CHAPTER - 1

Q.1. WHAT IS ECONOMICS? EXPLAIN THE DIFFERENT DEFINITION OF IT.

Q.2. EXPLAIN THE SCOPE OF ECONOMICS.

Q.3. EXPLAIN MICRO V/S MACRO ECONOMICS

Q.4 EXPLAIN THE THEORY OF DEMAND. OR LAW OF DEMAND.

Q.5 EXPLAIN THE LAW OF SUPPLY.

Q.6. EXPLAIN ELASTICITY OF DEMAN. EXPLAIN INCOME ELASTICITY OF DEMAND.

Q.7. EXPLAIN PRICE AND CROSS ELASTICITY OF DEMAND.

Q.8. EXPLAIN THE MAIN DETERMINANTS OF DEMAND IN DETAIL.

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Q.1 WHAT IS ECONOMICS? EXPLAIN DIFFERENT DEFINITION OF IT.

→ "Economics is the study of the production and consumption of goods and the transfer of wealth to produce and obtain those goods".

" Economics study the unlimited needs and the scare resources of study the unlimited needs of persons"

" Economics it study ~~the~~ how the scare resources satisfy the unlimited needs of humans"

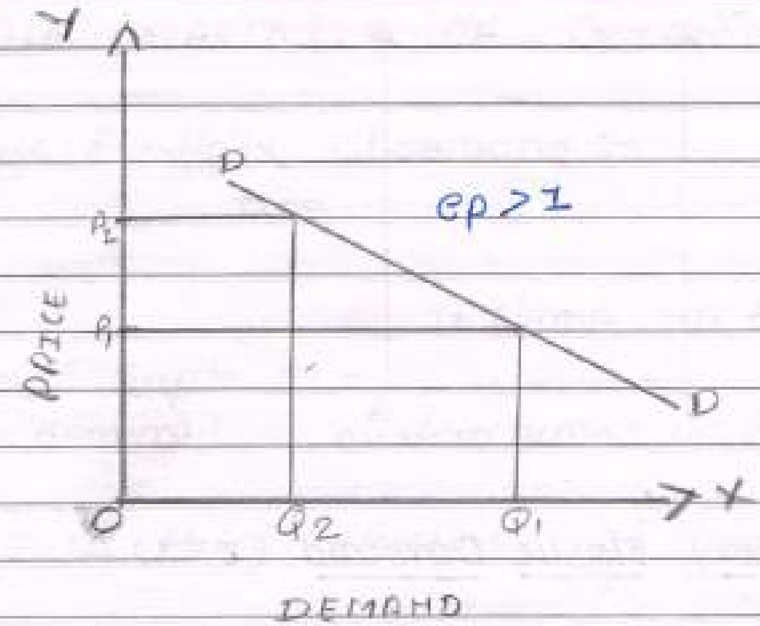
"
* Economics is the social science that describes the factors that determine the production, distribution and consumption of goods and services"

"
* Economics is a study of man in the ordinary business of life. it enquires how he gets his income and how ~~it~~ he uses it."

"
* Economics is a science which studies human behaviour as a relationship between ends and scare means which have alternative uses"

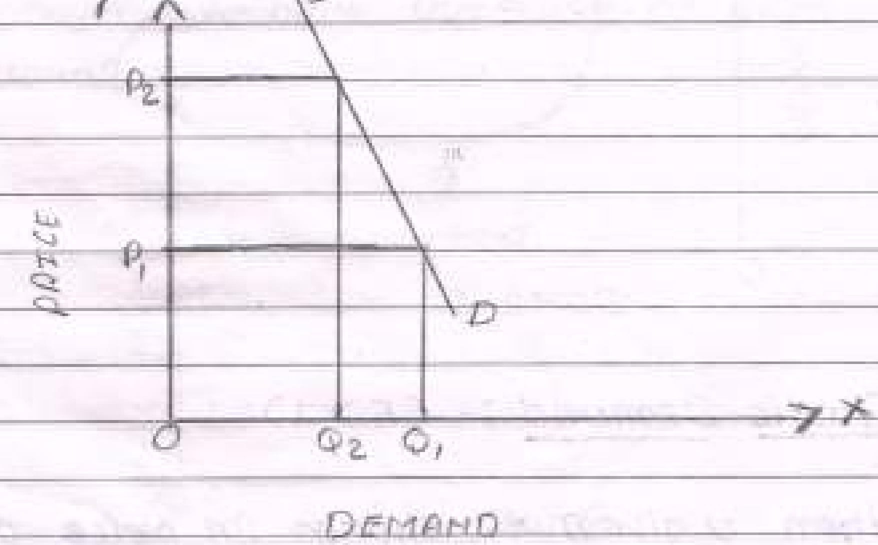
⇒ DEFINITION OF ECONOMICS.

1. WEALTH DEFINITION :- "An inquiry into the nature and causes of the wealth of nations" Economics is a study of wealth. a subject dealing with producing wealth and using it.



5. Inelastic Demand (e<1)

Here quantity demanded changes less than propotionate to change in price.



2. Income Elasticity of Demand :-

$$\text{Icome Elasticity} = \frac{\text{\% change in demand}}{\text{\% change in Income}}$$

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2. WEALFARE DEFINATION :- Economics is study of mankind in the ordinary business of life it inquiers how the gets his income and how he use it.

3. SCARCITY DEFINITION :- ECONOMICS is a science which studies human behaviour as a relationship between ends and scare means which have alternate uses.

4. GROWTH DEFINITION :- ECONOMICS is the study how men and society choose, with or without the use of money to employee scare productive resources which could have alternate uses, to produce various commodities over time and distribute them for consumption, now and in the future, among various people and group of socith.

1. Human needs are unlimited
2. The source are limited.
3. All resources have alternative uses.

Q.2 EXPLAIN THE SCOPE OF ECONOMICS.

→ 1. CONSUMPTION :- consumption means to wants of human. consumption refers to the use of wealth for the satisfaction of wants and desires for material and non-material things. It implies the consumption of the utility of an article and not the article itself.

2. PRODUCTION :- Man of cource, cannot produce or create matter any more than he can destroy it. All that he can do is to transform, adjust or arrange the matter or materials supplied by

nature so as cto impart utility in it and there by satisfy his wants.

3. EXCHANGE :- Under the modern complex economic organisation with a high degree of specialisation, it is not possible for an individual to satisfy all his wants by his own effort. Each indivisual is ordinary dependent on other for the satisfaction of his wants.

4. DISTRIBUTION :- The apportionment of the wealth produced amongst the different factors of production that have contributed in its production is known as distribution. under it we study the share of the various factors of production in the form of rent, wages, interest and profit.

5. PUBLIC FINANCE :- The state today bears the responsibility not only for the defence of the country against external aggresion and the maintanance of law and order at home. but also undertakes various plans for economic and social development. public finance otherwise known as the economics of government studies how the government obtains its revenue and how it spend it.

Q.3. EXPLAIN MICRO V/S MACRO ECONOMICS

→ MICRO ECONOMICS :-

- Micro Economics is the study of particular markets and segments of the economy. it looks at issue such as consumer behaviour, individual labour markets and the theory of firms.

- Micro economics concern with supply and demand in individual markets.

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- Individual consumer behaviour e.g:- consumer choice theory.

- The branch of economics that studies behaviour of individual consumer, firm family is known as microeconomics.

- Covers various issue like demand, supply, product pricing, factor pricing, production consumption etc.

- Helpful in determining the prices of a product along with the prices of factor of production within economy.

MACRO ECONOMY :-

→ Macro Economy is the study of whole ecomy.

- It concern with Fiscal / monetry policy.

- It concern with inflation, poverty and unemployement.

- It concern with international trade and globalization.

- Maintains stability in the general price level and resolve the major problems of the economy like inflation, deflation.

- It concern with standards and economic growth.

Q.4 EXPLAIN THE THEORY OF DEMAND OR EXPLAIN THE LAW OF DEMAND.

-> Meaning :-

In simple word we can say demand means desire of product or anything but in economy demand follow three main seluction :-

(A) Desire for the commodity

(B) Willingness to pay it price

(C) Ability to pay.

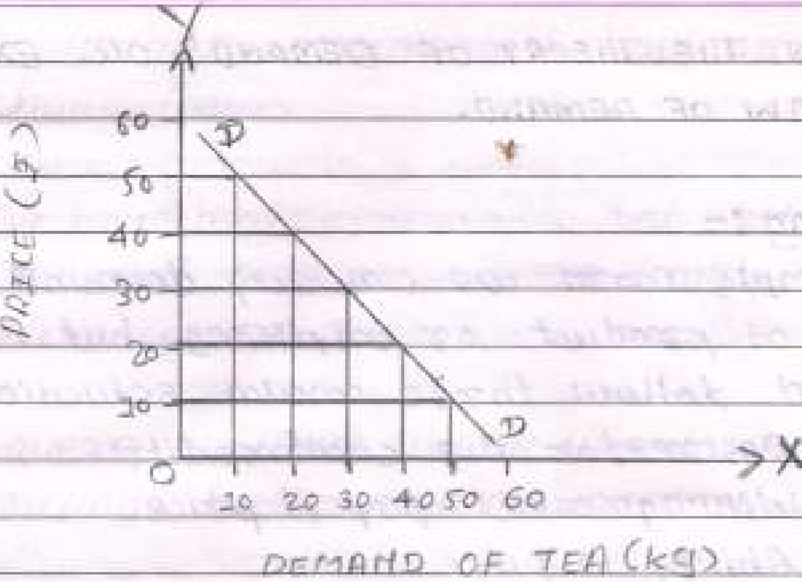
So, demand for any commodity, therefore may be define as the desire for that commodity backed by the willingness and ability to pay for it.

