

economics  
↓ Greek  
oikonomia  
/ \  
oikos nomia

\* Father of Economy is  
'Adam Smith'  
\* He wrote a book called  
'The wealth of Nations'

Household Management  
(?) family

\* economics deals with economic behaviour and  
it is social science.

\* Also deals with Goods services production,  
distribution & consumption included people,  
organizations.

\* It defined as 'science which deals with  
wealth'. — Adam.

\* 'Science which deals with wealth' called economic  
— J. B say.

\* 'principle of economics' written by Alfred  
Marshall in 1890 year. Bevaridge, Canon, Pigolu,

'science which deals with welfare of humans

\* "Nature and significance of economic Science"  
written by lional Robins in 1932 year

\* prof P.A samuelson gave imp to 'growth'

→ GDP (Gross Domestic product):

GDP is Total value of final goods & services  
produced in a country in a financial year

→ NDP (Net Domestic product): India + foren

NDP = GDP - Depreciation.

NDP Also includes depreciation.

→ Gross National Product (GNP):

$GNP = GDP + I - F$

I = Indians earned in foreign

F = Foriengners earned in India.

I - F = Net factor income from Abroad.

→ NET Factor Income From Abroad (NFA):

1)  $GNP > GDP$ ?

$GNP - GDP = I - F$

$I - F = +ve$

$I - F > 0$

When  $I > F \rightarrow GNP > GDP$

The GDP of I is more and F is less vice versa

2) for  $GNP < GDP$

3)  $GNP = GDP \rightarrow I = F$

→ Net National product (NNP):

$NNP = GDP - Depreciation$  NI-deflator

Real Income: If GDP @ constant price / Base year

Nominal Income: If GDP @ current price

→ Base year:

1) 1948-49 5) 1993-94 9) 2022-23

2) 1960-61 6) 1999-00

3) 1970-71 7) 2004-05

4) 1980-81 8) 2011-12

→ National income: Govt income + private income

\* National income calculated without economy with economy without economy

\*  $NI = NNP - Indirect Taxes + subsidies$  sports unemployment (Transfer payments)

$National\ income = Govt\ income + Pvt\ income - T.P$

→ private income.

National income - Govt income + Transfer payment

→ personal income:

Personal Income = Private income - corporate tax  
- undistributed / - CSR.

\* CORPORATE SOCIAL RESPONSIBILITY (CSR) Act

Aug 29, 2013

Conditions: Turn over > 1000 cr

Net worth > 500 cr

Net profit > 5 cr

\* In 1934 for first time we calculated GDP with scientifically.

\* GDP always says growth not development.

\* 1944: Brettonwoods conference (USA) GDP declared

\* In 1876 Dadhabhai Naoraji - "poverty & unibritish Rule" first time calculated India's GDP & National income.

percapita income =  $\frac{N \cdot I}{POP} = \frac{340}{17} = 20$  In 1925-29 year.

\* In 1925 V K Rao written an essay on India's national income.

\* In 1949 CSD - 1951 such chairman was P. C Mahalla

Mem 1 - Dr. D. S. Guad Gillig

Mem 2 - V K R V Rao

=> Who calculate GDP in India:

Statistics

CSD (Delhi) NSS  
May 2, 1951

computer Program implementation Center.

→ Types of economic system:

<u>Primary</u>	<u>Secondary</u>	<u>Tertiary</u>
1) Agriculture	1) Manufactures	1) Trade, business
2) fisheries	2) electricity, gas & water	2) Transport
3) forests	3) construction	3) Bankers
4) Minerals & mines		4) Insurance

→ National statistical commission (Nsc):

\* June 1, 2005 was set up.

1<sup>st</sup> cabinet minister → Suresh Tendulkar

Present chairman Nsc → Bimal K. Roy. (2020)

Current chairman Nsc → Rajeeva Lakshman Karandikar

\* It was set up by 'cabinet resolution'.

→ Indian statistical Institute (ISI):

\* 1931 → ISI on 17<sup>th</sup> Dec.

founder → P. C. Mahalanobis.

