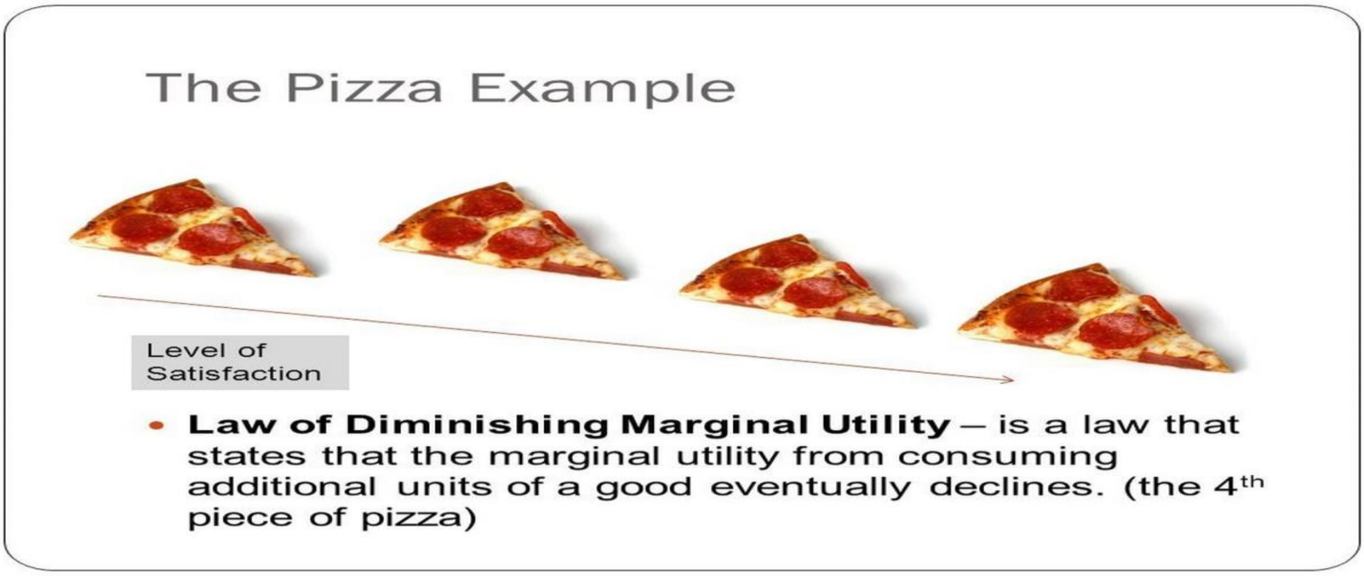
- Marginal Utility or Marginal Satiety – is the additional utility derived from the consumption of an additional unit of a commodity. Therefore, Marginal Utility = the addition made to the Total Utility by consuming one more unit of a commodity.

THE LAW OF DIMINISHING MARGINAL UTILITY

This is an important law under Marginal Utility Analysis. Alfred Marshall, British Economist defines the law of diminishing marginal utility as follows:

"The additional benefit which a person derives from a given increase in the stock of a thing diminishes with every increase in the stock that he already has."

This law is based on the fundamental tendency of human nature. Human wants are virtually unlimited. However, every single want is satiable. Hence, as we consume more and more units of a good, the intensity of our want for the good decreases. Eventually, it reaches a point where we no longer want it.



In other words, as we consume more units of a good, the extra satisfaction that we derive from the extra unit keeps falling. However, it is important to remember that the marginal utility declines NOT the total utility.

LAW OF EQUI-MARGINAL UTILITY

This law is based on the principle of obtaining maximum satisfaction from a limited income. It explains the behaviour of a consumer when he consumes more than one commodity.

The law states that a consumer should spend his limited income on different commodities in such a way that the last rupee spent on each commodity yield him equal marginal utility in order to get maximum satisfaction.

Suppose there are different commodities like A, B, …, N. A consumer will get the maximum satisfaction in the case of equilibrium i.e.,

$MU_A / P_A = MU_B / P_B = \ldots = MU_N / P_N$

Where MU's are the marginal utilities for the commodities and P's are the prices of the commodities.

Ordinal Approach to Consumer Equilibrium

Definition: The **Ordinal Approach to Consumer Equilibrium** asserts that the consumer is said to have attained equilibrium when he maximizes his total utility (satisfaction) for the given level of his income and the existing prices of goods and services. The ordinal approach defines two conditions of consumer equilibrium: **Necessary or First Order Condition and Supplementary or Second Order Condition**.

to understand how the consumer reaches his equilibrium using the ordinal approach we need to understand the following terms:

- **Indifference curve**: The indifference curve shows the different combinations of two substitutes (goods) that yield the same level of satisfaction (utility) to the consumer. This means that the consumer is indifferent towards the consumption of two goods which are closely related to each other.
- Indifference Map**:** The indifference map contains different indifference curves showing the combinations of different quantities of two substitute goods on the basis of the consumer preferences. The consumer can make different combinations of goods by consuming less of one commodity or the other in such a way that all the combinations yield the same level of satisfaction.
- Marginal Rate of Substitution (MRS)**:** The marginal rate of substitution defines the rate at which one commodity is substituted for another in such a way that the total utility (satisfaction) remains the same.
- Budget Line**:** As per the *properties of the indifference curve*, higher the indifference curve on the indifference map, the higher is the utility derived from the consumption. Thus, the consumer tries to reach to the highest possible indifference curve with two strong constraints: limited income and market price of goods and services. Since the amount of income in hand decides how high consumer can reach on his indifference map acts as a budgetary constraint. Therefore, the budget line represents the different quantity combinations of available commodities that a consumer can purchase given his level of income and the market price of goods and services.
    - **Necessary Condition or First Order Condition:** Under the first order condition, the consumer reaches his equilibrium in the same manner as he does under the cardinal approach of the two-commodity model. It is expressed as:

    $$\frac{MU_x}{MU_y} = \frac{P_x}{P_y}$$

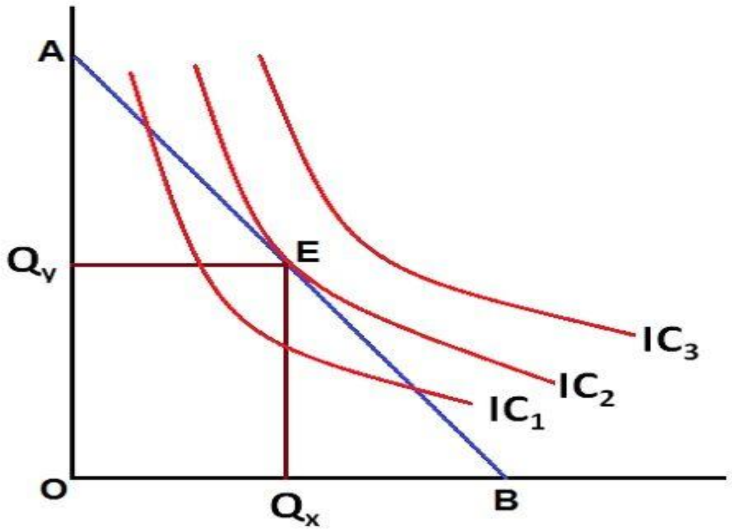
    - By implication,

    $$\frac{MU_x}{MU_y} = MRS_{x,y}$$

- Thus, the necessary condition of the cardinal approach to consumer equilibrium can be written as:
-

$$MRS_{x,y} = \frac{MU_x}{MU_y} = \frac{P_x}{P_y}$$

Supplementary or Second Order Condition: The first order condition is necessary but not sufficient. Thus, the second order or supplementary condition requires that the necessary condition must be accomplished at the highest possible indifference curve on the indifference map.



- In the figure above, there are three indifference curves, Viz. IC_1, IC_2, and IC_3 presenting a hypothetical indifference map of the consumer. AB is the hypothetical budget line. At point 'E', the indifference curve IC_2 and Budget line AB intersect and hence, therefore, the slope of IC_2 = AB. At this point, both the necessary condition and the supplementary condition get fulfilled, and hence, the consumer attains equilibrium at point 'E'.
- We know that between any two points on the indifference curve:
  $\Delta Y. MU_y = \Delta X. MU_x$

Thus, the slope of the indifference curve can be written as:

$$\frac{\Delta Y}{\Delta X} = \frac{MU_x}{MU_y} = MRS_{y,x}$$

The slope of budget line is given as:

$$\frac{OA}{OB} = \frac{P_y}{P_x}$$

In the figure above, at point 'E', MRS $_{x,y}$ = P_x/P_y and hence the consumer is said to have attained equilibrium at this point. The IC_2 is tangent with the budget line AB, which shows that the consumer has reached to the highest possible indifference curve for a given level of his income and the market price of goods and services. Thus, at point 'E' consumer consumes quantity OQ_x of X and OQ_y of Y, which yields him the maximum utility or satisfaction.

WHAT IS MARKET STRUCTURE?

Market structure, in economics, refers to how different industries are classified and differentiated based on their degree and nature of competition for goods and services. It is based on the characteristics that influence the behaviour and outcomes of companies working in a specific market.

Some of the factors that determine a market structure include the number of buyers and sellers, ability to negotiate, degree of concentration, degree of differentiation of products, and the ease or difficulty of entering and exiting the market

- *Market structure refers to how different industries are classified and differentiated based on their degree and nature of competition for services and goods.*
- *The four popular types of market structures include perfect competition, oligopoly market, monopoly market, and monopolistic competition.*
- *Market structures show the relations between sellers and other sellers, sellers to buyers, or more.*

1. PERFECT COMPETITION

Perfect competition describes a market structure, where a large number of small firms compete against each other. In this scenario, a single firm does not have any significant market power. As a result, the industry as a whole produces the socially optimal level of output, because none of the firms can influence market prices.

2. MONOPOLISTIC COMPETITION

Monopolistic competition also refers to a market structure, where a large number of small firms compete against each other. However, unlike in perfect competition, the firms in monopolistic competition sell similar but slightly differentiated products. That gives them a certain degree of market power, which allows them to charge higher prices within a specific range.

3. OLIGOPOLY

An oligopoly describes a market structure that is dominated by only a small number of firms. That results in a state of limited competition. The firms can either compete against each other or collaborate (see also Cournot vs. Bertrand Competition). By doing so, they can use their collective market power to drive up prices and earn more profit.

4. MONOPOLY

A monopoly refers to a market structure where a single firm controls the entire market. In this scenario, the firm has the highest level of market power, as consumers do not have any alternatives. As a result, monopolies often reduce output to increase prices and earn more profit.

Market structure	Number and size of the companies	Characteristique of products	Conditions of entrance to the market	Availability of market information	Examples
Perfect competition	Big number of small companies	All companies manufacturing the standard products	Companies are free to enter and leave the market	Information is available for all the companies	Stock markets, food markets etc.
Monopoly competition	Big number of small companies	Differentiated goods	No boundaries to enter the market	There are some limitations	The market of cosmetics, perfumes, shoes, clothes
Oligopoly	Small number of companies, existence of big firms	Standard or differentiated goods	Companies have issues to enter markt	Limitation of information	Car manufacturing, tabacco industry etc
Monopoly	One company	Unique product wihtout substitution	Solid boundaried to enter the market	Limitation of information	Energy companies, water stations, phone companies

WHAT IS A PRICING STRATEGY?

According to Economic Times, Price is the monetary worth assigned to a product or service, and it is the result of a complicated series of calculations, research, and comprehension, as well as the capacity to take risks. Segments, ability to pay, market circumstances, competitor activities, trade margins, and input costs are all factors that go into a pricing strategy. It is aimed towards a certain set of clients as well as rivals.

There are numerous methods to price your commodities, and depending on the market you serve, you may discover that some are more effective than others.

DIFFERENT TYPES OF PRICING STRATEGIES

Now let us see what are the different strategies which you can use to attract more customers and operate your business better.

PRICE SKIMMING

Setting rates high during the initial phase is known as price skimming. This is intended to assist companies in increasing sales of new products and services. After the items or services are offered, the firm gradually lowers the prices. As new rival products enter the market, this is finally done.

This sort of pricing is great for companies looking to expand into new sectors. It allows businesses to profit from early adopters while also undercutting future competitors when they enter an already-developed industry. The effectiveness of your skimming strategy is mainly determined by the market you want to target.

For example the earliest prices for mobile phones, VCRs, and other electronic items where a few players ruled attracted lower cost Asian players.

Market Penetration Pricing

Price skimming is the absolute antithesis of market penetration pricing. You take over a market by undercutting your competition, rather than starting high and gradually decreasing prices. You elevate pricing once you've built up a loyal client base.

Penetration tactics are designed to entice customers by lowering the cost of goods and services. Many new businesses employ this strategy to divert attention away from their competitors.

However, penetration pricing results in an early loss of revenue for the company. Increased awareness, on the other hand, can lead to increased earnings over time. It may also assist small companies in standing out from the crowd. Companies frequently end up increasing their pricing after sufficiently entering a market. This is done in order to better represent their current market position.

Consider Company X, a small to medium-sized soap manufacturer that makes $10 lavender soap bars. A multinational firm Y joins the market with a considerably larger manufacturing capacity and begins offering a comparable lavender soap bar for $5. This is an excellent illustration of penetration pricing.

Y's objective is to put small-scale rival X out of business, even if they only earn a tiny profit at $5. They are certain that firm X will not be able to match their rates. Customers will begin to buy from Y, and X will eventually go out of business. Predatory pricing is another word for this severe kind of penetrative pricing.

Example: Mobile phone rates in India; housing loans, etc.

PREMIUM PRICING

Businesses use Premium Pricing to set costs higher than their competitors. In the early stages of a product's life cycle, premium pricing is generally the most successful. It's also great for tiny enterprises that sell one-of-a-kind items.

According to Quickbooks, Premium pricing is reserved for businesses that produce high-quality goods and sell them to high-net-worth customers. The key to this price approach is to provide a high-quality product that buyers would regard to be valuable. To appeal to the proper sort of customer, you'll most likely need to establish a "luxury" or "lifestyle" branding approach.

Example: Porsche in cars and Gillette in blades.

Economy Pricing

The goal of economy pricing is to appeal to the most price-conscious customers i.e the middle class and the lower economic class of society. A wide spectrum of firms employ this technique.

Generic food distributors, cheap shops, and other businesses fall under this category. As a result of this technique, firms can and reduce marketing and manufacturing expenses.

Walmart and Costco, for example, are great instances of economic pricing schemes. Adopting an economical pricing strategy, similar to premium pricing, is determined by your overhead expenses and the total worth of your goods.

Example: Friendly wash detergents; Nirma; local tea producers

Bundle pricing

Bundle pricing refers to offering a set of goods or services at a cheaper price than customers would pay if they bought each item separately. Companies that provide complementary items benefit from this pricing approach the most.

You have the option of selling your combined items or services exclusively as part of a bundle or as both bundle components and separate products. This is a wonderful method to provide more value to consumers who are prepared to pay more upfront for many products. It may also assist you in getting your clients addicted to more than one of your items more quickly.

Bundle pricing is an excellent technique to swiftly trade a large amount of product. Profits on low-value goods exceed losses on high-value items included in a bundle in an efficient bundle pricing plan.

However, small firms should keep in mind that the profits earned on higher-value goods must offset the costs incurred on lower-value ones. As a result, pricing tactics are critical, but it's also critical not to lose track of the price itself.

Psychological Pricing

Psychological pricing does exactly what it says on the tin: it uses human psychology to improve and increase sales. When a marketer wants the customer to react emotionally rather than rationally, this strategy is utilized. It analyses the psychology of pricing rather than merely the economics of product pricing. As a result, a marketer may utilize psychological pricing in a variety of ways.

Price Point Perspective (PPP) is 0.99 cents, not $1. It's funny how people use pricing as a barometer for all kinds of things, especially when they're in new marketplaces. When purchasing items in an unfamiliar location, such as when purchasing ice cream, consumers may use a choice avoidance strategy.

Would you want $0.75, $1.25, or $2.00 worth of ice cream? It's all up to you. Perhaps you're breaking into a completely new market. Assume you're buying a lawnmower for the first time and have no experience with gardening tools. Would you always choose the cheapest option? Would you go for the most costly option? Or would you want to use a lawnmower in the middle? In new areas, the price may therefore be a reflection of qualities or advantages.

Competitive pricing

Consumers want the best deal, which isn't necessarily the same as the lowest price. Competitively pricing your products and services in the market might place your company in a better position to gain a customer's business.

Competitive pricing is incredibly useful when your company provides something that your competitors don't, such as outstanding customer service, a liberal return policy, or unique loyalty incentives. If you're primarily targeting price-sensitive clients, a competitive pricing approach could be a better option.

To maintain their loyal consumers, retailers such as Best Buy and Target provide price match promises, even when competing stores are having deals. This technique is frequently combined with economy pricing, in which firms strive to keep manufacturing costs as low as possible in order to provide the best available pricing.

Discount and Allowance Pricing

In order to reward customers for their acts, brands frequently modify the fundamental pricing of their goods. These behaviours might include bulk purchases, early bill payments, off-season purchases or stays, and so on.

There are many different types of promotional pricing, such as BOGOF (Buy One Get One Free), money off coupons, and discounts. Promotional pricing is frequently a source of contention. Many nations have rules that dictate how long a commodity must be sold at its initial higher price before being reduced. Promotional price extravaganzas are what sales are all about!

Geographical Pricing

When items or services are priced differently based on their geographical location or market, this is known as geographic pricing.

This technique may be utilized if a consumer from another nation makes a purchase or if there are differences in elements such as the economy or salaries (between the place where you're selling an item and the location where the person buying it is located).

As a result, geographic pricing reflects the transportation expenses associated with moving items from point of origin to point of sale. So, if the customer's location is closer to the site of origination, a lower fee may be paid. Customers that live in a remote location are charged a higher premium.

Value Pricing

When external forces such as recession or increasing competition compel firms to give value products and services in order to retain revenue, such as in fast-food restaurants, this strategy is utilized. The term "value price" refers to a price that provides excellent value for money, i.e. a price that makes you feel as though you are receiving a lot of goods for your money. It's comparable to economy pricing in many respects.

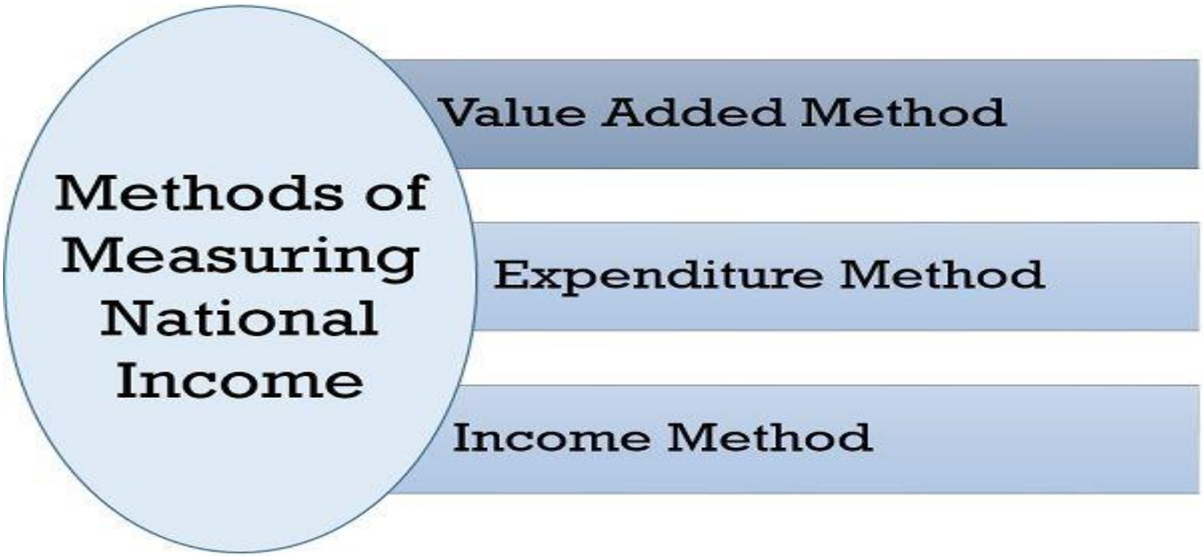
It is important not to make the error of believing that there is more value in the product or service. In most cases, lowering the price does not enhance the value. Our price goals will be determined by how much revenue we expect to make from a commodity, how much we can sell, and how much market share we can get in comparison to rivals.

WHAT IS NATIONAL INCOME?

National Income of any country means the complete value of the goods and services produced by any country during its financial year. It is thus the consequence of all economic activities that are running in any country during the period of one year. It is valued in terms of money. In short one can say that the national income of any country is the total amount of income that is accrued by it through various economic activities in one year. It is also helpful in determining the progress of the country.