Demand means the ability of a demander to buy a product, the other reluvent factor is the willingness of a demander to buy a product or services at given price.

LAW OF DEMAND :-

The law of demand means when otherthing remain constant than price and its product demand show inverse relationship. When price increase that time demand of that product is decrease and when price of product is redue than the demand of that product increase.

PRICE (TEA) (kg)	DEMAND OF PRODUCT (TEA) (kg)
50 ₹	10 kg
40 ₹	20 kg
30 ₹	30 kg
20 ₹	40 kg
10 ₹	50 kg



Along OX we measured demand of tea and along OY we measured price of product tea. DD is the demand curve this demand curve is a locus of points showing various alternative price quantity combination. it indicates the quantity of product which a consumer would buy at different prices per unit of time.

Q.5. EXPLAIN THE MAIN DETERMINANTS OF DEMAND

→ **Price :-**

Basically, the amount of a commodity demanded per unit of time depends upon the price charged for it. Usually higher the price, the lower will be the quantity demanded.

Income :-

The income of household also affect the demand. In most cases, larger the income the greater will be the quantity demanded.

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Taste and Preferences :-

Taste and preferences of the people can have a powerful influence on the level of demand for a commodity. if a particular commodity comes into fashion, it will be demanded in large quantity even if its price is high.

Price of Related commodity :-

-> Subsitute product :-

~~Term~~ Tea and coffee if our product is tea, so, if coffee price increase then the demand of tea also increase.

-> Complementary Product :-

Tea and sugar if sugar price increase the demand decrease of tea.

Expectation of future price of product :-

Demand for a commodity will depend on people's expectation about its future price also Demand for wheat will increase inspite of its high price at present, if people expect a further increase in price.

size of population :-

Total demand for a commodity depends upon the people's or Number of it consumers. The larger No. of consumer the larger demand.

Q.6 EXPLAIN ELASTICITY OF DEMAND.

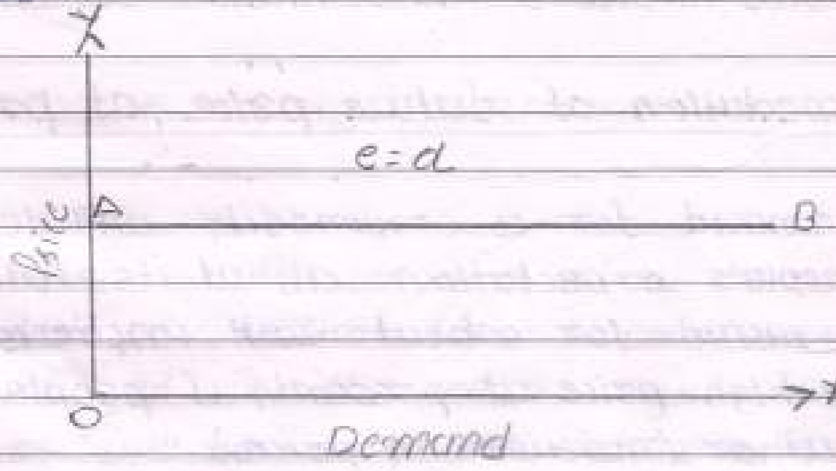
1. Price Elasticity of demand :-

$$\text{Price Elasticity of demand} = \frac{\text{\% change in Price Demand}}{\text{\% change in Price}}$$

Types of Price Elasticity of demand.

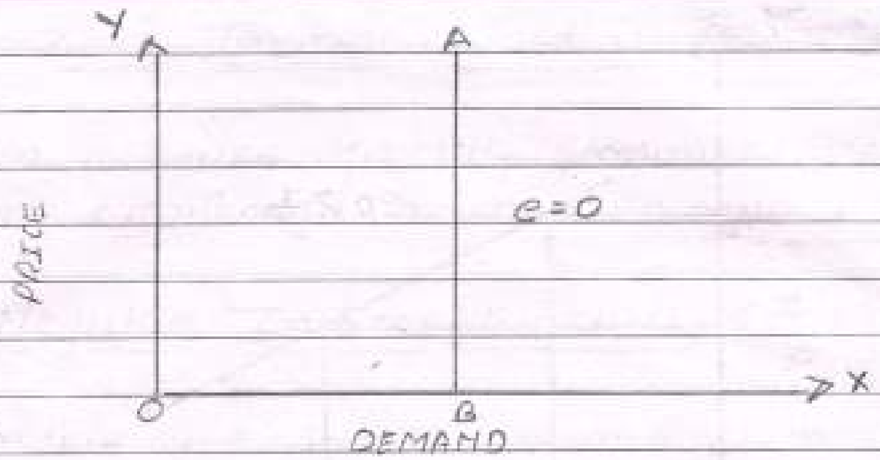
1. Perefect Elastic Demand ($E = \infty$)

When an insignificance small change in price cause extra ordinary large change in demand, we have the case of perefectly elastic demand.



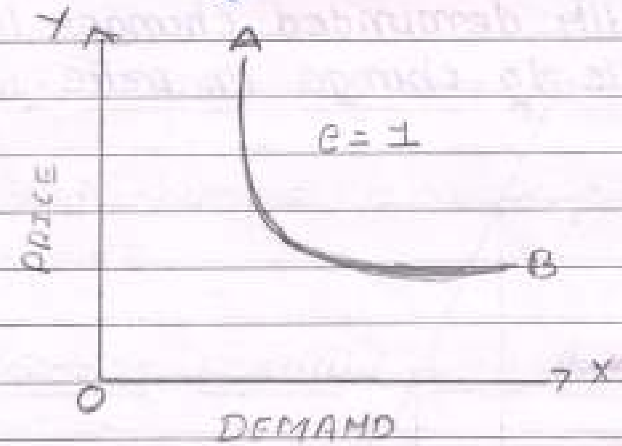
2. Perefectly Inelastic Demand ($E = 0$)

When demand for a commodity remains constant irrespective of the change in its price.



3. Unitary Elastic Demand (E = 1)

When a given percentage change in the price of commodity brings about the same % change in demand.



4. Elastic Demand :- (E > 1)

When a given % change in price of a commodity causes more than propotionate change demand.

OR.

A small change in price leads to very big change in quantity demand.

for ex:- price 2% falls but demand rises by 10%.

1. Zero Income Elasticity [$E_y = 0$]

In this case, quantity demanded remain the same eventhough money income increase.

2. Negative Income Elasticity [$E_y \leq 0$]

In this case, when income increase, quantity demand falls.

3. Positive Income Elasticity [$E_y \geq 0$]

In this case, an increase in income may lead to an increase in the quantity demanded

4. Unit income elasticity [$E_y = 1$]

Demand changes in same proportion to change in income.

5. Income Elasticity less than Unity [$E \leq 1$]

In this case % change in demand is less than % change in income.

6. Income Elasticity greater than Unity [$E \geq 1$]

In this case % change in demand is more than % change in income.

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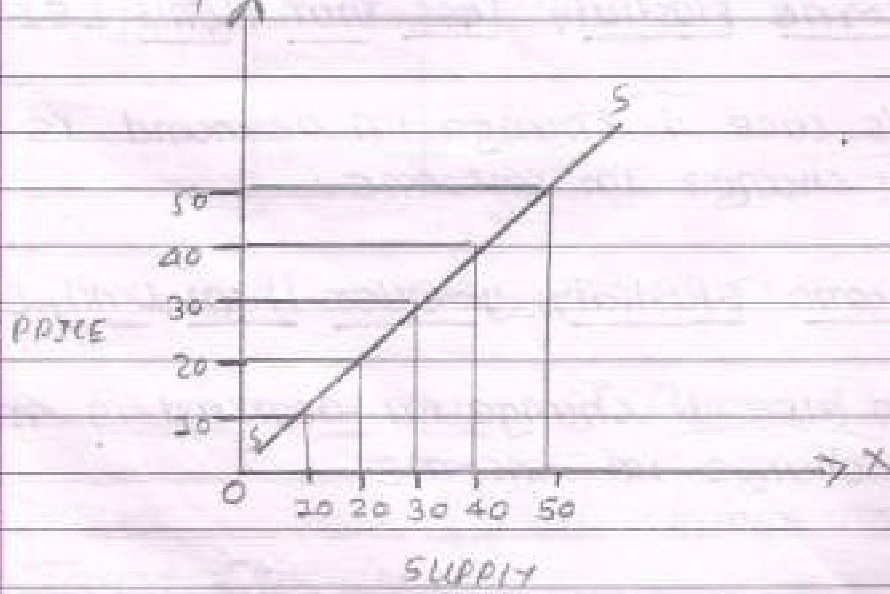
3. Cross Elasticity of Demand :-

$$\text{Cross Elasticity of Demand} = \frac{\text{\% change in quantity of commodity}}{\text{\% change in price of related commodity.}}$$

Q7 EXPLAIN THE LAW OF SUPPLY.