⇒ Different methods in calculating GDP

1) Income method

2) Production method &

3) expenditure method. ( $GDP = G + C + I + (X - M)$ )

→ per capita income: (Imp)

$$PCI = \frac{\text{National income}}{\text{Population}}$$

$$PCI \text{ Growth rate} = \frac{\text{National income growth rate}}{\text{Population growth rate}}$$

→ economic survey:

Who prepare economic survey means Ministry of finance in that particularly Dept of

economic Affairs head qs V. Anantha Nageswar

(CEA)



- \* It always deals about past year.
- \* financial months starts from Apr 1 to Mar 31
- \* The first economic survey first came into Parliament is 1950-51 (Union Budget).
- \* economic survey is presented during Budget Session (Before).

→ Banking:

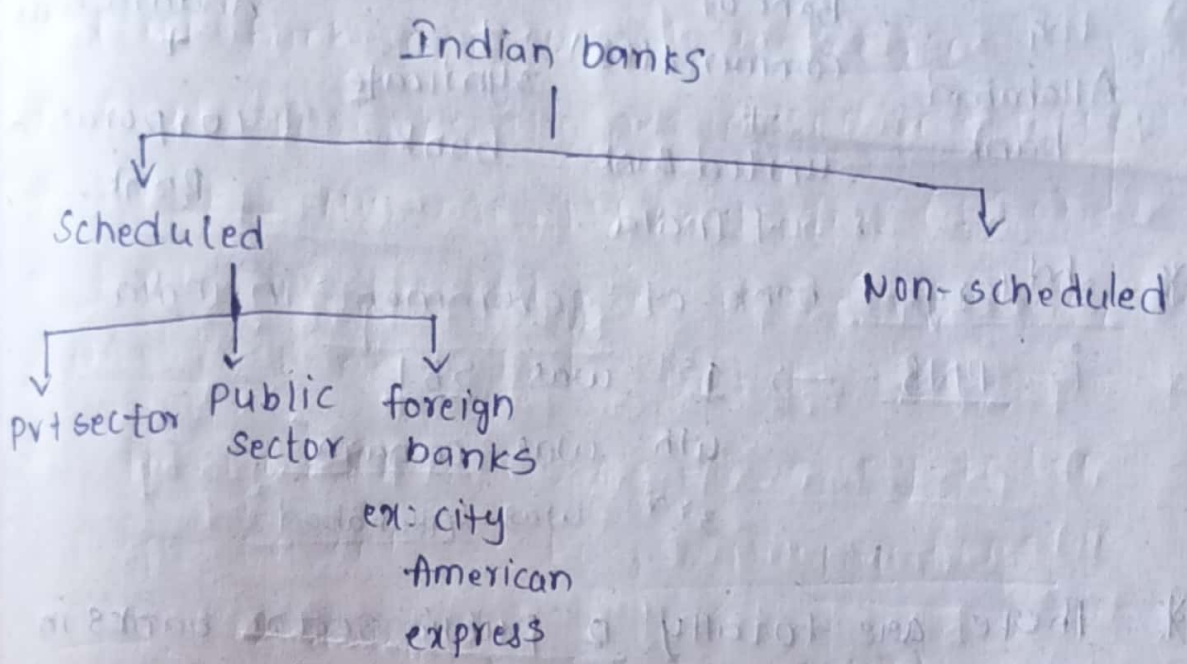
- \* First Bank in 1770 - Alexander & Co } only
- \* Next presidential banks in 1806 in Bengal } British
- \* 1840 - Mumbai, 1843 - Madras (BIC) }
- \* First time created bank in India is Oudh / Awadh Bank in 1851 (British & Indians) \*
- \* The first created bank where only Indian people present is Punjab National Bank in 1894 (Chandigarh).
- \* In 1921 <sup>(1806)</sup> Bengal, <sup>(1840)</sup> Bombay, <sup>(1843)</sup> Madras banks are merge and formed as 'Imperial Bank' (central bank).
- \* "The problem of rupee - Its origin & solution" written by Dr. B.R. Ambedkar.
- \* In 1926 Royal Commission on currency of Indian rupee & finance.  
Head - Hilton Young (Chairman)
- \* Which committee re commanded to establish of RBI is HYC