TRADITIONAL DEFINITION

According to Marshall: "The labour and capital of a country acting on its natural resources produce annually a certain net aggregate of commodities, material and immaterial including services of all kinds. This is the true net annual income or revenue of the country or national dividend."



1.

Product Method

Under this method, we add the values of output produced or services rendered by the different sectors of the economy during the year in order to calculate the National Income.

In this method, we include only the value added by each firm in the production process in the output figure.

Hence, we use the value-added method. The value-added output of all the sectors of the economy is the GNP at factor cost.

However, this method is unscientific as it adds the value of only those goods and services that are sold in the market or are available for sale in the market

NI = $Q*P+Q_1*P_1+Q_2*P_2+$ ---------------- Q_n*P_n

2. Income Method

Under this method, we add all the incomes from employment and ownership of assets before taxation received from all the production activities in an economy.

Thus, it is also the Factor Income method. We also need to add the undistributed profits of the private sector and the trading surplus of the public sector corporations.

However, we need to exclude items not arising from productive activities such as sickness benefits, interest on the national debt, etc.

NI = RENT+WAGE+PROFIT+INTEREST

3. Expenditure Method

This method measures the total domestic expenditure of the economy. It consists of two elements, viz. Consumption expenditure and Investment expenditure.

Consumption expenditure includes consumption expenditure of the household sector on goods and services and consumption outlays of the business sector and public authorities.

Investment expenditure refers to the expenditure on the making of fixed capital such as Plant and Machinery, buildings, etc.

NI = $\text{HOUSEHOLD}_{\text{EXPENDITURE}} + \text{INDUSTRIAL}_{\text{EXPENDITURE}} + \text{GOVT}_{\text{EXPENDITURE}}$

1. **Gross Domestic Product**
2. **Net Domestic Product**
3. **Gross National Product**
4. **Net National Product**
5. **Personal income**

6. **Disposable personal income**
7. **Per-capita income**

Gross Domestic Product

GDP at market price: Is money value of all goods and services produced within the domestic domain with the available resources during a year.

GDP = C+I+G+(X-M)
Where,
C=Consumption
I=Investment
G=Government expenditure
(X-M) =Export minus import

NET DOMESTIC PRODUCT

The net output of the country's economy during a year is its NDP. During the year a country's capital assets are subject to wear and tear due to its use or can become obsolete.

Hence, we deduct a percentage of such investment from the GDP to arrive at NDP.

So NDP=GDP at factor cost LESS Depreciation. (GDP-D)

Gross National Product (GNP):

Is market value of final goods and services produced in a year by the residents of the country within the domestic territory as well as abroad. GNP is the value of goods and services that the country's citizens produce regardless of their location.

GNP=GDP+NFIA or,
GNP=C+I+G+(X-M) +NFIA
Where,
C=Consumption
I=Investment
G=Government expenditure
(X-M) =Export minus import
NFIA= Net factor income from abroad.

Net National Product (NNP) :

Is market value of net output of final goods and services produced by an economy during a year and net factor income from abroad.
NNP=GNP-Depreciation
or, **NNP=C+I+G+(X-M) +NFIA-Depreciation**
Where,
C=Consumption
I=Investment

G=Government expenditure
(X-M) =Export minus import
NFIA= Net factor income from abroad. (Receipts from abroad – Payments to aboard)

Personal Income (PI):

Is the total money income received by individuals and households of a country from all possible sources before direct taxes. Therefore, personal income can be expressed as follows:
PI=NI-Corporate Income Taxes-Undistributed Corporate Profits- Social Security Contribution +Transfer Payments.

Disposable Income (DI) :

It is the income left with the individuals after the payment of direct taxes from personal income. It is the actual income left for disposal or that can be spent for consumption by individuals.
Thus, it can be expressed as:

DI=PI-Direct Taxes

Per Capita Income (PCI):

It is calculated by dividing the national income of the country by the total population of a country. Thus, **PCI=Total National Income/Total National Population**

IMPORTANCE OF NATIONAL INCOME

SETTING ECONOMIC POLICY

National Income indicates the status of the economy and can give a clear picture of the country's economic growth. National Income statistics can help economists in formulating economic policies for economic development.

INFLATION AND DEFLATIONARY GAPS

For timely anti-inflationary and deflationary policies, we need aggregate data of national income. If expenditure increases from the total output, it shows inflammatory gaps and vice versa.

Budget Preparation

The budget of the country is highly dependent on the net national income and its concepts. The Government formulates the yearly budget with the help of national income statistics in order to avoid any cynical policies.

Standard of Living

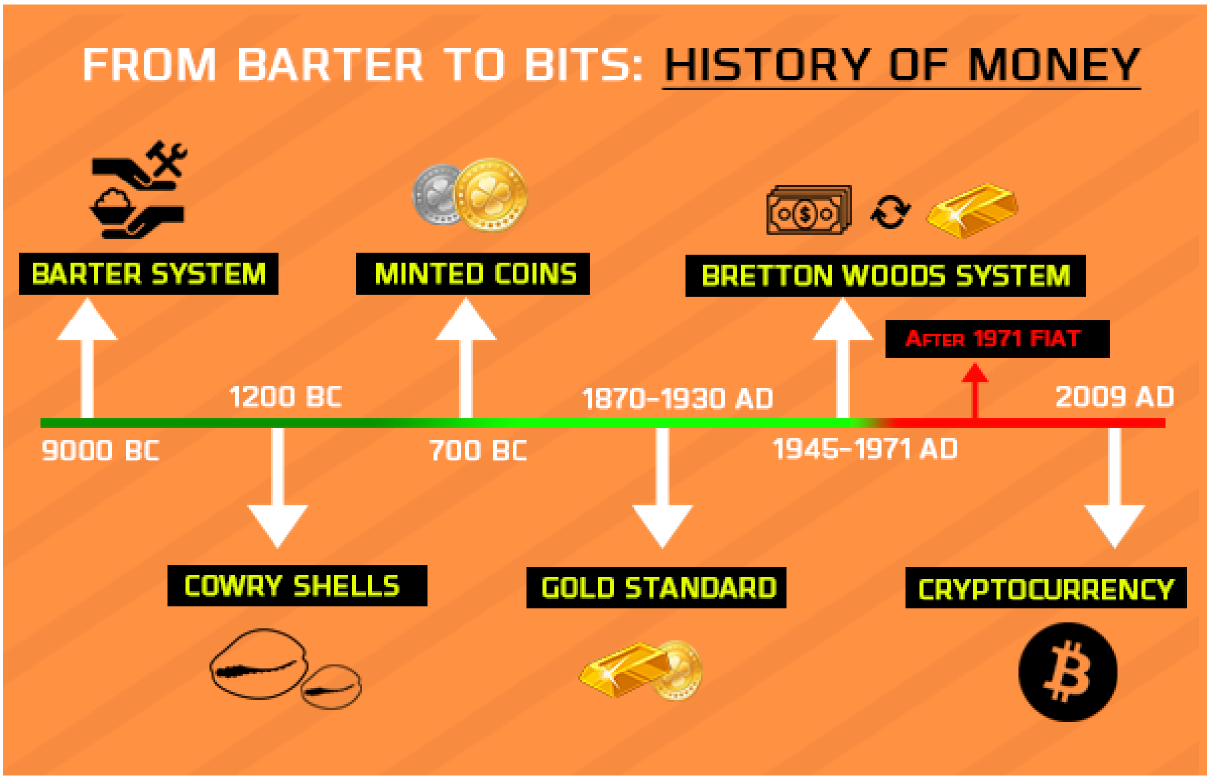
National income data assists the government in comparing the standard of living amongst countries and people living in the same country at different times.

Defence and Development

National income estimates help us to bifurcate the national product between defence and development purposes of the country. From such figures, we can easily know, how much can be set aside for the defence budget.

Money Demand & Supply

If I ask you how old is human history, you will never be able to give an exact date and time because the span of **recorded human history** is roughly 5,000 years i.e. 30th Century BC.



Humans living during **Old Stone Age** were mostly hunters and nomads with no system of writing or accounting (ledger recording). Their sole purpose of life was survival through hunting, gathering food, fishing or scavenge wild animals.

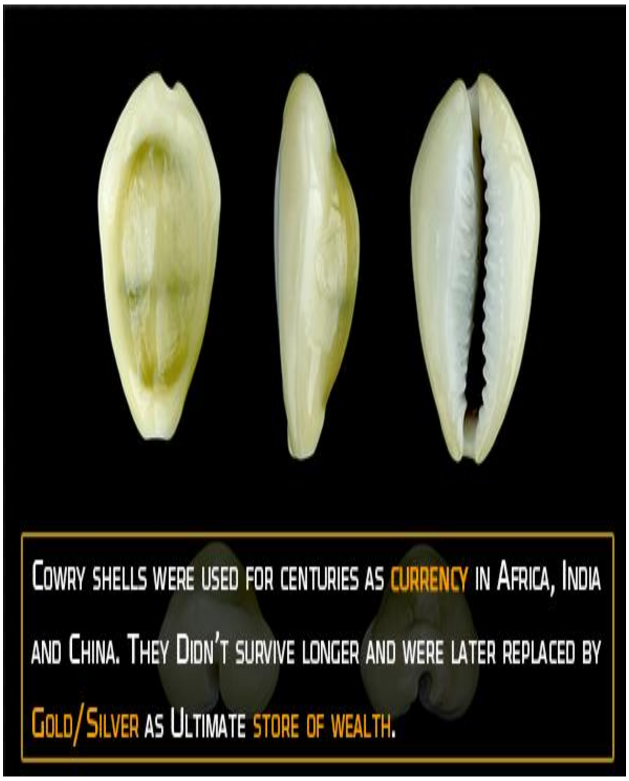
Since there was **no medium of exchange (money)** people would rather exchange (**barter economy**) one product for another near 9000 BC. A hunter would give another hunter meat, stone axe or leather for an exchange with a good of equal importance in value. Thus exchanging **food for food**, **tool for tool** and **clothing for clothing**.

A BRIEF (AND FASCINATING) HISTORY OF MONEY

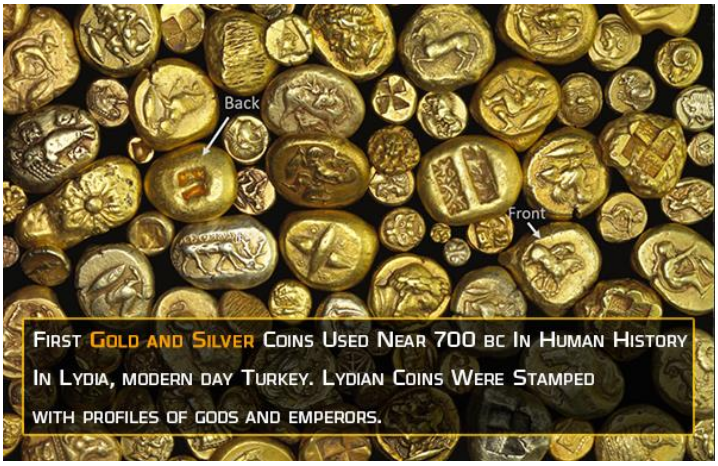
People worry about it, think of ways to get more of it, and dream about how to spend it. But how much do we really know about money? Keep reading for a short history of currency.

Cowrie shells and other items from nature

Some of the earliest currencies were objects from nature. A notable example is cowrie shells, first used as money about 1200 BCE. Although they may seem a pretty random choice, the shells had a number of advantages: they were similar in size, small, and durable. While the mollusks that produce the shells are found in the coastal waters of the Indian and Pacific oceans, the expansion of trade meant that even some European countries accepted cowrie shells as currency. Shells in the form of wampum (tubular shell beads) were used as money by Native Americans. Another currency from nature was whale teeth, which were used by Fijians. And the people of Yap Island (now part of Micronesia) carved huge disks of limestone that eventually became currency and remain part of the island's culture.


COWRY SHELLS WERE USED FOR CENTURIES AS CURRENCY IN AFRICA, INDIA AND CHINA. THEY DIDN'T SURVIVE LONGER AND WERE LATER REPLACED BY GOLD/SILVER AS ULTIMATE STORE OF WEALTH.

COINS



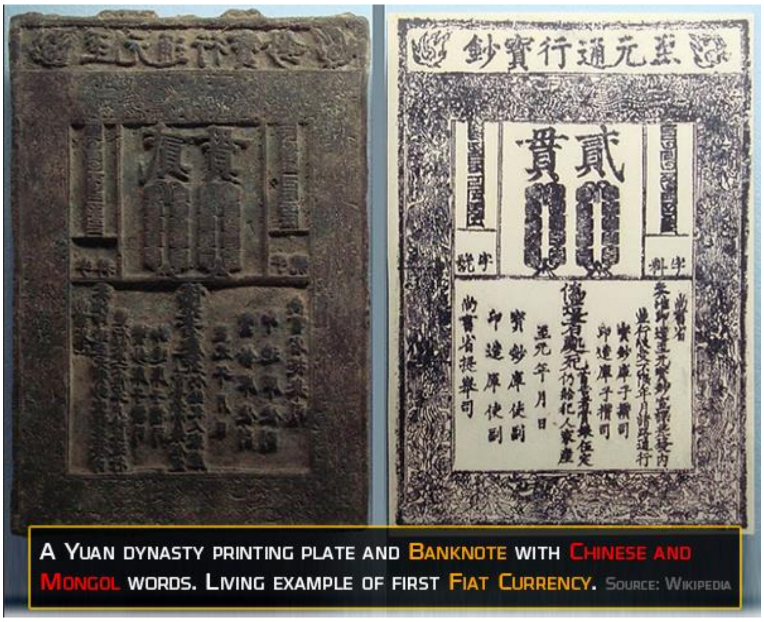
FIRST GOLD AND SILVER COINS USED NEAR 700 BC IN HUMAN HISTORY IN LYDIA, MODERN DAY TURKEY. LYDIAN COINS WERE STAMPED WITH PROFILES OF GODS AND EMPERORS.

While the use of metal for money can be traced back to Babylon before 2000 BCE, standardized and certified coinage may not have existed until the 7th century BCE. According to many historians, it was during this time that the kingdom of Lydia (in present-day Turkey) issued the first regulated coins. They appeared during the reign (c. 610–c. 560 BCE) of King Alyattes and were made of electrum, a natural mixture of gold and silver. Crudely shaped like beans, these coins featured the royal symbol, a lion. Alyattes' son, Croesus (reigned c. 560–546), reformed the kingdom's currency, introducing silver coins and gold coins. Soon such currency began appearing elsewhere.

- ## LEATHER MONEY

About the 6th century BCE leather and animal hide began to be fashioned into currency. Early ancient Rome reportedly used this type of money. It was also found in such areas as Carthage and what is now France, and Russia is believed to have used leather money into Peter the Great's reign (1682–1725 CE). The Chinese emperor Wudi (reigned 141–87 BCE) created currency out of skins from his personal collection of white stags. It was fringed and decorated with elaborate designs. Although no longer used, leather money may have left a lasting legacy: some believe it gave rise to the use of *buck* as slang for *dollar*.

- ## PAPER MONEY



A Yuan dynasty printing plate and Banknote with Chinese and Mongol words. Living example of first Fiat Currency. Source: Wikipedia

Given that paper is widely believed to have originated in China, it is fitting that that country introduced paper currency. This innovation is widely thought to have occurred during the reign (997–1022 CE) of Emperor Zhenzong. It was made from the bark of mulberry trees (so, in a sense, money really did grow on trees). By the late 18th and early 19th centuries, paper money had spread to other parts of the world. The bulk of this currency, however, was not money in the traditional sense. Instead, it served as promissory notes—promises to pay specified amounts of gold or silver—which were key in the development of banks.

- ## GOLD STANDARD

Unsurprisingly, currency comes with a number of problems, one of which concerns fiat money. This is currency that is issued on the "fiat" (decree) of a sovereign government and, unlike gold and silver coins, has no intrinsic value. Countries can thus issue such money at will, and some did (and do), potentially making the currency worthless. This became such a problem that in 1821 the United Kingdom—then the leader in international finance—introduced the gold standard. In this monetary system, the standard unit of currency is typically kept at the value of a fixed quantity of gold, which increases confidence in international trade by preventing governments from excessively issuing currency. Eventually, other countries, including Germany, France, and the United States, adopted the gold standard. However, the system had its drawbacks. Notably, it limited a country's ability to isolate its economy from depression or inflation in the rest of the world. After the Great Depression (1929–c. 1939), countries began to rethink the gold standard, and by the 1970s gold was no longer being tied to currency. Since then there have been a number of extreme cases of hyperinflation. A notable case is Zimbabwe in the early 2000s, when the country issued currency in denominations as high as $100 trillion—which was worth about a loaf of bread.

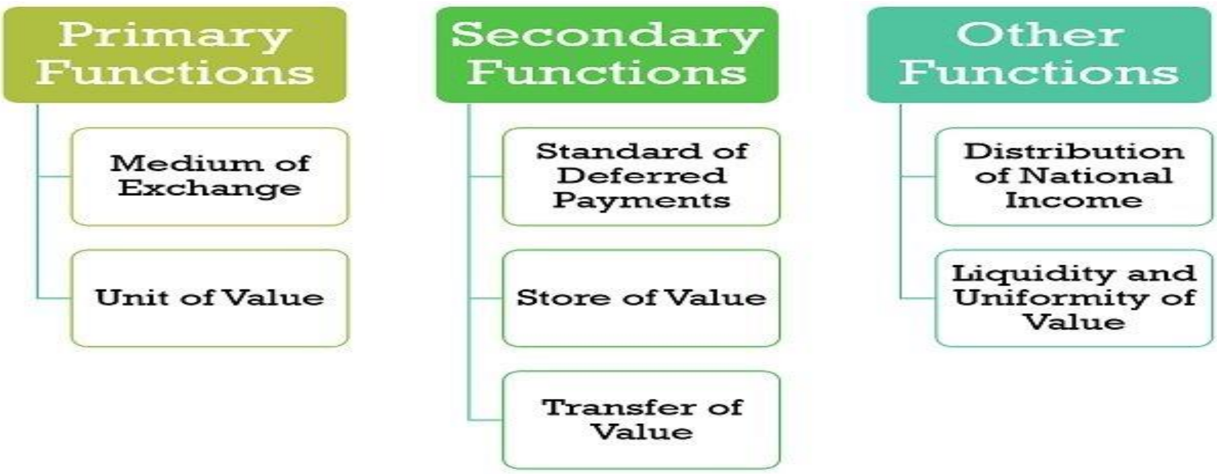
- ## CREDIT CARDS

While credit has existed for ages, the first universal credit card was not introduced until 1950. That year Americans Ralph Schneider and Frank McNamara founded the Diners Club. Other cards were soon created, and in 1959 American Express debuted a plastic card. We have IBM to thank for the magnetic stripe on credit cards, which was introduced in the 1960s to contain account information. Because of the stripe, merchants no longer needed to make phone calls to obtain authorization from credit companies. In the 1990s, cards began to have chips embedded in them to encrypt their information, providing even greater security. Other changes involved account balances. In the beginning, credit card users were required to pay the full balance at the end of the month. Eventually, American Express allowed consumers to carry balances—though interest was applied—and other credit companies quickly followed. Customers took advantage of this development—maybe a little too much. In 2017 American consumers were carrying $1 trillion in credit card debt.

• BITCOINS

Bitcoin is a digital currency system created in 2009 by an anonymous computer programmer or group of programmers known as Satoshi Nakamoto. The currency is not issued by a central bank and is not regulated, though a decentralized network of computers keeps track of transactions. Users of Bitcoins are anonymous, known only by their digital wallet ID. The value of Bitcoins is determined by bidding, similar to the way stocks are valued. How are Bitcoins created? In a process called mining. This involves a race between computers to solve complex math problems and thus verify blocks of transactions. While that may sound easy, it isn't. It's estimated that nearly seven trillion attempts may have to be made before a solution is discovered. In the end, the owner of the winning computer gets newly created Bitcoins, and the system is made more secure. The cap for the number of Bitcoins that can be created is 21 million, and more than 17 million have been created so far.

FUNCTIONS OF MONEY



Money performs the following functions:

PRIMARY FUNCTIONS

Under primary function, money is thought of as a passive tool, which performs the following functions:

- **Medium of Exchange**: As a medium of exchange money can be used as a means which can be paid as a consideration to settle the transaction. In this way, money facilitates the process of exchange, by separating the transaction into two parts, i.e. sale and purchase, which removed the inconvenience of double coincidence of wants.
- **Unit of Value**: Money helps in measuring the value of goods and services, in price. So, it has significantly eliminated the confusion that pops up due to the measurement of the value of good or services in relation to other goods and services.