LAW of supply show the positive relationship between price and supply of quantity of product or commodity.

PRICE	Q. SUPPLY.
10 ₹	10 unit
20 ₹	20 unit
30 ₹	30 unit
40 ₹	40 unit
50 ₹	50 unit



* EXCEPTIONS TO THE LAW OF DEMAND.

1. Valuable goods:-

ex: GOLD, Diamond

2. Giffen goods :-

ex:- Sugar, Salts.

3. future Price

4. Daily or Necessary product:-

CHAPTER - 2 THEORY OF PRODUCTION.

* MEANING OF PRODUCTION.

"Production is a process by which goods and services are created"

"Production is a creation of physical assets"

Input -> Processing -> output

* FACTORS OF ~~RA~~ PRODUCTION.

Factors of production means that factors which become helpful to the person or company for production process.

1. Land
2. Labour
3. Capital
4. Enterprenus.

1. LAND :-

Land is the first and primary factor of all the factors of production and the source of all material goods. In the ordinary sense, the term 'land' means soil, but in economics it is used under wider sense.

It refers to all natural resources like, water, air, fisheries, forests, mines, soil etc. The term 'land' thus includes all that natural has created on the earth, above the earth and below the earth.

According to Dr. Marshall land means "The material and the forces which nature gives freely for man's aid in land and water. In air and light and heat."

Peculiarities of land :-

1. land is a free gift of nature :
2. Land is fixed in quantity
3. land is not perishable.
4. Land is immobile factor of production.
5. Land is differ in quality.

2. LABOUR :-

Any work - whether physically or mental which is undertaken for monetary consideration is called 'Labour"

Labour means any work or part of human for a production.

Peculiarities of labour :-

1. labour cannot be spe seprated from labourer
2. labour is the most perishable ~~commodity~~ Factor
3. Supply of labour changes slowly
4. labour is much less mobile than capital.
5. labour differs in efficiency.
6. labour is a human factor of production.

3. CAPITAL :-

Capital is part of wealth which are invested for gaining money.

Peculiarities of capital :-

1. Capital is part of wealth.
2. Capital is accountable.
3. Capital is highly mobile factor.
4. Capital quantity is dependent on return.

4. ENTERPRENEUR :-

Enterpreneur means who invest the part of wealth and bear loss and gaining profit from investment.

Peculiarities of Enterpreneur

1. It is live factor of production
2. It is highest mobile factor.
3. It bear loss and gaining profit.

* EXPLAIN THE COST ANALYSIS OR DIFFERENT TYPES OF COST.

The most widely accepted concept of cost is the money cost of production. It is the total of various sums of money paid to the factor of production for the services rendered by them in production process.

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Types of cost :-

1. Money cost :-

money cost means cost which emerge from produⁿ process like wages, rent, interest etc.

2. Real cost :-

The overall actual expense involved in creating a good for sale to consumers. The real cost of production for a business typically includes the value of all tangible resources such as raw materials and labour that are used in production process.

3. Opportunity cost :-

opportunity cost is the value of best alternative forgone, where a choice needs to be made between several mutually exclusive alternative given limited resources.

The loss of potential gain from other alternative when one alternatives is chosen.

4. Total cost :-

Total cost mean total money spent on all inputs used for production that they cover all expenditure on land building, machinery, labour, interest on capital, Insurance premium, transport, ...

advertisement etc. These are called explicit costs.

The economic cost also includes other costs. like, cost of owners' owned and supplied capital, labour etc. These are implicit cost. Thus,

Total cost = explicit costs + Implicit costs.

5. Fixed cost :-

Fixed cost not related to the volume of output. They remain fixed when output increase or decrease or even become ZERO. Expenditure on such item as land, building, machinery, permenent stuff etc.

6. Variable cost :-

Variable costs are those expenditure of production which very or change directly with the level of output. IF out is expanded they increase and decrease when output is reduced. At zero production there are no variable cost.

7. Average cost :-

$$AC = \frac{TC}{Q}$$

TC = Total cost

Q = Total output.

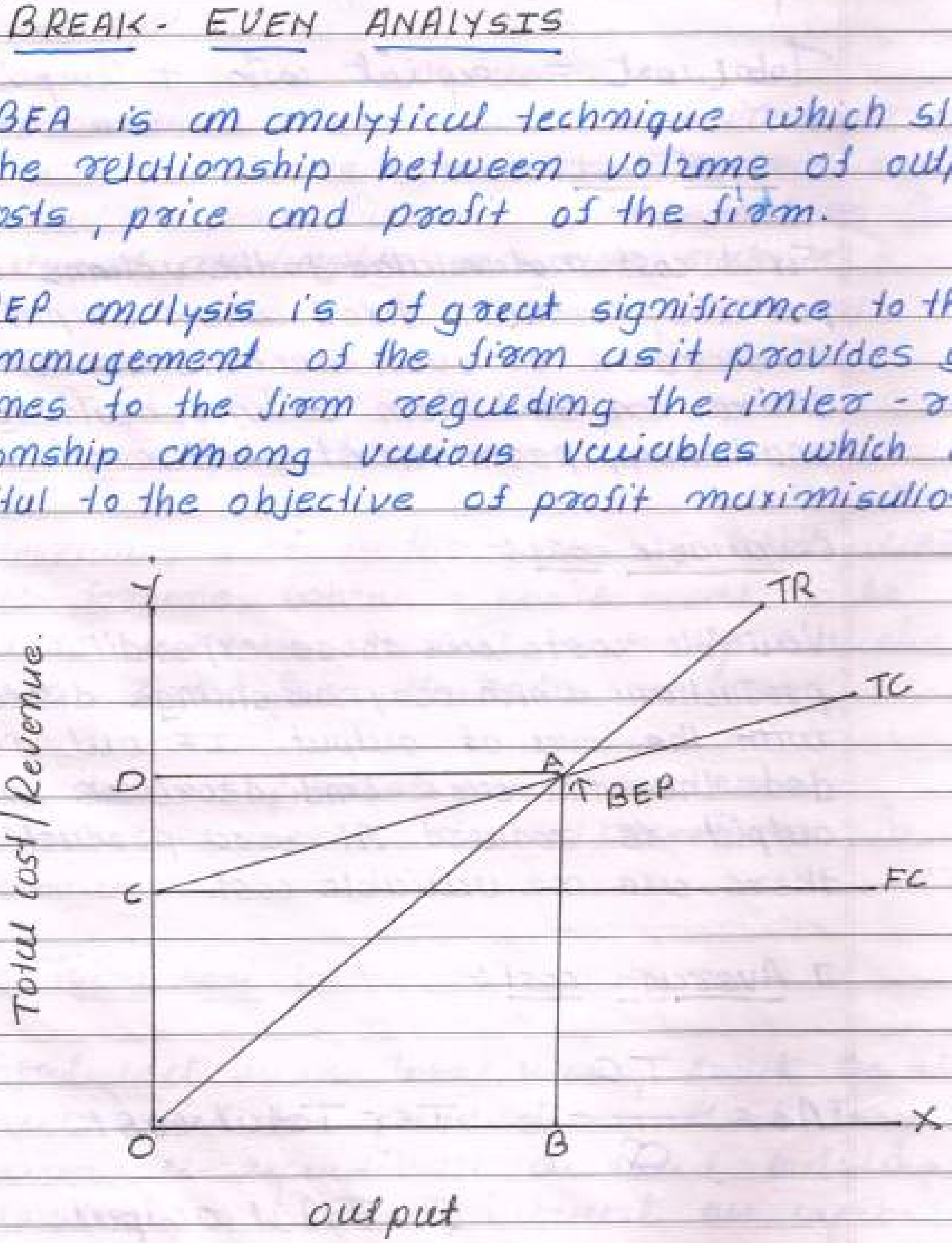
8. Marginal Cost :-

Marginal cost is the addition made to the total cost by producing one more unit of output. It is the cost of one more unit produced.

* BREAK- EVEN ANALYSIS

BEA is an analytical technique which studies the relationship between volume of output, costs, price and profit of the firm.

BEP analysis is of great significance to the management of the firm as it provides guidlines to the firm regarding the inter-relationship among various variables which are vital to the objective of profit maximisation.



* Assumption :-

A. The firm sells all its units.
B. The total production of the firm and the total sales remain the same
C. Total cost diveded two part Fixed cost and variable cost.
D. Fixed cost remain same at any level of production.
E. Variable cost become variable at differe level of production.

CHAPTER - 3, MARKET, [redacted]

* MARKET :-

In ordinary language 'market' refers to a place where a certain commodity is being sold and bought. cloth market, vegetable market, bullion market etc.

Market is a physically or nonphysically place where customer contact which each other transact the goods and services against the money.

* TYPES OF MARKET

1. Perfect competition :-

In perfect market there is an extremely large number of buyer and seller. Each buyer and seller controls a very insignificant portion of the total purchase of sale

Feature :-

A. large Number of buyers and sellers.
B. Homogeneous product.
C. Free Entry and Free exit for firms
D. Perfect knowledge with customes.
E. Perfect mobility of factors of production.
F. Non-existence of transport costs

2. Monopoly Market :-

Monopoly market is the excet opposite of perfectly competition market. ordinary monopoly means a situation in which there is a single seller of the product. it therefor means absense of competition.

Feature :-

~~A. Natural Monopoly.~~
A. large Nomber of Buyer
B. single seller
C. Absense of close subsitute.
D. close entry.

