

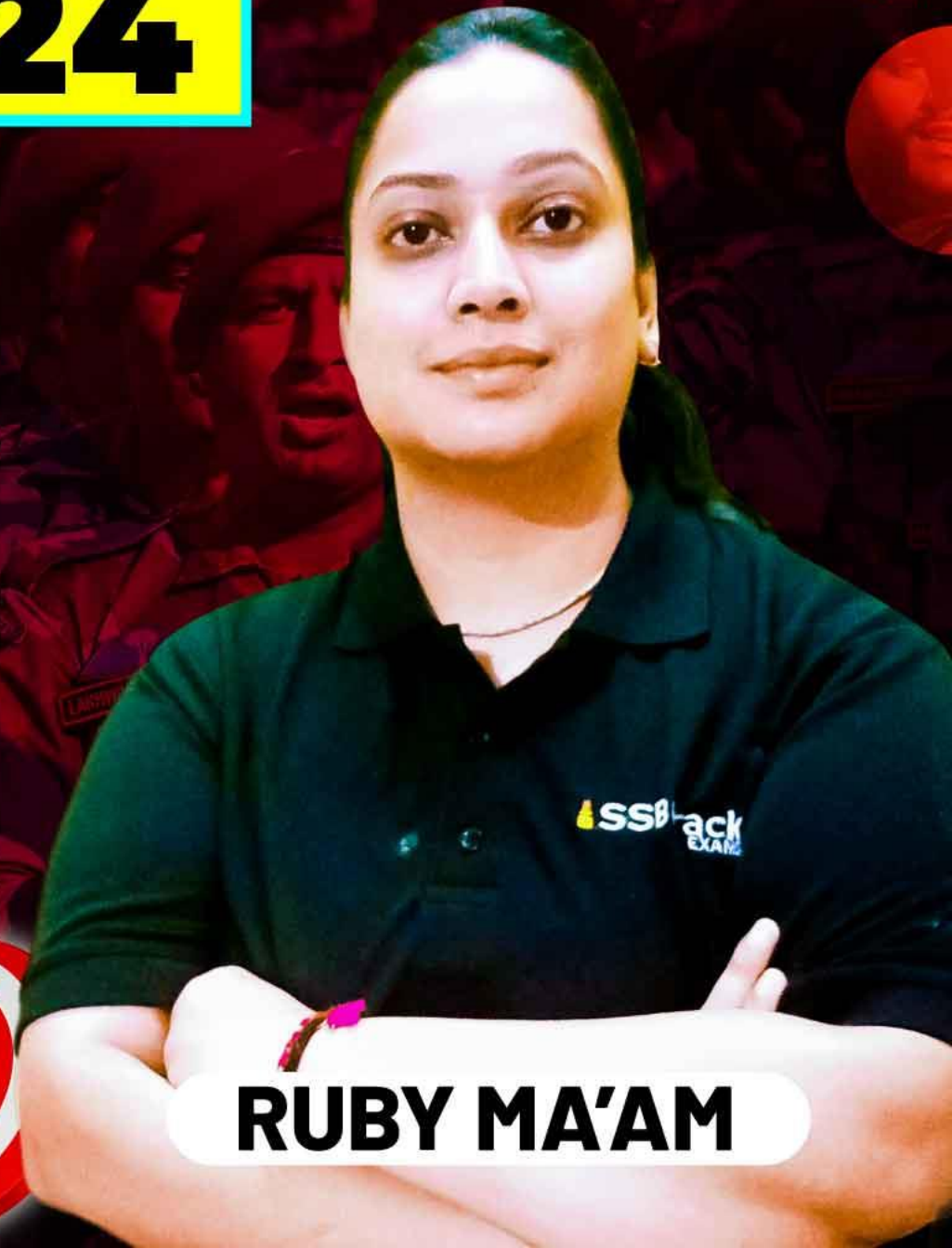
NDA-CDS 2 2024

GK

LIVE

ECONOMICS

CLASS 4



RUBY MA'AM



19 July 2024 Live Classes Schedule

8:00AM --- 19 JULY 2024 DAILY CURRENT AFFAIRS --- RUBY MA'AM

9:00AM --- 19 JULY 2024 DAILY DEFENCE UPDATES --- DIVYANSHU SIR

SSB INTERVIEW LIVE CLASSES

9:00AM --- MOCK PERSONAL INTERVIEWS --- ANURADHA MA'AM

NDA 2 2024 LIVE CLASSES

11:30AM --- GK - ECONOMICS - CLASS 4 --- RUBY MA'AM

5:30PM --- USE OF PHRASAL VERBS - CLASS 2 --- ANURADHA MA'AM

CDS 2 2024 LIVE CLASSES

11:30AM --- GK - ECONOMICS - CLASS 4 --- RUBY MA'AM

5:30PM --- USE OF PHRASAL VERBS - CLASS 2 --- ANURADHA MA'AM



Money

Fiat Money Derives Its Value By Being **Declared By A Government** To Be Legal Tender; Must Be Accepted As A **Form Of Payment** Within Boundaries Of Country For All Debts, Public And Private. Money Supply Of A Country Consists Of **Currency**(bank Notes And Coins) And **Bank Money**(the Balance Held In Checking Accounts And Savings Accounts).



Money Type	Includes	Narrow/Broad	Rank (Liquidity)
M1	Currency with public (coins, currency notes), Net demand deposits held by the public with commercial banks & other deposits with RBI	Narrow Money	1 (Most Liquid)
M2	M1 + savings deposits with post office	Narrow Money	2
M3	M1 + time deposits with the banking system (such as fixed deposits)	Broad Money	3
M4	M3 + all deposits with post office savings organizations, excluding National Savings Certificates	Broad Money	4 (Least Liquid)

Dear Money Policy & Cheap Money Policy