SECONDARY FUNCTIONS

Under secondary function, money is thought of as a dynamic tool, which carries out the following functions:

- **Standard of Deferred Payments**: Deferred Payments, i.e. those payments which are to be made in the coming time that typically arises in case of borrowing and lending. It can be used as a method to make payments in the future, due to its universal acceptability. Moreover, its value remains comparatively constant, as well as it is more durable, in comparison to other goods.
- **Store of Value**: Money is a highly convenient and easiest way to store wealth, which does not lose its value over a period of time. And as a medium of exchange, it can be used to buy goods and services. Hence, if you have the money, you have the purchasing power. In other words, the value of goods is stored in the money that you possess.
- **Transfer of Value**: Money can be easily transferred from one place to another and from one person to another. People can either transfer money physically or digitally or they can use plastic cards to withdraw money anywhere.

OTHER FUNCTIONS

Apart from the above two functions, money performs other functions also which are:

- **Distribution of National Income**: Various factors of production i.e. land, labour, capital, and entrepreneur, are engaged in the process of production to generate income. To supply these services to the firms, the owners of factor services get factor incomes in the form of rent, wages, interest and profit. In this way, money helps in the distribution of national income to all sectors.
- **Liquidity and Uniformity of Value**: One can easily carry money and it can also be divided into small units according to the requirement of a person. It is liquid in the sense that it can be withdrawn from the bank anytime, whenever required. Further, it brings uniformity in the value of commodities that cannot be compared, as their measurement units are not the same.

Demand for Money

THE DEMAND FOR MONEY

According to JM Keynes **The demand for money** is affected by several factors, including the level of income, interest rates, and inflation as well as uncertainty about the future. The way in which these factors affect money demand is usually explained in terms of the three motives for demanding money: the **transactions**, the **precautionary**, and the **speculative** motives.

Transactions motive.

The **transactions motive** for demanding money arises from the fact that most transactions involve an exchange of money. Because it is necessary to have money available for transactions, money will be demanded. The total number of transactions made in an economy tends to increase over time as income rises. Hence, as income or GDP rises, the **transactions demand** for money also rises.

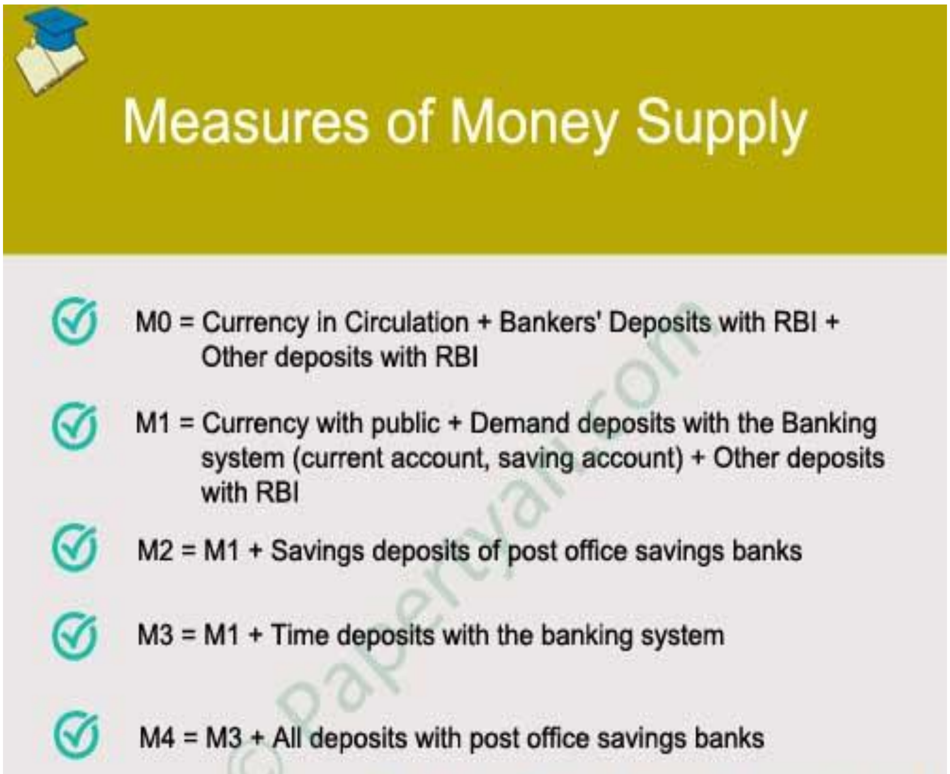
Precautionary motive.

People often demand money as a *precaution* against an uncertain future. Unexpected expenses, such as medical or car repair bills, often require *immediate payment.* The need to have money available in such situations is referred to as the **precautionary motive** for demanding money.

Speculative motive.

Money, like other stores of value, is an asset. The demand for an asset depends on both its **rate of return** and its **opportunity cost.** Typically, money holdings provide *no* rate of return and often depreciate in value due to inflation. The opportunity cost of holding money is the interest rate that can be earned by lending or investing one's money holdings. The **speculative motive** for demanding money arises in situations where holding money is perceived to be *less risky* than the alternative of lending the money or investing it in some other asset.

Measures of Money Supply



The total stock of money in circulation among the public at a particular point of time is called money supply. The measures of money supply in India are classified into four categories M1, M2, M3 and M4 along with M0. This classification was introduced in April 1977 by Reserve Bank of India.

Let's discuss these one by one:

Reserve Money (M0): It is also known as High-Powered Money, monetary base, base money etc.
M0 = Currency in Circulation + Bankers' Deposits with RBI + Other deposits with RBI
It is the monetary base of economy.

Narrow Money (M1):
M1 = Currency with public + Demand deposits with the Banking system (current account, saving account) + Other deposits with RBI

M2 = M1 + Savings deposits of post office savings banks

Broad Money (M3)
M3 = M1 + Time deposits with the banking system

M4 = M3 + All deposits with post office savings banks.

The money supply economics is associated with the government's direct power as it is the government that issues currency either in paper form or in the form of a coin as a combination of treasuries bills and demand drafts of banks. Similarly, the banks also have control over the money supply, and they exert such influence through reserves and credit controls.

Components of the Money Supply

Two components of the money supply regulate its structure and flow. These are:

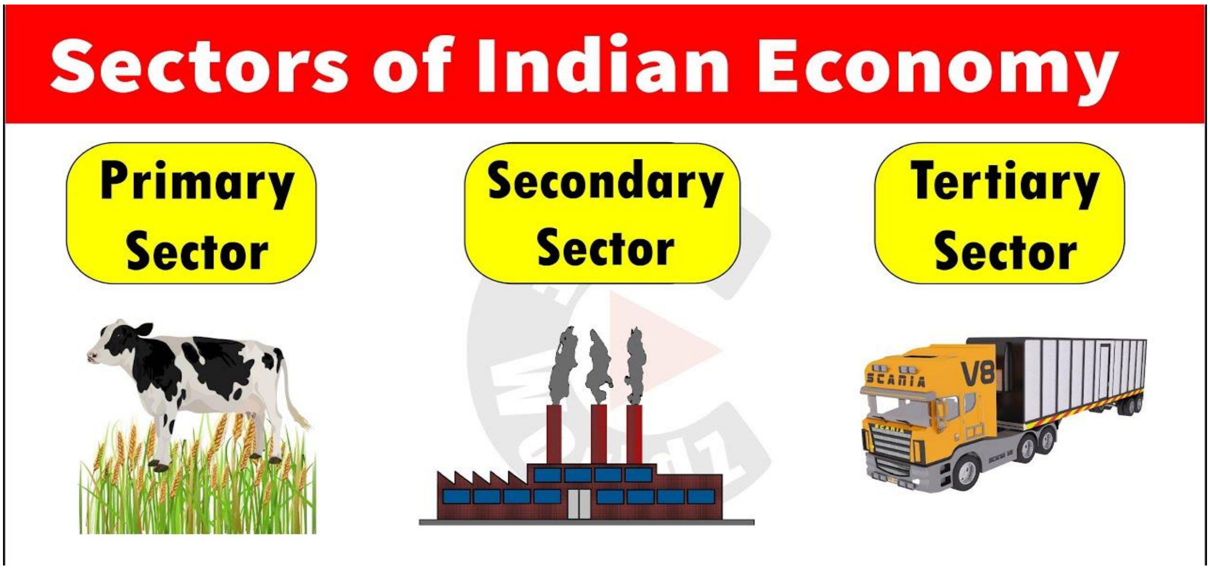
1. **Currency**

Currency forms a major part of the money supply of a nation. As discussed before, the government produces currency in two forms, i.e., coins and paper currency. Thus, money supply through currency can also be divided into:

- **Paper Currency/ Notes:** The production of currency notes is under the control of the government as well as the reserve bank of India. In the country, only one-rupee paper currency is produced by the government, while RBI produces all the other currency notes.
- **Coins:** The second form of currency in India, the coins, are produced in two variants viz token coins and the standard coins characterized as full-bodied coins. The full-bodied currency coins are of little value today under the current currency system. The token coins represent the value of 50 paise and 25 paise.

2. Demand Deposits

The demand deposits are a part of commercial banks and are used as a non-confidential fund. These accounts are considered money when included in the economy of a country. Such deposits' working mechanism is similar to that of a checking account where withdrawals from the fund can be made without notice.



- India is the fastest growing large economy in the world, with an enormous population, favourable demographics and high catch-up potential due to low initial GDP per head.
- As per the World Bank data, in 2017, India became the sixth largest economy with a GDP of USD 2.59 trillion, relegating France to the seventh position.
- India is likely to surpass the United Kingdom in the world's largest economy rankings in 2019

Economic Sectors

- Economic activities result in the production of goods and services while sectors are the group of economic activities classified on the basis of some criteria.
- The Indian economy can be classified into various sectors on the basis of ownership, working conditions and the nature of the activities.
- All economic activity was in the primary sector during early civilisation. After the surplus production of food, people's need for other products increased which led to the development of the secondary sector.
- The growth of secondary sector spread its influence during the industrial revolution in the nineteenth century.
- A support system was needed to facilitate the industrial activity. Certain sectors like transport and finance played an important role in supporting the industrial activity.

Primary Sector

- In Primary sector of economy, activities are undertaken by **directly using natural resources**. Agriculture, Mining, Fishing, Forestry, Dairy etc. are some examples of this sector.
- It is called so because it **forms the base for all other products**. Since most of the natural products we get are from agriculture, dairy, forestry, fishing, it is also called Agriculture and allied sector.
- People engaged in primary activities are called **red-collar workers** due to the outdoor nature of their work.

Secondary Sector

- It includes the industries where finished products are made from natural materials produced in the primary sector. Industrial production, cotton fabric, sugar cane production etc. activities comes under this sector.
- Hence its the part of a country's economy that manufactures goods, rather than producing raw materials
- Since this sector is associated with different kinds of industries, it is also called **industrial sector**.
- People engaged in secondary activities are called **blue collar workers**.
- **Examples of manufacturing sector:**
  - Small workshops producing pots, artisan production.
  - Mills producing textiles,
  - Factories producing steel, chemicals, plastic, car.
  - Food production such as brewing plants, and food processing.
  - Oil refinery.

Core Industries

Eight Core Industries are Electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilizers. The Index of Eight Core Industries is a monthly production index, which is also considered as a lead indicator of the monthly industrial performance. The Index of Eight Core Industries is compiled based on the monthly production information received from the Source Agencies.

Tertiary Sector/Service Sector

- This sector's activities help in the development of the primary and secondary sectors. By itself, economic activities in tertiary sector do not produce a goods but they are an aid or a support for the production.
- Goods transported by trucks or trains, banking, insurance, finance etc. come under the sector. It provides the value addition to a product same as secondary sector.
- This sector jobs are called **white collar jobs**.
  - Information Technology
  - Telecom Sector
  - Healthcare
  - Infrastructure Sector
  - Retail Sector
  - Food Processing Industries
  - Fisheries

Why did India shift from primary sector to services sector and not secondary sector?

- The natural economic movement of a country goes from agrarian economy to an industrial economy to a service economy but India has leapfrogged from an agrarian economy to a service economy.
- One remarkable feature of India's recent growth is diversification into services, with the services sector dominating GDP.
- India's success in software and IT-enables serviced (ITeS) exports, has made it a significant services exporter with its share in world services exports rising from 0.6 per cent in 1990 to 3.3 per cent in 2013.
- Well educated and immense human resources, Fluency in English and availability of cheap labour are other reasons for rapid growth of service sector in the country. On the other hand low growth in Secondary sector can be attributed to:
- The license Raj
- Restrictions on foreign investment
- Lack of measures to promote private industry
- Power Deficit
- Stringent Labour laws
- Lack of skilled labour
- Delays in Land Acquisition and environmental clearances
- Import of cheap manufactured goods etc.
- Though India ranks low in terms of per capita income, its share of services in GDP is approaching the global average. Interestingly, however, the contribution of services to employment was significantly lower than the world average.
- The manufacturing sector tends to be labour intensive, hence renewed emphasis on the manufacturing through programmes like 'Make in India' will serve to correct this anomaly and raise employment in proportion with growth in GDP.

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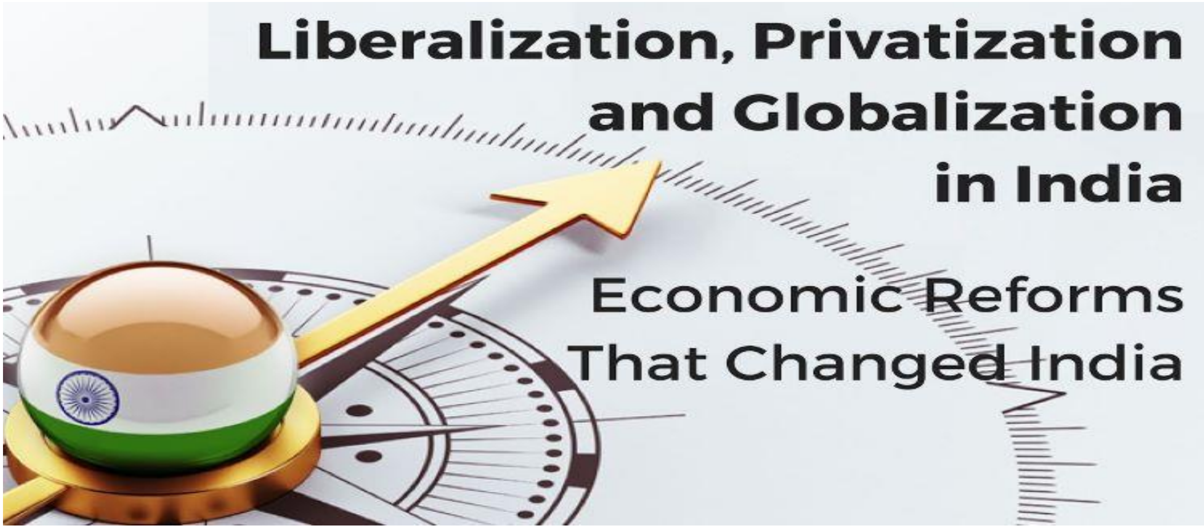


Factors which lead to 1991 economic reforms:

- **Rise in Prices:** The **inflation rate increased from 6.7% to 16.7%** due to rapid increase in money supply and the country's economic position became worse.
- **Rise in Fiscal Deficit:** Due to **increase in non-development expenditure** fiscal deficit of the government increased. Due to rise in fiscal deficit there was a rise in public debt and interest. **In 1991 interest liability became 36.4% of total government expenditure.**
- **Increase in Adverse Balance of Payments:** In 1980-81 it was Rs. 2214 crore and rose in 1990-91 to Rs. 17,367 crores. To cover this deficit **large amount of foreign loans** had to be obtained and the interest payment got increased.
- **Iraq War:** In 1990-91, war in Iraq broke, which led to a rise in petrol prices. The flow of foreign currency from Gulf countries stopped and this further aggravated the problem.
- Dismal Performance of PSUs: These were not performing well due to political interference and became big liability for government.
- Fall in Foreign Exchange Reserves: India's foreign exchange reserve fell to low ebb in 1990-91 and it was insufficient to pay for an import bill for 2 weeks.

Nature and scope of reforms:

India's New Economic Policy was **announced on July 24, 1991 known as the LPG** or Liberalisation, Privatisation and Globalisation model.

- **Liberalization-** It refers to the process of making policies less constraining of economic activity and also reduction of tariff or removal of non-tariff barriers.
- **Privatization-** It refers to the transfer of ownership of property or business from a government to a privately owned entity.

- **Globalization-** It refers to the expansion of economic activities across political boundaries of nation states.

Salient features of LPG Policy:

- Abolition of Industrial licensing/ Permit Raj
- Public sector role diluted
- MRTP limit goes
- Beginning of privatisation
- Free entry to foreign investment and technology
- Industrial location policy liberalized
- Abolition of phased manufacturing programmes for new projects
- Removal of mandatory convertibility cause
- Reduction in import tariffs
- Deregulation of markets
- Reduction of taxes

STEPS TAKEN UNDER LIBERALISATION

1. Commercial banks were given the freedom to determine interest rates. Previously, the Reserve Bank of India used to decide this.
2. The investment limit for small scale industries was raised to Rs. 1 crore.
3. Indian industries were given the freedom to import capital goods like machinery and raw materials from foreign countries.
4. Previously, the government used to fix the maximum production capacity of industries. Now, the industries could diversify their production capacities and reduce production costs. Industries are now free to decide this based on market requirements.
5. Abolition of restrictive trade practices: Previously, companies with assets worth more than Rs.100 crore were classified as MRTP firms (as per Monopolies and Restrictive Trade Practices (MRTP) Act 1969), and were subject to severe restrictions. These were lifted.
6. Industrial licensing and registration were removed: as per this, the private sector is free to start a new venture of business without obtaining licenses except for the following sectors (which still need licenses):
    1. Cigarette
    2. Liquor
    3. Industrial explosives
    4. Defence equipment
    5. Hazardous chemicals
    6. Drugs

STEPS TAKEN UNDER PRIVATISATION

Privatization refers to opening up the private sector to industries that were previously reserved for the government sector. This chiefly involved selling the PSUs (private sector undertakings) to private players. This was meant to remove the political interference in PSUs which was making them models of inefficiencies.

THE FOLLOWING STEPS WERE TAKEN UNDER THE PRIVATIZATION REFORMS:

1. Selling shares of PSUs to the public and financial institutions. For example, shares of Maruti Udyog Ltd. were sold to private parties.
2. Disinvestment in PSUs. This means selling PSUs to the private sector.
3. The number of industries that were reserved for the public sector was decreased from 17 to only 3. These are:
    1. Transport and railway
    2. Atomic energy
    3. Mining of atomic minerals

STEPS TAKEN UNDER GLOBALISATION

Globalization refers to opening up the economy more towards foreign investment and global trade.

1. Reduction in tariffs: a gradual reduction in the customs duties and tariffs on exports and imports to make India attractive to global investment.
2. Long term trade policy: trade policy was enforced for a longer duration. The main features of the trade policy are:
    1. Liberal policy
    2. Encouragement of open competition
    3. Controls on foreign trade were removed
3. Before 1991, imports to India were regulated by a positive list of freely importable items. From 1992 onwards, the list was replaced by a limited negative list. Almost all intermediate and capital goods were freed from the list for import restrictions.
4. The Indian currency was made partially convertible.
5. The equity limit of foreign capital investment was raised from 40% to 100%. The Foreign Exchange Management Act (FEMA) was enacted replacing the draconian Foreign Exchange Regulation Act (FERA).

The economic reforms of 1991 led to widespread economic development in the country. Many sectors such as civil aviation and telecom saw great leaps from deregulation and surged ahead. India is also home to many start-ups and mushrooming businesses because of the end of the dreaded License Raj. The process is, however, far from complete and many areas need improvement.

NITI Aayog

(National Institution for Transforming India)

Government of India

National Institution for Transforming India, better known as NITI Aayog, was formed via a resolution of the Union Cabinet on 1 January 2015.

NITI Aayog is the premier policy think tank of the Government of India, providing directional and policy inputs. Apart from designing strategic and long-term policies and programmes for the Government of India, NITI Aayog also provides relevant technical advice to the Centre, States, and Union Territories.

The Governing Council of NITI Aayog is chaired by the Hon'ble Prime Minister and comprises Chief Ministers of all the States and Union Territories with legislatures and Lt Governors of other Union Territories. The Governing Council was reconstituted vide a notification dated 19 February 2021 by the Cabinet Secretariat.

The Government of India constituted NITI Aayog to replace the Planning Commission, which had been instituted in 1950. This step was taken to better serve the needs and aspirations of the people. An important evolutionary change, NITI Aayog acts as the quintessential platform of the Government of India to bring the States to act together in national interest, and thereby fosters cooperative federalism.