3. Monopolistic Competition :-

There are many seller competing withe each other and also many buyer. No seller is in a influence position for price. Under monopolistic competition, each firm or seller is selling a product which is very much similar the the product sold by another seller. They Fous on product differe-ntiation

ex:- Tooth paste, ~~Automobile~~.

Feature :-

A. Existance of Many firm
B. Product differentiation
C. Existance of selling costs
D. Different prices for different product.

4. Oligopoly Market :-

Oligopoly is gain a real world market situation. we firm find that very few firm, say 3 or 5 are controlling virtually the whole market in certain commodities.

ex:- Automobile , Petrolium Industry.

Feature:-

A. Few Seller
B. Interdependent firms
C. Importance of Advertising and selling costs
D. Group decision.
F. Price Rigidity.

GNP = GDP + Net Income from abroad

Net Income from abroad =
Factor Income Reived from Abroad − Factor Income paid Abroad.

* NATIONAL INCOME

National Income means the total production & Services market price of particular company in particular time period.

2. GDP :-

Gross Domestic Product

"Gross domestic product means the market value of total production of goods and services by a country in their territorial area."

Territorial area include earth surface of land of country and also National sea area.

3. GNP :-

Gross National Product

"Gross national product means the market value of all goods and services produced by national people in country and out of country"

GNP = GDP − foreigner production in country
+ National people production in other countery.

4. NDP :-

"Net Domestic Product"

NDP = GDP − Depriciation on factor of production.

NNP:-

"Net National Product"

NNP = GNP - Depriciation on factor of production.

NATIONAL INCOME AT MARKET PRICE:-

National income at market price is measure of total output of final goods and services valued at market prices

NATIONAL INCOME AT CURRENT PRICE:-

Measures of national income requieres us to multiply quantity of output by money price. if quantity of output and money price both related to same year is called GNP at current prices.

PER CAPITA INCOME:-

$$\text{Per Capita Income} = \frac{\text{National Income}}{\text{Population of country}}$$

eg:- 2015 Year.

$$\text{Per Capita Income in 2015} = \frac{\text{National Income in 2015}}{\text{Population in 2015}}$$

PERSONAL INCOME:-

Personal income is the total income received by the individuals from all sources during year before payment of direct taxes.

DISPOSABLE INCOME:-

Disposable income of the individuals is the actual income which can be spent by the individual or families. if we deduct the direct taxes paid by the individuals from personal income, we obtain disposible income.

CHAPTER-4 BASIC ECONOMIC PROBLEMS

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* POVERTY :-

Povety means any people who cannot get minimum Basic requirement

Types of Povety :-

(1) Relative povety :-

In this concept, incomes of different individuals or groups of individuals in the society are compared and, individuals or groups of individuals with comparitively low incomes, are consider as poor.

It also based on standard of living or income

for exampale :- A, B, C and D their income comaritvely 5000₹, 10,000₹, 15000₹ and 20,000₹ in this A is poorest people compared to B, C and D.

Relative povety shows the inappropriate or imbalance distribution of income.

(2) Absolute Povety :-

Absolute povety refers to a situation in which a person's income is less than what is required to meet the base neccesities of life.
like, food, seller, home, Cloth. at the current price

This minimum necessary level of income is generally known as poverty line

It also known as BPL Bellow the poverty line.

* Causes of Poverty

1. Low Rate of Economic Growth :-

Low rate of Ecomics Growth effect the poverty. If the nation Economic growth rat. is low then the country got low income so people has low income which increase the poverty.

That a very large section of our population has to go without even the most essential needs of daily life it self implies that the rate of increase of our national product is very inadequate in relation to growth and size of our population

2. Economic Inequalities :-

Another important cause of poverty is uneven distribution of income and consumption means poor become more poor and rich become more riches

So, inequalities income distribution increase the poverty.

3. Benefits of public investments have accrued more to uper section of the society :-

It has found that the fauiets of public investment undertaken during the last five decades have accrued more to the upper section of the society than to the middle and lower income group

4. Unemployment :-

lack of adequate expansion of employment opportunities during the planing period also accentuated the problem of poverty. for people there is no opportunu for income than they become unemployed so. they become poor

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* UNEMPLOYMENT

The term unemployment has a special meaning unemployment refers to a situation in which a person jobless.

Types of Unemployment:-

1. Voluntary Unemployment:-

Voluntary Unemployment means that person who will get job but he did not ~~work~~ want to work.

2. Cyclical Unemployment:-

It arises because of the ups and downs in economics activities known as prosperity and depression respectivly. It is during the depression period that mass unemployment arises becoze of insufficiency of demand for goods and services in the markets. It is short-term.

3. Frictional Unemployment:-

It arises due to technological changes in the economy. when a new laboursaving method of production is introduced, a large no. of workers are discharged from job. They cannot be reemployed in other sector ~~to~~ of the economy till they are properly trained for new job.

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4. Seasonal Unemployment :-

We know that agriculture is the main occupation of a large majority of people in rural areas, but it does not provide gainful employment throught the year raintall and the crops grown. to all those who are engaged in it.

ex:- Agricultural.

5. Structural Unemployment :-

however, while of intrest of policy - maker, can-not be fixed as esily by macro level stimulus policies. structural unemployment occurs when there is a mismatch at the individual worker-level between the skills, experience, qulification and location of the unemployed workers and what's required for the job opportunities.

ex:- - Technological obsolescence.
- location mismatch
- Educational mismatch
- Inexperience
-

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* CAUSES OF OF UNEMPLOYMENT

1 Rapid Growth of population:-

Fast growth of population has directly contributed to the worsening situation of unemployment and under employment in india. since populatio is the main source of labour supply, population growth is followed by the growth of labour supply the economy.

Some social changes such as the decline in joint family system and spread of education among the female which by raising the ratio of working population in the country, also aggravate the problem of unemployment and underemployment.

2. Slow Rate of Economic Growth:-

Slow rate of economic in the context of raising labour population has been found to be too slow to absorb the continous increase in the quemtum of labour force In other word, because of slow growth rate of the economy exemption of employment opportu-nities has been slow leading to increase in unemployment.

3. Preference for capital intensive Techniqua:

The growth of employment depends on the volume and pattern of investment in the economy.

Thus, during the planing period, although the volume of investment has increased, employment has not increased as fast as the volume of investment.

4. Defective System of Education :-

Although literacy ratio in india is low as compared to a No. of developing countries yet the irony is that the extent of educated unemployment in our country is very high. one of the main reasons for this is that our present day education system is very irrelavant.

5. Immobility of labour :-

one of the causes of unemployment in India of labour, both geographical and occupational. Many a times, people are not willing go to far off places in the country even if work is available there.

6. Absence of skill Development opportunities :-

Most of the labours are unskilled becau they do not have enough resources to acquire and develop their skill. Not are there enough facilities to provide training and skill to the labourer in the country.

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* Measures to Remove Unemployment

1. Accelerating Economic Growth Rate:-

The ulimate solution of the problem of unemployment in India lies in accelerating the economic growth rate. If the growth rate of economic is accelerate them the growth also increase which provide scope for more investment which increase the employment opportunities.

2. Employment - Generation in Rural areas:-

Bulk of unemployment in India manifests itself in rural areas and for this a programme of masive employment generation will have to be undertaken in the rural areas.

- Intensive farming and multiple cropping
- propugation of dry farming technology.
- Reclamation of waste lands.

3. Reforms of Education System:-

Reforms of Education system means to make proper planing for Education and how the students future job means to make proper Education system that the students after complition of edution they can get the job.

4. Encouragement of self-Employment opportunities :-

To introduction of short-term training courses in different fields like spining weaving, dreing, painting, turning, welding, audio, ~~training courses in different~~ and television repairing, automobile repairing etc.

5. Control of population Growth :-

The problem of unemployment is also closely related with high growth rate of our population. If population growth rate in control then the person have more place for job.

6. Employment Exchange :-

Employment Exchange act as a link between the employees and job seekers They provide the necessary information and guidance to all those in search of employment according their qualification and experience.

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* INFLATION.

Meaning

-Inflation refers to a situation in which the value of money is falling, that is prices are rising.

- Inflation means issue of too much currency

* Types of Inflation.

1 Demand pull Inflation

When the demand of product and services are increase that time the customer demanded more demand so, the price of product is rise.

2. Cost - push inflation.

It the wage and rent rate of Factor of production increase then the price of product also increase.

* Causes of Inflation

1. Demand side Factors

- Increase in money supply
- Increase in Desposable Income
- Increase in Government Expenditure
- Increase in Investment expendure
- Increase in Export
- Black Money

2. Supply side Inflation.

- Shortage of factor of production.
- Natural Calamities.
- Industrial Disputes
- Artificial scarcity
- High Taxes

* Measures to control Inflation.

1. Monetary Policy.
2. Fiscal Policy.
   (i) Reduction in Public Expenditure
   (ii) Increase in Taxes
   (iii) Public Borrowing
3. Price controls and Rationing
4. Wages Freeze policy.
5. Increase Import and Reduced Exports
6. Increase Production.

CHAPTER - 5 , MONEY AND BANKING.

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* Meaning

" Anything is money which functions generally as a midium of Exchange"

" Anythings that is generally acceptable as a means of exchange and which at the same time acts as a store of value"

* Types of Money.

