



HANDBOOK OF ECONOMICS

KEY CONCEPTS & DEFINITIONS
FOR UPSC & STATE PCS

© 2025 WISDOMIAS All Rights Reserved

www.wisdomias.co.in

Mob No. +91- 99967-72725

Wisdom IAS, Rakesh Marg, Ghaziabad, UP

This page has been left intentionally blank.



Term	Definition
Economy	The economy refers to the entire system of production, distribution, and consumption of goods and services within a nation or a region. It encompasses multiple sectors such as agriculture, manufacturing, and services.
Microeconomics	Microeconomics is the branch of economics that focuses on individual economic units such as consumers, businesses, and markets. It examines how these entities make decisions regarding resource allocation, pricing, and production based on supply and demand.
Macroeconomics	Macroeconomics studies the broader aspects of an economy, including overall economic growth, national income, inflation, and employment levels. It focuses on aggregate demand and supply, government fiscal and monetary policies, and global economic trends.
Monetary Policy	Monetary policy refers to the regulatory measures undertaken by a central bank, such as the Reserve Bank of India (RBI), to control money supply, interest rates, and credit availability. It aims to stabilize inflation, support economic growth, and ensure financial stability.
Fiscal Policy	Fiscal policy involves government strategies related to taxation, public spending, and borrowing to influence economic conditions. It aims to manage economic growth, control inflation, and reduce unemployment through budgetary measures.
Supply and Demand	The economic principle of supply and demand dictates how goods and services are allocated in a market economy. Supply refers to the quantity of a product available for sale, while demand represents consumers' willingness to purchase at various prices.

Monetary Policy & Banking Terms

Term	Definition
Currency Board	A system where the exchange rate is fixed, and monetary policy is constrained. The monetary authority can issue domestic currency only when fully backed by foreign exchange inflows.
Bank Rate	The rate at which the Reserve Bank of India (RBI) buys or rediscounts eligible bills of exchange or other commercial papers. It determines the rate at which RBI provides credit to commercial banks.

Term	Definition
Repo Rate	The discount rate at which commercial banks borrow money from RBI by selling government securities with an agreement to repurchase them. A decrease in repo rate makes borrowing cheaper, while an increase makes it more expensive.
Reverse Repo Rate	The rate at which RBI borrows money from banks by selling government securities. Banks prefer lending to RBI as it is a risk-free investment with assured returns.
Cash Reserve Ratio (CRR)	The percentage of a bank's total deposits that must be kept with RBI as reserves to ensure liquidity and control inflation.
Call Money	A short-term loan for a few days or up to a week, typically used in the stock exchange market. The interest rate on call money is lower due to its short duration.
CAMELS Rating System	An international rating system used by bank supervisory authorities to assess financial institutions based on six factors: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Systems . A rating of 1 is the best, while 5 is the worst.
Priority Sector Lending (PSL)	RBI directive that mandates public sector banks to allocate 18% of their credit to specific sectors like agriculture, MSMEs, and weaker sections, often at lower interest rates.
Selective Credit Controls (SCC)	Under the Banking Regulation Act (1949), Section 21, RBI regulates lending to certain sectors to prevent speculation, hoarding, and price inflation of essential commodities.
Money in Circulation	The total amount of money actively being used in the economy for transactions, excluding idle or hoarded money.
Taylor Rule	A monetary policy rule suggesting how central banks should set interest rates to keep inflation stable and maintain economic equilibrium.
Merchant Banking	A banking activity where banks provide portfolio management (advising clients on investment decisions) and act as bankers to corporate issues, facilitating fund management and financial structuring.
Phillips Curve	Shows the inverse relationship between unemployment and wage inflation—as unemployment decreases, wages rise at a higher rate.
Crawling Peg	A system of gradual exchange rate adjustments to correct under- or overvaluation of a country's currency relative to a foreign currency.