On 18 September 2021, the Hon'ble Prime Minister approved the reconstitution of NITI Aayog, as under:

1. **Chairperson:** Hon'ble Shri Narendra Modi, Prime Minister of India
2. **Vice Chairperson:** Dr Rajiv Kumar
3. **Full-Time Members:**

   I. Shri VK Saraswat : (Dr **Vijay Kumar Saraswat** is a distinguished scientist with vast experience in defence research)

   II. Prof. Ramesh Chand (Agriculture Economist)

   III. Dr VK Paul (**Dr** Vinod K. **Paul** is a globally recognised medical scientist and a public health exponent.)

4. **Ex-Officio Members:**

   I. Shri Rajnath Singh, Minister of Defence

   II. Shri Amit Shah, Minister of Home Affairs and Minister of Cooperation

   III. Smt. Nirmala Sitharaman, Minister of Finance and Minister of Corporate Affairs

   IV. Shri Narendra Singh Tomar, Minister of Agriculture and Farmers' Welfare

5. **Special Invitees:**

I. Shri Nitin Jairam Gadkari, Minister of Road Transport and Highways
II. Shri Piyush Goyal, Minister of Commerce and Industry, Minister of Consumer Affairs, Food and Public Distribution, and Minister of Textiles
III. Dr Virendra Kumar, Minister of Social Justice and Empowerment
IV. Shri Ashwini Vaishnaw, Minister of Railways, Minister of Communications, and Minister of Electronics and Information Technology
V. Shri Rao Inderjit Singh, Minister of State (Independent Charge) of the Ministry of Statistics and Programme Implementation, Minister of State (Independent Charge) of the Ministry of Planning, and Minister of State in the Ministry of Corporate Affairs.

Objectives:

- To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of States.
- To foster cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognizing that strong States make a strong nation.
- To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government.
- To ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy.

- To pay special attention to the sections of our society that may be at risk of not benefiting adequately from economic progress.
- To design strategic and long-term policy and programme frameworks and initiatives, and monitor their progress and their efficacy. The lessons learned through monitoring and feedback will be used for making innovative improvements, including necessary mid-course corrections.
- To provide advice and encourage partnerships between key stakeholders and national and international like-minded think tanks, as well as educational and policy research institutions.
- To create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and other partners.
- To offer a platform for the resolution of inter-sectoral and inter departmental issues in order to accelerate the implementation of the development agenda.
- To maintain a state-of-the-art resource centre, be a repository of research on good governance and best practices in sustainable and equitable development as well as help their dissemination to stake-holders.
- To actively monitor and evaluate the implementation of programmes and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery.
- To focus on technology upgradation and capacity building for implementation of programmes and initiatives.
- To undertake other activities as may be necessary in order to further the execution of the national development agenda, and the objectives mentioned above.

WHAT IS PUBLIC FINANCE?

In simple layman's terms, public finance is the study of finance related to government entities. It revolves around the role of government income and expenditure in the economy.

Prof. Dalton, in his book Principles of Public Finance, states that "Public Finance is concerned with income and expenditure of public authorities and with the adjustment of one to the other"

By this definition, we can understand that public finance deals with the income and expenditure of government entities at any level, be it central, state, or local. However, in the modern-day context, public finance has a wider scope – it studies the impact of government policies on the economy.

Let's understand the scope of public finance to understand how public finance impacts the economy.

THE SCOPE OF PUBLIC FINANCE

Prof. Dalton classifies the scope of public finance into four areas as follows –

PUBLIC INCOME

As the name suggests, public income refers to the income of the government. The government earns income in two ways – tax income and non-tax income. Tax income is easy to recognize; it's the tax paid by people of the country in the form of income tax, sales tax, duties, etc. On the other hand, non-tax income includes interest income from lending money to other countries, rent & income from government properties, donations from world organizations, etc.

This area studies methods of taxation, revenue classification, methods of increasing government revenue and its impact on the economy as a whole, etc.

PUBLIC EXPENDITURE

Public expenditure is the money spent by government entities. Logically, the government will spend money on infrastructure, defence, education, healthcare, etc., for the growth and welfare of the country.

This area studies the objectives and classification of public expenditure, effects of expenditure in different areas, and effects of public expenditure on various factors such as employment, production, growth, etc.

PUBLIC DEBT

When public expenditure exceeds public income, the gap is filled by borrowing money from the public or from other countries or world organizations such as The World Bank. These borrowed funds are public debt.

This area of public finance explains the burden of public debt, why it is necessary, and its effect on the economy. It also suggests methods to manage public debt.

FINANCIAL ADMINISTRATION

As the name suggests, this area of public finance is all about the administration of all public finance, i.e., public income, public expenditure, and public debt. Financial administration includes preparing, passing, and implementing government budgets and various government policies. It also studies the policy impact on the social-economic environment, inter-governmental relationships, foreign relationships, etc.

PUBLIC FINANCE

PUBLIC FINANCE is study of finance related to government entities. It revolves around the role of government income and expenditure in the economy.

SCOPE

- **Public Income** : Income of the government. Can be tax income or non tax income
- **Public Expenditure** : Money spent by government entities on health, education etc.
- **Public Debt** : Arises when public expenditure exceeds public income
- **Financial Administration** : Includes preparation, passing, and implementation of government budget and various government policies.

FUNCTION

- **Allocation Function** : It studies how to allocate public expenditure most efficiently to reap maximum benefits with the available public wealth.
- **Distribution Function** : It aims at reducing the inequalities through redistribution of income and wealth.
- **Stabilization Function** : It aims at eliminating the business fluctuations and its impact on the economy.

History of Budget

- Budget "is a French word 'Bougette' means a bag or a wallet of financial proposal .
- Budget is the financial statement of receipts and expenditure.
- It is a record of estimated revenue and estimated expenditure.
- It is an instrument of financial administration.
- It is present on the last working day of month of February.
- It begins from April 1st and 31st March.
- The budget was first introduced in India on April 17th ,1860.When Scottish economist and politician James Wilson from East India Company presented it to the British Crown.
- Independent India's First budget was presented on November 26,1947 by the Finance Minister R.K Shanmukham Chetty

What is the Government Budget?

Government budget refers to an annual financial statement that denotes its anticipated expenditure and expected revenue generation in a fiscal year. It is presented by the government in Lok Sabha at the beginning of every fiscal year, to give an estimate of its expenditure and receipts for the upcoming year.

The term "Annual Financial Statement" of a nation is often used to define government budget.

How is this Budget Planned?

A government plans its budget by gauging its foreseeable expenditure and planning to raise resources to meet these expenses.

A country's government generates revenue primarily through tax collection, interest on loans provided to states, from fines and fees, alongside dividends collected from public sector enterprises.

In turn, government spends on –

i. Security, defence, staff salaries
ii. Providing goods and services to citizens
iii. Maintaining law and order

A budget is prepared by keeping these expenditures and revenue into consideration. The Indian constitution mandates this budget for an ensuing financial year to be presented before the Parliament.

A financial year begins on April 1st and ends on March 31st of the following year.

What are the Components of a Government Budget?

Government budget and its components can be divided into two parts –

- Capital budget
- Revenue budget

What are these?

- **Capital Budget –** These refer to receipts that reduce assets for a government and create financial liabilities. Conversely, capital expenditure on a government's part helps to create assets and reduce liabilities. The capital budget, thus, is an account of these liabilities and assets under the government, which denote a change in total capital.
- **Revenue Budget –** As its name suggests, the revenue budget refers to revenue receipts generated and expenses met through this revenue. These receipts include both tax and non-tax revenue earned by a government.

MEANING OF PUBLIC REVENUE :

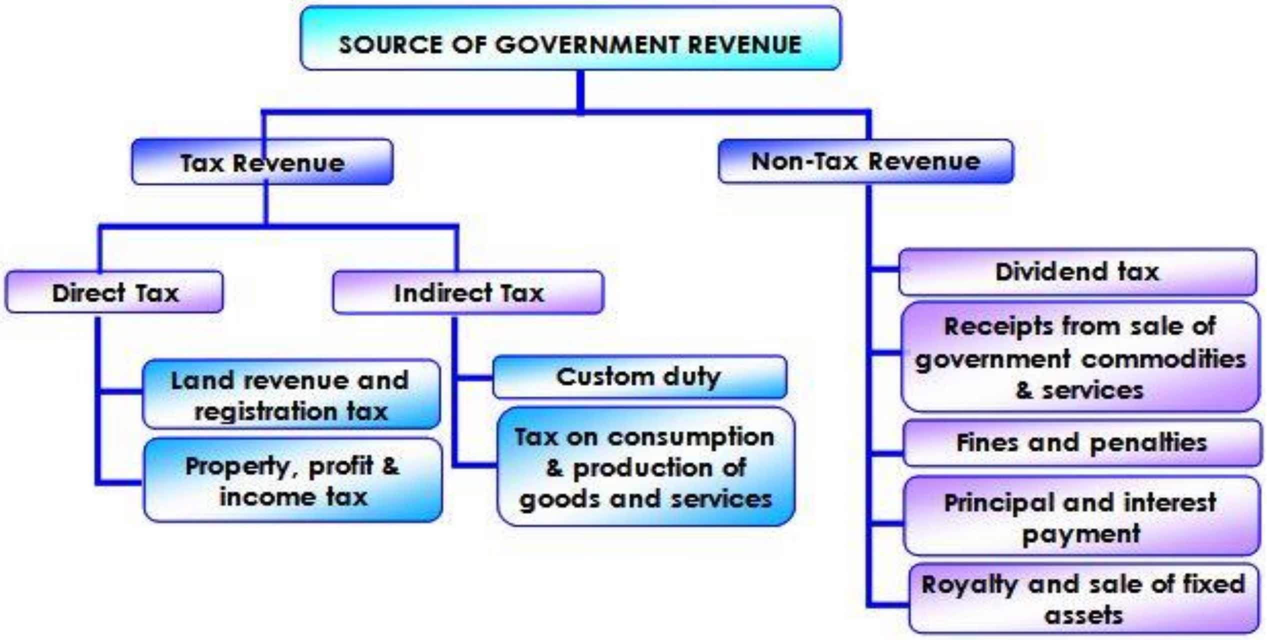
Government needs to perform political, social and economic duties so as to maximize social and economic welfare. In order to perform these duties and functions government requires large amount of resources . These sources of revenue to the governments, viz. Central, State and Local Governments, are called Public Revenues.

TAX REVENUE

Tax is a compulsory contribution of the wealth of a person that is to say, it involves a sacrifice on the part of the contributor. Tax Revenue is the income gained by governments through taxation such as Direct and Indirect taxes.

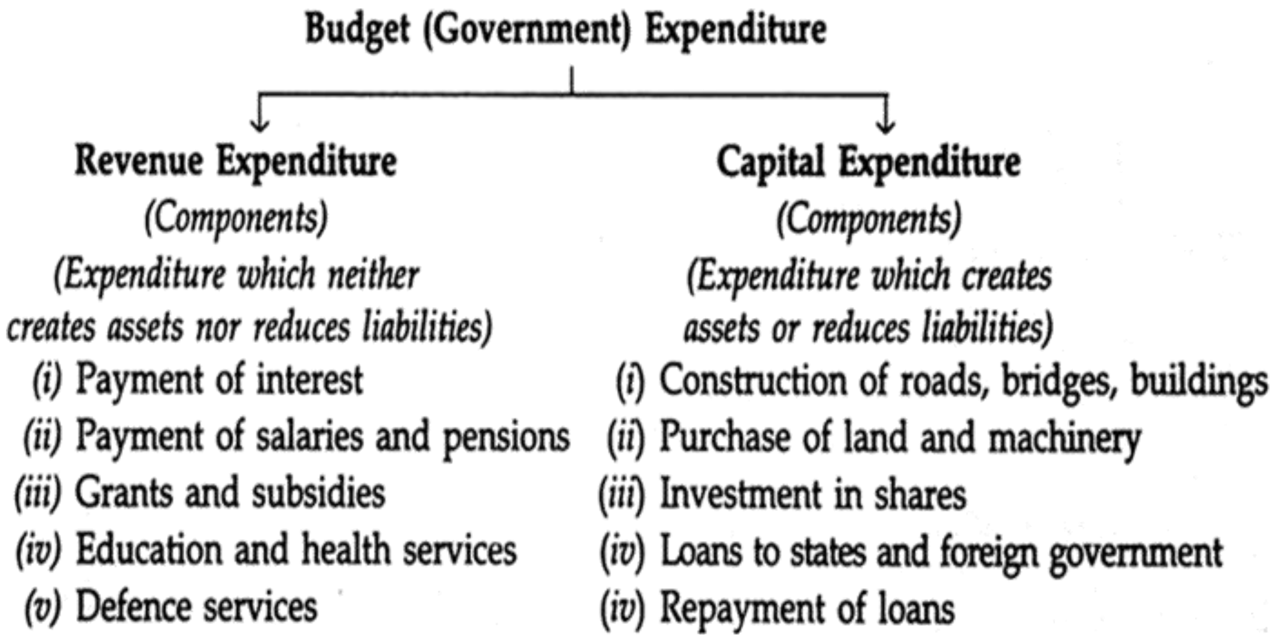
Non-Tax Revenue

Non-Tax Revenue is the recurring income earned by the government from sources other than taxes. It arises on account of administrative function of the government. These are incomes which the government gets in the form of interest, dividend, profit, fees, fines and external grants as explained below.



PUBLIC EXPENDITURE

Public expenditure is an important tool that governments can use to achieve their economic objectives. Government spending includes the expenses of national or local governments and is often used to fund national services like health, infrastructure, welfare benefits, or security. Government spending is especially important for fiscal policy and goes hand-in-hand with taxation. Taxation raises government revenue, which is then used to finance public expenditure. This process provides the basis for fiscal policy.



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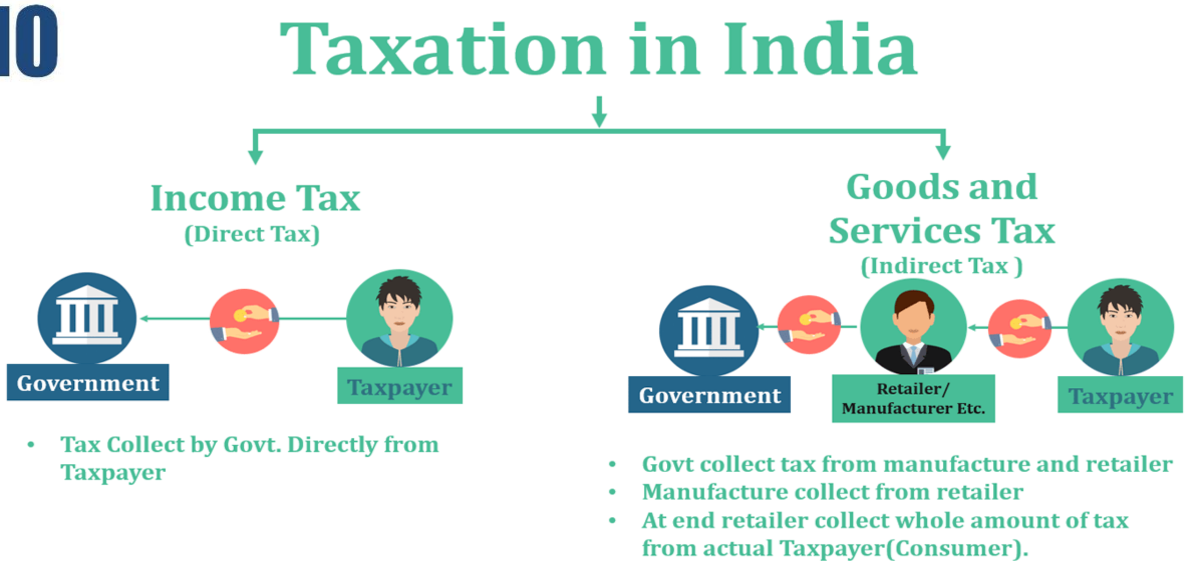


WHAT IS TAX?

Taxes are termed as an obligatory contribution made by individuals or corporations falling under the tax slab, to the Government of India. From local to national, taxes are applicable on all levels in India and are considered to be one of the major sources of income for the Government.

The government levies taxes on the citizens of the country to produce income for business projects, enhance the country’s economy, and lift the standard of living of the nationals. The government’s authority to levy tax in our country is drawn from the Constitution of India that deals out the supremacy to levy taxes to the State as well as Central governments. All the taxes levied within the country require being backed by an escorting law passed by the State Legislature or the Parliament.

WHY TAX IS IMPOSED?

The main reason for imposing taxes is that they are the main source of government revenue. Revenue collected by the government is used for the purpose of providing public utility services like defence, education, infrastructure facilities, health care, etc. So, we can say that government imposes taxes to fulfil the socio-economic objective.

TYPES OF TAXES:

In a broader term, there are two types of taxes namely, direct taxes and indirect taxes. The implementation of both taxes differs. You pay some of them directly, like the cringed income tax, corporate tax, wealth tax, etc., while you pay some of the taxes indirectly, like sales tax, service tax, value added tax, etc.

What is Direct Tax?

It is a tax levied directly on a taxpayer who pays it to the Government and cannot pass it on to someone else.

What are the direct taxes imposed in India?

- **Income Tax**

Depending on an individual's age and earnings, income tax must be paid. Various tax slabs are determined by the Government of India which determines the amount of Income Tax that must be paid. The taxpayer must file Income Tax Returns (ITR) on a yearly basis. Individuals may receive a refund or might have to pay a tax depending on their ITR. Huge penalties are levied in case individuals do not file ITR.

- **Wealth Tax**

The tax must be paid on a yearly basis and depends on the ownership of properties and the market value of the property. In case an individual owns a property, wealth tax must be paid and does not depend on whether the property generates an income or not. Corporate taxpayers, Hindu Undivided Families (HUFs), and individuals must pay wealth tax depending on their residential status. Payment of wealth tax is exempt for assets like gold deposit bonds, stock holdings, house property, commercial property that have been rented for more than 300 days, and if the house property is owned for business and professional use.

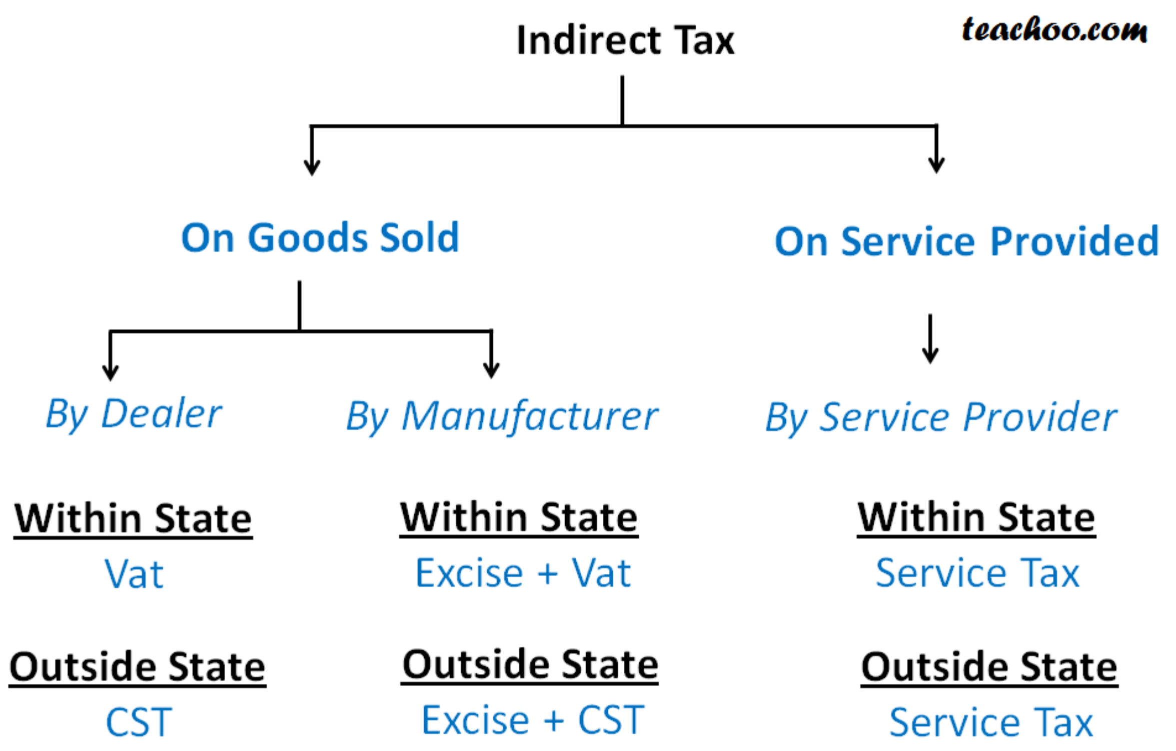
Corporate Tax

Domestic companies, apart from shareholders, will have to pay corporate tax. Foreign corporations who make an income in India will also have to pay corporate tax. Income earned via selling assets, technical service fees, dividends, royalties, or interest that is based in India are taxable. The below-mentioned taxes are also included under Corporate Tax:

- **Capital Gains Tax**
  It is a form of direct tax that is paid due to the income that is earned from the sale of assets or investments. Investments in farms, bonds, shares, businesses, art, and home come under capital assets. Based on its holding period, tax can be classified into long-term and short-term. Any assets, apart from securities, that are sold within 36 months from the time they were acquired come under short-term gains. Long-term assets are levied if any income is generated from the sale of properties that have been held for a duration of more than 36 months.