DM : A Policy In Which A Govt **Reduces Amount Of Money** Being Spent In An Economy By Raising Interest Rates, Making It More Expensive To Borrow Money.

CM : It Is A Monetary Policy That Increases Money Supply Usually By Lowering Interest Rates. It Occurs When A Country's Central Bank Decides To Allow New Cash Flows Into The Banking System.

Currency Notes

The Number Of Languages On The Language Panel Of A Currency Note Is 15

→ **Front Side** : Two Languages. Denomination : Official Languages English And Hindi.

→ **Back Side**, There Is A Language Panel On Left Side Of The Banknotes. There Are 15 Scheduled Indian Languages Written Inside The Panel **Excluding** Hindi And English.

Money Market in India

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graph TD; A[Money Market in India] --> B[Organized Money Market]; A --> C[Unorganized Money Market];
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**Organized Money
Market**

**Unorganized Money
Market**

Organized Money Market

- Characterized By Registration, Approval, License From Market Regulators.
- Systematically Coordinated By The RBI And Other Market Regulators.
- Major Participants The RBI, Banks, NBFC's, Mutual Funds, Insurance Companies, Etc.



Unorganized Money Market

- Not Registered And Not Regulated.
- Not Systematically Coordinated By The Rbi Or Any Other Market Regulator.
- Major Participants In The Unorganized Money Market In India Include – Local Moneylenders, Chit Funds, Etc.