1. Metallic Money :-

Gold and silver were probably the first metals to be discoverd and used by man as money. These metals were durable, scarce and had good value and hence they came to be used as money.

2. Paper Money :-

paper money was used as a substitute money or representative money and was freely convertable into gold or silver coins. In course of time, however, paper currency notes became money ~~on no-longer~~ on their own account.

Paper money refers to the paper currency notes issued by the government or by the central bank of the currency countes.

3. Bank Money :-

Bank money, otherwise also known as credit money, consists of various instruments of credit like cheques, bank draft, bill of exchange etc. In other words of keynes 'Bank money is simply an acknowledgement of a private debt, expressed in the money of account, which is used by passing from one hand to another alternatively with money proper to settle a transaction.

4. New Money :-

(I) Capital certainty
(II) Shiftable / transferability

* Function of Money

1 Primary Function of Money.

(I) Medium of Exchange
(II) Measure of value.
~~(III) Storage of value.~~

2. Secondary Function of Money.

(I) Standard of Deferred Payment.
(II) Store of value

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* Monetary Policy.

Meaning

Monetary policy includes all those measures which affect the total volume and value of money in economy

* Objectives of Monetary Policy.

1. To provide finance for Economic Development
2. To Regulate Bank Credit.
3. To Encourage Monetisation in the economy
4. Achieving economic growth and stability

* Tools of Monetary Policy.

1. Bank Rate Policy.
2. Open Market Operation
3. Variation in the Reserve Ratio
4. Credit Rationing
5. Margin Requirement.

* Fiscal Policy

Fiscal policy is an integral part of the overall economic policy of the government. The term 'fisc' means treasury, fiscal policy, thus, means policy relating to treasury. In other word, fiscal policy is policy relating to revenue, expenditure and debt of government.

* Objectives of fiscal Policy :-

1. To promote capital formation and Economic Growth.
2. To maintain Economic stability
3. To Reduce Inequalities of Income and wealth.
4. To increase Employment Opportunities

* Tools of fiscal Policy.

1. Taxation
2. Public borrowing
3. Deficit financing
4. Public expenditure.

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* Banking

* Function of a commercial Bank.

1. To Receive Deposite from the Public:-

The first main function of commercial Bank is to accept and attract deposit their from public. Those person who are in a position to save something out of their income, deposit their saving in the bank. The bank not only protects their savings but also provides the depositers a cheap and convenient method of transferring funds from one place to another.

There are three types of deposits.

1 Demand deposits (current deposits)

2. Fixed deposits

3. Saving deposits

2. To make loan and Advances :-

The second important function of a commercial bank is to make loans and advances to those who require it and can utilise it with advantages like traders, businessman, industrialist etc. The bank known from their experience that although the deposits which they have received may be withdrawn at any time.

Types of loans :-

1. loans may be advanced against tangible securities.

2. loan may also by advanced by a bank by offering facilities for discounting bills of exchange.

3. loans are also advanced by granting over-draft facilities

4. loans are also advanced by crediting deposits.

3. To make investment :-

The third function of the banks is to make investment. Ordinarily the banks advances short-term and medium term loans but in recent years, the share of their activities is increased and they are providing long term finance as well. This they do by investing their funds is the purchase of shares and debentures of the industry concerns and also investing in Government securities.

4. To provide a cheap and convenient Medium of exchange :-

By providing a cheap and convenient medium of exchange like cheque, bank draft etc.

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5. To finance foreign Trade :-

Apart from financing the internal trade of the country. banks also undertake to finance the foriegn trade of the country by accepting or collecting foreign bills of exchange draw by the customer and by transaction other foriegn business.

6. To provide Agency Services :-

A bank act as an agent of its customers in collecting and paying cheques, bills of exchange draft, dividends etc. It also buys and sells shares, securities and debentures for its customers. It paying insurance premium, rent, electric bills, rent, water bills, on behalf of its customers

7. To provide Miscellaneous services :-

A commercial bank performs a No. of other services. It acts as the custodian of the valuable of its customers by providing them lockers. It issues a No. of credit instruments such as cheques, drafts, letter of credit etc.

* TYPES OF BANKS

1 legal Position :-

The Banking Regulation act of India defines banking as "the accepting for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise"

2. Scheduled Banks and Nonscheduled Banks :-

Indian joint stock banks are those banking companies which are registered in the country under the Banking Regulati Act 1949 Under the Reserve Bank Act 1934.

* Scheduled Bank are those bank which are entered in the second schedule of RBI Act ~~India~~ 1934

(i) have a paid up capital and reserve of an aggregate value of not less than ₹ 5 lakh

(ii) which satisfy the RBI that their affair are carried out in the interest of their depositors.

(iii) It must be a joint stock company.

(iv) It is required to keep a certain % of its cash reserves with RBI and submit periodical return to the RBI

* Non-scheduled Banks are those which have not been included in the second schedule of the Reserve Bank of India Act 1934 and have paid up capital and reserves of an aggregate value of less than ₹ 5 lakhs. It is subject to the statutory cash reserve requirement which it is required to keep with itself and not with RBI

3. Public and Private Banks :-

On the basis of ownership, banks are classified in to public sector bank and private sector bank.

A public sector bank is a Government of India undertaking and private sector bank is owned by the share holder. Both type of banks performs the same function

public sector Bank :- BOB, SBI

private sector Bank :- HDFC, ICICI, AXIX.

4. Indian Bank and Foreign Banks :-

The Indian Banks are those which have been incorporated in India and so have their head offices in India.

Foreign Banks are those which have been incorporated in foreign countries and have their head offices outside India.

Foreign banks can operate in any one of three channels.

(1) Branches, (2) A wholly owned subsidiary (3) A subsidiary with aggregate foreign investment up to a maximum of 74% in a private bank.

5. Regional Rural Banks :-

The Government of India announced in july 1975 its decision to set up 50 Regional Bank in different parts of the country.
The main objective of these banks is to provide productive credit to the weaker sections of the rural areas so as to enable them to increase their productivity and income and there by make them selfsufficient.

6. Co-Operative Banking :-

(1) State Co-operative Bank :-

The SCB serves as a connecting link between NABARD and the central co-operative banks at the district or central co-operative level like the arteries of co-operative body.

(2) Central Co-operative Bank :-

In India we have a CCB one in each district by and large, it therefore also popularly called the district co-operative Bank. It provides finance to primary credit societies for their activities. It is a federation of such societies in that specific area or district.

* RBI - RESERVE BANK OF INDIA.

Reserve Bank of India was constituted in April 1935. It was a private - shareholders' bank with a fully paid up share capital of ₹5 crore. After Independent it become a state owned institution on JAN 1, 1949 as its entire paid up capital was transfered to the central Government of India under the Reserve Bank Act 1948.

RBI is managed by the Central Board of directors with the Governor as its chairman who is assited by four deputy Governors and four Executive directors

* **Functions of RBI**

1. Issue of notes :-

The first important function of RBI is to control the volume of currency in the country and for this purpose RBI is given the sole right of issuing notes In almost every country of the world today, the central bank including RBI has been given this exclusive monopoly of note-issue.

2 Banker in the Government :-

RBI act as a bankers to the Government all cash balance of to the Government of India are kept with RBI. It makes and receive all payment on behalf of the Government. It manages public debt That is, it issues short term and long term loans on behalf of the Government pay interest on these loans and other Government securities and arranges for the payment of loans when they are due

3. Banker's Bank :-

All the commercial bank of India are required either by customer or by law to keep a certain propotion of their deposit as cash reserve with RBI.

RBI is the lender of the last resort the commercial banks whenever the commercial bank face any financial difficulty or whenever there is a "run on the bank" and no help is forecasting from any source, RBI comes to their help as a ~~a~~ ~~leder~~ lender of the last resort

4. RBI Maintaining the stability of the rate of exchange :-

Another important function of RBI is to maintain the stability of the rate of exchange. The rate of exchange means the rate at the rate of exchange between the Indian rupee and American Dollar is $1 = ₹46. Stability in the rate of exchange is very essential because if there are frequent changes in exchange rate, it has adverse effects on the imports and exports of the country

5. Controller of Credit :-

Credit control is perhaps the most important function of the central bank i.e. the RBI. RBI is expected to correct inflationary or deflationary situation whenever they arise and bring normalcy or economic stability in the country.

6) PROMOTIONAL FUNCTIONS OF RBI

- Agricultural finance

- Industrial finance

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- Foreign Trade finance

- Development of Banking Industrial

* DIFFERENT CONCEPTS OF BANKING RATES

(A) Bank Rate :- (Banks takes loan from RBI)

Bank rate is the of interest on the short term loans RBI advances to the Government against its securities. Bank rate is also known as discount rate because it is the rate at which RBI discount the first class bills of exchan. and securities held by the commercial bank

"Bank rate is rate at which commercial Bank take loan from RBI."

(B) Repo Rate :- (short term money to Commercial Bank)

Repo rate refers to a transaction in which a participant acquires funds immediately by selling securities and agrees to purchase the same after a specified time at a specified price.

"Repo rate is the rate at which the central bank of country lends money to commercial banks in the event of any shortfall of funds.

(C) Reverse Repo Rate :- (RBI take money from Commercial Bank)

Reverse Repo Rate is the rate at which the central bank of country borrows money from commercial banks within the country. It is a monetary policy instrument which can be used to control the money supply in the country.