Indirect Tax

Indirect tax is not directly levied on the taxpayers. This tax is often levied on goods and services which results in their higher prices. A few examples of indirect taxes in India include **service tax, central excise and customs duty, and value added tax (VAT)**.



Service tax

This tax is levied by entities for rendering services like consulting, legal, and other such services. This tax is collected from the service recipients and paid to the Central Government. From 1st June 2016,service tax was 14% with Swacch Bharat Cess (0.5%) and Krishi Kalyan Cess (0.5%) bringing up the applicable rate to 15%. Small service providers with an income of less than INR 10 lakh per annum are exempted from paying this tax.

Excise duty

This duty is applicable on all goods that are manufactured in India. This indirect tax is payable by the manufacturers and often passed on to the customers. This indirect tax in India is levied by the Central Government and works according to the provisions of the Central Excise Act, 1944.

VAT

Value Added Tax (VAT) is imposed on the sale of movable goods in the nation. VAT is levied at all stages of the production and distribution channel that include an instance of value addition. This tax is levied by the State Governments under Entry 54 of the State List.

Customs duty

It is one of those indirect taxes that are applicable for bringing imported goods into the country. In certain instance, this duty may also be levied on exported goods. The Customs Act, 1962 provides regulations on the levy and collection of this duty, import and export procedures, penalties, prohibitions, and offence.

Securities Transaction Tax (STT)

This indirect tax is imposed when stocks are sold or purchased through any Indian stock exchange. STT was introduced in 2004 and is applicable to shares, mutual funds, and future and options transactions. STT was imposed to reduce the short-term capital gains tax and eliminate long-term capital gains tax.

Stamp duty

This is an indirect tax charged by state governments on the transfer of immovable property within their jurisdiction. In addition, stamp duty is mandatory on all types of legal documents. Its rates vary from one state to another.

Entertainment tax

The state governments charge such tax on every transaction related to entertainment. Some examples are movie tickets, video game arcades, stage shows, exhibitions, amusement parks, and sports-related activities.

Goods & Services Tax (GST)

It stands for Goods and Services Tax. It came into action on 1st July 2017 and has been used since. In India, there is a slab system under which several rates of GST are there. Each commodity can be put in a specific slab. GST is levied on the supply of the goods.

If you buy a product, then you have to pay GST based on the slab rate the product falls in. If you run a business and your turnover exceeds Rs 20 lakhs per year, then also you are eligible to pay GST.

Though GST has replaced all the previous taxes, there are still some taxes prevailing. There are some taxes that are still active. Each of these taxes is required to be paid by different parties.

WHAT TAXES AT CENTER AND STATE LEVEL ARE INCORPORATED INTO THE GST?

AT THE STATE LEVEL

- State Value Added Tax/Sales Tax
- Entertainment Tax (Other than the tax levied by the local bodies)
- Octroi and Entry Tax
- Purchase Tax
- Luxury Tax
- Taxes on lottery, betting, and gambling

AT THE CENTRAL LEVEL

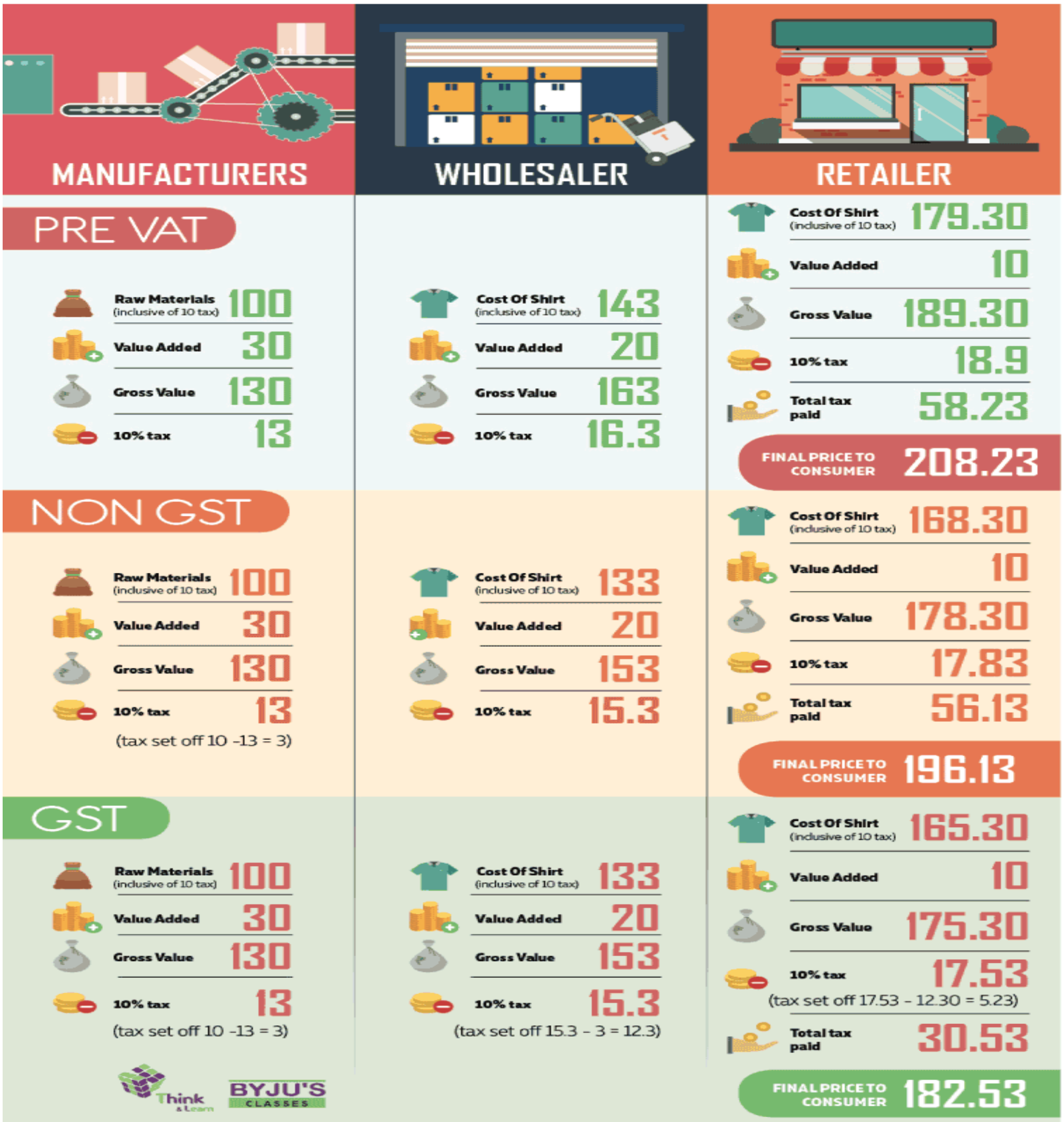
- Central Excise Duty
- Additional Excise Duty
- Service Tax
- Additional Customs Duty (Countervailing Duty)
- Special Additional Duty of Customs

TIMELINE OF GST

- **1986:** VishwanathPratap Singh, Finance Minister in Rajiv Gandhi's government, proposed in the Budget a major overhaul of the excise taxation structure. This was similar to GST in a theoretical sense.
- **2000**: Initiating discussions on GST, Vajpayee government appoints an Empowered Committee headed by the then finance minister of West Bengal Asim Gupta.
- **2004**: Vijay Kelkar, then advisor to the Finance Ministry, recommends GST to replace the existing tax regime.
- **Feb 28, 2006**: **GST appears in the Budget speech for the first time**. Finance Minister Chidambaram sets an ambitious task of implementing GST by April 1, 2010.
- **Feb 28, 2007**: Chidambaram said in his Budget speech that the Empowered Committee of finance ministers will prepare a road map for GST.
- **April 30, 2008**: The Empowered Committee submits a report titled 'A Model and Roadmap Goods and Services Tax (GST) in India' to the government.
- **Nov 10, 2009**: Empowered Committee submits a discussion paper in the public domain on GST welcoming debate.
- **Feb 2010**: Government launches project for computerisation of commercial taxes. Finance Minister Pranab Mukherjee defers GST to April 1, 2011.
- **March 22, 2011**: Constitution Amendment Bill (115th) to GST introduced in the LokSabha
- **March 29, 2011**: Bill referred to Standing Committee on Finance.
- **Nov 2012**: Finance minister and state ministers decide to resolve all issues by Dec 31, 2012.
- **Feb 2013**: Declaring government's resolve to introduce GST, the finance minister makes provisions for compensation to states in the Budget.
- **Aug 2013**: The standing committee submits a report to Parliament suggesting improvements. But the bill lapsed as the 15th LokSabha was dissolved.
- **Dec 18, 2014: Cabinet approval for the Constitution Amendment Bill (122nd) to GST.**
- **Dec 19, 2014**: The Amendment Bill (122nd) in the LokSabha
- **May 6, 2015: The Amendment Bill (122nd) passed by the LokSabha.**
- **May 12, 2015**: The Amendment Bill presented in the RajyaSabha
- **May 14, 2015**: The Bill forwarded to joint committee of RajyaSabha and LokSabha

- **Aug 2015**: Government fails to win the support of Opposition to pass the bill in the RajyaSabha where it lacks sufficient number.
- **Aug 3, 2016: RajyaSabha passes the Constitution Amendment Bill by a two-thirds majority.** *Note: GST constitutional amendment bill needs to* ***passed by at least 50% of state legislatures to be implemented. Assam is 1st State to pass GST bill.***
- **1 July 2017**: GST to be applicable across India.

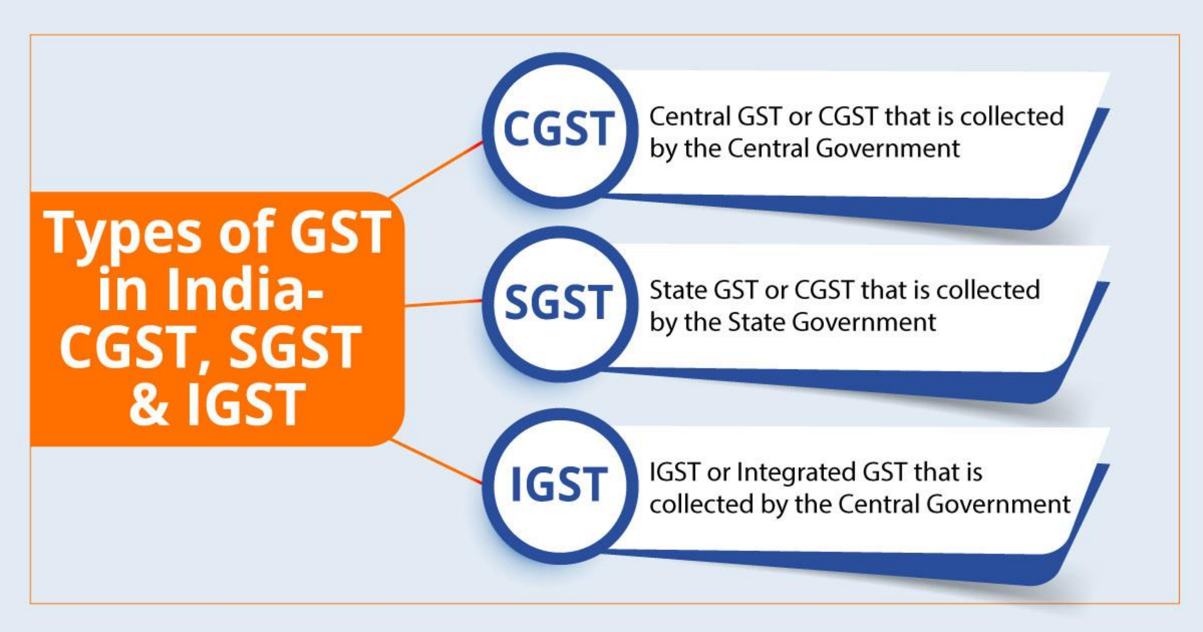
Table representing taxation under different regimes



GST COUNCIL

- It is the 1st Federal Institution of India, as per the Finance minister.
- It will approve all decision related to taxation in the country.
- It consists of Centre, 29 states, Delhi and Puducherry.
- Centre has 1/3rd voting rights and states have 2/3rd voting rights.
- Decisions are taken after a majority in the council.

France was the first country to implement GST to reduce tax- evasion. Since then, more than 140 countries have implemented GST with some countries having Dual-GST (e.g. Brazil, Canada etc. model. India has chosen the Canadian model of dual GST.



1. Integrated Goods and Services Tax or IGST

The Integrated Goods and Services Tax or IGST is a tax under the GST regime that is applied on the interstate (between 2 states) supply of goods and/or services as well as on imports and exports. The IGST is governed by the IGST Act. Under IGST, the body responsible for collecting the taxes is the Central Government. After the collection of taxes, it is further divided among the respective states by the Central Government. For instance, if a trader from West Bengal has sold goods to a customer in Karnataka worth Rs.5,000, then IGST will be applicable as the transaction is an interstate transaction. If the rate of GST charged on the goods is 18%, the trader will charge Rs.5,900 for the goods. The IGST collected is Rs.900, which will be going to the Central Government.

2. State Goods and Services Tax or SGST

The State Goods and Services Tax or SGST is a tax under the GST regime that is applicable on intrastate (within the same state) transactions. In the case of an intrastate supply of goods and/or services, both State GST and Central GST are levied. However, the State GST or SGST is levied by the state on the goods and/or services that are purchased or sold within the state. It is governed by the SGST Act. The revenue earned through SGST is solely claimed by the respective state government. For instance, if a trader from West Bengal has sold goods to a customer in West Bengal worth Rs.5,000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST. The total amount to be charged by the trader, in this case, will be Rs.5,900. Out of the revenue earned from GST under the head of SGST, i.e. Rs.450, will go to the West Bengal state government in the form of SGST.

3. Central Goods and Services Tax or CGST

Just like State GST, the Central Goods and Services Tax of CGST is a tax under the GST regime that is applicable on intrastate (within the same state) transactions. The CGST is governed by the CGST Act. The revenue earned from CGST is collected by the Central Government. As mentioned in the above instance, if a trader from West Bengal has sold goods to a customer in West Bengal worth Rs.5,000, then the GST applicable on the transaction will be partly CGST and partly SGST. If the rate of GST charged is 18%, it will be divided equally in the form of 9% CGST and 9% SGST. The total amount to be charged by the trader, in this case, will be Rs.5,900. Out of the revenue earned from GST under the head of CGST, i.e. Rs.450, will go to the Central Government in the form of CGST.

What are the final GST rate slabs?

GST has been structured in a way that essential services and food items are placed in the lower tax brackets, while luxury services and products have been placed in the higher tax bracket.

The GST council has fitted over 1300 goods and 500 services under four tax slabs of 5%, 12%, 18% and 28% under GST. This is aside the tax on gold that is kept at 3% and rough precious and semi-precious stones that are placed at a special rate of 0.25% under GST.

A total of 81% of all the goods and services fall below or in the 18% tax slab. This means 7 % of the items come under the exempted list, 14% of the items attract a 5% tax, 17% of the items attract a 12% tax, and 43% of the items attract an 18 % tax slab, while only 19% of the items fall under the highest slab of 28% in the new regime. Below is a list of some of the products that will be a part of the respective slabs:

Exempted GST Rate Slab (No Tax)

7% goods and services fall under this category. Some of these that are of regular consumption include fresh fruits and vegetables, milk, butter milk, curd, natural honey, flour, besan, bread, all kinds of salt, jaggery, hulled cereal grains, fresh meat, fish, chicken, eggs, along with bindi, sindoor, kajal, bangles, drawing and coloring books, stamps, judicial papers, printed books, newspapers, jute and handloom, hotels and lodges with tariff below INR 1000 and so on.

5% GST Rate Slab

14% goods and services fall under this category. Some of these include apparel below INR 1000 and footwear below INR 500, packaged food items, cream, skimmed milk powder, branded paneer, frozen vegetables, coffee, tea, spices, pizza bread, rusk, sabudana, cashew nut, cashew nut in shell, raisin, ice, fish fillet, kerosene, coal, medicine, agarbatti (incense sticks), postage or revenue stamps, fertilizers, rail and economy class air tickets, small restaurants, and so on.

12% GST Rate Slab

Edibles like frozen meat products, butter, cheese, ghee, dry fruits in packaged form, animal fat, sausages, fruit juices, namkeen, ketchup & sauces, ayurvedic medicines, all diagnostic kits and reagents, cellphones, spoons, forks, tooth powder, umbrella, sewing machine, spectacles, indoor games like playing cards, chess board, carom board, ludo, apparels above INR 1000, non-AC restaurants, business class air ticket, state-run lottery, work contracts and so on attract a 12% GST. 17% of goods and services fall under this category.

18% GST Rate Slab

43% of goods and services fall under this category. Pasta, biscuits, cornflakes, pastries and cakes, preserved vegetables, jams, soups, ice cream, mayonnaise, mixed condiments and seasonings, mineral water, footwear costing more than INR 500, camera, speakers, monitors, printers, electrical transformer, optical fiber, tissues, sanitary napkins, notebooks, steel products, headgear and its parts, aluminum foil, bamboo furniture, AC restaurants that serve liquor, restaurants in five-star and luxury hotels, telecom services, IT services, branded garments and financial services and so on attract an 18% GST.

28% GST Rate Slab

19% of goods and services fall under this category. The rest of edibles like chewing gum, bidi, molasses, chocolate not containing cocoa, waffles and wafers coated with chocolate, pan masala, aerated water, personal care items like deodorants, shaving creams, after shave, hair shampoo, dye, sunscreen, paint, water heater, dishwasher, weighing machine, washing machine, vacuum cleaner, automobiles, motorcycles, 5-star hotel stays, race club betting, private lottery and movie tickets above INR 100 etc. have been clubbed together under the 28% GST slab.

WHAT IS ECONOMIC GROWTH?

Economic growth can be referred to as the increase that is witnessed in the monetary value of all the goods and services produced in the economy during a time period. It is a type of quantitative measure that reflects the potential increase in the number of business transactions taking place in the economy.

It can be measured in terms of the increase in the aggregate market value of additional goods and services produced by using economic concepts such as GDP and GNP.

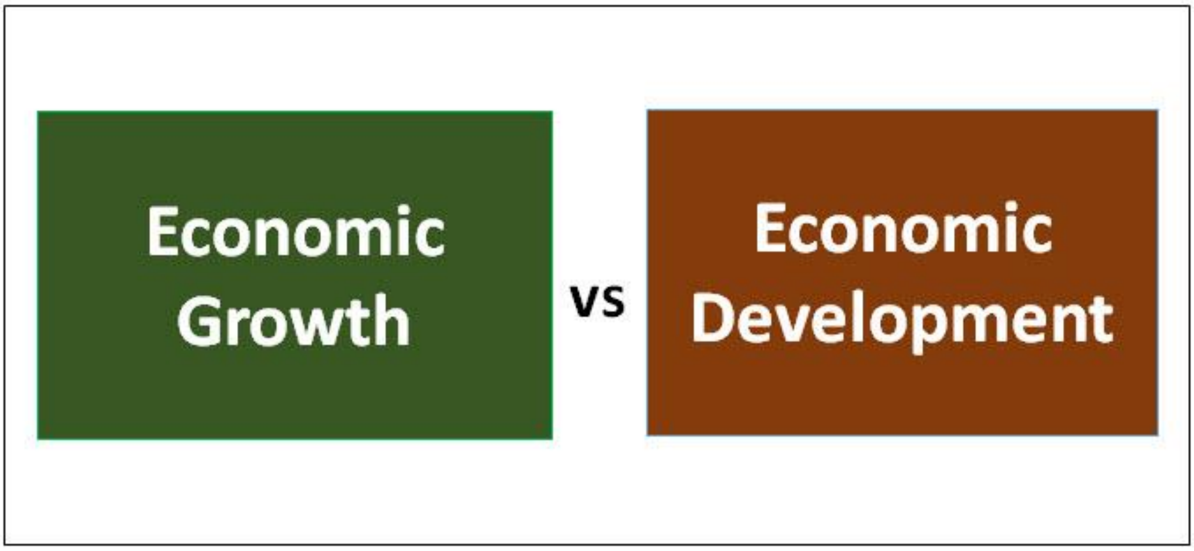
Economic growth is a narrow concept when compared to economic development.

