

# 50 IMPORTANT Topics for Prelims 2022

## REVISION SERIES

EVERYDAY @ **12PM**



**INTERNATIONAL RELATIONS PYQ's**

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# Revision Series

# 50 Important Topics

## Economy (Part-3)

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**50 IMPORTANT  
Topics for  
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**INDIAN ECONOMY  
PART-1**



**DAY-10**

**50 IMPORTANT  
Topics for  
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**INDIAN ECONOMY  
PART-2**



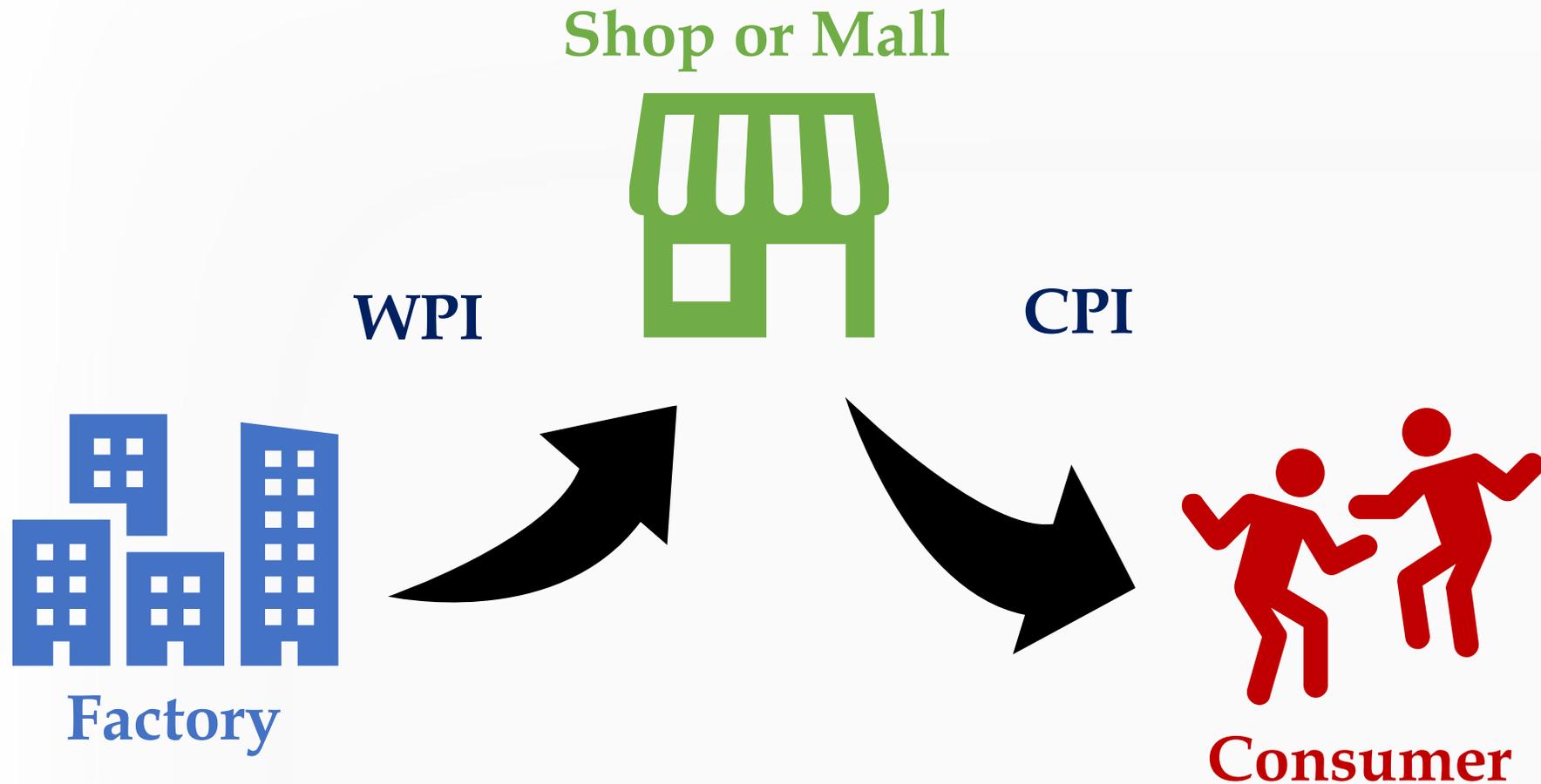
# Revision of Revision Series



1. Which parameters are considered for PCA framework for banks?
2. When availing standing deposit facility, do banks need to provide collateral to RBI?
3. Current CRR?
4. Nano Urea Liquid was launched by?



