

GLOSSARY OF ECONOMIC TERMS

- **Advertising** : Business of persuading people to buy products or services.
- **Antique goods** : Something made in an earlier period that is collected and considered to have value because it is beautiful, rare and old or of a high quality.
- **Arbitrary weights** : Based on or determined by individual preference, rather than intrinsic nature of something.
- **Bank rate** : The rate of interest set by a central bank in a country. This is the lowest rate at which central bank lends money against approved securities.
- **Branded products** : A branded product is one which is the made by a well-known manufacturer and has the manufacturer's label on it.
- **Canons of taxation** : Canons of taxation define numerous rules and principles upon which a good taxation system should be built.
- **Capital gains** : A capital gain is a rise in the value of a capital asset (investment or real estate) that gives it a higher worth than the purchase price.
- **Capital losses** : A capital loss is essentially the difference between the purchase price and the price at which the asset is sold, where the sale price is lower than the purchase price.
- **Cardinal measurement** : The exponents of cardinal utility analysis regard utility to be a cardinal concept and hypothetically hold that utility is a measurable and quantifiable entity.
- **Cash reserve ratio (CRR)** : As per RBI Act of 1934, every commercial bank has to keep certain minimum cash reserves with RBI. It varies between 3 to 15% of the total demand and time deposits.
- **Ceteris paribus** : It is a Latin phrase and a dominant assumption in mainstream economic thinking when translated into English refers to “other things being equal or constant.”
- **Composite measure** : In Statistics, composite measures of variables refers to measurements based on multiple data items.
- **Composition of foreign trade** : Composition of trade means a study of the goods and services imported and exported by a country.
- **Consumer equilibrium** : It is a state of balance that can be achieved by a consumer from the purchase of goods and services, given their present level of income and the current level of prices.
- **Copyrights** : Copyright is a form of protection provided by the laws of a country to the creators of original works that includes literary, dramatic, musical, artistic and certain other creative works. A copyright holder can prevent others from copying, performing or otherwise using the work without his or her consent.
- **Cost of living** : It is the average amount of money that people in a particular place need to afford basic food, housing and clothing.
- **Credit rationing** : RBI imposes a ceiling on the loans and advances offered by commercial banks to regulate and control the purpose of credit.
- **Cross elasticity** : Cross elasticity of demand is an economic concept that measures the responsiveness in the quantity demanded of one good when the price for another good (substitute or complementary product) changes.
- **Deficit financing** : It is a practice in which a government spends more money than it receives as revenue. The difference is made up by borrowing or minting new funds.
- **Deflating** : Deflating in statistics means counteracting the effect of inflation over a set of data to unravel their true values and make them comparable.
- **Dearness Allowances** : It is a cost of living adjustment allowance paid to government employees, public sector employees and pensioners. It is calculated as a percentage of basic salary to mitigate the impact of inflation.
- **Direction of foreign trade** : Direction of foreign trade means the countries to which a particular country exports its goods and the countries from which it imports.

- **Disparities in income :** It refers to a significant disparity or inequality in the distribution of income between individuals, groups, populations, social classes or countries.
- **Division of labour :** It means separation of a work process into a number of tasks, with each task performed by a separate person or group of persons.
- **Double counting :** It occurs when the costs of intermediate goods used by a business to produce a finished good are included in the computation of a nation's gross domestic product.
- **Economic efficiency :** Economic efficiency is achieved when all goods and factors of production in an economy are distributed or allocated to their most valuable uses and waste is eliminated or minimized.
- **Economic model :** It is a simplified representation of economic reality showing the inter-relationships between selected economic variables.
- **Economic variable :** It refers to any measurement that helps to determine how an economy functions. Population, poverty, unemployment, inflation etc. are examples of economic variables.
- **Economic welfare :** It is the overall level of financial satisfaction and prosperity experienced by participants in an economic system.
- **Effective demand :** In Keynesian macroeconomic theory, effective demand is the point of equilibrium where aggregate demand = aggregate supply.
- **Engineering goods :** Engineering goods include metal products, industrial machinery and equipment, auto and its components and transport equipments.
- **Financial proposal :** A financial proposal is a written report that provides details of the future of a business by addressing its monetary needs and budget.
- **Forecasting :** It is a planning tool that helps management in its attempts to cope with the uncertainty of the future, relying mainly on data from the past and present and analysis of trends.
- **General price level :** It is an index that measures the change in price of goods in an economy over time and hence the purchasing power of the currency of the country.
- **Illegal incomes :** Income derived from illegal activities such as bookie/betting operations, theft, embezzlement and from other illegal resources.
- **Imputed value :** Imputed value is an assumed value given to an item when the actual value is not known or available.
- **Impact of tax :** Effect of a tax on production or consumption of a product.
- **Incidence of tax:** The incidence of a tax refers to the extent to which an individual or organisation suffers from the imposition of a tax.
- **Income tax returns :** A tax return is documentation filed with a taxing authority that reports income, expenses and other relevant financial information.
- **Indivisible goods :** A good is indivisible when the utility one derives from it depends on the number of users or individuals using it. This concept is used in public finance.
- **Intermediate goods :** An intermediate good is a good or service purchased by a manufacturer to be used as an input in another product.
- **Laissez-faire :** It is a policy of minimum governmental interference in the economic affairs of individuals and society.
- **Leasing Companies :** They provide finance for acquiring plant and machinery especially for small and medium sized enterprises.
- **Liquidity Adjustment facility (LAF) :** It is a monetary policy tool used by RBI which allows commercial banks to borrow money through repurchase agreements. It consists of Repo and Reverse Repo operations.
- **Marginalism :** Marginalism is concerned with how much extra use is gained from incremental increases in the number of goods created, sold, etc. and how these measures relate to consumer choice and demand.