Term	Definition
Quantitative Restrictions (QRs)	Import limits imposed on specific commodities. More predictable than tariffs, as quotas directly control import volumes.
Open Market Operations (OMO)	Central bank activities involving the buying and selling of government securities in the open market: - Selling securities absorbs excess funds (restricting credit supply). - Buying securities injects liquidity into the economy (expanding credit supply).
Investment Bank	A bank that provides long-term capital to industries, typically by purchasing shares in limited companies.
Regional Rural Bank (RRB)	Established in 1975 under the RRB Act (1976) to promote rural economic development and improve financial inclusion in rural areas.
Lead Banking Scheme	Introduced to enhance rural credit access, this scheme assigned nationalized and select private sector banks the "Lead Role" in coordinating cooperative banks, commercial banks, and financial institutions for economic development.
Universal Banking	A banking model where financial institutions conduct all financial activities under one roof, integrating commercial banking, investment banking, and development banking.
Microfinance	Financial services (such as loans, insurance, and savings) provided to the rural and urban poor to promote financial inclusion.
MIGA (Multilateral Investment Guarantee Agency)	Established in 1988 as a World Bank agency to protect foreign investors against non-commercial risks (e.g., communal riots, natural disasters).
Penny Stocks	Low-priced stocks issued by small or new companies seeking capital for expansion or operations.
Sub-Prime Loans	Also called "B" loans or second-chance loans, these are given to borrowers with poor credit history, usually at higher interest rates.
Market Stabilization Scheme (MSS)	A scheme where RBI buys and sells government securities to control liquidity in the economy.

Term	Definition
Asset Reconstruction Company (ARC)	A company that acquires non-performing assets (NPAs) from banks, restructures them, and sells them at a profit to clean up bank balance sheets.
Bank for International Settlements (BIS)	A Swiss-based organization that monitors global monetary transactions and develops banking regulations, including CAMELS ratings and Basel norms.
Hedge Funds	Private investment pools for wealthy investors, typically structured as partnerships and actively managed for high returns.
Mutual Funds	Investment funds that pool resources from various investors to invest in diversified portfolios, reducing individual market risk.
Venture Capital	Also known as risk capital, it refers to investments made in startups or small businesses with high growth potential.
Participatory Notes (P-Notes)	Instruments issued by Foreign Institutional Investors (FIIs) and some India-based foreign banks to foreign investors, allowing indirect investment in Indian securities.
Capital Adequacy Ratio (CAR)	The ratio of a bank's total capital to its risk-weighted assets. It indicates a bank's financial health and stability.
Debt Service Ratio (DSR)	The ratio of interest and principal payments on a country's debt to its total exports. Formula: $DSR = (\text{Interest} + \text{Principal}) / \text{Exports}$.
Taylor Rule	A monetary policy guideline that suggests how central banks should adjust interest rates to stabilize inflation and economic output.
Yield Curve	A graphical representation of the relationship between an asset's annual return (yield) and its time to maturity. Typically, long-term assets offer a higher yield than short-term ones, causing an upward-sloping yield curve.
Zero-Sum Game	A situation in which one player's gain is exactly balanced by another player's loss. Used in economic and game theory models.
Swap	A financial transaction where securities or currencies of equal value are exchanged to improve portfolio quality or hedge against market risks.
Hard Currency	The currency of an industrialized nation with general international convertibility and stability.