# 35. Inflation Related Terms



# WPI vs CPI

Wholesale Price Index (WPI) and Consumer Price Index (CPI) are two crucial metrics that help in defining the prices of the goods and services in an economy.

## Consumer Price Index (CPI)

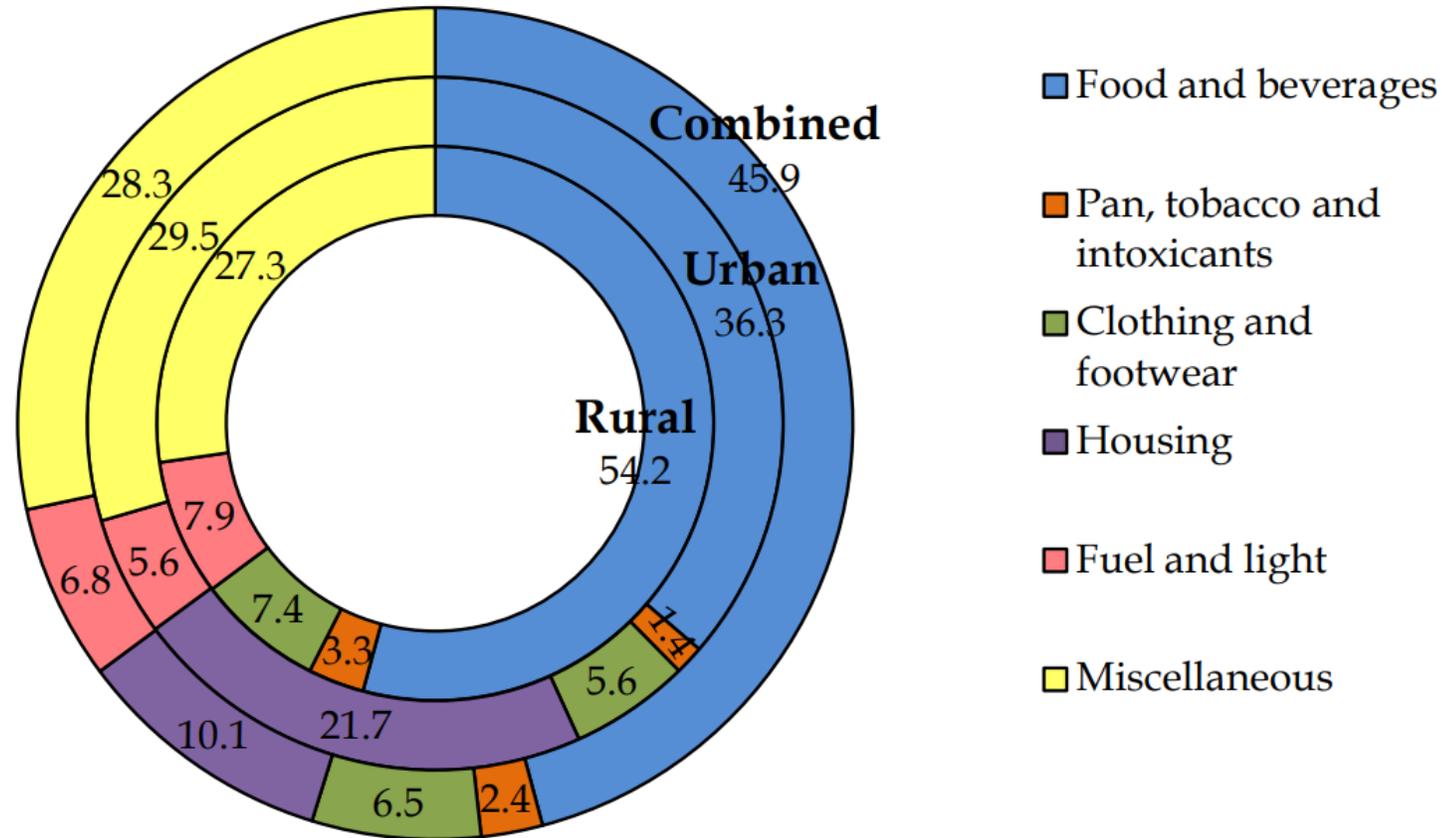
- It measures the change in the retail prices of goods and services
- CPI releases on a monthly basis.
- CPI includes both goods and services.
- It includes about eight categories of products and services.
- Base year is calendar year.
- It calculates the final stage of inflation.
- CPI is of importance to the general public