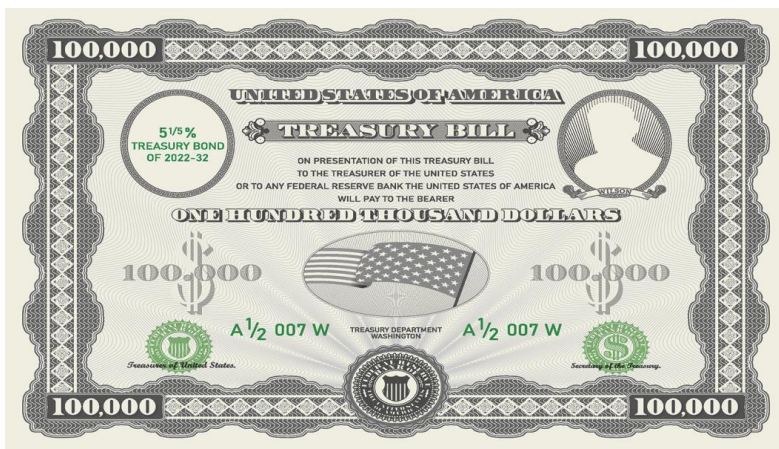
Call Money

- Refers To **Inter-bank Borrowing** And Lending For A Very Short Period
- Typically Overnight To Upto **14 Days**
- Enables Banks And Financial Institutions To Manage Their **Short-term Liquidity Requirements**
- Rate At Which Money Is Borrowed Is Called The **Call Money Rate**.
- Call Money Rate Keeps Changing On An **Hourly Basis**, Depending On The Demand And Supply

Treasury Bills

- Short-term Securities Issued By RBI On Behalf Of Central Government.
- Short-term Fundraising Tools For Government.
- T-bills Are One Of The Two Types Of Government Securities

Other Type Of Government Securities Is Government Bonds, Which Have A Maturity Period Of **More Than 1 Year**.



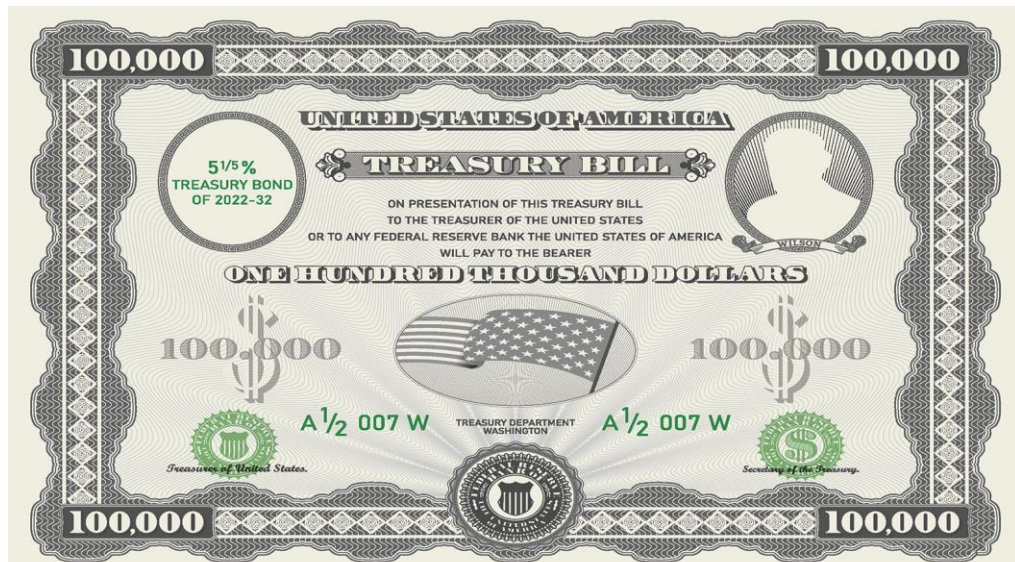
Treasury Bills

As Of Now, There Are **3 Types Of T-bills** Auctioned By The RBI:

91-day T-bills – Have A Maturity Period Of 91 Days.

182-day T-bills – Have A Maturity Period Of 182 Days.

364-day T-bills – Have A Maturity Period Of 364 Days.

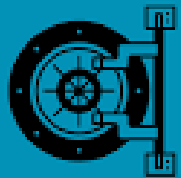


Cash Management Bills

CMB's Are Short-term Securities Sold By RBI On Behalf Of The Central Government, But With A **Maturity Period Of Less Than 91 Days**.