Term	Definition
Soft Currency	A currency with limited convertibility, often depreciating due to a balance of payments deficit or lack of demand in foreign exchange markets.
Soft Loan	A long-term, zero or low-interest loan given by organizations like IDA (International Development Association) to underdeveloped countries.
Currency Future	A contract between two parties to buy or sell a fixed amount of currency at a pre-agreed foreign exchange rate at a future date, reducing currency volatility risks.
Derivative Trading	Trading based on financial contracts whose value is derived from underlying assets, such as stocks, bonds, or commodities.
Devaluation	A deliberate policy in a fixed exchange rate system where a country reduces the value of its currency compared to a foreign currency. India has devalued its currency in the past to boost exports and reduce imports.
Overheating of Economy	When demand outpaces supply, leading to inflation, rising wages, and shortages of goods.
Financial Inclusion	Providing affordable financial services (such as savings, insurance, and credit) to deprived sections of society. Examples: Microfinance, Self-Help Groups (SHGs), and Post Office Schemes.
Demonetization	A situation where currency usage decreases as the financial system deepens, shifting transactions towards digital payments or banking.
MIBOR (Mumbai Inter-Bank Offer Rate)	The interest rate at which banks borrow funds from each other in the Mumbai interbank market. Similar to LIBOR but specific to India.
Market Capitalization	The total value of a company's equity in the present market, calculated as: $\text{Market Cap} = \text{Current Share Price} \times \text{Total Number of Outstanding Shares}$.
Insider Trading	When company insiders (managers, directors, etc.) use confidential information to trade stocks for personal gain. It is banned in India by SEBI.
Multi Commodity Exchange (MCX)	A commodities trading platform where trading happens in paper contracts rather than in physical goods. The largest MCX is in Ahmedabad.
Derivative Trading	The practice of trading financial contracts that derive value from underlying assets like stocks, commodities, and indices.

Term	Definition
Arbitrage	The practice of buying a commodity, currency, or security in one market and simultaneously selling it in another market to profit from price differences.
Amortization	The gradual repayment of a loan principal over time, typically through scheduled payments.
Pump Priming	A government injects small amounts of spending into a depressed economy to boost business confidence and encourage private sector investment.
Bandwagon Effect	A psychological phenomenon where people adopt behaviors or beliefs just because others are doing the same. Common in stock market trends and consumer behavior.

Inflation & Economic Terms

Cost-Push Inflation	Inflation caused by increased production costs, due to factors like higher wages, rising profits, and heavy taxation.
Fiscal Drag	The effect of inflation on tax rates, leading to increased tax burdens as nominal GDP grows, without any change in tax brackets.
Counter Trade	The international exchange of goods and services without using money, following a barter system.
Demand-Pull Inflation	Inflation caused by rising aggregate demand outpacing supply. This may result from increased private investment, expanded government spending (e.g., war, economic development), or higher consumer demand.
Hyperinflation	A situation where money loses almost all its value due to extreme inflation, causing people to avoid holding money for long.
Galloping Inflation	A severe form of inflation where prices rise at an extremely fast rate, reducing the purchasing power of money drastically. The velocity of circulation of money increases as people try to spend it quickly before it loses value.
Inflation Targeting	A monetary policy goal where the RBI aims to keep inflation within a specific range to maintain price stability and economic predictability.

Core Inflation	Inflation measurement that excludes certain volatile goods and services, such as food and energy prices, to provide a stable measure of underlying inflation trends.
Headline Inflation	A measure of inflation that includes volatile items like food and energy prices, which are prone to sudden price fluctuations.
Structural Inflation	Occurs when supply bottlenecks cause a temporary shortage of commodities, leading to price increases. Also known as Bottleneck Inflation.
Stagflation	A situation where inflation rises while economic output (GDP) remains stagnant or declines.
GDP Deflator	A measure of inflation calculated as the ratio of Nominal GDP to Real GDP. Formula: GDP Deflator = (Nominal GDP / Real GDP) × 100.
Producer Price Index (PPI)	Measures the cost incurred by producers to produce a single unit of output (in terms of GDP). It excludes indirect taxes and acts as an early warning indicator for changes in consumer prices.
Underlying Inflation	A measure of headline inflation after removing volatile items like food and energy prices, offering a more stable inflation trend.
Index of Industrial Production (IIP)	Measures industrial sector growth in India, using a weighted average of mining, manufacturing, and electricity production.
Misery Index	A measure that combines the unemployment rate and inflation rate, indicating the economic hardships faced by consumers.