- **Margin Requirements :** It is used by RBI to determine the loan value of a collateral security offered by a borrower. It is used to control speculative activities.
- **Merchant Banks :** Merchant banks in India manage and underwrite new issues, advise corporate clients on fund raising and other financial aspects.
- **Mixed income :** Remuneration of a self employed person is treated as mixed income. It is defined as the income that is received, over a given reference period, by individuals, for themselves or in respect of their family members, as a result of their current or former involvement in self employment jobs.
- **Moral Suasion :** It is a psychological instrument of credit control which is used by RBI to persuade commercial banks to co-operate with it in following a proper credit policy more rigorously.
- **Mutual Funds :** Mutual funds mobilize the savings of the general public and invest them in stock market securities.
- **National Electronic Fund Transfer (NEFT) :** It is an electronic fund transfer process, through which money can be sent from one bank account to another within the country in a safe and hassle free manner.
- **Oceanic trade :** It refers to expansion of trade network of coastal countries beyond their land territories.
- **Open market operations :** Open market operations is the sale and purchase of government securities and treasury bills by RBI or the central bank of the country. It is undertaken to regulate the money supply in the economy.
- **Optimum allocation :** It refers to the allocation of resources in the best possible manner to achieve economic efficiency. It prevents misuse and avoids wastage of resources.
- **Paradox of values :** It is an observation that articles or goods critical to life (such as water) are very cheap, whereas others which have no bearing on human existence (such as diamonds) are very expensive.
- **Patents :** It is an official legal right to make or sell an invention for a particular number of years.
- **Perishable goods :** They are a type of good especially food products with limited shelf life.
- **Point of satiety :** Point of satiety is defined as “the point where marginal utility of any commodity is zero.”
- **Potential supply :** Stock is the basis of supply. It constitutes the potential or total supply of a commodity that can be offered for sale at a favourable time.
- **Prestige goods :** They are high end or luxury goods that increases the status of the consumers who own or use them e.g. jewellery, luxury cars etc.
- **Price discrimination :** It is the act of selling the same product at different prices to different buyers, in order to maximize sales and profits.
- **Price illusion :** It is also called money illusion. It refers to the tendency of consumers to think in terms of nominal rather than real monetary values when making economic decisions. It is likely to occur when inflation is unanticipated.
- **Price quotations :** Price quotation is a document (generally written) which a seller provides to the buyer for offering goods and services at a stated price, subject to terms and conditions specified therein.
- **Principle of rationality :** It is an economic principle that assumes that individuals always make prudent and logical decisions that provide them with the highest amount of personal utility. These decisions provide people with the greatest benefit or satisfaction, given the choices available.
- **Public utilities :** Public utilities are services provided by the government or state, such as the supply of electricity and gas, or the train network.
- **Quid pro quo :** Quid pro quo is a Latin phrase which means a gift or a advantage that is given to someone in return for something that they have done.
- **Rational consumer :** A consumer who makes his choices after considering all the other alternative goods and services available in the market is called a rational consumer.