- Meeting Short-term Cash Flow Mismatches Of The Government Of India.
- CMBs Are Also Issued At Discount To Face Value Through Auctions By The RBI.

Banks Are Allowed To Keep **CMB's To Meet Their SLR** Requirements.



Cash Management Bill

Certificate of Deposit

- CD Is A Security Issued By **Scheduled Commercial Banks** And Some Other **Financial Institutions** That Have Been Permitted By RBI To Raise Short-term Funds.
- Note: **Cooperative Banks And Regional Rural Banks** Are Not Allowed To Issue Certificates Of Deposit.
- Should Be Issued In **Multiples Of ₹1 Lakh**, With A Minimum Amount Of ₹1 Lakh.
- Issued At A Discount On Face Value And Are Redeemed At Par Or Face Value.

Their Maturity Period Is, Usually, More Than 7 Days And Less Than 1 Year.

Commercial Paper (CP)

Commercial Paper Is A Type Of **Unsecured, Short-term Debt Instrument** Issued By Large Corporations, Primary Dealers, And Financial Institutions.

Eligible Institutions May Issue **Commercial Papers** To Finance Their **Short-term Needs**, Such As Inventory Management, Meeting Payroll Expenses, Funding New Projects, Etc.



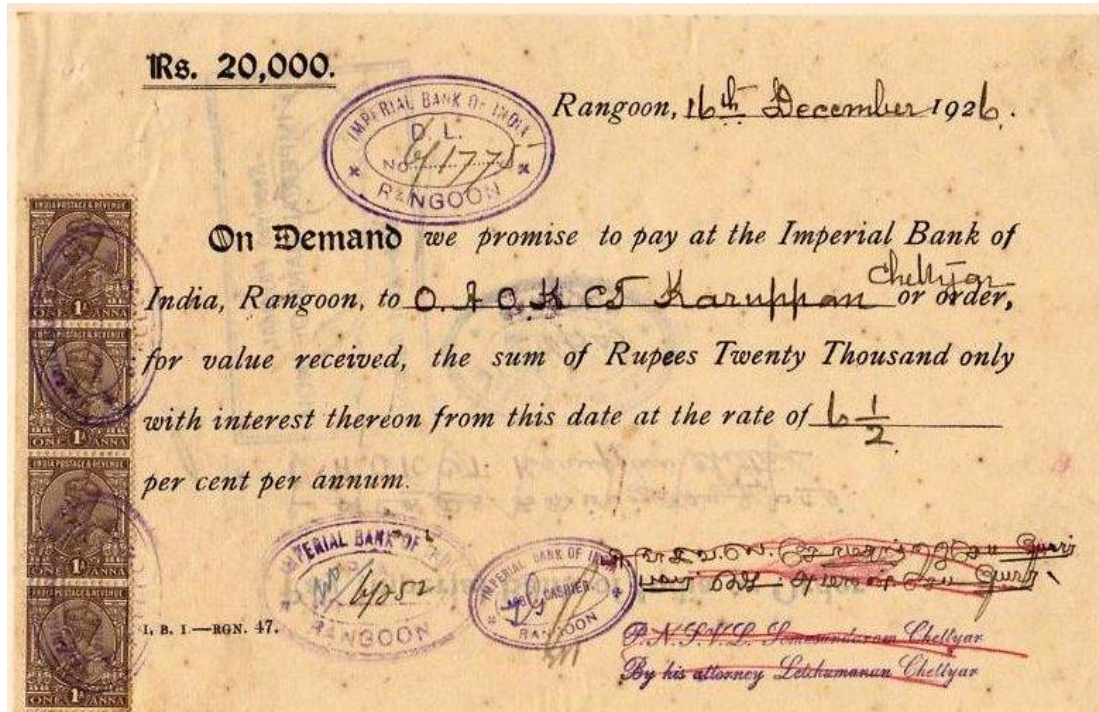
Commercial Paper (CP)

A Commercial Paper Is Issued As An Unsecured Promissory Note And Is Placed Privately. They Should Be Issued In Multiples Of ₹5 Lakh, With A Minimum Amount Of ₹5 Lakh. Their Maturity Period Is A Minimum Of 7 Days And A Maximum Of Upto 1 Year.