WHAT IS ECONOMIC DEVELOPMENT?

Economic development refers to the process by which the overall health, well-being, and academic level of the general population of a nation improves. It also refers to the improved production volume due to the advancements of technology.

It is the qualitative improvement in the life of the citizens of a country and is most appropriately determined by the Human Development Index (HDI). The overall development of a country is based on many parameters such as the creation of job opportunities, technological advancements, standard of living, living conditions, per capita income, quality of life, improvement in self-esteem needs, GDP, industrial and infrastructural development, etc.

Let us look into the most significant points of difference between economic growth and economic development from the following table:



Economic Growth	Economic Development
Definition	
It refers to the increase in the monetary growth of a nation in a particular period.	It refers to the overall development of the quality of life in a nation, which includes economic growth.
Span of Concept	
It is a narrower concept than that of economic development.	It is a broader concept than that of economic growth.
Scope	
It is a uni-dimensional approach that deals with the economic growth of a nation.	It is a multi-dimensional approach that looks into the income as well as the quality of life of a nation.
Term	
Short-term process	Long-term process
Measurement	
Quantitative	Both quantitative and qualitative
Applicable to	
Developed economies	Developing economies
Government Support	
It is an automatic process that may or may not require intervention from the government	It requires intervention from the government as all the developmental policies are formed by the government
Kind of changes expected	
Quantitative changes	Quantitative as well as qualitative changes
Examples	
GDP, GNP	HDI, per capita Income, industrial development

FACTORS INFLUENCING ECONOMIC GROWTH

1. Human resources – this is a major factor that is responsible for boosting the economic growth of a country. The rate of increase in the skills and capabilities of a workforce ultimately increases the economic growth of a country.
2. Infrastructure development- Improvements and increased investment in physical capital such as roadways, machinery, and factories will increase the efficiency of economic output by reducing the cost.
3. Planned utilization of natural resources – Proper use of available natural resources like mineral deposits helps boost the productivity of the economy.
4. Population growth – An increase in the growth of the population will result in the availability of more human resources which in turn will increase the output in terms of quantity. This is also an important factor that influences economic growth.
5. Advancement in technology – Improvement in technology will affect the economic growth of a country positively. The application of advanced technology will result in increased productivity of labour and economic growth will advance at a lower cost.

FACTORS AFFECTING ECONOMIC DEVELOPMENT

1. Infrastructural improvement – Development in the infrastructure improves the quality of life of people. Therefore, an increase in the rate of infrastructural development will result in the economic development of a nation.
2. Education – Improvement in literacy and technical knowledge will result in a better understanding of the usage of different equipment. This will increase labour productivity and in turn, will result in the economic development of a nation.
3. Increase in the capital – Increase in capital formation will result in more productive output in an economy and this will affect the economic development positively.

International economics deals with the economic activities of various countries and their consequences. In other words, international economics is a field concerned with economic interactions of countries and effect of international issues on the world economic activity.

It studies economic and political issues related to international trade and finance.

Broadly the subject matter in International Economics can be categorized into five broad groups.

1. **International Trade Theory** It concentrates on the theoretical aspects of trade like reasons of trade, gains of trade etc. Different schools of theories are discussed in this section.

2. **International Trade Policy** This area deals with the international rules and regulations regarding the flow of transactions. It includes various trade restrictions like tariffs, quotas, changes in exchange rates etc. The regulatory mechanisms and various international institutions for monitoring it are also come under this section.

S.NO.	BASIS	BALANCE OF TRADE (BOT)	BALANCE OF PAYMENTS (BOP)
1	Meaning	It refers to the difference between the exports and imports of the visible items.	It refers to an accounting statement that shows the economic transactions of a resident with the rest of the world in each period.
2	Components	It includes only visible items.	It includes visible items, invisible items, unilateral transfers and capital transfers.
3	Capital transactions	It does not include capital transfers.	It includes transactions of capital nature.
4	Scope	It has a narrow scope.	It has a wider scope than BOT.
5	Settlement	The negative balance in BOT can be set off in BOP account.	The negative balance in BOP can never be set off against the positive balance of BOT account.

3. Balance of Payment With the progress of trade, nations have to make and receive payments. All these economic transactions of a nation with the rest of the world are systematically recorded in this account. The fluctuations in BOP and the associated policy regulations are also included in this section.

4. Balance of Payment Adjustments or Open Economy Macroeconomics With the progress of transactions, sometimes either the credit or the debit may outweigh the other side. It will lead to imbalances in BOP. This situation is normally coined BOP disequilibrium which demands correction either automatically or externally imposed by the governments. The external repercussions are also brought into the study.

5. International Organizations International trade is a complex activity involving multiple countries and currencies. Commodities and capital flow across countries. Hence it requires separate rules and regulations. It should be monitored by international level organizations also. All these aspects are monitored under the head global economic organizations.

WORLD TRADE ORGANIZATION

HISTORY OF THE WTO

From the early days of the Silk Road to the creation of the General Agreement on Tariffs and Trade (GATT) and the birth of the WTO, trade has played an important role in supporting economic development and promoting peaceful relations among nations. This page traces the history of trade, from its earliest roots to the present day.

THE EARLY DAYS OF TRADE

Trade and foreign policy have been intertwined throughout history, with foreign policy often tailored to promote trade interests. In the 3rd century BC, during the Han Dynasty, China used its military power to maintain the Silk Road for its value for trade. In the year 30 BC, Rome conquered Egypt in large part to have a better supply of grain.

BEFORE THE GATT

A single page of text from 1941 is a powerful reminder that the desire for peace and security drove the creation of today’s global economic system. The global rules that underpin our multilateral economic system were a direct reaction to the Second World War and a desire for it to never be repeated.

THE GATT YEARS

WTO was enacted to act as a replacement of GATT (General Agreement on Tariffs and Trade). GATT was enacted after the end of World War 2 solely to establish global economic cooperation. GATT was created in the year 1947, and it consisted of 23 members. GATT had its headquarters in Geneva, Switzerland, and it was a part of the Breton Woods System. The purpose behind introducing GATT was to ensure the practice of a stable trade as well as an economic world environment.

Later International Trade Organization (ITO) came into the picture. It was believed that GATT might become a part of ITO, and even a negotiation was done for this very reason in the year 1948 in Havana. The purpose of introducing ITO was to lay out the general basic rules regarding foreign trade and other global economic matters. The charter that was submitted failed to receive the U.S. Congress's approval, and hence, WTO came into existence. WTO was established in the year 1995, and it acted as a full proof replacement for GATT. This is also why WTO is termed as the successor to the GATT. WTO is the only intergovernmental organization that deals with the rules pertaining to foreign trade between countries.

BIRTH OF THE WTO

The WTO's creation on 1 January 1995 marked the biggest reform of international trade since the end of the Second World War. Whereas the GATT mainly dealt with trade in goods, the WTO and its agreements also cover trade in services and intellectual property. The birth of the WTO also created new procedures for the settlement of disputes.

FUNCTIONS OF WTO

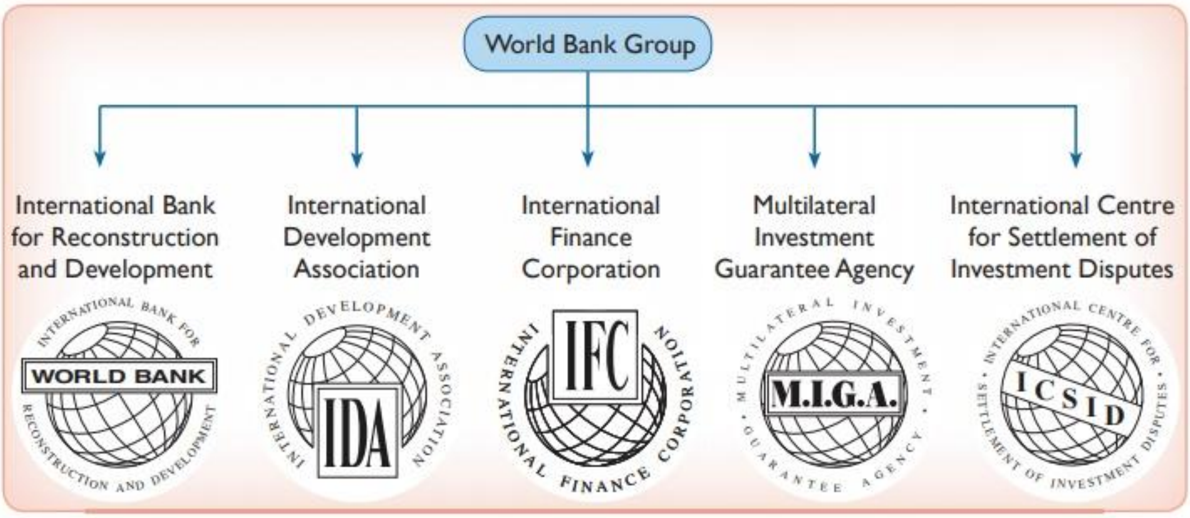
The functions of the World Trade Organization are discussed below:

- The World Trade Organization shall administer the TPRM (Trade Policy Review Mechanism).
- The World Trade Organization shall administer the World Trade Organization agreements.
- The World Trade Organization shall monitor domestic trade policies.
- The World Trade Organization shall handle trade-related disputes.
- The World Trade Organization shall provide an open forum for trade-related negotiations.
- The World Trade Organization shall offer technical assistance for countries that are on the developing front.
- The World Trade Organization shall cooperate with similar intergovernmental organizations.
- The World Trade Organization shall cooperate with the IMF (International Monetary Fund) and IBRD (International Bank for Reconstruction and Development).

DAY 13

International &National Financial Organisations

International Bank of Reconstruction and Development (IBRD)



The International Bank of Reconstruction and Development (IBRD) is a development bank administered by the World Bank. The IBRD offers financial products and policy advice to countries aiming to reduce poverty and promote sustainable development. The International Bank of Reconstruction and Development is a cooperative owned by 189 member countries.

HISTORY OF THE IBRD

The IBRD was founded in anticipation of the end of World War II, during the Bretton Woods Conference of 1944, a gathering of the 44 Allied Nations of the Second World War meant to establish the post-war global financial order. Along with establishing a new global monetary policy regime, the Bretton Woods Conference was also where the International Monetary Fund and the IBRD were formed.

The first loan ever issued by the International Bank Of Reconstruction and Development was to the government of France, to help finance the reconstruction of critical infrastructure. Following the reconstruction of Europe, the IBRD shifted its focus to promoting economic development in other parts of the world.

INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

The main objective of the IDA is to provide grants and concessional loans to the world's poorest countries.

INTERNATIONAL FINANCE CORPORATION (IFC)

The IFC is a sister organization of the World Bank (IDA + IBRD). It is the largest international development institution focused on the private sector in developing countries.

- It functions as the private sector arm of the WBG.
- It works for economic development by investing in for-profit and commercial projects for poverty reduction and augmenting development.
- It also engages in mobilizing third-party resources for projects.
- The IFC works with the private sector to boost entrepreneurship and create sustainable businesses.
- The IFC provides investment, advice, and asset management offerings.
- It lends to businesses and private sector projects.

MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA)

MIGA's chief goal is to enhance cross-border investment in developing countries by giving guarantees (political risk insurance and credit enhancement) to lenders and investors.

- The agency's guarantees to protect investments against non-commercial risks.
- It emphasizes on Fragile and Conflict-affected States.
- Political risk insurance products:
    - Coverage against losses due to war, terrorism, and civil disturbance.
    - Coverage against expropriation by governments.
    - Coverage against breach of contract.
    - Protection against losses arising from an inability to legally convert local currency into hard currency.
- Credit enhancement – protection when governments fail to honor financial obligations.
- India became a member of the MIGA in 1994.

INTERNATIONAL CENTRE FOR SETTLEMENT OF INVESTMENT DISPUTES (ICSID)

ICSID engages in international investment dispute settlement.

- It settles disputes between investors and governments.
- It also settles state-state disputes under investment treaties and free trade agreements and acts as an administrative registry.
- The Centre provides for settlement of disputes by arbitration, conciliation, or fact-finding.
- It also disseminates information on international law on foreign investment.
- India is not a member of the ICSID because it claims that the ICSID's functioning and structure are biased towards the developed countries.

- India set up the BRICS Arbitration Centre (BRICS Centre) to address and reinforce international arbitrations with foreign investors. Although this is limited to the BRICS countries, it will be available for all developing countries in the future.

International Monetary Fund

The IMF was established in 1944 in the aftermath of the Great Depression of the 1930s. 44 founding member countries sought to build a framework for international economic cooperation. Today, its membership embraces 190 countries, with staff drawn from 150 nations.

The IMF is governed by and accountable to those 190 countries that make up its near-global membership.

At the top of its organizational structure is the Board of Governors. The day-to-day work of the IMF is overseen by its 24-member Executive Board, which represents the entire membership and supported by IMF staff. The Managing Director is the head of the IMF staff and Chair of the Executive Board. S/he is assisted by four Deputy Managing Directors.

The IMF's resources mainly come from the money that countries pay as their capital subscription (quotas) when they become members. Each member of the IMF is assigned a quota, based broadly on its relative position in the world economy. Countries can then borrow from this pool when they fall into financial difficulty.

The IMF helps countries hit by crises by providing them financial support to create breathing room as they implement policies to restore economic stability and growth.

The IMF provides loans—including emergency loans—to member countries experiencing actual or potential balance of payments problems. The aim is to help them rebuild their international reserves, stabilize their currencies, continue paying for imports, and restore conditions for strong

The IMF monitors the international monetary system and global economic developments to identify risks and recommend policies for growth and financial stability. The Fund also undertakes a regular health check of the economic and financial policies of its 190 member countries. In addition, the IMF identifies possible risks to the economic stability of its member countries and advises their governments on possible policy adjustments.

IMF works with governments to modernize economic institutions. This helps countries strengthen economies and create jobs. IMF helps countries raise revenues, modernize banking and legal systems, improve forecasting, and enhance reporting of data.

The IMF provides technical assistance and training to governments, including central banks, finance ministries, revenue administrations, and financial sector supervisory agencies. These capacity development efforts are cantered on the IMF’s core areas of expertise ranging from taxation through central bank operations to the reporting of macroeconomic data. Such training also helps countries tackle cross-cutting issues, such as income inequality, gender equality, corruption, and climate change.

ADB

Asian Development Bank

ORIGINS

ADB was conceived in the early 1960s as a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.

A resolution passed at the first Ministerial Conference on Asian Economic Cooperation held by the United Nations Economic Commission for Asia and the Far East in 1963 set that vision on the way to becoming reality.

The Philippines capital of Manila was chosen to host the new institution, which opened on 19 December 1966, with 31 members that came together to serve a predominantly agricultural region. Takeshi Watanabe was ADB's first President.

During the 1960s, ADB focused much of its assistance on food production and rural development.

FUNCTIONS OF THE ASIAN DEVELOPMENT BANK

1. ECONOMIC AND SOCIAL ADVANCEMENT

This bank has a membership program under which there are various benefits available for the members' countries.

These benefits include providing loan and investment at a concessional rate. One of the functions of the ADB is to provide loans and equity investments for the economic and social upgrade of developing member countries.

2. TECHNICAL ASSISTANCE

Most of the countries require a lot of services like advisory services. Moreover, they while operating at the international level, most of the countries require technical support too.

One of the functions of the Asian Development Bank is to provide technical assistance for the preparation and implementation of development projects and advisory services.

3. INVESTMENT PROMOTION

Firstly, the Asian Development Bank provides a lot of services to the member countries in the form of investments. At the same time, they also provide some specific sort of investment facilities for development purposes.

4. Support in Policies and Plans

Plans and policies play an important role in any country. There are various domestic agencies providing help to the authorities while framing various policies.

But there is a need for some international agencies at the same time for the same function. One of the main functions of the ADB is to provide help to the member countries in framing policies and plans at the international level.

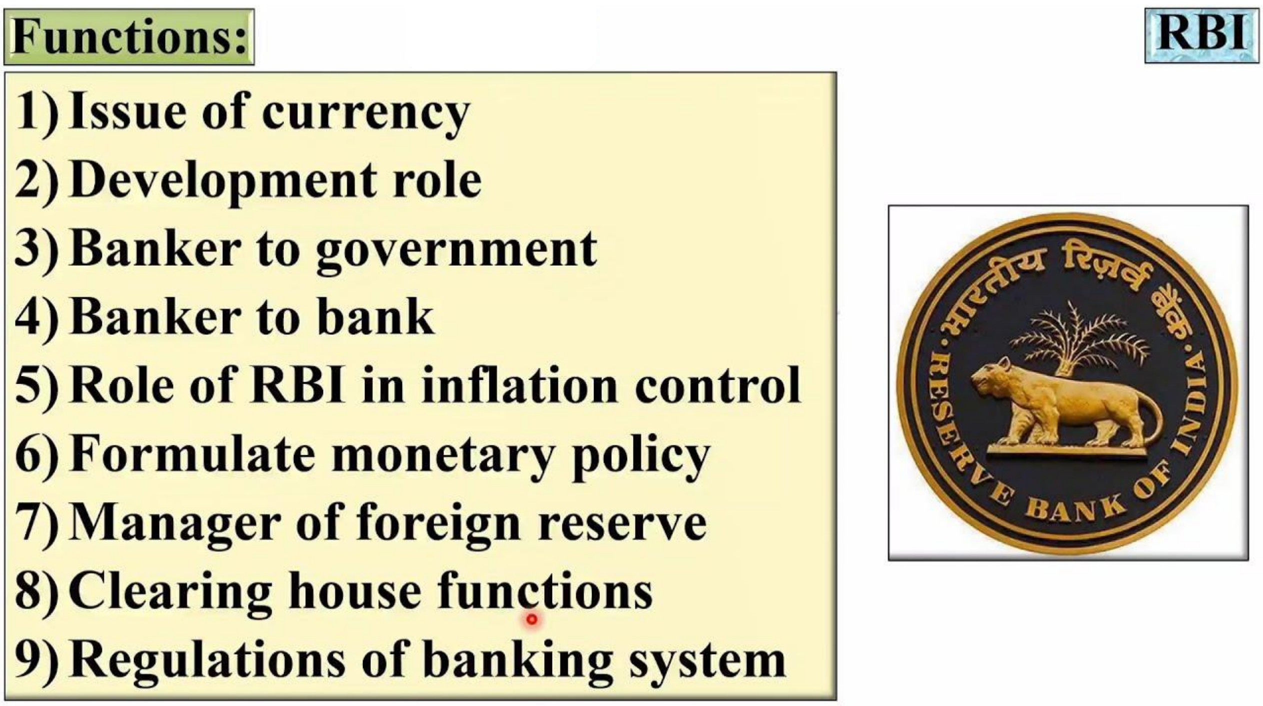
WHAT IS RBI?

RBI is an institution of national importance and the pillar of the surging Indian economy. It is a member of the International Monetary Fund (IMF).

- The concept of Reserve Bank of India was based on the strategies formulated by Dr. Ambedkar in his book named "The Problem of the Rupee – Its origin and its solution".
- This central banking institution was established based on the suggestions of the "Royal Commission on Indian Currency & Finance" in 1926. This commission was also known as **Hilton Young Commission.**
- In 1949, the Reserve Bank of India was nationalized and became a member bank of the Asian Clearing Union.
- RBI regulates the credit and currency system in India.
- The chief objectives of the RBI are to sustain the confidence of the public in the system, protect the interests of the depositors, and offer cost-effective banking services like cooperative banking and commercial banking to the people.

COMPOSITION OF RBI

- Reserve Bank of India is controlled by a central board of directors. The directors are appointed for a 4-year term by the Government of India in keeping with the Reserve Bank of India Act.
- The Central Board consists of:
    - Governor
    - 4 Deputy Governors
    - 2 Finance Ministry representatives
    - 4 directors to represent local boards headquartered at Mumbai, Kolkata, Chennai, and New Delhi



NATIONAL BANK FOR AGRICULTURE AND RURAL DEVELOPMENT (NABARD)

NABARD is a development bank focussing primarily on the rural sector of the country. It is the apex banking institution to provide finance for Agriculture and rural development. Its headquarter is located in Mumbai, the country's financial capital.