UPSC & UPPSC

FOUNDATION BATCH - 2026



Complete GS Coverage
Including Current Affairs



Experienced faculty
Best in their field



Medium
Both in **Hindi** & **English**



3 Day- Free Demo Classes
Judge for yourself



**3rd
March**

Rs. 74,999/-

Early Bird Discount @ 20%

To Register

Scan the QR and
say Hi



Or WhatsApp US
@ 99967-72725



WISDOM IAS

Your Pathway to **Civil Services**

Faculty Members

Dharam Sir (12 yrs exp.)

Avi Pratap Sir (10 yr exp.)

Sumit Sir (Ex-Vajiram IAS)

Rajkumar Sir (Ex-Vajiram IAS)

Scan to message us on Whatsapp



9996772725
7879105480



wisdomias.in@gmail.com



wisdomias.in



Wisdom IAS, above Bachapan
Gallery, Rakesh Marg, Ghaziabad

Wisdom IAS, Rakesh Marg, Ghaziabad

Taxation & Fiscal Terms

Term	Definition
CENVAT (Central Value Added Tax)	Introduced in 2000-01 , it replaced excise duty with a uniform 16% tax on production to prevent tax cascading.
MODVAT (Modified Value Added Tax)	Introduced in 1976 on L.J. Jha Committee's recommendation , MODVAT ensured that tax was levied only on final goods , removing taxation on inputs and intermediate goods to avoid double taxation .
Primary Deficit	The fiscal deficit minus interest payments . Formula: Primary Deficit = Fiscal Deficit – Interest Payments.
Fiscal Deficit	The gap between total government expenditure and revenue , excluding borrowings. Fiscal Deficit = Budgetary Deficit + Market Borrowings & Other Liabilities.
Specific Tax	A tax imposed based on the quantity, volume, or weight of a commodity rather than its price.
Value Added Tax (VAT)	A multi-point, destination-based taxation system, levied on the value added at each stage of production and distribution.
Windfall Tax / Super Profit Tax	A tax imposed on sudden or exceptionally high profits (e.g., petroleum industry profits during a price surge).
Duty Drawback Scheme	A government incentive allowing exporters to reclaim duties (customs duty, service tax, etc.) to boost exports.
Double Taxation Avoidance Agreement (DTAA)	A treaty between two countries to avoid double taxation on the same income or goods, ensuring taxpayers are not taxed twice.
Non-Tax Receipts	Government revenue collected from sources other than taxes, such as dividends from PSUs, interest on loans, service fees, and fines.
Non-Debt Capital Receipts	Government revenue from capital sources that do not create debt, such as disinvestment of PSUs and foreign aid.
Carbon Tax	A tax imposed on carbon emissions to discourage pollution. New Zealand was the first country to introduce it.

Term	Definition
Double Taxation	When a tax is levied twice on the same product or service. VAT was introduced to eliminate double taxation.
Tap Issue	An issue of treasury bills to government departments and others at a fixed price without going through the market (as opposed to a tender issue).
Tax Avoidance	The legal arrangement of financial affairs to minimize tax liabilities, as opposed to Tax Evasion, which involves illegal methods like underreporting income.
Tax Base	The total quantity or coverage of economic activity (income, goods, property, etc.) that is subject to taxation.
Turnover Tax	Also called Cascade Tax, it is a tax levied as a proportion of the price of a commodity at each stage of production and distribution. This tax structure encourages vertical integration of businesses.
Tied Loan	Loans given with the condition that the borrower must purchase certain goods or services from the lender's country.
Undated Securities	Securities that do not have a fixed redemption date, making them irredeemable securities.
Visible Balance	The balance of payments that accounts for the trade of tangible goods (imports and exports). It excludes services and capital transfers.
Voting Shares	Equity shares that grant holders the right to vote in company elections, such as the election of directors. Some companies issue non-voting shares to limit shareholder influence.
Window Dressing	Financial adjustments made for accounting presentation purposes, usually done before financial audits to make a company's financial position appear stronger.
Tobin Tax	A tax proposed by James Tobin, imposed on portfolio capital flows to discourage short-term speculative investments. It requires foreign investors to pay a tax when withdrawing investments.
Gresham's Law	States that bad money (Black Money) drives good money (White Money) out of circulation. It highlights how lower-value currency can dominate an economy.
Exim Bank (Export-Import Bank of India)	A bank established to finance, facilitate, and promote India's foreign trade.