- **Rare goods** : They are artistic or precious goods that have a limited supply. The supply of these goods cannot be increased according to their demand or rising prices.
- **Real Time Gross Settlement (RTGS)** : 'Real Time' means the processing of instructions at the time they are received 'Gross settlement' means that settlement of funds transfer instructions occurs individually.
- **Rectangular hyperbola** : Rectangular hyperbola is a curve under which all rectangular areas are equal.
- **Repo Rate** : Rate at which RBI repurchases government securities from commercial banks for a short period when a liquidity shortage is experienced. It injects liquidity into the banking system.
- **Reverse Repo Rate** : Rate at which RBI sells dated government securities in the market through auction at fixed cut-off rate of interest. It absorbs liquidity and also provides short term avenue to banks to park their surplus funds.
- **Sales proceeds** : It refers to the amount of money received from a particular event or activity or when something is sold.
- **Samples** : It is a subset containing the characteristics of a larger population.
- **Self-consumption** : Producers themselves consume the entire or a part of the output they produce is self-consumption.
- **Social accounts** : It is the process of measuring, monitoring, and reporting to stakeholders the social and environmental effects of an organization's actions.
- **Speculation** : Speculation involves trading in a financial instrument involving high risk, in expectation of significant returns. The motive is to take maximum advantage from fluctuations in the market.
- **Standardized items** : It means products of the same type, having the same basic features.
- **Statutory Liquidity Ratio (SLR)** : Under Section 24 of Banking Regulation Act, 1949, commercial banks have to maintain liquid assets in the form of cash, gold and approved securities equal to not less than 25% of their total demand and time liabilities. It has been revised by RBI from time to time.
- **Subsidies** : It is a sum of money granted by the state or a public body to help an industry or business to keep the price of a commodity or service low.
- **Tariff** : Tariffs are used to restrict imports by increasing the price of goods and services purchased from another country, making them less attractive to domestic consumers.
- **Trademarks** : It is a symbol, word or words legally registered or established by use as representing a company or product.
- **Transfer payments** : It is a one-way payment of money for which no money, good or service is received in exchange. Governments use such payments as means of income redistribution by giving out money under social welfare programs such as social security, old age or disability pensions, student grants, unemployment compensation, etc.
- **Trends and Tendencies** : A pattern of gradual change in a condition, output or process or an average or general tendency of a series of data represented by a line or curve on a graph.
- **Uncertainty** : In economics, uncertainty implies that the future outlook for the economy is unpredictable. There is a high likelihood of negative economic events to occur.
- **Undistributed profits of companies** : Undistributed profits are those earnings of a corporation that have not been paid out to investors in the form of dividends.
- **Venture Capital Companies** : They provide commercial support to new ideas and for the introduction and adaptation of new technologies.
- **Welfare economics** : It is that branch of economics that seeks to evaluate economic policies in terms of their effects on the well-being of the community.
- **Window Display** : It is a marketing strategy in which a systematic arrangement of articles is done in such a way that they attract the attention of those who pass-by.



LIST OF ABBREVIATIONS

• ADR	American Depository Receipts
• BSE	Bombay Stock Exchange
• CGST	Central Goods and Service Tax
• CRR	Cash Reserve Ratio
• CSO	Central Statistical Organisation
• DFHI	Discount and Finance House of India
• DFI	Development Financial Institution
• EGEPC	Engineering Goods Export Promotion Council
• GDP	Gross Domestic Product
• GDR	Global Depository Receipts
• GNP	Gross National Product
• GST	Goods and Service Tax
• ICICI	Industrial Credit and Investment Corporation of India
• IDBI	Industrial Development Bank of India
• IEPF	Investor Education and Protection Fund
• IFCI	Industrial Finance Corporation of India
• IGST	Integrated Goods and Service Tax
• IIBI	Industrial Investment Bank of India
• LAF	Liquidity Adjustment Facility
• MMMF	Money Market Mutual Funds
• NDP	Net Domestic Product
• NEFT	National Electronic Fund Transfer
• NNP	Net National Product
• NSE	National Stock Exchange
• OECD	Organisation for Economic Co-operation and Development
• OPEC	Organisation of Petroleum Exporting Countries
• RTGS	Real Time Gross Settlement
• SBTS	Screen Based Trading System
• SEBI	Securities and Exchange Board of India
• SFC	State Finance Corporation
• SGST	State Goods and Service Tax
• SLR	Statutory Liquidity Ratio
• UTI	Unit Trust of India



REFERENCES

- Ministry of Finance, Government of India (Oxford Press), Economic Survey 2017-18.

IMPORTANT WEBSITES/LINKS

- <https://data.gov.in>
- <https://www.rbi.org.in> - (Reserve Bank of India)
- [mofapp.nic.in:8080/economic survey](https://mofapp.nic.in:8080/economic%20survey) (Ministry of Finance, GoI)
- www.mospi.gov.in/national-sample-survey-office-nss – (Ministry of Statistics and Programme Implementation, GoI).
- <https://stats.oecd.org>
- <https://www.bseindia.com>
- <https://www.nseindia.com>
- <https://www.finmin.nic.in>
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