## Wholesale Price Index (WPI)

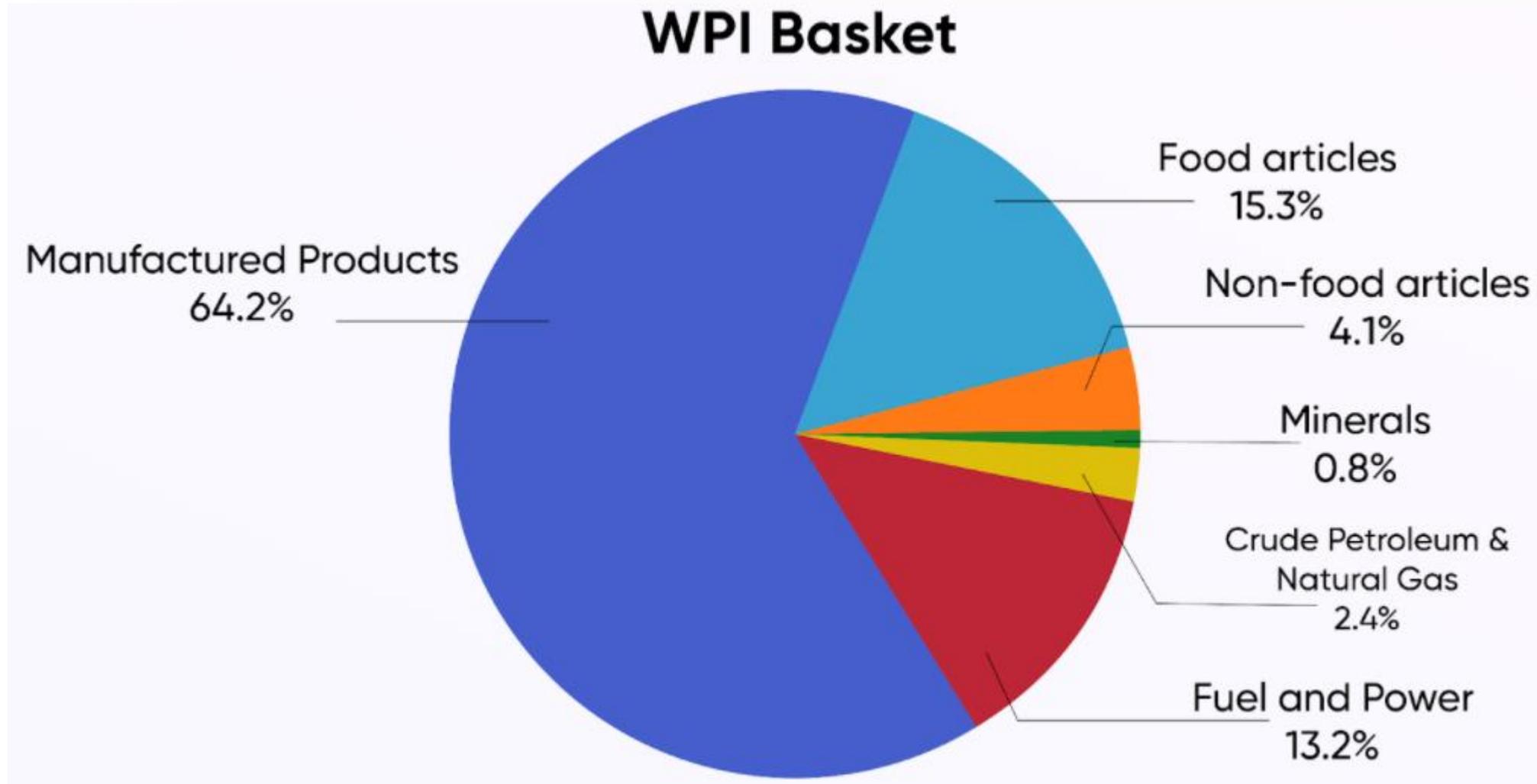
- It measures change in price of goods charged by whole seller.
- WPI releases on a weekly basis
- WPI includes only goods.
- It includes primary articles, fuel & power and manufactured goods.
- Base year here is Financial Year.
- It measures inflation in the first stage
- WPI is of importance to those who keep track of wholesale prices.