(D) Cash Reserve Ratio :- (cash) only cash

Variation in the reserve ratio is still another important method of credit control in almost all countries, the commercial bank are required either by law of custom to keep a certain opportunities of their total demand and time liabilities as cash reserve with the central bank.

" CRR is the amount of funds that the banks have to keep with the RBI."

(E) Statutory Liquidity Requirements :-
(only ~~Assets~~) (Assets) (સોનું, ચાંદી, જમીન ઘર)
Apart from statutory cash reserve requirements all scheduled bank have to maintain liquid assets in the form of cash, gold or unencumbered approved securities which shall not be less than 25% of its demand and time liabilities in India.

" SLR ~~is~~ is the indian government term for reserve requirement that the commercial banks in india require to maintain in the form of gold, government approved securities before providing credit to the customer"

CHAPTER 6. AN INTRODUCTION TO MANAGEMENT

❖ Definition of management

"Management is an act getting things done through other"

"Managements means to use available resources very effectively and efficiently to achieve our predetermine goal"

"To done our work by using available people"

❖ Management v/s Administration

Basis for comparison	Management	Administration
Meaning	An organized way of managing people and things of a business organization is called management.	The process administering an organization by a group of people is known as the administration.
Authority	Middle and lower level.	Top level.
Role	Executive.	Decisive.
Area of operation	It has full control over the activities of the organization	It works under administration.
Application to	Profit making organizations, i.e. business organization.	Government offices, military, clubs, business enterprise, hospitals, religious and educational organization.
Decides	Who will do the work? And how will it done?	What should be done? And when is should be done?
Work	Putting plans and policies into action.	Formulating of plans framing policies and setting objectives.
Focus on	Managing work.	Making best possible allocation of limited resources.
Key person	Manager	Administration
Represents	Employees, who work for remuneration.	Owner, who get a return on the capital invested by them.

❖ Role of manager in any organization given by mintzberg (FLL RSD REDN)

A. Interpersonal role

I. Figurehead Role: perform ceremonial and symbolic duties such as greeting visitors signing legal documents.
II. Leader role: direct and motivate subordinates, training, counseling and communicating with subordinator.
III. Liaison role: maintain information links both inside and outside organization by using mail, phone calls, and meeting.

B. Informational role

I. Recipient role: seek and receive information, scan periodicals and reports, maintain personal contacts. Ex: councilors of departments
II. Disseminator role: forward information to other organization members, send memos and report, make phone calls.
III. Spokesperson: transmit information to outsider through speeches, report, memos.

C. Decisional role

I. Entrepreneur role: initiate improvement projects; identify new ideas, delegates' idea responsibility to other.
II. Disturbance handler role: take corrective action during disputes or crises resolve conflicts among subordinates.
III. Resource allocator role: decide who gets resource, scheduling, budgeting, and setting priorities.
IV. Negotiator role: represent department during negotiation of union, budgets, sales, purchases, represent departmental interest.

❖ Different skills of manager (HTC)

1. **Human skills:**

Every executive at any level of management has to deal with human being. Hence every executive must have an ability to deal with other people. This ability called human skills. Human skills means the ability of manager that how he get the work from other people. "Human skills are the executive ability to work effectively as group members and to build co operative effort within the team he leads. As technical skills is primarily concerned with working with people".

A person can create an atmosphere in which subordinates feel free to express themselves without fear of censure or ridicule. He can encourage them to participate in planning. He is responsive to the needs and motivations of others. He can judge the possible reaction of these subordinates to various courses of action he may undertake.

2. **Technical skills:**

Technical skills refer to the ability of a person to carry out a specific activity. In order to do so, one needs to have knowledge of methods, processes and procedure, engineers, computer specialist, accountants and employees in manufacturing, department all have necessary technical skills for their specialized filed. Technical skills are essential for fist level mangers.

3. **Conceptual skills:**

Conceptual skills refer to the ability of a person to think and conceptualize abstract situation. It is the ability to understand and coordinate the full range of corporate objectives and activities. These skills are most important at the top level management. the conceptual skills means to thing as a whole organization not individual because any departmental decision affect the whole organization.

❖ Level of management (types of managers)

1. **Top Level Manager**

   Ex: CEO, Managing Directors, Trustees, Principal.

   Role:

   → Develops and reviews long-range plans and strategies.
   → Evaluation overall performance of various departments and ensures cooperation.
   → Involved in selection of key personnel.
   → Consults subordinate managers on subjects or problems of general scope.

2. **Middle Level Managers**

   Ex: Departmental Managers, HOD, Subject Coordinators

   Role:

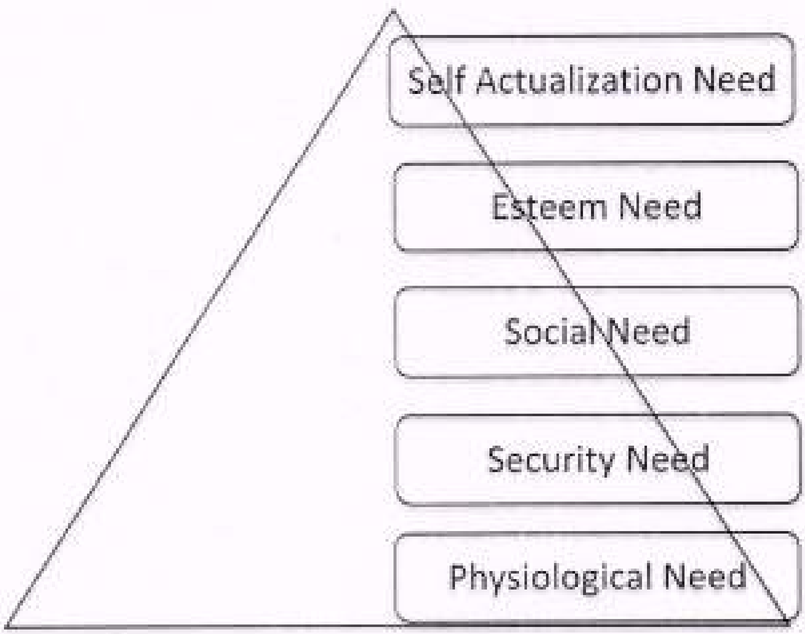
   → Makes plans of interdepartmental and prepares long-range plan for reviews by top management.
   → Analyzes managerial performance to determine capability and readiness for promotion.
   → Establishes departmental polices.
   → Reviews daily and weekly reports on production or sales. Counsels subordinates on production.

3. **First Level Managers**

   Ex: Sr. Supervisor, executives, employees, subject Teacher

   → Makes Detailed, Short-Range Operational plans.
   → Reviews performance of subordinates.
   → Supervises day to day operation.
   → Makes specific task assignments.
   → Maintain close contacts with employees involved in operations.

❖ Maslow's need of hierarchy



1. **Physiological Need:**
   These includes the most basic needs that are vital to survival, Maslow believed that needs are the most basic and natural needs in the hierarchy because all needs become secondary until these physiological needs are met.
   Ex: water, air, food, sleep and shelter are the basic needs
2. **Security Need:**
   These include needs for safety and security. Security needs are important for survival, but they are not as demanding as the physiological needs.
   Ex: Steady Employment (Job Security), health insurance, family security.
3. **Social Need:**
   These include needs for belonging, love and affection. Maslow considered these needs to be less basic than physiological and security needs. Relationship such friendship, romantic attachment and families help fulfill this need for companionship and acceptance, as does involvement in social, community or religious groups.
   Ex: respect from office members, respect from mangers and boss.
4. **Esteem Need:**
   After the first three needs have been satisfied esteem needs becomes increasingly important. These include the need for things that reflect on self esteem, personal worth, social reorganization and accomplishment.
   Ex: any cricketer wants to become like schin.
5. **Self actualization need:**
   This is the highest level of Maslow's hierarchy of needs. Self actualizing people are self aware concerned with personal growth; less concerned with the opinion of others and interested fulfill their potential.
   Ex: any person wants to become famous in society at any way.

❖ 14 principles of management given by Henary Fayol

1. **Division of work:**
   To divide the total work in organization among all employees
2. **Authority and Responsibility:**
   To give authority to employees to done their given work properly because without authority employees can not done their work.
3. **Discipline:**
   Respecting rules and agreement that rules organization. Discipline results from good leadership at all level of the organization.
4. **Unity of command:**
   Unity command means the commanding person should be only one who gives the command to people of organization.
5. **Unity of direction:**
   Individual's goals, departmental goal and organizational goals should be intermeshed.
6. **Subordination of individual:**
   Interest to the common goal. The interests of employees should not take importance over the interest of the organization as a whole
7. **Remuneration:**
   The compassion paid to employees should be fair and based on factors like business condition, cost of living, productivity of employees and the ability of the firm to pay.
8. **Centralization:**
   Managers should retain final responsibility, but should give subordinate enough authority to do their jobs properly. Managers should find the proper degree of centralization in each case.
9. **Scalar chain:**
   The hierarchy of authority from top management to the lowest management level of the organization seen today in the centralization chart.
10. **Order:**
    Everybody and everything should be in the right place at the right time. People should be in the job or positions they are most suited to.
11. **Equity:**
    Equality of fair treatments. Managers should be Fridley and fair to their subordinates.
12. **Stability of tenure of personnel:**
    Job security is necessary to motivate employees.
13. **Initiative:**
    Freedom of conceive and executive a plan by subordinates.
14. **Esperit de corps:**
    This means" sense of union" Management must includes a team spirit in its employees.

