For XAT , CMAT , SNAP , MAT , IIFT Exam

IMPORTANT TERMS IN ECONOMY

1. **Per Capita Income:** Average national income per head of population. It is obtained by dividing the National Income by population size.
2. **Gross Domestic Product:** Total monetary value of the goods and services produced by that country over a specific period of time, normally a year
3. **GNP :**Total money value of final goods and services produced in a country during a particular year (one year) including depreciation and net exports
4. **NNP:** Total money value of final goods and services produced in a country during a particular year (one year) excluding depreciation including net exports
5. **NNP at Factor cost :**The total of income payment made to factors of production
6. **Personal Income:** Total income received by the individuals of a country before payment of direct taxes
7. **Economic Growth:** Transformation of an economy from a state of under development to a state of development which is measured by Gross Domestic Product
8. **Nationalisation:** The process of transforming private assets ownership into government ownership.
9. **Human Development Index:** It is a composite statistic of life expectancy education and per capita income indicators.
10. **Foreign Direct Investment**: An investment in a business by an investor from another country.
11. **SLR**: Statutory Liquidity Ratio refers to the amount that the commercial banks require to maintain in the form of cash or gold or government approved securities before providing credit to the customers
12. **SEZ**: It is an area in which business and trade laws are different from rest of the country mainly aiming at increasing trade, investment and job creation
13. **Globalization**: Globalization stands for the consolidation of the various economies of the world.
14. **Unemployment**: When there are people, who are willing to work and able to work but cannot find suitable jobs.
15. **Open Unemployment** :Unemployed persons are identified as they remain without work
16. **Seasonal Unemployment:** Employment occurs only in a particular season and workers remain unemployed in the remaining period of a year.
17. **Full employment:** Persons who are willing to work and able to work must have employment or a job
18. **Poverty**: Condition where the basic needs of the people like food, clothing and shelter are not being met.
19. **Liberalization**: Liberalization refers to the relaxation of the government restriction usually in the area of social and economic policies.
20. **Value**: Power of a commodity to command other commodities in an exchange
21. **Price**: Value of a commodity expressed in terms of money

22. **Consumption**: The use of goods and services for satisfying one's wants.
23. **Macroeconomics** : The branch of economics that studies the behavior and performance of an economy as a whole
24. **Microeconomics**: The part of economics concerned with single factors and the effects of individual decisions.
25. **Economic System**: The manner in which individuals and institutions are connected together to carry out economic activities in a particular area
26. **Capitalism**: The system where the means of production are privately owned and market determines the economic activities
27. **Socialism**: A way of organizing a society in which major economic activities are owned and controlled by the government rather than by individual people and companies
28. **Mixedism**: An ideology that mixes or combines the principles of Capitalism (Private Role) and Socialism (Nation Role) in an economy.
29. **Money**: An asset that is generally acceptable as a medium of exchange
30. **Supply of Money:** It refers to the amount of money which is in circulation in an economy at any given time
31. **Inflation** :An increase in average level of prices
32. **Deflation**: A fall in average level of prices, the opposite of inflation
33. **Disinflation**: Process of reversing inflation without generating adverse effects.
34. **Stagflation**: The co-existence of a high rate of unemployment and inflation.
35. **Credit Creation:** It means the multiplication of loans and advances. Commercial banks receive deposits from the public and use these deposits to give loans.
36. **Bank Rate:** It is the rate at which the Central Bank of a country is prepared to re-discount the first class securities
37. **Statutory Liquidity Ratio (SLR):** It is the amount which a bank has to maintain in the form of cash, gold or approved securities.
38. **Cash Reserve Ratio (CRR):** Banks are required to hold a certain proportion of their deposits in the form of cash with RBI. This is known as CRR.
39. **Monetary Policy:** It is the macro-economic policy laid down by the Central Bank towards the management of money supply and interest rate.

40. **Capital Market:** It is a financial market in which long-term debt or equity backed securities are bought and sold.
41. **Demonetisation:** It is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency
42. **Balance of Trade:** The balance between the values of goods exchanged between two countries. It is a trade in merchandise items or visible items only
43. **Balance of Payments:** The balance between the values of goods and services exchanged between two countries. It is a trade in both visible and non-visible items.
44. **Devaluation:** It means official reduction in the value of a currency in terms of gold or other currencies.
45. **Purchasing power** : Purchasing power is the value of a currency expressed in terms of the amount of goods or services that one unit of money can buy
46. **Foreign Exchange:** The currency of another country.
47. **Exchange Rate:** The rate at which one currency is exchanged for another currency.
48. **Fixed Exchange Rates:** An exchange rate that is held within a narrow band by the monetary authorities.
49. **Flexible Exchange Rates:** Flexible exchange rates are freely determined in an open market primarily by private dealings, and they, like other market prices, vary from day by day.
50. **Foreign Direct Investment:** The investment made by a multinational enterprise in a foreign country and an investment in a foreign country that involves some degree of control and participation in management
51. **Special Drawing Rights:** International monetary reserve currency created by the International Monetary Fund (IMF) that operates as a supplement to the existing money reserves of member countries.
52. **Free Trade Area:** A region encompassing a trade bloc whose member countries have signed a free-trade agreement (FTA). Such agreements involve cooperation between at least two countries to reduce trade barriers.
53. **Proportional Tax:** Tax is imposed at the same rate irrespective of tax base
54. **Progressive Tax:** The rate of tax increases with the increase in tax base (income)
55. **Regressive Tax:** High rate of tax is levied on the poor and low rate is levied to the rich
56. **Internal public debt:** A loan taken by the Government from the citizens or from different institutions with in the country

57. **External public debt:** A loan is taken from abroad or from an international organisation
58. **Fiscal Policy**: Policy related with the revenue and expenditure process of the Government
59. **Public expenditure :**The expenditure incurred by public authorities like central, state and local governments to satisfy the collective social wants of the people is known as public expenditure
60. **Budget**: It is an annual financial statement which shows the income and expenditure of the Government
61. **Balanced budget**: The government may spend an amount equal to the revenue it collects. This is known as a **balanced budget.**
62. **Deficit Budget:** The gap between Government anticipated revenue and the targeted expenditure
63. **Surplus budget**: The budget is a surplus budget when the estimated revenues of the year are greater than anticipated expenditures.
64. **Zero based budgeting:** Zero-based budgeting is a budgeting that allocates funding based on efficiency and necessity rather than on budget history. It is a method of budgeting in which all expenses must be justified and approved for each new period.
65. **Call money/ Notice money:** The money that is lent for **one day** in this market is known as **call money** and, if it exceeds one day, is referred to as **notice money.** Notice Money refers to the borrowing and lending of funds for **2-14 days**
66. **Direct Tax**: Direct tax is referred to as the tax, levied on person's income and wealth and is paid directly to the government.
67. **Indirect Tax:** Indirect Tax is referred to as the tax, levied on a person who consumes the goods and services and is paid indirectly to the government.
68. **Laissez-faire :** Laissez-faire economics is a theory that restricts government intervention in the economy
69. **Tobin Tax:** Tax on international flow of short term capital currency transactions. Burden of tax is inversely proportional to the length of transaction