# 35. Inflation Related Terms

All India Group Weights-Revised Series



# 35. Inflation Related Terms



# 35. Inflation Related Terms



## Inflation Targeting

- Inflation targeting is a policy followed by the **central regulator in the monetary policy** and is adjusted to achieve a specified annual rate of inflation.
- After the 2016 amendment to the Reserve Bank of India (RBI) Act, 1934, there is a flexible inflation targeting framework in India.
- Inflation target is **set by the Government of India**, in consultation with the Reserve Bank, once every five years.
- Target:  $4\% \pm 2\%$

# 36. India's public debt

- Public debt is the total amount, including total liabilities, **borrowed by the government** to meet its development budget.
- It has to be **paid from the Consolidated Fund of India**.
- It is further classified into **internal & external debt**.
- As per Reserve Bank of India Act of 1934, the Reserve Bank is both the **banker and public debt manager** for the Union government.
- The NK Singh Committee on FRBM had envisaged a **debt-to-GDP ratio of 40 per cent for the central government** and 20 per cent for states aiming for a total of 60 per cent general government debt-to-GDP.

As per Moody's Investors Service, India's public debt level is among the highest in emerging economies

# 36. India's public debt

**Table 6: Debt Position of the Central Government (in ₹ lakh crore)**

Components	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21 PA
1	2	3	4	5	6	7	8
<b>A. Public Debt (A1+A2)</b>	51.05	57.11	61.50	68.45	75.49	85.65	105.24
<b>A1. Internal Debt (a+b)</b>	47.38	53.05	57.42	64.01	70.75	80.20	99.09
a. Marketable Securities	43.08	47.28	50.49	55.10	59.69	65.60	78.60
b. Non-marketable Securities	4.29	5.77	6.93	8.91	11.06	14.60	20.50
<b>A2. External Debt</b>	3.66	4.07	4.08	4.45	4.74	5.44	6.15
<b>B. Public Account - Other Liabilities</b>	7.62	8.16	8.57	9.15	9.96	13.70	12.74
<b>C. Extra-Budgetary Resources (EBRs)</b>	-	-	0.09	0.24	0.99	1.12	1.43
<b>D. Total Liabilities (A+B+C)</b>	58.66	65.27	70.16	77.85	86.35	99.91	117.04