Term	Definition
External Commercial Borrowings (ECB)	A source of funds for Indian corporations and PSUs to finance expansion, fresh investments, and infrastructure projects using foreign loans.
Zero Coupon Bonds	Also called pure discount bonds, these are bonds that pay no periodic interest but are issued at a discount and redeemed at face value, generating returns for investors.
Sovereign Wealth Fund (SWF)	A state-owned investment fund composed of stocks, bonds, real estate, or other financial assets, typically funded by foreign exchange reserves or commodity revenues.
Greenfield Investment	A type of investment where a company builds new facilities from scratch, without needing to modify existing structures. Common in infrastructure and industrial projects.
Brownfield Investment	Investments where existing facilities are upgraded or modified rather than built anew. Typically seen in mergers, acquisitions, and refurbishments.
Goods and Services Tax (GST)	A unified indirect tax introduced to harmonize multiple central and state-level taxes into a single tax system on goods and services.
Fringe Benefit	Low or no-tax benefits provided by companies to employees, in addition to salaries, such as free transport, health insurance, and meal vouchers.
Gini Coefficient	A measure of income inequality, derived from the Lorenz Curve. A higher Gini coefficient indicates greater inequality. Formula: $G = (\text{Area between Lorenz Curve \& } 45^\circ \text{ Line}) / (\text{Total Area Above } 45^\circ \text{ Line})$.
Laffer Curve	Developed by Prof. Arthur Laffer, this curve shows the relationship between tax rates and total tax revenue. It suggests that after a certain point, higher tax rates reduce total revenue due to discouraged economic activity.
Factoring	A financial service where companies sell their accounts receivable (trade debts) to a third party (factoring company) in exchange for immediate cash. Helps small and medium businesses manage cash flow and avoid bad debts.
Capital Receipts	Government receipts that involve repayment obligations, such as borrowings and disinvestment proceeds.

Term	Definition
Oil Bonds	Bonds issued by the Government of India to oil marketing companies to compensate for losses due to fuel subsidies, effectively passing the subsidy burden to future generations.
Ad Valorem	A tax or duty imposed based on the value of a product, rather than its quantity.

WTO & Trade-Related Terms

Term	Definition
Amber Box	WTO classification for domestic subsidies that distort trade by encouraging overproduction. These subsidies are subject to reduction commitments.
Appreciation	An increase in the value of a currency relative to another or an increase in the value of an asset.
Agri Export Zone (AEZ)	Established under the EXIM Policy (2001-02) to promote agricultural exports from specific geographical areas.
De Minimis Support	Government subsidies that do not fall under the Green, Blue, or Amber Boxes of WTO classifications. These are subject to reduction under WTO regulations.
Tariff Binding (WTO)	The maximum tariff rate a country can impose on imports under WTO agreements. India's actual tariff rates are below the prescribed binding rates for developing nations.
Special Safeguard Measure (SSM - WTO)	A WTO mechanism allowing developing countries to impose higher tariffs if agricultural prices fall sharply. India suggests a 10% fall, while Western countries propose 40%.
Counter Trade	The exchange of goods and services in place of monetary payments. Examples include Barter System, Switch Trading, Buy-Back Agreements, and Offsets.
EPCG Scheme (Export Promotion Capital Goods Scheme)	A policy allowing capital goods to be imported at 5% customs duty for exports. If used for agricultural exports, the duty is 0%.
Countervailing Tax	A duty imposed on imported goods to raise their price above domestic goods to prevent unfair trade advantages. Also known as Countervailing Measure.