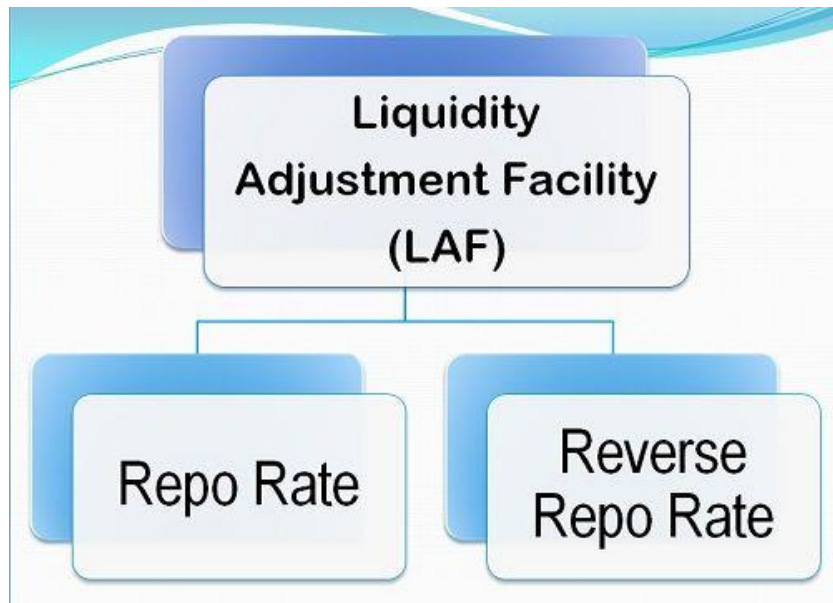
Promissory Note

A Promissory Note Is A Legal Document That Serves As A **Written Promise By The Issuer To Repay** A Certain Sum Of Money To Another Party (The Payee) Under Specific Terms And Conditions.



Liquidity Adjustment Facility

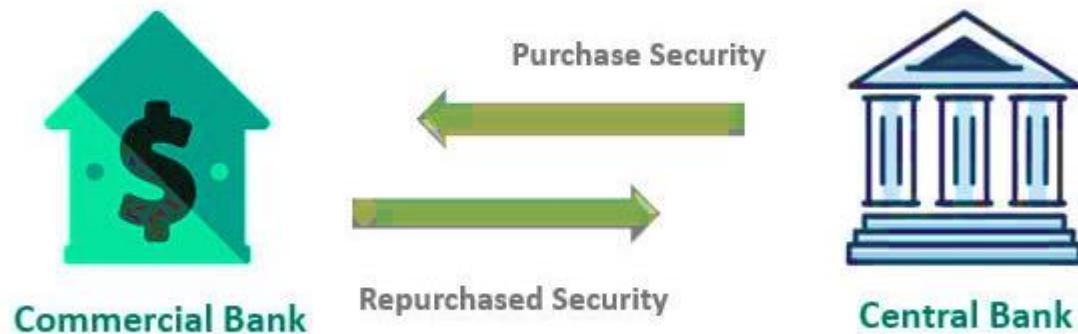
Liquidity Adjustment Facility Is A Monetary Policy Tool Used By Central Banks To **Manage Liquidity** In Economy And Control Short-term Interest Rates. RBI Introduced LAF In 1999 To Improve **Liquidity Management And Monetary Control**.



Repo / Reverse Repo Market

Repo Rate/ The Repurchase Rate Is The Rate At Which RBI Lends Money

To Banks, When Banks Face Shortage Of Funds. These Are Short-term, Usually Overnight Borrowings. The Opposite Of Repo Rate Is Reverse Repo Rate-it Is The Rate At Which RBI Borrows Funds From Other Banks For The Short Term



Bank Rate

A Bank Rate Is Interest Rate At Which A **Nation's Central Bank Lends** Money To Domestic Banks. This Is Often In The **Form Of Very Short-term Loans**.