- It is responsible for the development of the small industries, cottage industries, and any other such village or rural projects.
- It is a **statutory body** established in 1982 under Parliamentary act- **National Bank for Agriculture and Rural Development Act, 1981**.

FUNCTIONS OF NABARD

Let us take a look at some of the main functions of this organisation. It basically performs three kinds of roles, i.e. credit functions, development functions, and supervisory functions.

- Frames the policy for rural credit in the country for all financing institutions
- National Bank for Agriculture and Rural Development will itself provide finance and refinancing facilities to the banks and rural regional banks
- Identification of credit potential and preparation of the credit plans for all districts

- It also helps all regional banks and institutes under its governance with the preparation of their own credit plans and policies
- Helps Regional Rural Banks establish an agreement with State Governments and other Co-op Banks and institutions
- It will also monitor the implementation of such plans and track their progress
- Helps banks improve their MIS system, modernize their technology, develop human resources etc
- As per the Banking Regulation Act 1949, NABARD has to conduct the inspection of Regional Rural Banks and other Co-op banks
- It communicates and consults the RBI in matters such as issuing of licenses for new banks, the opening of branches of Rural Banks etc.
- From time to time it will also inspect the investment portfolios of Regional Rural Banks and other State Co-op Banks.

EXIM BANK

Export-Import Bank of India is a **wholly owned Govt. of India entity**

- Established in **1982**
- **HQ : New Delhi**
- **Aim:** financing, facilitating and promoting foreign trade of India.
- The EXIM bank extends Line of Credit (loC) to overseas financial institutions, regional development banks, sovereign governments and other entities abroad.
- Thus the EXIM Banks enables buyers in those countries to import developmental and infrastructure, equipment's, goods and services from India on deferred credit terms.
- The bank also facilitates investment by Indian companies abroad for setting up joint ventures, subsidiaries or overseas acquisitions.

FUNCTIONS OF THE EXIM BANK

Let us take a look at some of the main functions of Export and Import Bank of India bank:

1. Finances import and export of goods and services from India
2. It also finances the import and export of goods and services from countries other than India.
3. It finances the import or export of machines and machinery on lease or hires purchase basis as well.

4. Provides refinancing services to banks and other financial institutes for their financing of foreign trade

5. EXIM bank will also provide financial assistance to businesses joining a joint venture in a foreign country.

6. The bank also provides technical and other assistance to importers and exporters. Depending n the country of origin there are a lot of processes and procedures involved in the import-export of goods. The EXIM bank will provide guidance and assistance in administrative matters as well.

7. Undertakes functions of a merchant bank for the importer or exporter in transactions of foreign trade.

8. Will also underwrite shares/debentures/stocks/bonds of companies engaged in foreign trade.

9. Will offer short-term loans or lines of credit to foreign banks and governments.

10. EXIM bank can also provide business advisory services and expert knowledge to Indian exporters in respect of multi-funded projects in foreign countries

DAY
14

STATISTICS IN ECONOMICS

Statistics are used to deal with the quantification of data. It used various figures to represent the qualitative information that is used with the collection of data. The statistics in economics involve the technique to deal with the collection of data, tabulation, classification, and presentation of data. Apart from that, it is also helpful for the reduction and condensation of data. The statistics in economics are quite helpful in data analysis and data interpretation.

ECONOMIC PROBLEMS

• In an economy there are numerous economic problems such as poverty, food shortage and hunger, unemployment, inflation etc. Before discussing these economic problems in detail, let us examine some of the terms associated with basic economic activities.

• Consumption: Purchase of goods by consumers to satisfy their various needs is called consumption

• Production: Manufacturing of goods by producers for the market is called Production

• Distribution: Division of the national income in terms of wages, profits, rents and interests is called Distribution

• Some economic problems are

• Human wants are unlimited

• Resources are limited to satisfy these wants

• Resources have alternatives applicability

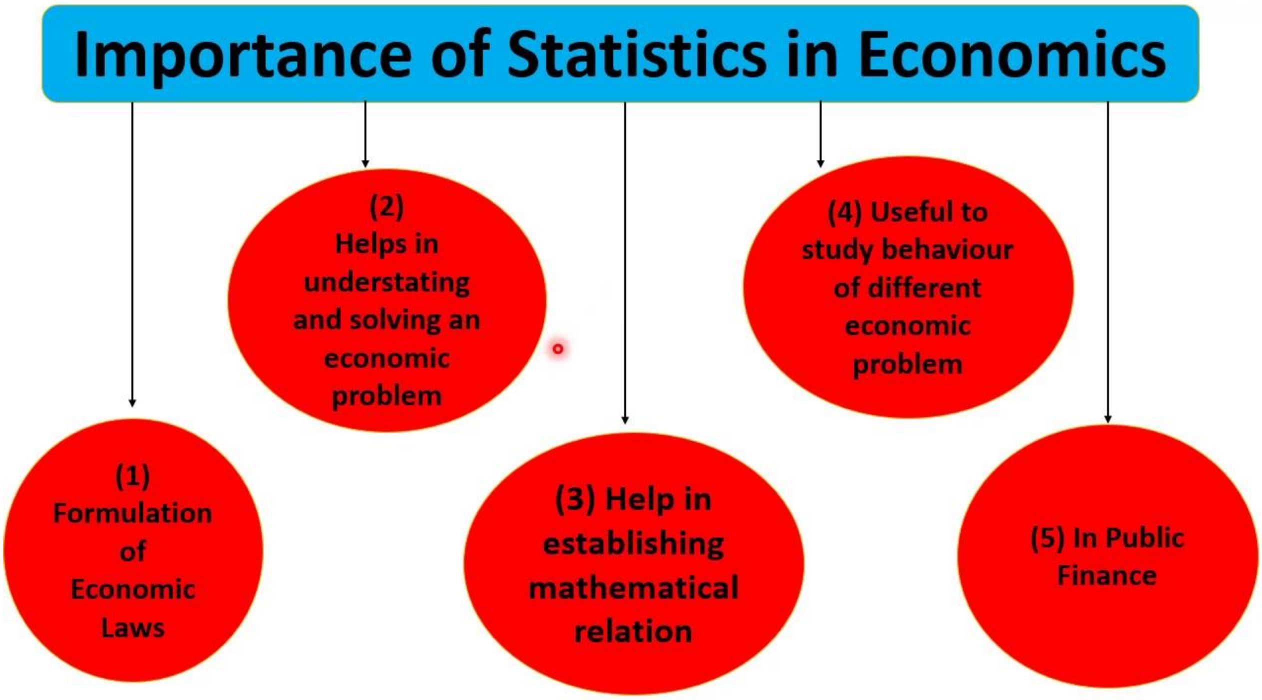
The field of statistics deals with the collection, organisation, analysis, interpretation, and presentation of data. The importance of statistics in the subject of economics is well known, as all the collection, compilation, processing, dissemination, and analysis of the economic data takes place with the help of statistics.

You may often have heard that economic experts bring out the positive and negative sides of any policy or economic decision taken by the government. All these decisions are not taken just by guessing but are backed by solid statistical evidence, which is in the form of statistical data obtained from various resources.

The word statistics traces its origin from the Latin word 'status' which meant political state. With the passage of time, the meaning underwent significant changes and became an essential part of all the data collected. In modern times, the application of statistics is innumerable both in quantitative and qualitative studies.

Let us look at the features of statistics.

1. It is expressed numerically.
2. It is reasonably accurate.
3. It represents the systematic collection of data.
4. The data obtained from different sources can be compared with each other.
5. The statistical data or analysis can be affected by a large number of factors.



The Importance of Statistics

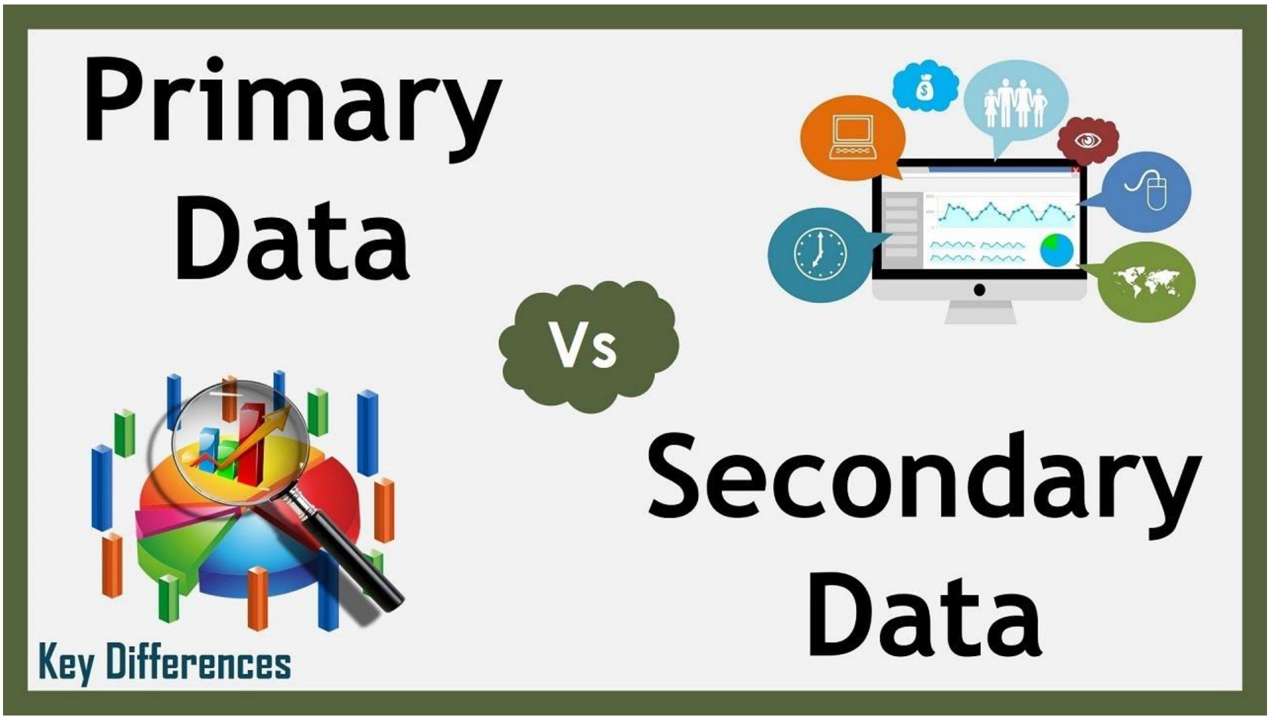
• Statistics is the science of collecting, organizing, analysing and interpreting numerical facts which we call data.

• Training in the science of statistics is valuable preparation for a variety of careers.

• Take control of your life.

• We can no more escape data than we can avoid the use of words. Quote from H.G. Wells about a century ago

• Statistical thinking will one day be as necessary for efficient citizenship as the ability to read and write.



Data collection plays a very crucial role in the statistical analysis. In research, there are different methods used to gather information, all of which fall into two categories, i.e. primary data, and secondary data. As the name suggests, primary data is one which is collected for the first time by the researcher while secondary data is the data already collected or produced by others.

There are many differences between primary and secondary data, which are discussed in this article. But the most important difference is that primary data is factual and original whereas secondary data is just the analysis and interpretation of the primary data. While primary data is collected with an aim for getting solution to the problem at hand, secondary data is collected for other purposes.

DIFFERENCE BETWEEN PRIMARY AND SECONDARY DATA

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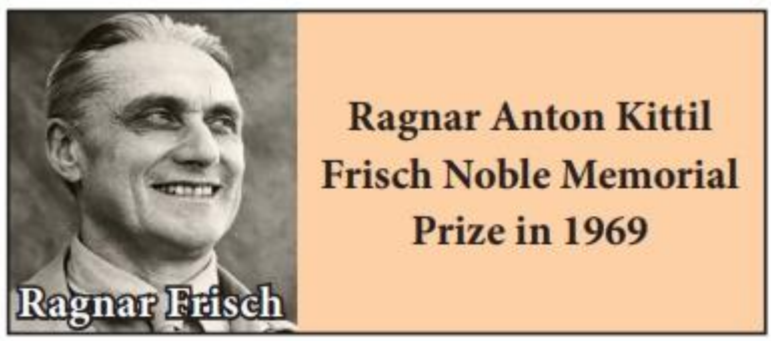
BASIS FOR COMPARISON	PRIMARY DATA	SECONDARY DATA
Meaning	Primary data refers to the first hand data gathered by the researcher himself.	Secondary data means data collected by someone else earlier.
Data	Real time data	Past data
Process	Very involved	Quick and easy
Source	Surveys, observations, experiments, questionnaire, personal interview, etc.	Government publications, websites, books, journal articles, internal records etc.
Cost effectiveness	Expensive	Economical
Collection time	Long	Short
Specific	Always specific to the researcher's needs.	May or may not be specific to the researcher's need.
Available in	Crude form	Refined form
Accuracy and Reliability	More	Relatively less

Introduction To Econometrics

ORIGIN OF ECONOMETRICS

Economists tried to support their ideas with facts and figures in ancient times. Irving Fisher is the first person, developed mathematical equation in the quantity theory of money with help of data. Ragnar Frisch, a Norwegian economist and statistician named the integration of three subjects such that mathematics, statistical methods and economics as Econometrics" in 1926.



The term econometrics is formed from two words of Greek origin, 'oukovouia' meaning economy and 'uetpov' meaning measure. Econometrics emerged as an independent discipline studying economics phenomena.

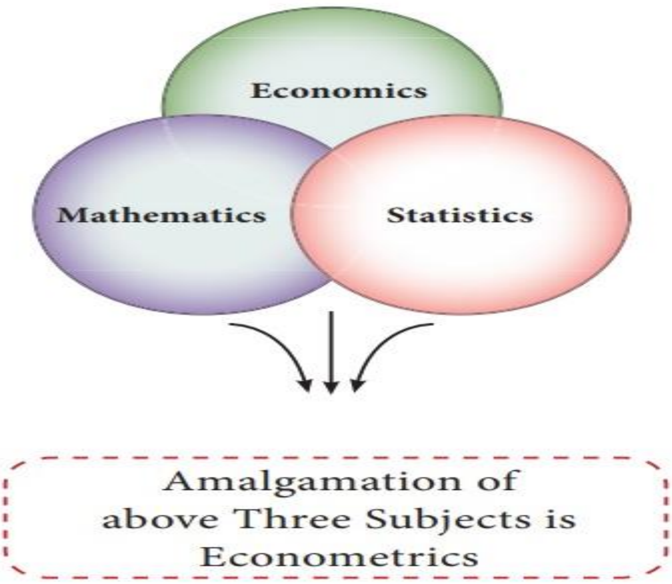
Econometrics may be considered as the integration of economics, Statistics and Mathematics.

Econometrics is an amalgamation of three subjects which can be easily understood by following Venn diagram and picture representation.

Economics + Mathematics= Mathematical Economics

Mathematical Economics+ Statistical Data & Its Technique = Econometrics

{Economics + Statistics + Mathematics}+Empirical Data = Econometrics



DEFINITIONS

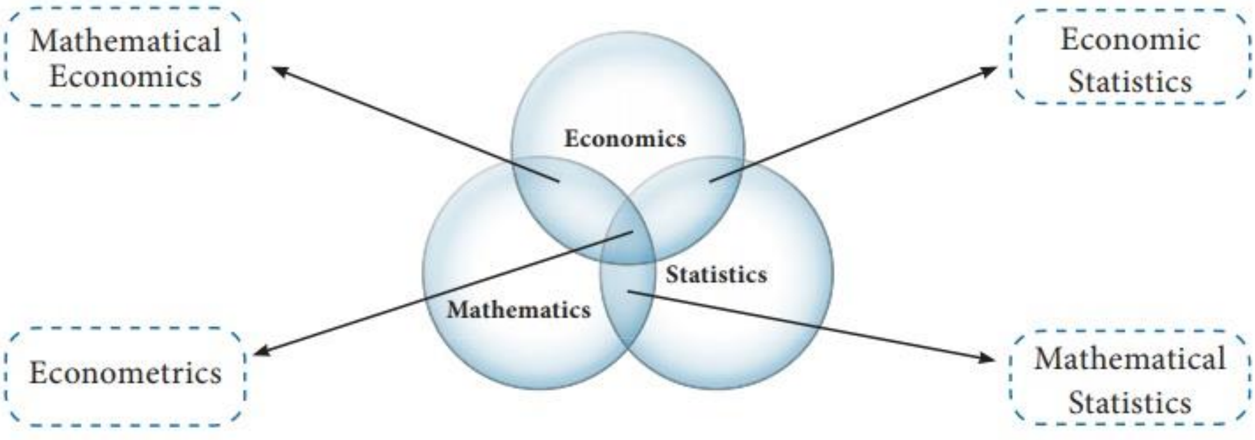
In the words **of Arthur S. Goldberger**, "Econometrics may be defined as the social science in which the tools of economic theory, mathematics and statistical inference are applied to the analysis of economic phenomena".

Gerhard Tinbergen points out that "Econometrics, as a result of certain outlook on the role of economics, consists of application of mathematical statistics to economic data to lend empirical support to the models constructed by mathematical economics and to obtain numerical results".

H Theil "Econometrics is concerned with the empirical determination of economic laws"

In the words of **Ragnar Frisch** "The mutual penetration of quantitative econometric theory and statistical observation is the essence of econometrics".

Econometrics means economic measurement. Econometrics deals with the measurement of economic relationships.



OBJECTIVES OF ECONOMETRICS

The general objective of Econometrics is to give empirical content to economic theory.

The specific objectives are as follows:

1. It helps to explain the behaviour of a forthcoming period that is forecasting economic phenomena.

2. It helps to prove the old and established relationships among the variables or between the variables

3. It helps to establish new theories and new relationships.

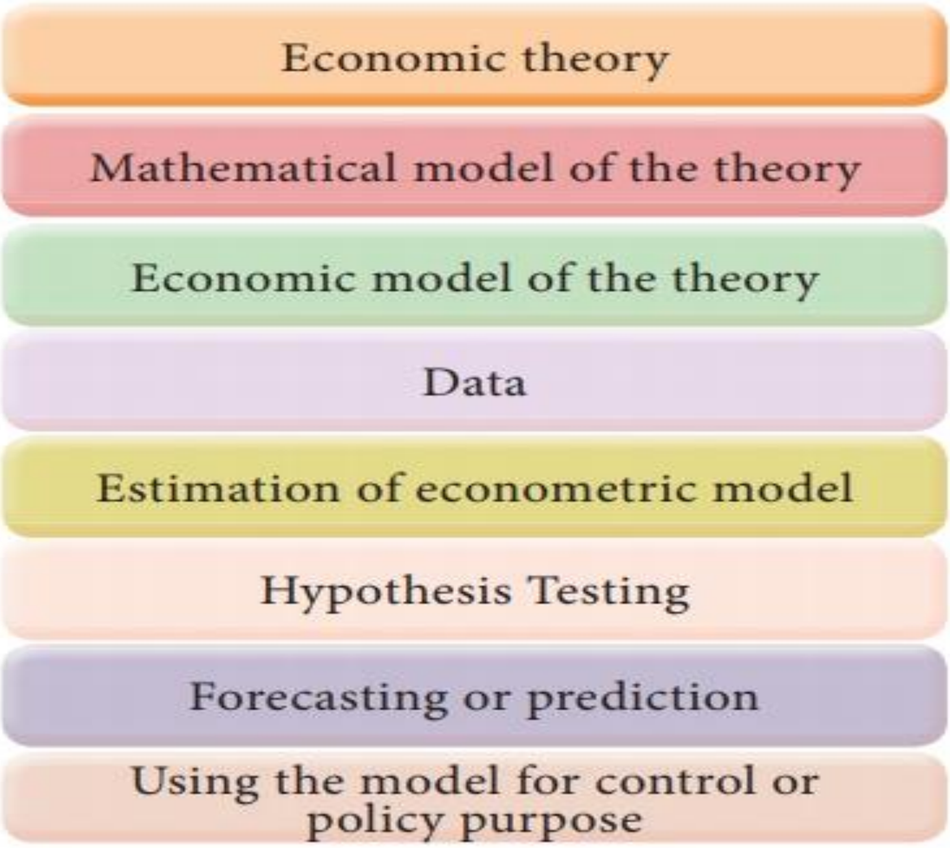
4. It helps to test the hypotheses and estimation of the parameter.

METHODOLOGY OF ECONOMETRICS

Broadly speaking, traditional or classical econometric methodology consists of the following steps.

1. Statement of the theory or hypothesis

2. Specification of the mathematical model of the theory
3. Specification of the econometric model of the theory
4. Obtaining the data
5. Estimation of the parameters of the econometric model
6. Hypothesis testing
7. Forecasting or prediction
8. Using the model for control or policy purposes.