- \* Under RBI Act in 1934 the RBI was created
- \* RBI came into action in 1st April 1935  
1st H.Q = Calcutta.
- In 1937 H.Q shifted to Bombay (Mumbai).
- \* Burma 1937-1947 is under RBI  
Pak : until 1948 RBI.
- \* Until 1948 RBI has shareholding. After
- \* Banks Nationalisation of Bank Act in 1949  
came in Banks under Govt.
- \* Under Banking regulation Act 1949 all  
banks India come under RBI.
- \* In 1954 all India Credit Survey Committee  
was established  
Chairman: A D Gorwala
- \* In 1955 Imperial bank was Nationalised  
named as 'SBI'
- \* 1959 7 banks → SBI's Associate banks By  
2017.
- \* 1969 July 19 - 14 banks nationalised / dep > 100  

<ul style="list-style-type: none"> <li>Allahabad</li> <li>Bank of Baroda (Dena)</li> <li>Bank of India</li> <li>" of Maharashtra</li> <li>Central Bank of India</li> <li>Canara Bank</li> <li>Indian</li> <li>Indian Overseas</li> </ul>	<ul style="list-style-type: none"> <li>Punjab National (New Bank)</li> <li>Syndicate Bank</li> <li>UCO Bank</li> <li>Union Bank</li> <li>United Bank of India</li> </ul>
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- \* In 1960 April 15 6 banks nationalised (dep > 200cr)
 

punjab & sind	corporate
vijaya Bank (Bank of Baroda)	
oriental, Bank of India (obc)	
- \* In 1964 IDBI is a company (Industrial Development Bank of India) → Pvt bank
- \* In 2004 IDBI is considered as bank



- \* largest bank based on revenue in Private banks is HDFC, ICICI.
- \* If Banks end name ends with "of India" then the HQ of those banks is 'Mumbai'  
ex: RBI, SBI etc.
- \* If Banks start with the name "Indian" then the banks of those HQ is 'Chennai'
- \* vijaya can bank in Bangalore
 

↓	↓	↓
vijaya	canara	→ H-Q ' <u>Bangalore</u> '

\* Syndicate Bank H.O. → Manipal

Corporation Bank H.O. → Mangalore

\* Later in 2020 10 banks merged into 4

banks & came into action 1st April 2020

<u>Merger 1</u>	<u>Merger 2</u>	<u>Merger 3</u>	<u>Merger 4</u>
Indian bank + Allahabad bank	PNB + Bank of Commerce (OBC) + United Bank of India	Canara Bank + Syndicate bank	Union Bank + Andhra Bank + Corporation Bank

\* 2<sup>nd</sup> largest bank of government in India

is 'PNB'. → 1<sup>st</sup> was 'SBI'

4<sup>th</sup> was 'Canara'

3<sup>rd</sup> was 'Allahabad'

\* There are totally 12 public sector banks in India:

- 1) Bank of Baroda (3)
- 2) PNB (2)
- 3) Canara (4)
- 4) Union Bank of India (2)
- 5) Indian Bank (7) (5)
- 6) SBI (1)
- 7) Indian Overseas Bank (9)
- 8) Uco Bank (10)
- 9) Bank of Maharashtra (11)
- 10) Punjab & Sind Bank (2)
- 11) Bank of India (6)
- 12) Central Bank of India (8)

→ Big 4 Banks: Including private & public

- i) HDFC (Housing development Finance Corporation)
- ii) ICICI (Industrial credit Inv Corp of India)
- iii) SBI
- iv) Kotak Mahindra

Bank Name      esta      H.Q

1. Bank of Baroda 1908 vadodara, Gujarat
2. Bank of India 1906 Mumbai, Maharashtra
3. Bank of Maha  
- rashttra 1935 Pune, "
4. Canara Bank 1906 Bengduru, karnataka
5. central Bank of  
India 1911 Mumbai, Maharashtra
6. India 1907 Chennai, T.N
7. I. O. B 1937 " "
8. P & S Bank 1908 New Delhi, Delhi
9. PNB 1894 " "
10. SBI 1955 Mumbai, Maha
11. UCO 1943 Kolkata, west Bengo
12. Union Bank of  
India 1919 Mum, Mala.