Managing Bank Rate Is A Method By Which Central Banks Can Affect Economic Activity.



Cryptocurrency

It Is A **Digital Or Virtual Currency** Designed To Work As A Medium Of Exchange.

→ It Uses **Cryptography** To Secure And Verify Transactions As Well As To Control The Creation Of New Units Of A Particular Cryptocurrency.

→ It **Typically Does Not Exist** In Physical Form (Like Paper Money) And Is Typically Not Issued By A Central Authority



Cryptocurrency

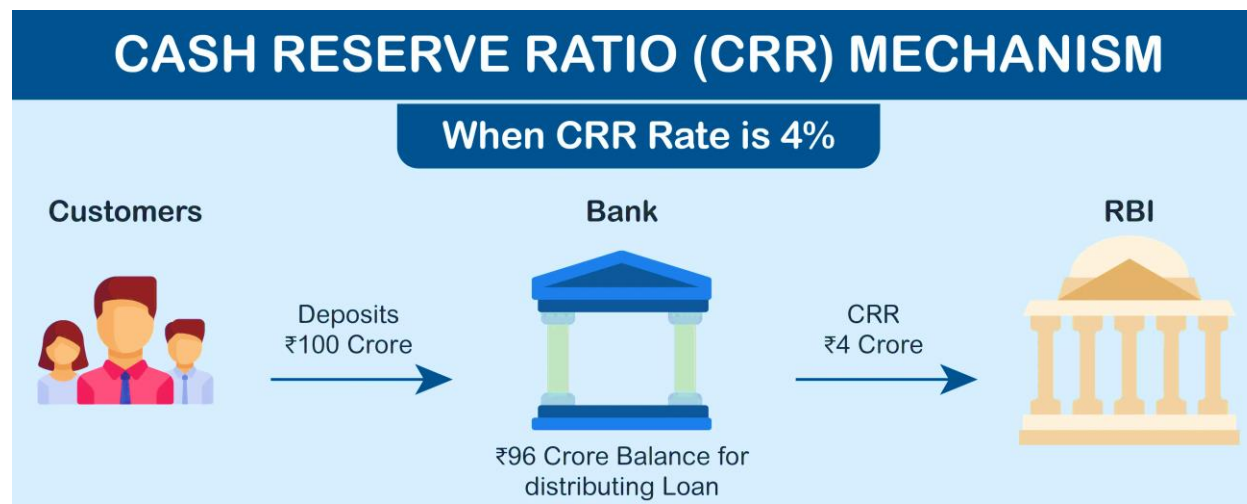
→ Bitcoin, First Released As Open-source Software In 2009, Is Generally Considered The First Decentralized Cryptocurrency

→ Top Cryptocurrencies → Ethereum, Ripple, NEO, Litecoin, Bitcoin Cash, Libra, Binance Coin Etc.



Cash Reserve Ratio

CRR Is Share Of A Bank's Total Deposit That Is Mandated By RBI To Be Maintained With **Latter As Reserves** In The **Form Of Liquid Cash**. The Bank **Cannot Use** This Amount For Lending And Investment Purposes And Does Not Get Any Interest From The RBI. CRR Applies To Scheduled Commercial Banks, While The Regional Rural Banks And NBFCs Are Excluded.



Statutory Liquidity Ratio

SLR Is A Minimum Percentage Of Deposits That A Commercial Bank Has To Maintain In Form Of Liquid Cash, Gold Or Other Securities. It Is Basically Reserve Requirement That Banks Are Expected To Keep Before Offering Credit To Customers. However, These Deposits Are **Maintained By The Banks Themselves** And Not With The RBI. The SLR Is Fixed By The RBI.



