Economic Terminologies

Monetized Deficit is the borrowing made from the RBI on the net addition to the securities placed with the RBI. It means infusion of fresh currency in the market.

Deficit Financing is deliberately created gap between public revenue and public expenditure.

Zero Base Budgeting: A technique where the budget of each ministry is prepared assuming that there was no budget in the previous year.

Laffer Curve is related to Tax Collection

Treasury Bills are bonds (debt securities) with maturity of less than a year. These are issued to meet short time mismatches in receipts and expenditure. Bonds of longer maturity are called dated securities.

Market Stabilization Scheme was launched in 2004 to strengthen RBI's ability to conduct exchange rate and monetary management. This is to provide RBI with a stock of securities with which it can intervene in the market for managing liquidity.

Financial Inclusion is universalizing access to basic financial services at an affordable cost.

Robert Tobin Tax is levied on the funds brought in by Foreign Institutional Investors (FII)

Sub Prime Mortgage Crisis (SPMC) is when banks start giving risky loans at a very low rate of Interest and that too in bulk. These loans are given to unworthy creditors.

Bottom Fishing is when the share market remains gloomy and dips to a large extent, even the shares of blue chip companies (very strong companies) face heavy selling and sometimes to its lowest.

External Commercial Borrowing (ECB) is the money borrowed at prevailing rate of interest and terms of repayment is as per the country outside. It is also called "Hard Loan".

Cash Reserve Ratio (CRR): Every commercial bank has to keep a certain portion of their total assets in form of cash, partly to meet statutory reserve requirement amd partly to meet their own day to day need.

Statutory Liquidity Ratio (SLR): It specifies that a commercial bank invests a designated minimum proportion of its total assets in liquid assets, such as cash, gold and approved security.

Bank Rate: Rate at which RBI extends credit to the commercial bank or the rate at which RBI rediscounts eligible bills of exchange.

Fiscal Drag: The effect of inflation upon effective tax rate.

Dumping: When a country dumps its produce in another nation due to excess production of that product. No change in prices.

Stagflation: It occurs when inflation rises while output is either falling or at least not rising.

Pumps Priming: The injection of small amount of Government spending into a depressed economy with the aim to boost up business confidence and encourage large scale private sector investment.

Prime Lending Rate (PLR): It is the rate of interest at which commercial bank lend it to their prime high profile blue chip corporate borrowers.

Basel II: This will assess the need for risk capital and will be replacing the minimum 9% capital adequacy norm under Basel I. It enables greater transparency and banks will evaluate themselves.

Indian Economic Terminology

Arbitration: A method for solving disputes, generally of an industrial nature, between the employer and his employees.

Annuity: A fixed amount paid once a year or at interval of a stipulated period.

Ante Date: To give a date prior to that on which it is written, to any cheque, bill or any other document.

Appreciation of Money: It is a rise in the value of money caused by a fall in the general price fall.

Assets: Property of any kind.

Balance of Trade (or Payment) : The difference between the visible exports and visible imports of two countries in trade with each other is called balance of payment. If the difference is positive the balance of payment (BOP) is called favorable and if negative it is called unfavorable.

Balance Sheet: It is a statement of accounts, generally of a business concern, prepared at the end of a year, showing debits and credits under broad heads, to find out the profit and loss position.

Banker's Cheque : A Cheque by one bank on another.

Bank Rate : It is the rate of interest charged by the Reserve Bank of India for lending money to commercial banks.

Black Money : It means unaccounted money, concealed income and undisclosed wealth. In order to evade taxes some people falsify their account and do not record all transactions in their books. The money which thus remains unaccounted for is called Black Money.

Barter : To trade by exchanging one commodity for another.

Bear : A speculator in the stock market who believes that prices will go down.

Bearer : This term on cheques and bills denotes that any person holding the same has the same right in respect of it, as the person who issued it.

Bond : A legal agreement to pay a certain sum of money (called principal) at some future date and carrying a fixed rate of interest.

Bonus : It is in addition to normal payment of dividend to shareholders by a company, or an extra gratuity paid to workers by the employer.

Budget : An estimate of expected revenues and expenditure for a given period, usually a year, item by item.