Public Sector Bank

Tag line

- 1) PNB The Name you can bank upon
- 2) Indian Bank Your Tech- frndly bank
- 3) SBI with you all the way, pure  
Banking Ntg else, The Nation's  
banks on us.
- 4) Canara Together we can
- 5) Union Bank of India Good people to bank with
- 6) IOB " " to grow "
- 7) UCO Bank Honors your Trust



- 8) Bank of Maharashtra      one family one Bank
- a) Punjab Bank      Where service is way of life
- b) Bank of India      Relationships beyond Bank
- u) Central Bank of India      Central to you since 1911,
- 12) Bank of Baroda      Build a better life around
- India's International Bank

→ Regional Rural Banks:

\* The regional rural banks were formed by Narasimham committee in 1975 sept.

\* came into action on 2nd oct 1975 (RRB)

\* RRB formed by 'RRB Act 1976'.

\* First 5 RRBs were formed

- i) prathama → Murdabad, UP
  - ii) Gorakhpur, UP
  - iii) Bihani, Haryana
  - iv) Jaipur, Rajasthan
  - v) Malda, WB
- 2nd oct, 1975  
sponsored by syndicate Bank

funds of RRB:

- Central govt - 50%
- state govt - 15%
- sponsor Bank - 35%

\* In 1987 → 196 RRBs were working

\* later In 1989 khusrav committee were formed

- i) Merge loss making RRB
- ii) capital adequacy Ratio (CAR) → 5%

capital to risk weighted Assets Ratio (CRAR)

1990 → Natasimham Committee

2001 → vyas "

2009 → chakravarthi "

\* By 2014 RRB's were merged to 57.  
2020 " to 43

\* By 2025 " are 28 RRB's one state,  
one RRB

\* RRB's Regulated by 'RBI'

\* RRB's supervision by 'NABARD'

\* Objective of RRB's is To provide credit facility to agri & rural development.

→ RBI (Reserve Bank of India):

\* RBI is managed a board consisting of 20 members

1 Governor (Sanjay Malhotra) - 26<sup>th</sup> (IAS)

&

Shakthi Kanth Das - 25<sup>th</sup> (IAS)

4 Deputy Governors

\* 1st Governor of RBI was 'A. D. Smith' (UK)

2nd " " " "

3rd " " " "

James Taylor

C. D. Deshmukh (IN)

24<sup>th</sup> → Ujit Patel

23<sup>rd</sup> → Raghuram Rajan

22<sup>nd</sup> →

Duvvuri Subbarao (AP) (IAS)

21<sup>st</sup> →

Y. V. Reddy - (1<sup>st</sup> Gov from united AP)

\* The logo of RBI was printed with 1950

### RBI functions:

i) Issues currencies notes under sec 22 of RBI Act 1934

ii) except 1 rupee notes are issued/printed by RBI and signed by finance secretary

\* Before 1934 Govt of India (British) print-currencies.

printing facilities: 4 places

\* Currency Note press - Nashik (Maharashtra)

Bank Note press - Dewas (M.P)

Bharatiya Reserve - Masoor (Karni)

Bank Mudran Pvt Ltd - Salboni (WB)

Mints → coins, medals, Awards:

i) Indian gov mint - Mumbai

- Kolkata

- Hyderabad

- Noida.

\* security paper mill - est in 1968 at Noshangabad, MP, Paper Manufacture

\* RBI prints currencies on basis of Minimum reserve system (MRS)

\* RBI should maintain at least 200crs all time

115cr → gold

85cr → foreign currencies.

RBI acts as a 'Central Bank' (Bank to Banks)

Regulation of Credit

Controlling the Inflation

Custodian of foreign reserves

RBI has 31 offices  $\left\{ \begin{array}{l} \text{regional - 27} \\ \text{sub - 4} \end{array} \right.$

There are 5 fully owned subsidiaries of RBI

• Deposits Insurance & Credit Guarantee

Co-operation (DICGC)

• Bhadratiya Reserve Bank Note Madran Pvt Ltd (BRBNMPL)

• Reserve Bank Info Tech Pvt Ltd (ReBIT)

• Indian Financial Tech & Allied Services (IFTAS)

• RBIH

\* National Housing Bank (NHB) Act, 1984

1 July 1988 (H.O. - New Delhi)

MD - Shri Sanjay Shukla (comes under Govt)

of India

\* National Bank for Agri & Rural Development

(NABARD) eston 12 July 1982 by

B. Sivaraman Committee (came in the

place of ARDC, H.O. - Mumbai)