CASH RESERVE RATIO (CRR)	STATUTORY LIQUIDITY RATIO (SLR)
Banks are required to maintain with the Reserve Bank a certain per cent of its Total Demand and Time liabilities	SLR is that percentage of the deposits which the banks have to hold with themselves
CRR is maintained only in cash form.	SLR can be maintained in form of Gold, Cash and other securities approved by RBI.
No interest is earned on the CRR	Interest is earned on SLR.
Helps regulate the liquidity in the economy.	Helps regulate the Credit facility in the economy.
It is calculated on the banks Total Demand and Time liabilities	It is calculated on banks Net Demand and Time Liabilities.
The range of permissible CRR is between 3 and 15 per cent.	SLR has an upper limit of 40% and a lower limit of 23%.

Open Market Operations

- It is the purchase and sale of securities by the RBI.

MONETARY POLICY	RBI ACTION IN OMO	EFFECT IN THE ECONOMY
EXPANSIONARY	BUYS	INJECTS MONEY IN
CONTRACTIONARY	SELLS	REMOVES MONEY OUT

Unemployment

National Sample Survey Organization (NSSO) Defines Employment And Unemployment On The Following Activity Statuses Of An Individual

- Working (Engaged In An Economic Activity) I.E. 'Employed'
- Seeking Or Available For Work I.E. 'Unemployed'
- Neither Seeking Nor Available For Work

Disguised Unemployment

It Is A Phenomenon Wherein **More People** Are Employed Than Actually Needed.

- It Is Primarily Traced In Agricultural And The Unorganised Sectors Of India.
- Here The **Marginal Productivity** Of Labour Is Zero.



Seasonal Unemployment

- It Is An Unemployment That Occurs During **Certain Seasons** Of The Year
- **Agricultural Labourers** In India Rarely Have Work Throughout The Year

Seasonal Unemployment



Structural Unemployment

It Is A **Category Of Unemployment** Arising From Mismatch Between Jobs Available In The Market And The Skills Of The Available Workers In The Market.

→ **Many People In India Do Not Get Job** Due To Lack Of Requisite Skills And Due To Poor Education Level, It Becomes Difficult To Train Them.

Structural Unemployment



Cyclical Unemployment

It Is Result Of Business Cycle, Where Unemployment Rises During Recessions And Declines With Economic Growth. Cyclical Unemployment Figures In India Are Negligible. It Is A Phenomenon That Is Mostly Found In Capitalist Economies.



What Is Frictional Unemployment?

Frictional unemployment is when workers are jobless and looking for work in a healthy economy—whether they leave voluntarily or are fired



Differentiated from other types of unemployment because it's part of normal labor turnover

A stylized illustration of a brick building with a brown roof and four windows. A green sign with a white border is mounted on the wall, displaying the text 'OLD JOB' in bold, black, sans-serif capital letters. The background shows a teal sky with white clouds and a cityscape silhouette.

OLD JOB


A stylized illustration of a modern glass building with a dark blue roof and a sign that says 'NEW JOB'. The building has multiple windows reflecting the sky. The background shows a teal sky with white clouds and a cityscape silhouette.

NEW JOB

Labour Force Participation Rate

Labour Force Participation Rate Is Defined As The Section Of Working Population In The Age Group Of 16-64 In The Economy Currently Employed Or Seeking Employment.

→ People Who Are Still Undergoing Studies, Housewives And Persons Above The Age Of 64 Are Not Reckoned In The Labour Force.


$$\text{Labor Force Participation Rate} = \frac{\text{Labor Force}}{\text{Working Age Population}}$$



Worker Population Ratio

WPR Is Defined As The **Percentage Of Employed Persons** In The Population.

$$WPR = \frac{\text{no. of employed/Persons}}{\text{Total population}} \times 1000$$

The Information Relating To Employment In The Formal Sector Is Collected By The Union Ministry Of Labour Through Employment Exchanges Located In Different Parts Of The Country.