Budget Deficit : When the expenditure of the government exceeds the revenue, the balance between the two is the budget deficit.

Bulls : Speculators in the stock markets who buy goods, in some cases without money to pay with, anticipating that prices will go up.

Buyer's Market : An area in which the supply of certain goods exceeds the demands so that purchasers can drive hard bargains.

Carat : Measure or weight of precious stones. 24 carat gold is the purest gold, thus 22 carat gold means a piece of gold in which 22 parts are pure gold and 2 parts of an alloy, usually copper.

Cartel : It is a combination of business, generally in the same trade formed with a view to controlling price and enjoying monopoly

Caution Money : It is the money deposited as security for the fulfillment of a contract or obligation.

Call Money : Loan made for a very short period. It carries a low rate of interest.

Letter of Credit: A letter from a bank or a firm authorizing payment to a third person of a specific sum for which the sender assumes full responsibility.

Commercial Banks : Financial institutions that create credit accept deposits, give loans and perform other financial functions. They create credit by creating deposits on the basis of their cash reserve ratio.

Deflation : It is a state in monetary market when money in circulation has decreased and is characterized by low prices, unemployment, etc.

Depreciation : Reduction in the value of fixed assets due to wear and tear.

Depression : A phase of the business cycle in which economic activity is at low ebb and there is mass scale unemployment and underemployment of sources. Prices, profits, consumption, etc are also at a low level.

Devaluation : Official reduction in the foreign value of domestic currency. It is done to encourage the country's exports and discourage imports.

Direct Tax : Taxes that are directly borne by the person on whom it was initially fixed. e.g.: Personal income tax.

Dividend : Earning of stock paid to share holders.

Dumping : Sale of a commodity at different prices in different markets, lower price being charged in a market where demand is relatively elastic.

Exchange Rate : The rate at which central banks will exchange one country's currency for another.

Excise Duty : Tax imposed on the manufacture, sale and consumption of various commodities, such as taxes on textiles, cloth, liquor, etc.

Fiscal Policy : Government's expenditure and Tax policy.

Foreign Exchange : Claims on a country by another, held in the form of currency of that country. Foreign exchange system enables one currency to be exchanged for another, thus facilitating trade between countries.

Gross Domestic Product (GDP) : A measure of the total flow of goods and services produced by the economy over a specific time period, normally a year. It is obtained by valuing output of goods and services at market prices and then aggregating.

Indirect Taxes : Taxes levied on goods purchased by the consumer for which the tax payer's liabilities vary in proportion to the quantity of particular goods purchased or sold.

Inflation : A sustained and appreciable increase in the price level over a considerable period of time.

Laissez - faire : The principle of non - intervention of government in economic affairs.

Mixed Economy : The economy in which there is a unique blend of public sector and private sector co - exist. The perfect example is India.

National Income : Total of all incomes earned or inputted to factors of productions, used in economic literature to represent the output or income of an economy in a simple fashion.

Per Capita Income : Total GNP of a country divided by the total population. It is often used as an economic indicator of the levels of living and development. However, it is a biased index because it takes no account of income distribution.

Patents : It is an exclusive right granted under the Patents Act to the inventor for a new invention.

Preference Shares : These are the shares entitled to a fixed dividend before any distribution of profits can be made amongst the holders of ordinary shares or stock.

Public Sector : A term which is generally applied to state enterprises, i.e., those companies which are nationalized and run by the government.

Recession : It happens when there is excess of production over demand.

Statutory Liquidity Ratio (SLR) : It is the ratio of cash in hand, exclusive of cash balances maintained by banks to meet required CRR.

Tariff (ad valorem) : A fixed percentage tax on the value of an imported commodity, levied at the point of entry into the importing country.

Value Added Tax (VAT) : A tax levied on the values that are added to goods and services turned out by the producers during stages of production and distribution.

Zero Based Budgeting (ZBB) : The practice of justifying the utility in cost benefit terms of each government expenditure on projects. The ZBB Technique involves a critical review of every scheme before a budgetary provision is made in its favor. If ZBB is properly implemented it could help to reverse the trend of large deficits on the revenue account of the Union Government.
Economic Terminology