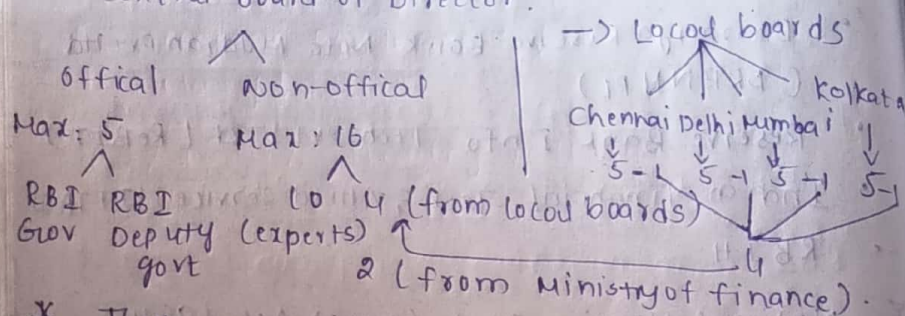
\* NABARD Act, 1981, under GOI

• NABARD sub  $\left\{ \begin{array}{l} \text{NAB CONS (NABARD Consulting Service)} \\ \text{NAB FINS (NABARD Fin Ser)} \end{array} \right.$

## Structure of RBI:

- 1) Central Board of Directors - 21
- 2) Assistive Board for CB D  $\left\{ \begin{array}{l} \text{BFS, est: Nov. 1994} \\ \text{BPSS, est: 2005} \end{array} \right.$
- 3) Departments - 23
- 4) RBI subsidiaries
- 5) Regional offices & sub offices (7)
- 6) local Boards <sup>(19)</sup>  $\rightarrow$  4 (C, D, M, K)
- 7) Training centers
- 8) RBI funded research institutes

$\rightarrow$  central Board of Director:



\* There are 2 types of service tenures for

RBI Govt & RBI Deputy Govt

- i) Short term  $\rightarrow$  3 yrs
- ii) long term  $\rightarrow$  5 yrs, Age limit is 62 yrs

\* Central Board of Directors holds min 6 meetings every yrs, out of which atleast 1 meeting every quarter is held

\* In 2017 RBI created the post of Chief Financial officer (CFO) in executive director. Age is 45 to 55 with 15 yrs exp. tenure is 3 yrs

\* May 2018 1st CFO was Sudha Balakrishna

$\rightarrow$  Training Centers:

- Reserve Bank Staff College - Chennai
- College of Agri. Banking - Pune
- Zonal Training Center, located at region
- Offices, train non-exe staff

$\rightarrow$  Funded Research Inst:

- National Ins of Bank Management, pl (NIBM)
- Indira Gandhi Inst of dev Research, (IGIDR)
- Ins for Dev & Research in Banking (IDRBT)

$\rightarrow$  Functions:

- \* Bank to the Banks
- \* Regulation of credit
- \* Controlling the inflation.
- \* Custodian of foreign reserves.

Imp Banking terms: -

- 1) Licensing of Boards.
- 2) Saving Account
- 3) Current Account
- 4) Over draft
- 5) Fixed Deposit
- 6) Recurring Deposit
- 7) Net Demand & Time Liability
- 8) spread (profit)
- 9) 1) Assets. 11) Ban

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(LIDRBT)

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  - 5) Fixed Deposit
  - 6) Recurring Deposit
  - 7) Net Demand & Time Liabilities (NDTL)
  - 8) Spread (profit)
  - 9) Loan
  - 10) Assets.
  - 11) Bank run.
- } Demand liabilities.
- } Time liabilities