**Table 8: External Debt Outstanding**

		(US\$ billion)							
		Dec-19	Mar-20	Jun-20	Sep-20 PR	Dec-20 PR	Mar-21 PR	Jun-21 PR	Sep-21 P
1.	Multilateral	60.2	59.9 (-0.4)	64.7 (8.0)	67.0 (3.6)	68.1 (1.6)	69.7 (2.5)	70.2 (0.6)	71.4 (1.7)
2.	Bilateral	27.3	28.1 (2.9)	28.5 (1.6)	29.3 (2.7)	30.5 (4.3)	30.9 (1.3)	30.8 (-0.5)	30.9 (0.5)
3.	International Monetary Fund	5.5	5.4 (-1.3)	5.5 (0.8)	5.6 (2.3)	5.7 (2.3)	5.6 (-1.6)	5.7 (0.6)	23.3 (310.8)
4.	Trade Credit	6.9	7.0 (1.9)	6.8 (-2.6)	7.0 (2.8)	6.5 (-7.5)	6.3 (-3.1)	5.7 (-8.8)	5.6 (-1.7)
5.	Commercial Borrowings	223.1	219.5 (-1.6)	211.0 (-3.9)	206.8 (-2.0)	207.9 (0.5)	213.1 (2.5)	213.4 (0.2)	218.8 (2.5)
6.	NRI Deposits (above one-year)	133.1	130.6 (-1.9)	132.7 (1.6)	137.3 (3.4)	140.5 (2.3)	141.9 (1.0)	141.5 (-0.3)	141.6 (0.0)
7.	Rupee Debt	1.1	1.0 (-5.2)	1.0 (-5.2)	1.0 (2.0)	1.0 (0.9)	1.0 (-2.2)	1.0 (-0.8)	1.0 (-1.6)
8.	Total Long-Term Debt (1 to 7)	457.2	451.6 (-1.2)	450.2 (-0.3)	454.0 (0.8)	460.2 (1.4)	468.5 (1.8)	468.3 (-0.1)	492.5 (5.2)
9.	Short-term Debt	106.8	106.9 (0.1)	105.0 (-1.7)	102.8 (-2.1)	103.5 (0.7)	101.1 (-2.4)	102.5 (1.4)	100.6 (-1.9)
9a.	Trade Related Credits	102.4	101.4 (-1.0)	101.2 (-0.2)	99.4 (-1.8)	99.6 (0.2)	97.3 (-2.4)	99.2 (2.0)	97.4 (-1.8)
	<b>Total ( 8+9)</b>	<b>564.0</b>	<b>558.4 (-1.0)</b>	<b>555.2 (-0.6)</b>	<b>556.8 (0.3)</b>	<b>563.8 (1.3)</b>	<b>569.6 (1.0)</b>	<b>570.8 (0.2)</b>	<b>593.1 (3.9)</b>

# 37. IMF Quota

- IMF is a quota-based institution. Quotas are the building blocks of the IMF's financial and governance structure.
- Significance:

## Resource Contributions

Quotas determine the maximum amount of financial resources a member is obliged to provide to the IMF.



## Voting Power

Quotas are a key determinant of the voting power in IMF decisions. Votes comprise one vote per SDR100,000 of quota plus basic votes (same for all members).



## Access to Financing

Quotas determine the maximum amount of financing a member can obtain from the IMF under normal access.



## SDR Allocations

Quotas determine a member's share in a general allocation of SDRs.



# 37. IMF Quota

- The IMF's Board of Governors **conducts general reviews of quotas at regular intervals** (no more than five years apart).
- Any changes in quotas must be **approved by an 85 percent majority of the total voting power**, and a member's own quota cannot be changed without its consent.
- The two main issues addressed in a general review of quotas are (i) **the size of an overall quota increase** and (ii) the **distribution of the increase among the members**.

## Quota formula

$$\underline{0.50 * GDP + 0.30 * Openness + 0.15 * Variability + 0.05 * Reserves}$$

# 37. IMF Quota

- Earlier, in 2016, there was reform in IMF Quota system.
- These reforms **shifted more than 6% of the quota shares** to emerging and developing countries **from the US and European countries.**
- Under this, **India's voting rights** increased by 0.3% **from then 2.3% to 2.63%** and China's voting rights increased by 2.2% from then **3.8% to 6%.**
- Presently, India **holds 2.75% of SDR quota**, and **2.63% of votes in the IMF.**

# 38. Cornwall Consensus



- Since 1989, Washington Consensus (WC) defined the rules of the game for the global economy.
- But global economic crisis twice (first in 2008 and then in 2020 COVID crisis) proved WC to be incapable of responding effectively.
- Thus, **there is demand of a new form of global economic relationship** between the public and private sectors – in the form of **Cornwall Consensus**.



# 38. Cornwall Consensus

## Cornwall Consensus

- It **revitalizes the state's economic role**, and would allow to pursue societal goals, build international solidarity.
- It will focus to accelerate reform of global economic governance to **promote the common good**.
- Aim to **create a sustainable, equitable and resilient economy**.
- To accelerate **investment in the Sustainable Development Goals**, promote digital inclusion, eliminate tax evasion.
- **Establish collective mechanisms** to monitor, assess and invest in addressing emergent economic, environmental or geo-political risks.

# 39. Developing Country Tag In WTO

**Recently, China got the 'developing country' status at the World Trade Organisation (WTO)**

- The **WTO has not defined** 'developed' and 'developing' countries.
- Member **countries are free to announce** whether they are 'developed' or 'developing'.
- But **other members can challenge** the decision of a member to make use of provisions available to developing countries.
- A number of nations (**including India**) have called on China to either refrain from seeking benefits available to developing countries or forgo its classification.