DAY 15 Basic Concepts of Research in Economics

In the first section, we start with the definition of various terms relating to research. Terms to be discussed are 'research', 'research methods' and 'research methodology' and, finally, a brief discussion of various types of research. In the second section, we will discuss what economics is and what economists do. This discussion is presented at the outset to illustrate and highlight various skills needed to carry out economic analysis. What is attempted here is to highlight the importance and interdependence of economic theory and measurement in the study of economics. In the third section, we introduce basic concepts of research.

As is well known, the method of research or analysis economists use in carrying out their task is the scientific method, which is used in all of science. Therefore, it is important to discuss science in general and its method, namely scientific method. We should note, however, that there is no such a thing as *the* scientific method, because there are many variations. Scientific method essentially refers to the general or generalized process called the "scientific approach" to obtaining new and reliable knowledge. What we attempt to do in this section is to discuss the key terms and concepts of the scientific method, before we delve into research procedures in the next chapter. These concepts include theory and model, variables, assumptions, parameters, the hypothesis, and the testing of hypothesis among others.

Overview of the Research Process in Economics Researchers in Economics, as a social science, use a version of the scientific method. The scientific method is a set of procedures for drawing valid, reliable, and objective conclusions.

The scientific Method Select a scientific Problem or question; Apply a theory to derive a hypothesis about the problem or question;

Test the hypothesis by comparing its predictions to evidence from the real world;

The scientific Method If the hypothesis fails the test, modify it (and retest) or reject it; If the hypothesis passes the test, provisionally accept it; and Test the hypothesis in a new context.

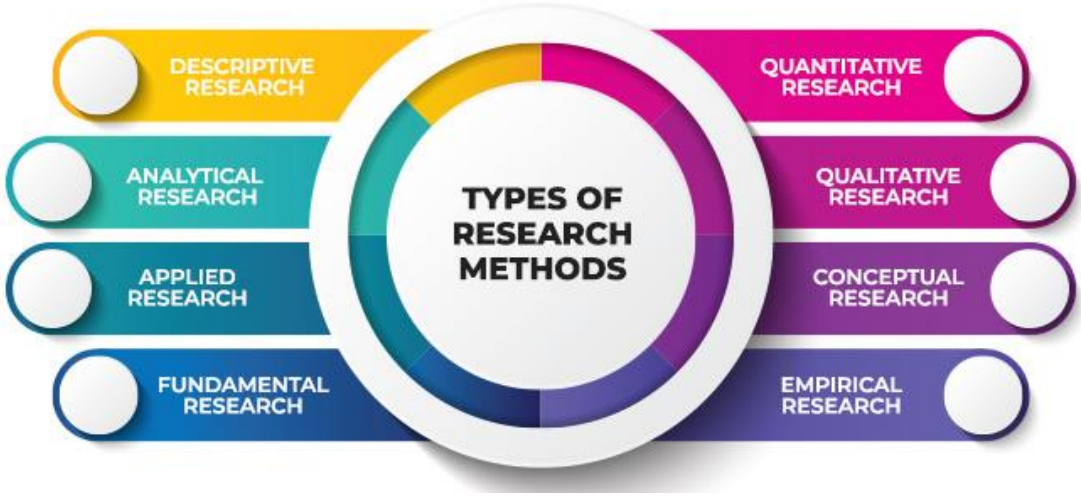
Requirements for a Good Research Project

There are a number of things necessary for completing a good piece of research. A Good Research Question; A Testable Hypothesis; A Good Data Set; and An Empirical Methodology that Adequately Tests the Hypothesis.

- Steps of the Research Process for Economics
- Developing an Effective Research Question;
- Surveying the Literature on the Topic;
- Analysing the Issue or Problem; Testing your Analysis;
- Interpreting the Results and Drawing Conclusions;

- Communicating the Findings of the Research Project.

Types of Research Methods in EconomicsPage | 91



An area is selected, a specific hypothesis is determined and a defined conclusion is required to be achieved. But how is this conclusion reached? What is the approach that can be taken up? As per CR Kothari's book "Research Methodology Methods and Techniques" (The Second Revised Edition), the basic types of Research Methods are the following :

Descriptive Research

Descriptive Research is a form of research that incorporates surveys as well as different varieties of fact-finding investigations. This form of research is focused on describing the prevailing state of affairs as they are. Descriptive Research is also termed as Ex post facto research.

This research form emphasises on factual reporting, the researcher cannot control the involved variables and can only report the details as they took place or as they are taking place.

Researchers mainly make use of a descriptive research approach for purposes such as when the research is aimed at deciphering characteristics, frequencies or trends.

Ex post facto studies also include attempts by researchers to discover causes even when they cannot control the variables. The descriptive research methods are mainly, observations, surveys as well as case studies.

Analytical Research

Analytical Research is a form of research where the researcher has to make do with the data and factual information available at their behest and interpret this information to undertake an acute evaluation of the data.

This form of research is often undertaken by researchers to uncover some evidence that supports their present research and which makes it more authentic. It is also undertaken for concocting fresh ideas relating to the topic on which the research is based.

From conducting meta analysis, literary research or scientific trials and learning public opinion, there are many methods through which this research is done.

Applied Research

When a business or say, the society is faced with an issue that needs an immediate solution or resolution, Applied Research is the research type that comes to the rescue.

We primarily make use of Applied Research when it comes to resolving the issues plaguing our daily lives, impacting our work, health or welfare. This research type is undertaken to uncover solutions for issues relating to varying sectors like education, engineering, psychology or business.

For instance, a company might employ an applied researcher for concluding the best possible approach of selecting employees that would be the best fit for specific positions in the company.

The 3 Types of Applied Research are mainly

1. **Evaluation Research -** Research where prevailing data regarding the topic is interpreted to arrive at proper decisions
2. **Research and Development -** Where the focus is on setting up fresh products or services which focus on the target market requirements

3. **Action Research -** Which aims at offering practical solutions for certain business issues by giving them proper direction, are the 3 types of Applied Research.

Fundamental Research

This is a Research type that is primarily concerned with formulating a theory or understanding a particular natural phenomenon. Fundamental Research aims to discover information with an extensive application base, supplementing the existing concepts in a certain field or industry.

Research on pure mathematics or research regarding generalisation of the behavior of humans are also examples of Fundamental Research. This form of research is mainly carried out in sectors like Education, Psychology and Science.

For instance, in Psychology fundamental research assists the individual or the company in gaining better insights regarding certain behaviors such as deciphering how consumption of caffeine can possibly impact the attention span of a student or how culture stereotypes can possibly trigger depression.

Quantitative Research

Quantitative Research, as the name suggests, is based on the measurement of a particular amount or quantity of a particular phenomenon. It focuses on gathering and interpreting numerical data and can be adopted for discovering any averages or patterns or for making predictions.

This form of Research is number based and it lies under the two main Research Types. It makes use of tables, data and graphs to reach a conclusion. The outcomes generated from this research are measurable and can be repeated unlike the outcomes of qualitative research. This research type is mainly adopted for scientific and field based research.

Quantitative research generally involves a large number of people and a huge section of data and has a lot of scope for accuracy in it.

These research methods can be adopted for approaches like *descriptive, correlational or experimental research.*

I. **Descriptive research -** The study variables are analyzed and a summary of the same is seeked.
II. **Correlational Research -** The relationship between the study variables is analyzed.
III. **Experimental Research -** It is deciphered to analyse whether a cause and effect relationship between the variables exists.

Quantitative research methods

Experiment Research - This method controls or manages independent variables for calculating the effect it has on dependent variables.

i. **Survey -** Surveys involve inquiring questions from a certain specified number or set of people either online, face to face or over the phone.
ii. **(Systematic) observation -** This method involves detecting any occurrence and monitoring it in a natural setting.
iii. **Secondary research :** This research focuses on making use of data which has been previously collected for other purposes such as for say, a national survey.

Qualitative Research

As the name suggests, this form of Research is more considered with the quality of a certain phenomenon, it dives into the "why" alongside the "what". For instance, let's consider a gender neutral clothing store which has more women visiting it than men.

Qualitative research would be determining why men are not visiting the store by carrying out an in-depth interview of some potential customers in this category.

This form of research is interested in getting to the bottom of the reasons for human behaviour, i.e understanding why certain actions are taken by people or why they think certain thoughts.

Through this research the factors influencing people into behaving in a certain way or which control their preferences towards a certain thing can be interpreted.

An example of Qualitative Research would be *Motivation Research*. This research focuses on deciphering the rooted motives or desires through intricate methods like in depth interviews. It involves several tests like story completion or word association.

Another example would be *Opinion Research*. This type of research is carried out to discover the opinion and perspective of people regarding a certain subject or phenomenon.

This is a theory based form of research and it works by describing an issue by taking into account the prior concepts, ideas and studies. The experience of the researcher plays an integral role here.

The Types of Qualitative Research includes the following methods :

Qualitative research methods

a. **Observations:** In this method what the researcher sees, hears of or encounters is recorded in detail.
b. **Interviews:** Personally asking people questions in one-on-one conversations.
c. **Focus groups:** This involves asking questions and discussions among a group of people to generate conclusions from the same.
d. **Surveys:** In these surveys unlike the quantitative research surveys, the questionnaires involve extensive open ended questions that require elaborate answers.
e. **Secondary research:** Gathering the existing data such as images, texts or audio or video recordings. This can involve a text analysis, a research of a case study, or an In-depth interview.

Conceptual Research

This research is related to an abstract idea or a theory. It is adopted by thinkers and philosophers with the aim of developing a new concept or to re-examine the existing concepts.

Conceptual Research is mainly defined as a methodology in which the research is conducted by observing and interpreting the already present information on a present topic. It does not include carrying out any practical experiments.

This methodology has often been adopted by famous Philosophers like Aristotle, Copernicus, Einstein and Newton for developing fresh theories and insights regarding the working of the world and for examining the existing ones from a different perspective.

The concepts were set up by philosophers to observe their environment and to sort, study, and summarise the information available.

Empirical Research

This is a research method that focuses solely on aspects like observation and experience, without focusing on the theory or system. It is based on data and it can churn conclusions that can be confirmed or verified through observation and experiment. Empirical Research is mainly undertaken to determine proof that certain variables are affecting the others in a particular way.

This kind of research can also be termed as Experimental Research. In this research it is essential that all the facts are received firsthand, directly from the source so that the researcher can actively go and carry out the actions and manipulate the concerned materials to gain the information he requires.

In this research a hypothesis is generated and then a path is undertaken to confirm or invalidate this hypothesis. The control that the researcher holds over the involved variables defines this research. The researcher can manipulate one of these variables to examine its effect.

Other Types of Research

All research types apart from the ones stated above are mainly variations of them, either in terms of research purpose or in the terms of the time that is required for accomplishing the research, or say, the research environment.

If we take the perspective of time, research can be considered as either One-time research or Longitudinal Research.

a. **One time Research :** The research is restricted to a single time period.
b. **Longitudinal Research :** The research is executed over multiple time periods.

A research can also be set in a field or a laboratory or be a simulation, it depends on the environment that the research is based on.

We've also got Historical Research which makes use of historical sources such as documents and remains for examining past events and ideas. This also includes the philosophy of an individual and groups at a particular time.

Research may be *clinical or diagnostic*. These kinds of research generally carry out case study or in-depth interview approaches to determine basic causal relationships.

Research can also be *Exploratory or Formalized.*

I. **Exploratory Research:** This is a research that is more focused on establishing hypotheses than on deriving the result. This form of Research focuses on understanding the prevailing issue but it doesn't really offer defining results.
II. **Formalized research:** This is a research that has a solid structure and which also has specific hypotheses for testing.

We can also classify Research as conclusion-oriented and decision-oriented.

a) **Conclusion Oriented Research:** In this form of research, the researcher can select an issue, revamp the enquiry as he continues and visualize it as per his requirements.
b) **Decision-oriented research:** This research depends on the requirement of the decision maker and offers less freedom to the research to conduct it as he pleases.

The common and well known research methods have been listed in this blog. Hopefully this blog will give the readers and present and future researcher's proper knowledge regarding important methods they can adopt to conduct their Research.

6 Reasons to Study Economics

Economics is one of the most popular fields of study at universities around the globe. A social science concerned with the production, distribution, and consumption of goods and services, economics studies how individuals, businesses, governments, and nations make choices about how to allocate resources. Here's a closer look at six reasons to pursue studies in economics, along with one program that can help you prepare for a successful career as an economist.

1. You can inspire business success and impact industries

Economics has a profound impact on businesses and industries. Because the economy is dynamic, with many ups and downs, understanding it can help businesses and industries weather the changes, survive, and thrive.

Economics can help business leaders maintain a focus on profitability and be aware of opportunities in order to proactively capitalize on them. In short, while the economy fluctuates, business leaders with economics acumen are best positioned to help their companies endure.

2. You'll be positioned to be part of shaping COVID recovery

Even as the world moves in the direction of recovery, the extent of the impact of COVID remains to be seen. And while the world appears to be bouncing back faster than expected, many questions linger, according to Harvard Business Review. Economists will play a vital role in making sense of where we are and what we need to do to continue on the path to recovery.

"While monitoring the overall macro landscape remains important, leaders should not underestimate the importance of measuring, interpreting, and exploiting the dynamics of their own sectors and markets in order to be able to invest and flourish during the recovery and the post-crisis period," asserts Harvard Business Review. Economic forecasting will help assess what's next in order to prepare for it.

3. You'll gain a sought-after international perspective

Economies don't exist in a vacuum; they're inextricably linked with the surrounding world. The study of economics offers both domestic and international perspectives, and reveals insights into the interactions between cultures, people, and societies.

From a practical perspective, if you're looking for an international business career, an understanding of the world economy is critical for driving success. This also makes economics a sought-after degree by employers.

4. Your skills will be transferable

While studying economics will prepare you for a career as an economist, it also cultivates the development of invaluable hard and soft skills, including critical thinking, communication, numeracy, research skills, data analysis, time management, teamwork, problem-solving, computing, and commercial and cultural awareness. As such, your skills will also be sought-after by a variety of employers in diverse fields.

5. It's part of everyday life

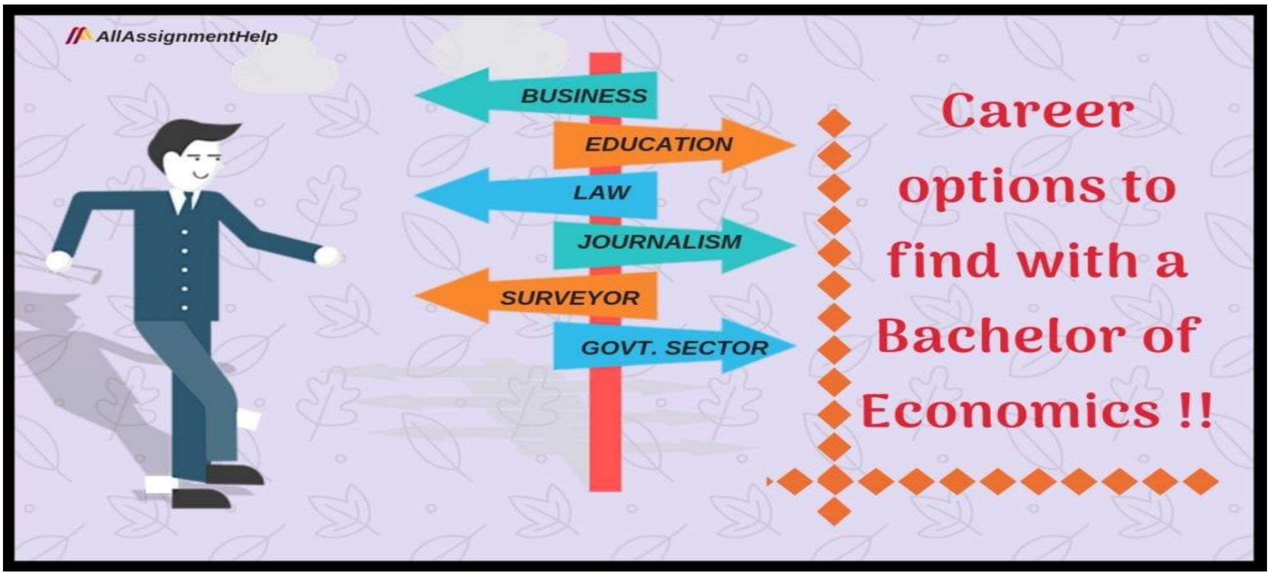
If you are looking for a career where your work will have real meaning in the world, the good news is economics is an inherent part of nearly all aspects of everyday life. So while you may be studying theory, there's always a practical context to consider.

Not to mention that in studying economics, you can make the world a better place. "The ultimate goal of economic science is to improve the living conditions of people in their everyday lives. Increasing the gross domestic product is not just a numbers game. Higher incomes mean good food, warm houses, and hot water. They mean safe drinking water and inoculations against the perennial plagues of humanity," insists the Federal Research Bank of San Francisco.

6. You'll have excellent job prospects

Because economists will always be needed across all industries, economics graduates are in great demand by employers around the world. According to The Balance Careers, potential job options for economics graduates include market research analyst, economic consultant, compensation and benefits manager, actuary, credit analyst, financial analyst, policy analyst, lawyer, management consultant, and business reporter.

CAREER OPTIONS TO FIND WITH A BACHELOR OF ECONOMICS !!



Benefits of studying Economics

It is probably a good idea to study economics if you love to keep updated with the current events around the globe. The empirical investigation in Economics makes the students develop their analytical skills. Although it is a tricky subject, it is all around us. Hence we can never deny its importance.

Economic forecaster

Learning Economics makes you master of reading the economic scenario of the situation. An economist usually predicts the economic events of the society and hence they act as an economic forecaster. Studying Economics will make you feel that life is all about trades. You can divide your work according to your time management. One learns to optimize their time and money.

You get an expert insight

Analysing the economic situations and mathematical skills can grow an expert's insight within you. You can be proficient in giving policy advice to people. This is so because you can easily predict the impact of the economic changes.

Develops analytical thinking

Economics classrooms are full of mathematical equations and reasoning. This sometimes seems unrealistic and boring. But you will realize that these classes and lectures have increased your analytical thinking. You can easily understand the motives of the firms and organization. Hence, you can plan and work according to give a proper direction to them.

Apart from a golden career path, you can be benefited with many qualities as well. I have above mentioned these points, to clear your doubts. Hence, if you are still confused whether studying Economics is fruitful or not, read below to know the job opportunities you can get from it.

Job opportunities with a Bachelor of Economics

Economics study design is helpful in different ways. It opens up many career options for the students who pursue a Bachelor of Economics. There are many fields where the economist is required. Such as- in Business, Government service, Education, journalism and international affairs.

Business

Students who go for Bachelor of Economics get proper training in managing the finance and proper management skills. Hence, the economics study design let the undergraduates handle the necessary business strategies. Hence they can make their career in the business world.

It would be better for the recent graduates to take up an internship program before joining any organization. The internship program will provide them with some experience regarding business skills. Some business job options which could be suitable for you are- Budget analyst, market analyst, sales intern, financial services and many more.

Government Sector

With your analytical skills, you can get a job in the government sector. The skills taught in Economics syllabus makes you suitable for some profession in the government sector. The students with Bachelor of economics can work in Government agencies. There are many positions in that sector such as- Research analyst, auditor, the economist, etc. There are many other government roles where your economics degree can be useful.

Journalism

Majorly for the journalism sector, English majors are mostly demanded. But there are few newspapers and magazines who writes about the economic status. Hence it is necessary to know the economic terms and theories to explain it to the readers clearly. The fresh students of the Bachelor of Economics can be the best candidate for these positions.

Law

Legal affairs can also be a great option for you. There are many financial institutions such as corporate companies and Banks who requires a large number of lawyers and legal advisors to take care of their legal, financial issues. Hence the students with Economics degree can seek a job in this field.

Education

You can find employment in the Academic field also. You can apply in schools to teach high school economics. The state government conducts an eligibility test for fresh graduates. You have to clear the test to be a high school teacher. However, to teach in colleges or universities, you should plan for further studies to meet the criteria.

Quantity surveyor

The students with Economics major, are often good in mathematical and analytical calculations. Hence, Quantity surveyor could also be counted as the best option for their career. Dealing with various contracts and negotiations, analyzing various bills are the main responsibilities that are carried by a Quantity surveyor.

Conclusion

Hence, in this section, you got to know about various job opportunities that are open to the fresh graduates of Economics. Mathematical modules are not everyone's cup of tea. Hence students often get stressed with the assignments and projects assigned in Economics subject. However, Economics assignment help from the online services makes their academic life more comfortable. Once a student gets comfortable in this subject, it can open numerous career paths for them.