## 12) Bank rupt.

→ Inflation :-

→ General level of price rise

High inflation → less demand for Goods

less production → unemployment → fixing of emp

\* poverty ↓

\* unemployment ↑

\* demand ↓

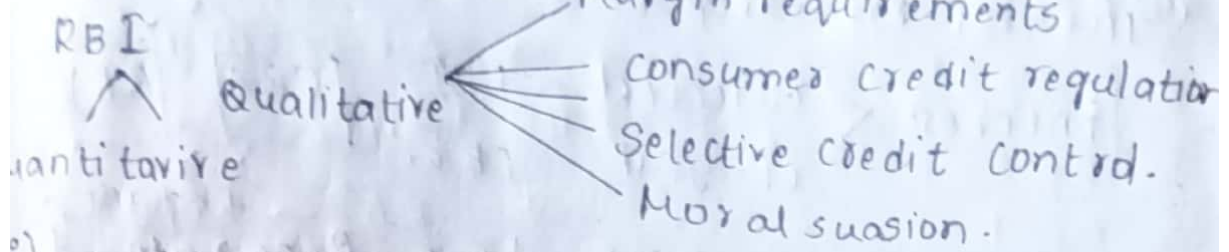
\* crimes ↑

\* economic Development ↓

\* Money ↓

→ 2% to 4% Healthy inflation

Monetary policy :-



i) Cash Reserve Ratio (CRR):

\* Money that commercial banks keep with RBI

\* present CRR  $\rightarrow$  (changes every 3M)

\* No interest given on CRR

ii) Statutory Liquidity Ratio (SLR):

\* Liquidity Assets

- cash
- Gold
- Government securities

\* present SLR  $\rightarrow$

\* % of NDTL that the commercial banks keep with them in the form of cash, gold & govt securities.

\* Inf  $\uparrow \rightarrow$  SLR  $\uparrow$

Money available for loans  $\downarrow \rightarrow$  Low investment  
then purchasing  $\downarrow$  Demand  $\downarrow$  Price  $\downarrow$ .

iii) Repo Rate (Re-purchase):

CB require money

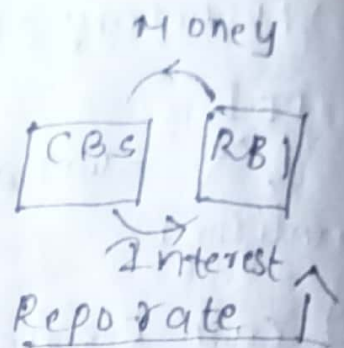
$\downarrow$   
they approach RBI

ask for money (loan)

$\downarrow$   
RBI asks for security  $\rightarrow$  CB provide Govt sec

Interest rate - repo rate.

interest < collected - RBI  
payed - CB's.



If inflation is high then Repo rate ↑

RR ↑ - flow of money ↓

RR ↑ - money supply ↓

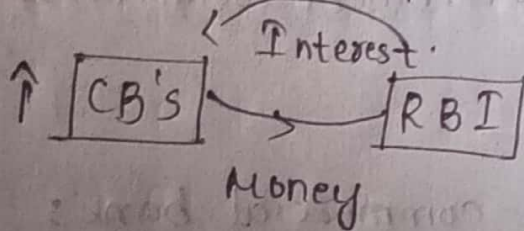
(RR ↑ - purchasing power ↓

RR ↑ - price ↓

RR ↑ - Money value ↑

\* present RR \_\_\_\_\_

iv) Reverse Repo rate :



Interest < collected - CB's

Payed - RBI

If inflation ↑ then RR ↑

RRR ↑ -> loans ↓

Same as the Repo rate.

\* RR should be high than RRR (RR < RRR)

\* present RRR \_\_\_\_\_

\* short term, collateral require

v) Bank Rate :



\* long term

\* Collateral Not require

Interest rate = Bank rate

\* when banks borrow long term funds from

RBI, then RBI Charges some rate of interest -  
this interest rate is known 'Bank rate'.

\* Present Bank rate

If inflation is high , Bank rate ↑

BR ↑ - flow of money ↓

BR ↑ - money supply ↓

BR ↑ - purchase ↓

BR ↑ - price ↓

BR ↑ - Money value ↑

vi) Open market operation (OMO):

\* When RBI starts buying (selling govt securities to control money supply.

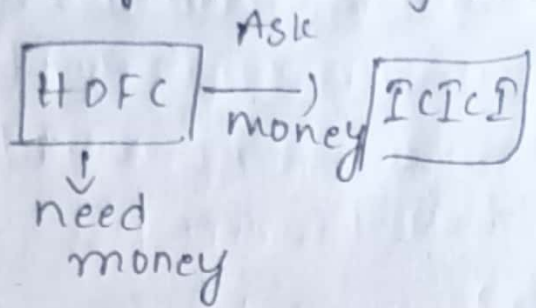
→ Govt securities ⇒ piece of paper (Bonds)

If inflation is high then OMO buy's sec

\* Bonds has expiry

\* inflation → sell , deflation → buy.