Term	Definition
Dumping	A practice in international trade where a country exports products at a price lower than the domestic market price, often harming manufacturers in the importing country.
TRIPS (Trade-Related Intellectual Property Rights)	A WTO agreement that establishes global standards for intellectual property protection, such as patents and copyrights.
TRIMS (Trade-Related Investment Measures)	A WTO agreement that regulates foreign investment policies to ensure non-discriminatory treatment between domestic and foreign investors.
Washington Consensus	Proposed by John Williamson in 1989, it outlines policy recommendations for developing countries to achieve rapid economic growth. Key reforms include fiscal discipline, monetary policy liberalization, and trade openness.
Economic Integration	The process of reducing trade barriers and coordinating fiscal/monetary policies among countries to increase trade and economic efficiency.
Forms of Economic Integration	<ul style="list-style-type: none"> - Free Trade Area: Removal of trade barriers within member countries while maintaining independent external trade policies. - Customs Union: Free trade among members, plus a common trade policy for non-members. - Common Market: Free trade in goods and services, plus free movement of labor and capital. - Economic Union: Integration that includes harmonized tax rates, a common currency, and a shared trade policy. - Political Union: The highest level of integration, combining economic and political systems under a unified structure.

Poverty, Budgeting & Financial Terms

Term	Definition
Zone-Based Budgeting	A budget technique where each ministry prepares its budget as if no previous budget existed, focusing only on present needs and justifications.
Dalit Budgeting	Similar to gender budgeting, it analyzes resource allocation for marginalized communities at planning, implementation, and post-implementation stages.

Economic Indicators & Measures

Term	Definition
GEM (Gender Empowerment Measure)	A composite index measuring gender inequalities in three dimensions: economic participation & decision-making, political participation & decision-making, and power over economic resources.
GDP (Gross Domestic Product)	The monetary value of all final goods and services produced within a country's geographical boundaries during a given period of time.
Open Economy	A capitalist or mixed economy with minimal restrictions on trade, allowing free flow of goods, services, and capital.
GNP (Gross National Product)	The monetary value of total output or production of final goods and services produced by nationals of a country during a specific period, including income from abroad.
ICOR (Incremental Capital Output Ratio)	Measures the additional capital required to generate one unit of additional output. A lower ICOR indicates efficient capital utilization.
Technology Index	Measures the value of technology in a country based on observed data, survey results, innovation levels, and technology imports.
Black-Scholes Formula	A mathematical model used to determine the fair price of options in financial markets.
Blue Book	An annual digest published by the UK Office of National Statistics, providing national income and expenditure statistics.

Poverty & Social Indicators

Term	Definition
Unemployment Trap	A situation where social security benefits discourage unemployed individuals from taking jobs, as they might lose more benefits than they gain from employment.
Poverty Gap	The total shortfall of consumption below the poverty line , divided by the total population. It represents the average deficit of poor individuals' consumption relative to the poverty threshold.
Poverty Gap Index	Formula: $\text{Poverty Ratio} \times (\text{Poverty Line} - \text{Per Capita Consumption of the Poor}) / \text{Poverty Line} \times 100$. It measures the intensity of poverty in a population.