# 39. Developing Country Tag In WTO



- The reason for this call is rise in **China's per capita income to become an upper middle-income country** according to the World Bank and the country's alleged use of unfair trade practises.

## Benefits of Developing Country Status

- **Special and differential treatment (S&DT)**
- More lenient targets for developing nations and grant them more time to achieve these targets.
- Allows other countries to offer preferential treatment.
- LDCs are often exempted from certain provisions of WTO pacts.



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# 40. Reserve Assets

- As per IMF, **reserve assets** are those **external assets** that are readily available to and controlled by monetary authorities for
  - Meeting **balance of payments financing needs**,
  - For **intervention in exchange markets** to affect the currency exchange rate, and
  - For other related purposes (such as **maintaining confidence in the currency and the economy**, and serving as a basis for foreign borrowing).
- A reserve asset must be readily available, physical, controlled by policymakers, and easily transferable.
- The U.S. dollar is a reserve currency, meaning it is **widely held as a reserve asset around the world**.



# 40. Reserve Assets

- Reserve assets, as per the International Monetary Fund's (IMF) balance of payments manual, must, at a minimum, comprise the following financial assets:
  - Gold
  - Foreign currencies: By far the most important official reserve. The currencies must be tradable (can buy/sell anywhere), such as the USD or euro (EUR).
  - Special drawing rights (SDRs): Represent rights to obtain foreign exchange or other reserve assets from other IMF members.
  - Reserve position with the IMF: Reserves that the country has given to the IMF that are readily available to the member country.



# 41. Saffron Bowl Project

- **North East Centre for Technology Application and Reach (NECTAR)** under **Saffron Bowl project** has identified few locations in **Arunachal Pradesh and Meghalaya** for saffron cultivation.
- In Arunachal Pradesh, there is a good growth of organic saffron with flowers.
- In Meghalaya, sample plantations were grown at Cherrapunji, Mawsmai and Lalingtop sites.
- NECTAR is an **autonomous agency under the Department of Science and Technology (DST)** that financed a pilot study to see if it was possible to cultivate saffron in the North East of India with the same quality and quantity as in the rest of the country.



# 42. MSP Calculation

- The **Commission for Agricultural Costs & Prices (CACP)** in the Ministry of Agriculture would recommend MSPs for 23 crops.
- The Budget for 2018-19 announced that MSPs would henceforth be fixed at  $1\frac{1}{2}$  times of the production costs for crops as a “pre-determined principle”.
- Simply put, the CACP’s job now was only to estimate production costs for a season and recommend the MSPs by applying the 1.5-times formula.



Crop	Cost of Production (A2+FL) for 2018-19	MSP= (A2+FL)X1.5	Cost of Production (C2) For 2018-19	MSP= C2X1.5 (Swaminathan Commission Recommendation)	Govt declared MSP for 2018-19	Difference between MSP declared by Govt and Swaminathan formula
Paddy common	1166	1749	1560	2340	1750	590
Jowar	1619	2428.5	2183	3274.5	2430	844.5
Bajra	990	1485	1324	1986	1950	36
Ragi	1931	2896.5	2370	3555	2897	658
Maize	1131	1696.5	1480	2220	1700	520
Arhar	3432	5148	4981	7471.5	5675	1796.5
Moong	4650	6975	6161	9241.5	6975	2266.5
Urad	3438	5157	4989	7483.5	5600	1883.5
Groundnut	3260	4890	4186	6279	4890	1389.5
Sunflower seed	3592	5388	4501	6751.5	5388	1363.5
Soybean	2266	3399	2972	4458	3399	1059
Cotton	3433	5149.5	4514	6771	5150	1621
Nigerseed	3918	5877	5135	7702.5	5877	1825.5
Seasum	4166	6249	6053	9079.5	6249	2830.5

'A2' covers all paid-out costs directly incurred by the farmer – in cash and kind – on seeds, fertilisers, pesticides, hired labour, leased-in land, fuel, irrigation, etc.

'A2+FL' includes A2 plus an imputed value of unpaid family labour.