### iii) Marginal Standing Facility (MSF)



- \* Ask another bank
- \* public bond sell
- \* RBI  $\rightarrow$  Repo without extra gov securities.

\* If any bank doesn't have any gov securities then RBI decides to give interest with extra fine called MSF conditions:

- \* Min amount taken from RBI - 1 Cr
- \* collateral - Yes
- \* There is max limit - 0.75% of NDTL
- \*  $MSF = Repo + 1\%$

present MSF \_\_\_\_\_

$\rightarrow$  Important schemes & Yojana's:-

1) 5/25 loan scheme.

- \* Time extended to 25 yrs.
- \* Interest is changed for every 5 yrs.

2) Strategic Debt Restructuring (SDR)

- \* Bank take share from debt with ownership (strategic  $\rightarrow$  ownership).

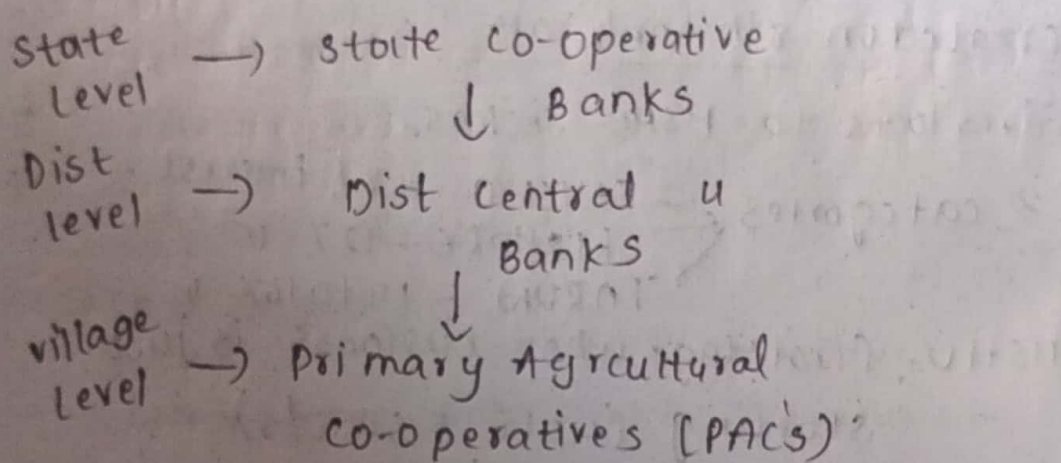
3) Scheme for sustainable, structuring of Stressed Assets (SUA).

- \* The amount of money which was loan to be converted as share to Bank.



- \* Regulated by RBI
- \* Banking regulation Act, 1949
- Banking laws (Application to co-operative Societies Act, 1965).
- \* capital is diff from place to place (upto few crores)
- \* No co-operative banks can maintain PSL, MSL.
- \* co-operative bank is 'No profit + No loss'.

Structure :



IFSC - Indian Financial System code.

- 11 characters
- Bank, Branch
- electronic money transfers.

## Stock Exchange:-

- \* First exchange Antwerp, Belgium - 1631
  - \* second exchange London - 1773
  - \* Third exchange Philadelphia - 1790
  - \* Asia India " Bombay (BSE) - 1875/1877
- Bombay Stock Exchange (BSE)

- \* First name 'Native Share & Stock brokers association'
- \* India's first & Asia first exchange, 10th largest
- \* calculates 'sensex' (30 companies)
- \* H.Q. → Mumbai, Base yr - 1978-79

## National stock exchange (NSE)

- \* Formed by 'pharwani committee' on 1991 (50)
  - \* came into action in 1992, calculate Nifty
  - \* Total there are 25 stock exchanges
  - o-active. Base yr - 1995
  - 19 - exited. UTI chairman.
- \* 1987 → G.S. Patel committee arranged for Security of exchange

→ 1988 → securities exchange Board of India  
Apr 12 (SEBI) formed

\* SEBI, 1992 is a 'statutory body'  
Jan 30

\* H.Q. → 'Mumbai'

\* 1 Chairman + 2 Finance Ministry + 1 RBI member  
(Union Govt)

+ 5 members (nominated)

Union govt.