Term	Definition
Unemployment Trap	A scenario where social security benefits discourage unemployed individuals from taking jobs , as the benefits outweigh the wages they would earn.
GDI (Gender Development Index)	A composite index measuring gender-related inequalities in three key areas of human development : 1. Health (life expectancy). 2. Knowledge (education levels). 3. Standard of living (income). Adjusted to reflect disparities between men and women.
Current Daily Status of Unemployment	Measures a person's employment status based on daily activity in the preceding seven days. - Worked for 4+ hours → Considered employed for a full day. - Worked for 1-4 hours → Considered employed for half a day.
Inclusive Growth	Faster economic growth that also contributes to employment generation and poverty reduction.
Physical Quality of Life Index (PQLI)	Developed by Morris, it measures human development using three indicators: - Life Expectancy Index (LQI) - Infant Mortality Index (IMI) - Basic Literacy Index (BLI) Formula: $PQLI = (LQI + IMI + BLI) / 3$.
Human Poverty Index (HPI)	Introduced by the UNDP, it measures the level of deprivation in a society based on longevity, literacy, and standard of living.
Poverty Line	The minimum per capita expenditure required to meet basic needs, including daily calorie intake of 2400 kcal in rural areas and 2100 kcal in urban areas.
Demographic Dividend	A period when a country's working-age population (16-64 years) is large relative to dependents, offering potential for high economic growth. If mismanaged, it can lead to a demographic nightmare.
Millennium Development Goals (MDGs)	Adopted by the UN General Assembly in 2000, these are 8 global goals set to be achieved by 2015 to address issues like poverty, education, gender equality, and healthcare.

Trade & Economic Indicators

Term	Definition
Current Account Deficit (CAD)	The difference between exports and imports of goods, services, and transfer payments . It signifies the saving-investment gap in an economy.
Balance of Payments (BoP)	BoP is a comprehensive record of all economic transactions between residents of a country and the rest of the world within a specific period. It includes the trade balance (exports and imports), financial flows (investments and loans), and capital transfers.

Agriculture & Rural Development

Term	Definition
Rainbow Revolution	A strategy aimed at achieving over 4% annual growth in agriculture , increasing private sector participation , providing price protection for farmers , and implementing agricultural insurance schemes .
Accelerated Irrigation Benefit Programme (AIBP)	Launched in 1995 to complete incomplete irrigation projects by providing central funds to states.
Contract Farming	A farming system where corporations sign contracts with farmers to produce agricultural goods at a predetermined price and delivery date , ensuring farmers a stable income.
Second Green Revolution	Focuses on efficient resource use, soil and water conservation, and sustainable agriculture within a holistic framework.
Procurement Price	The final price paid by a company to procure goods , including insurance, transportation, and production costs.

Miscellaneous

CARE (Credit Analysis and Research Ltd.)	A credit rating agency set up by IDBI in 1993 to assess the financial credibility of companies and their ability to repay debt instruments.
ICRA (Investment Information and Credit Rating Agency of India Limited)	Established in 1991, ICRA primarily rates short, medium, and long-term debt instruments and, since 1995, has also been involved in equity ratings.

CAPART (Council for Advancement of People's Action and Rural Technology)	An autonomous body under the Ministry of Rural Development, established in 1986 to support and fund voluntary organizations working in rural development.
Cartel	An association of producers within an industry that aims to restrict competition and manipulate prices.
Dumping (Stock Market Context)	Offloading stocks in large quantities without regard for the price.
Foreign Exchange Management Act (FEMA)	Introduced in 1999 (replacing FERA 1973), FEMA liberalized foreign exchange regulations to simplify trade and cross-border payments.
Industrial Finance Corporation of India (IFCI)	Established in 1948, IFCI provides medium and long-term credit to industries. Its shareholders include scheduled banks, insurance companies, investment institutions, and cooperative banks.
Subprime Crisis (2007 Financial Crisis)	A global financial crisis triggered by a sharp rise in home foreclosures in the U.S. (2006-07), leading to economic turmoil worldwide.
Competition Act (1980)	Enacted to remove restrictive practices hindering competition, promote efficient resource utilization, reduce production costs, and enhance product quality.
Special Economic Zone (SEZ)	Established under the EXIM Policy of 2000-01, SEZs are areas with tax exemptions and minimal regulatory restrictions to promote exports. They are considered foreign territories for trade and tariff purposes.
Service Area Approach (SAA)	Introduced in 1989, this scheme allocated rural and semi-urban areas to specific bank branches, making them responsible for local economic development.
GDR/ADR (Global/American Depository Receipts)	GDRs are shares of Indian companies sold in European markets, while ADRs are sold in the U.S. capital market. Also known as Euro Issues .
Asian Development Bank (ADB)	Established in 1966 under the United Nations Economic Commission for Asia and the Pacific (UNESCAP), with two main objectives: 1. Promote regional cooperation in the Asia-Pacific. 2. Accelerate economic development in developing countries of the region.