CHAPTER 7. FUNCTION OF MANAGEMENT

❖ **Function of management**

1. **Planning:**
   - → The first management function in scope of management function that manager must perform is planning.
   - → In this function plan is created to accomplish the mission and vision of the business.
   - → The plan must define the time component and to plan necessary resource to fulfill the plan.
   - → To decide the long term goal of the company.
   - → To find out different way to achieve that goal and select most effective and efficient way for achieving that goal.
   - → To benchmark of the product standard of final product.

2. **Organizing:**
   - → Organizing is the second function manager, where he had previously plan, establish an appropriate organizational structure in business organization.
   - → To decide the authority and responsibility of all level in organization.
   - → Identification of activities.
   - → Classification of grouping of activities.
   - → Assignment of duties.
   - → Delegation of authority and creation of responsibility.
   - → Coordinating authority and responsibility relationships.

3. **Staffing:**
   - → Staffing as the next function of management, consist of a selection of appropriate staff for the organization to reach a goal easier and more efficient.
   - → To give them training for their work and for handling different activities in organization.
   - → Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
   - → Recruitment, Selection & Placement.
   - → Training & Development.
   - → Remuneration.
   - → Performance Appraisal.
   - → Promotions & Transfer.

4. **Directing :**
    → Direction is an important function through which management initiate action in the organization.
    → Supervision.
    → Motivation.
    → Leadership.
    → Communication.
    → It also labeled as activating.
    → It is important managerial function on. Through direction management initiates actions in the organization.
    → It is performed at every level of management.
5. **Controlling:**
    → Controlling is the process through which managers assure that actual activities conform to the planned activities.
    → It is employed to do the activities according to the plans and programs.
    → Establishment of standard performance.
    → Measurement of actual performance.
    → Comparison of actual performance with the standards and finding out deviation if any.
    → Corrective action.
    → Controlling is the continue process.

❖ **Types organizational structure**

There are three main organizational structures

1. **Line organization.**
2. **Functional organization and staff organization.**
3. **Line and staff organization.**

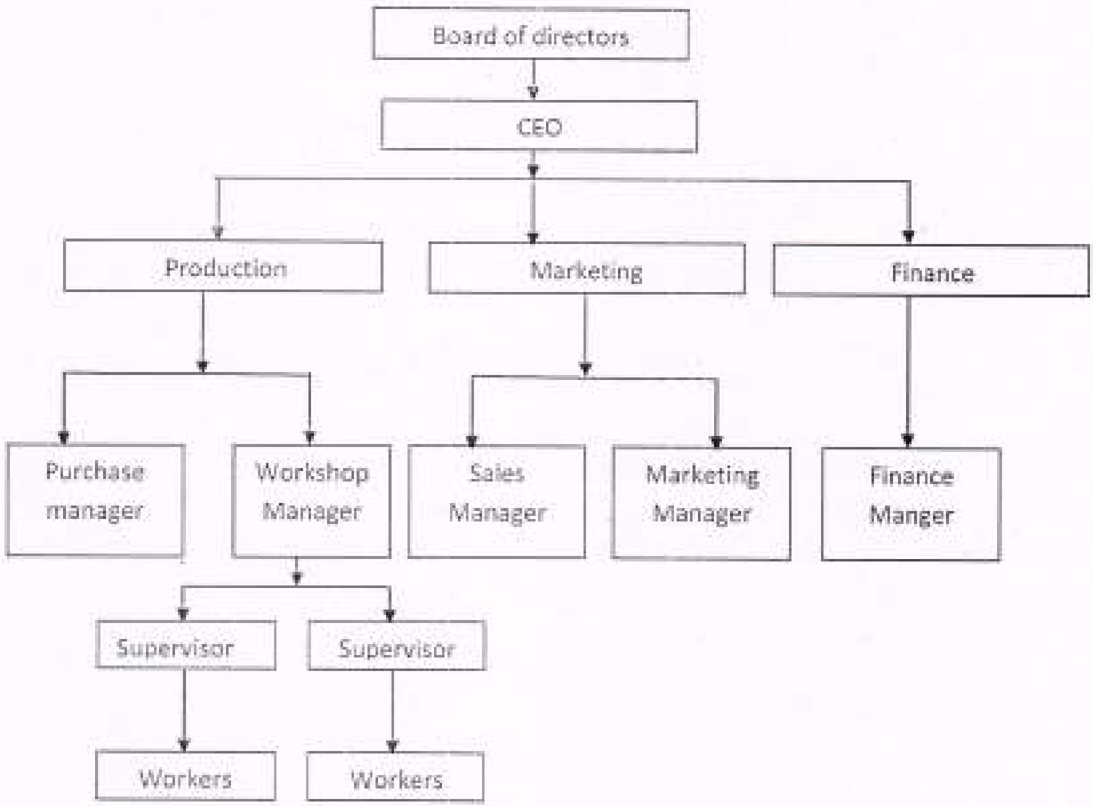
Let's see detail on these organizations

1. **Line Organization:**

    → Line organization is the simplest and the oldest type of organization. It is also known as scalar organization or military type of organization.
    → An important characteristic of such type of organization is superior-subordinate relationship.
    → This organization created basis on the basis authority.

→ Superior delegates authority to another subordinate and so on, forming a line from the very top to the bottom of the organization structure.

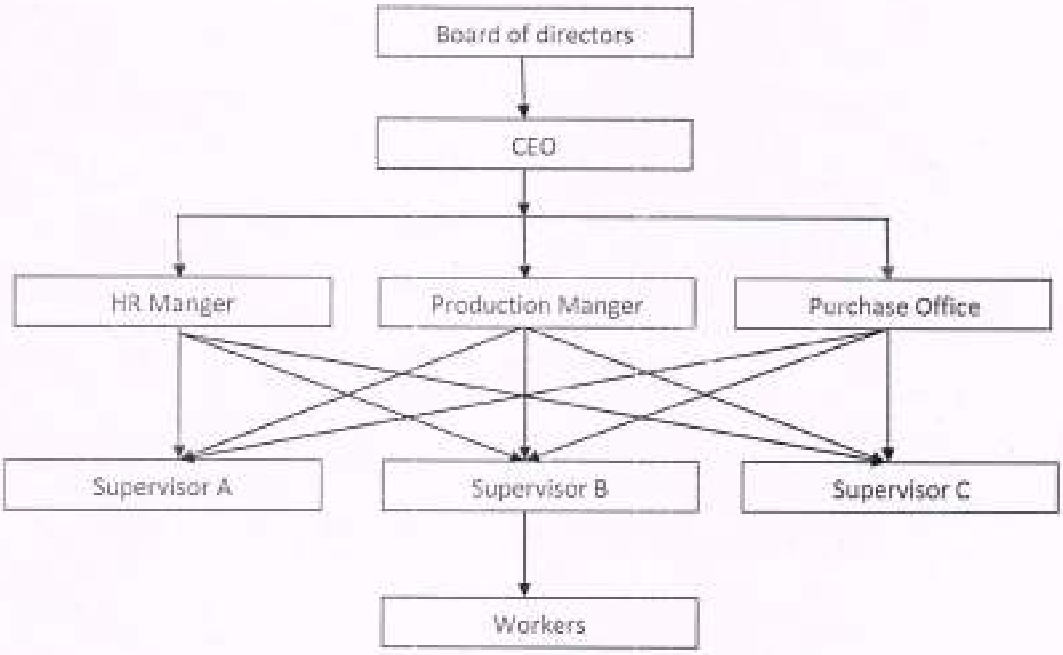
→ The line of authority so established is referred as "line authority." Under this type of organization authority flows downwards, responsibility moves upwards in a straight line.



- **Advantages:**
  - → Simplicity
  - → Fixed responsibility
  - → More Discipline
  - → Direct communication
  - → Unity of command
  - → Quick decisions
- **Disadvantages:**
  - → Overloading
  - → Lack of specialization
  - → Scope for favoritisms
  - → Lack of co-ordination
  - → Lack of initiative