'C2' is a more comprehensive cost that factors in rentals and interest forgone on owned land and fixed capital assets

Cost in Rs per quintal

# 43. MACS 1407

- A **high-yielding and pest-resistant variety** of soybean.
- Suitable for cultivation in the states of **Assam, West Bengal, Jharkhand, Chhattisgarh and North-Eastern states** and its seeds will be made available to farmers for sowing during the 2022 Kharif season.
- **MACS- Agharkar Research Institute (ARI)**, an autonomous institute of the Department of Science & Technology with Indian Council of Agricultural Research (ICAR) **used the conventional cross breeding technique** and developed MACS 1407
- It gives **39 quintals per hectare** making it a high yielding variety and is also resistant to major insect-pests.



# 44. Organic Farming

- Organic farming is a production system which avoids or largely excludes the use of synthetically compounded fertilizers, pesticides, growth regulators, genetically modified organisms and livestock food additives.

## Government initiatives:

- Mission Organic Value Chain Development for North East Region (MOVCDNER)
  - Development of certified organic production in a value chain mode to link growers with consumers.
- Paramparagat Krishi Vikas Yojana (PKVY)
  - Elaborated component of Soil Health Management (SHM) of major project National Mission of Sustainable Agriculture (NMSA).
  - Promoted through the adoption of the organic village by cluster approach and PGS certification.



# 44. Organic Farming

## Bhartiya Prakritik Krishi Paddhati (BPKP)

- Introduced in 2020-21 as a sub scheme of Paramparagat Krishi Vikas Yojana (PKVY) for the promotion of traditional indigenous practices including Natural Farming.
- Financial assistance of Rs 12200/ha for three years is provided for cluster formation, capacity building and continuous handholding by trained personnel, certification and residue analysis.

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The Government's focus towards promoting chemical-free natural farming is clearly emphasized in Union Budget 2022-23.

Initial focus is on farmer's lands in 5 Km wide corridors along river Ganga.

# 45. Agricultural Infrastructure Development Cess

- The purpose of the new AIDC is **to raise funds to finance spending on developing agriculture infrastructure**.
- The new cess will **only offset the reduction in customs or excise duty** and thus will not raise the tax incidence for consumers.
- Drawing power from **Article 246** of the Constitution, the Centre collects cess and deposits it in the Consolidated Fund of India.
- AIDC is proposed to be used to **improve agricultural infrastructure** aimed at not only boosting production but also in helping conserve and process farm output efficiently.
- Central government has reduced **Agricultural Infrastructure Development Cess (AIDC)** for Crude Palm Oil (CPO) from 7.5% to 5%.