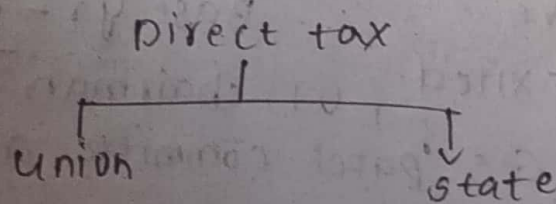
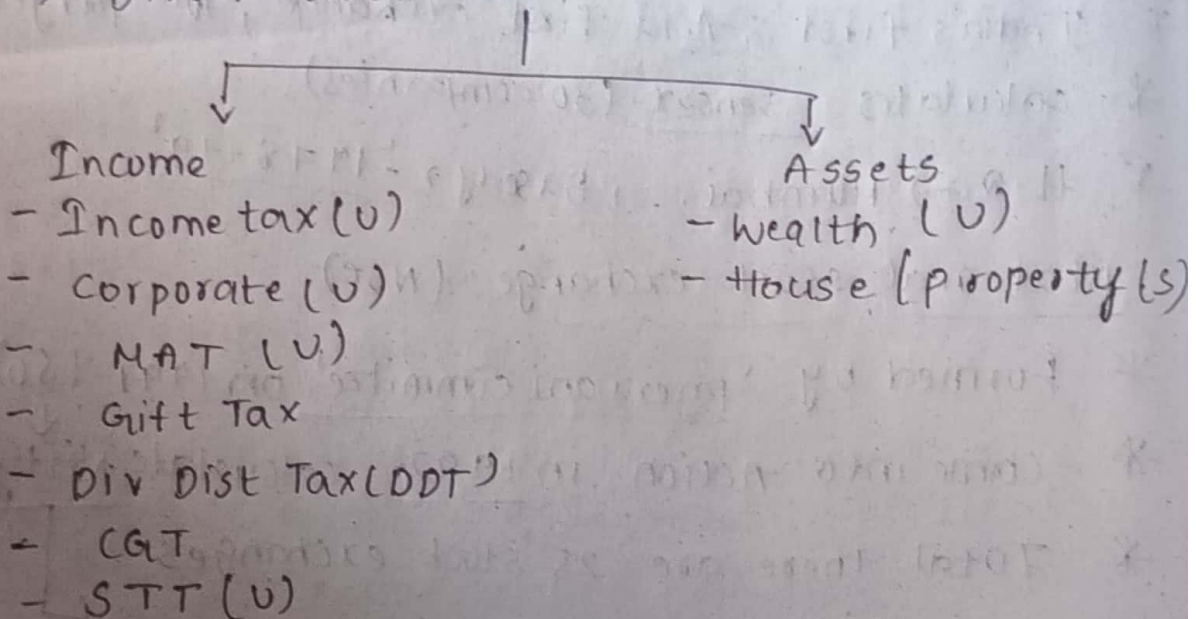
\* current chairman 'Shri Tuhin Kantapandey'

\* capital market is regulated by 'SEBI'

\* Trading timing - 9:15 AM - 3:30 PM. (Mon to Fri)

-> Tax  $\begin{cases} \rightarrow \text{Direct tax} \\ \rightarrow \text{Indirect tax} \end{cases}$

i) Direct tax:



How to calculate Income tax : Total = ISL ex:

\* calculated by suit case method rate

- Suitcase 1 = 2,00,000 Nil
- " 2 = 3,00,000 Nil
- " 3 = 5,00,000 10%
- " 4 = Remaining (SL) 20%

Surcharge :- (Tax on Tax) upto Nil

example -) Income 1,00,000 upto 50L Nil

Tax  $\rightarrow$  10%  $\rightarrow$  10,000 (to 1cr) 10%

Tax on Tax  $\rightarrow$  3%  $\rightarrow$  10,300 (to 1cr) 15%

Cess :- Particulars reason.

wealth tax - govt abolished wealth tax.

> 50 (to 1cr) 25%

> 1cr to 2cr 25%

> 2cr to 5cr 25%

> 5cr 25%