2. Functional Organization / Staff Organization

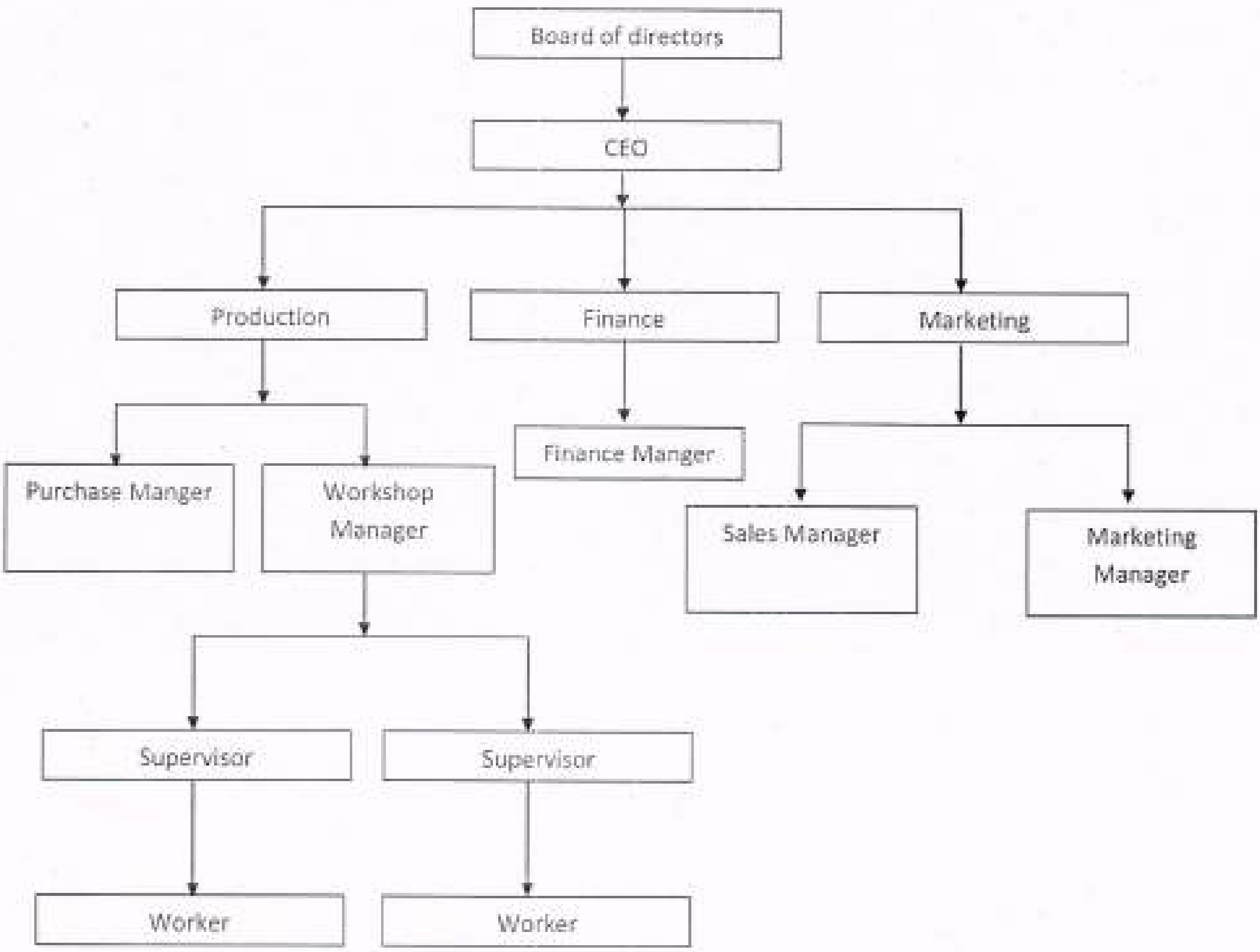
- → It is the most widely used in the medium and large organization having limited number of product.
- → It created on the basis of function of organization.
- → It also called as staff organization.
- → For grouping the activities, all needed functions are classified into basic, secondary and supporting function.



- **Advantages:**
  - → Specialization we can use
  - → Large scale Production
  - → Flexibility
  - → Decentralization of Authority
  - → Excess Of Clerical
  - → Growth Of Unit
- **Disadvantages:**
  - → Expensive
  - → Violation of the Unity Of Command
  - → Lack of Discipline and Control
  - → Absence of Authority
  - → Difficulty of Co ordination

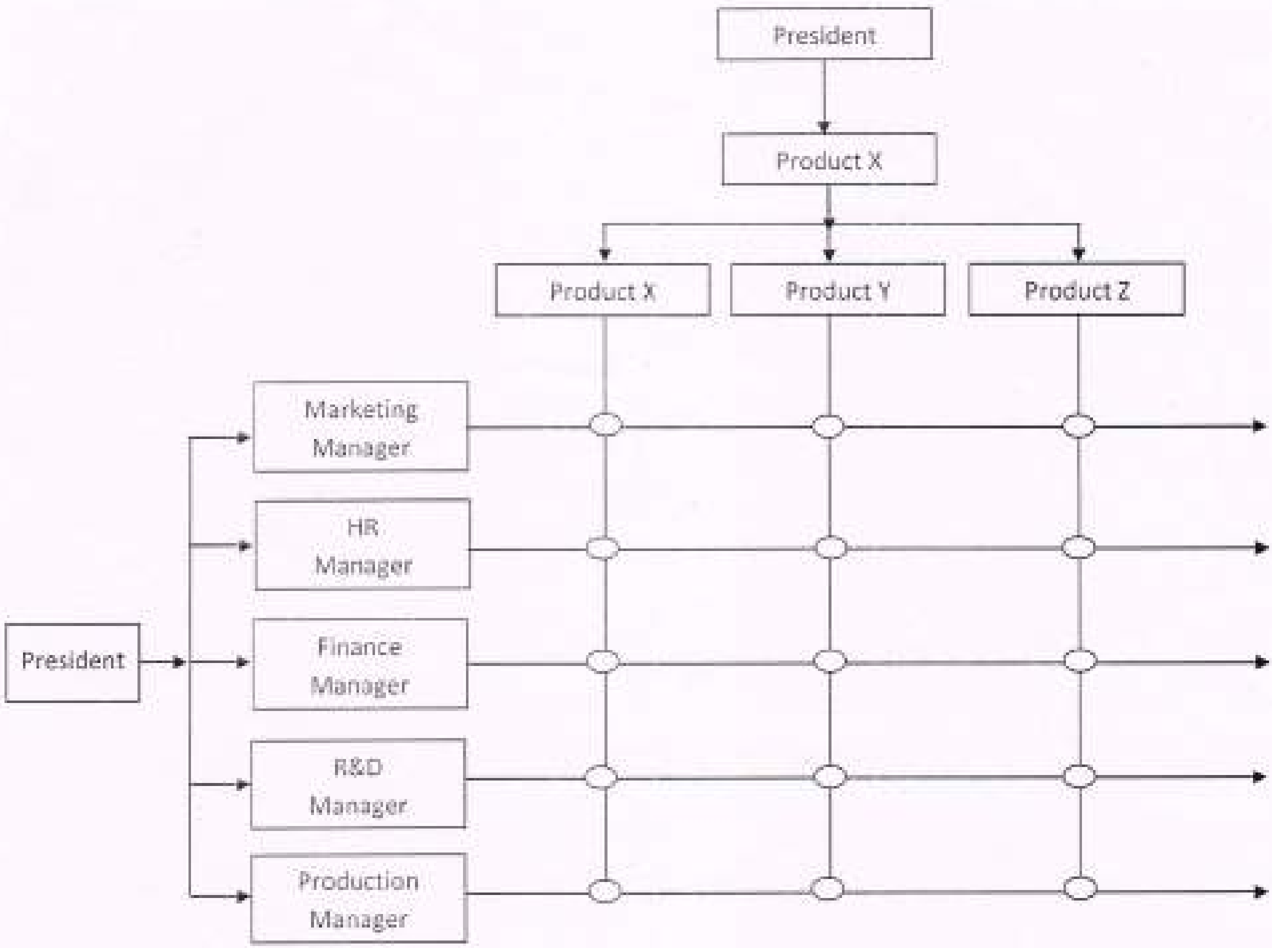
3. Functional And Staff Organization

- → Line and staff organization refers to a pattern in which staff specialist advice line managers to perform their duties.
- → The staff position are of purely advisory nature
- → They have the right to recommend their preferences on other department
- → The position and departments in rectangle are staff and other are line
- → The staff specialist may provide service to a particular position, department or organization as a whole



- **Advantages:**
  - → Simplicity
  - → Co ordination
  - → Balance
  - → Flexibility
  - → Relief to the line Authority
  - → Blending Of abilities of Line and Staff
  - → Prompt Decision
- **Disadvantages:**
  - → Conflict Among Officials
  - → Expensive
  - → Evading Responsibilities
  - → Neglect Of Line Authority Suggestion
  - → Conflict Between old and New
  - → Carelessness among the Line

- **Matrix Organizational structure**
  - → A matrix structure is types of departmentalization that superimpose a horizontal set of divisional reporting relationship onto a hierarchical functional structure.
  - → Matrix organization is also referred to as a grid organization or project or product management organization.
  - → The main feature of this organization is functional and project pattern of departmentation are combined in same structure.
- **Advantages:**
  - → Dual benefit
  - → Batter planning and control
  - → Environmental Adaptability
  - → Flexibility
  - → Batter Motivation
  - → Development of Personnel
- **Disadvantage:**
  - → Complex Relationship
  - → Power Struggle
  - → Heterogeneity
  - → More costly



(Matrix Organizational Structure)

- **Formal V/S Informal Organization**

Formal Organization	Informal Organization
1. It is created intentionally.	1. It is natural.
2. Authority flows from top to bottom.	2. Informal authority flow from top to bottom or horizontally.
3. It arises from man's quest for social satisfaction.	3. It is created for technological purpose.
4. There is no such permanent nature and stability.	4. It is permanent and table.
5. It gives importance to people and their relationship.	5. It gives importance to terms of authority and function.
6. It arises due to social interaction of authority.	6. It arises due to delegation of people.
7. No such written rules and duties.	7. Duties and Responsibilities of workers.
8. Informal organization tends to remain are given in writing smaller.	8. Formal organization may grow to maximum size.