Social Overhead Capital (SOC)	Refers to capital investments in public infrastructure, such as houses, bridges, roads, railways, and schools, which contribute to long-term economic growth.
Free on Board (FOB)	A trade term indicating that the seller covers the cost of goods until they are loaded onto a shipping vessel but excludes insurance and freight costs, which are borne by the buyer.
Green Index	Measures a nation's sustainability by evaluating produced assets, natural resources, and human capital.
Rural Infrastructure Development Fund (RIDF)	Established under NABARD (1995-96) to finance rural roads, bridges, and infrastructure projects to reduce regional disparities and support agricultural growth.
Sunrise Industries	Rapidly growing industries with high future potential, such as IT, biotechnology, and pharmaceuticals.
White Goods	Luxury consumer goods such as refrigerators, air conditioners, and washing machines. After economic reforms, their consumption increased in India, contributing higher tax revenues to the government.
Wage Goods Strategy	A development strategy prioritizing the production of essential goods like food, shelter, and healthcare, in contrast to focusing on heavy industry.
Merit Goods	Essential goods and services that provide positive externalities, including education, roads, bridges, primary healthcare, agricultural research, and environmental protection.
Demerit Goods	Goods that negatively impact consumers, often leading to harmful effects or negative externalities. Examples: alcohol, tobacco, and junk food.
Minimum Export Price (MEP)	A floor price set by the government to prevent prices from falling below a certain level, ensuring price stability for producers. Currently, 24 crops are covered under the MSP (Minimum Support Price) system.
Backwash Effect	A situation where people migrate from poorer regions to industrialized regions, leading to neglect and underdevelopment in the poorer region.
Export Pessimism	A situation where the government lacks confidence in achieving sufficient exports to finance imports. India followed this during its early planning era.

Investment-Led Growth	Economic growth driven by investment spending, with India following a balanced approach.
Export-Led Growth	Economic growth primarily driven by exports. Example: China and ASEAN Tigers.
Counter Guarantee	A guarantee given by one economic agent ensuring that another agent will fulfill a contract signed with a third party.
Capital Deepening	When the capital-to-labor ratio increases in an economy, leading to higher economic growth and productivity.
Special Purpose Vehicle (SPV)	A legally separate entity set up to execute specific projects, often used for Public-Private Partnerships (PPP). Example: Delhi Metro Rail Corporation (DMRC).
Special Economic Zone (SEZ)	Established under the EXIM Policy of 2000-01, SEZs are areas with tax exemptions and minimal regulatory restrictions to promote exports. They are considered foreign territories for trade and tariff purposes.
Service Area Approach (SAA)	Introduced in 1989, this scheme allocated rural and semi-urban areas to specific bank branches, making them responsible for local economic development.
GDR/ADR (Global/American Depository Receipts)	GDRs are shares of Indian companies sold in European markets, while ADRs are sold in the U.S. capital market. Also known as Euro Issues.

Rakesh Marg, Ghaziabad

**Free & Open
to ALL!**

PRELIMS MOCK TEST

for

UPSC & UPPSC

**2nd
March**

**11:00
AM**

Register @

Scan the QR
and say Hi



Or WhatsApp US @
99967-72725



Your
Pathway
to
**Civil
Services**

Scan to message us on Whatsapp



9996772725
7879105480



wisdomias.in@gmail.com



wisdomias.in



Wisdom IAS, above Bachapan
Gallery, Rakesh Marg, Ghaziabad