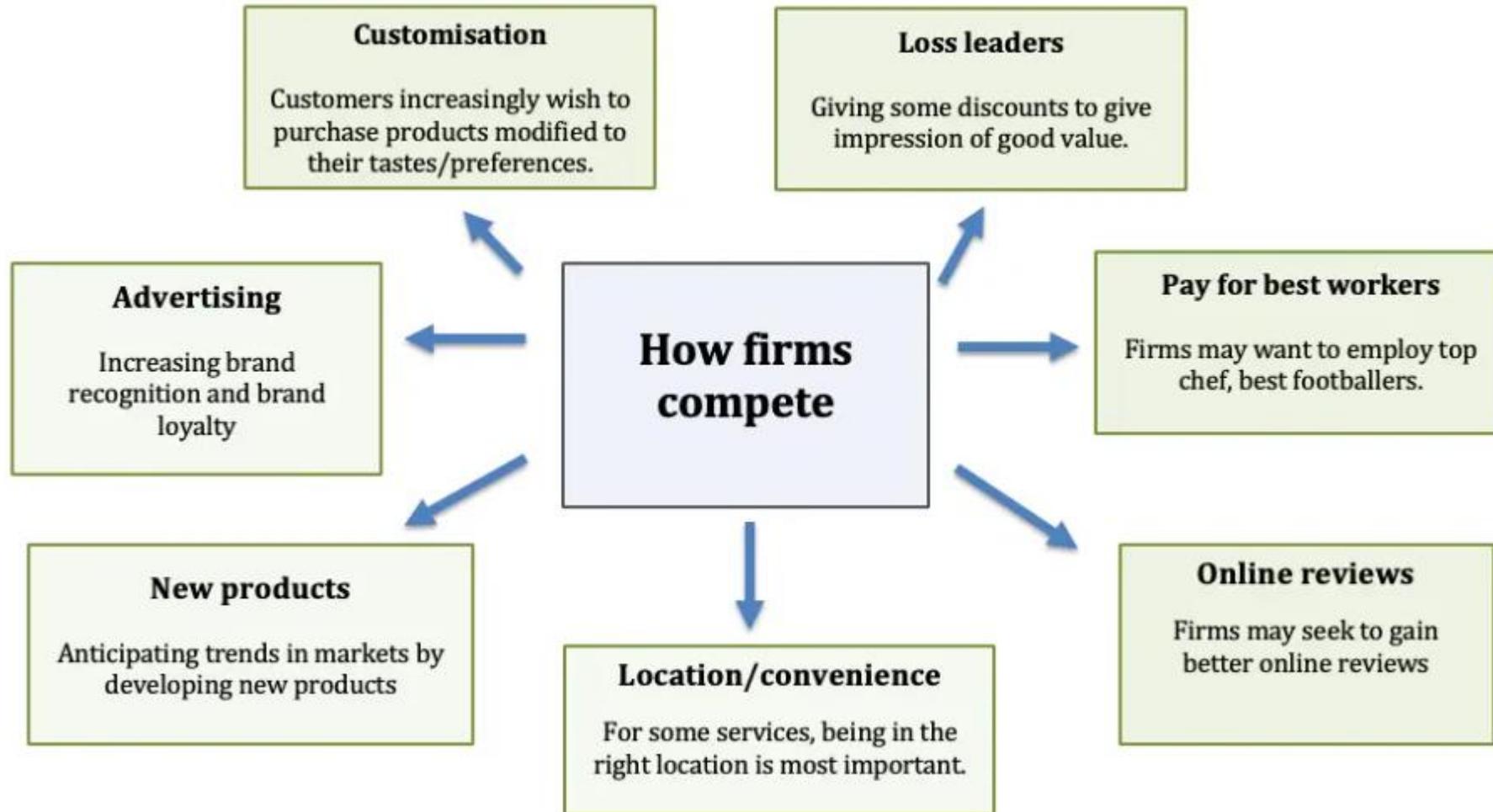
# 46. Non-price competition



- Non-price competition involves ways that **firms seek to increase sales and attract customer** through methods other than price.
- Non-price competition can include quality of the **product, unique selling point, superior location and after-sales service**.
- This technique is often adopted by the competing players in a sector in order to prevent a price war, which can lead to a damaging spiral of price cuts.



# 46. Non-price competition



# 47. Schemes for boosting Exports



- **Remission of Duties and Taxes on Exported Products (RODTEP)**
- **Developing District As Export Hub**
- **Production-linked Incentive (PLI) Scheme**
- **Electronic Platform For Preferential Certificate Of Origin (Coo)**

# 48. Mineral Conservation and Development (Amendment) Rules, 2021



- Amended the **Mineral Conservation and Development Rules, 2017**.
- The MCDR have been framed **under section 18 of the Mines and Minerals (Development and Regulation) Act, 1957** [MMDR Act] to provide rules regarding conservation of minerals, systematic and scientific mining, development of the mineral in the country and for the protection of environment.
- The amendment rules have been framed after extensive consultations with the State Governments, industry associations, miners, other stakeholders and general public.



# 48. Mineral Conservation and Development (Amendment) Rules, 2021

## Highlights:

- All plans and sections related to mine shall be prepared by combination of **Digital Global Positioning System (DGPS) or Total Station or by drone survey** in relation to certain or all leases as may be specified by Indian Bureau of Mines (IBM).
- Submission of digital images of mining area by lessees and Letter of Intent holders.
  - **Annual excavation plan of 1 million tonne or more or having leased area of 50 hectare or more:** submit **drone survey images** of leased area and up to 100 meters outside the lease boundary every year.
  - Other lessees to submit high resolution satellite images.



# 48. Mineral Conservation and Development (Amendment) Rules, 2021



- Allowed **engagement of a part-time mining engineer or a part-time geologist for category 'A' mines** having leased area below 25 hectares.
  - This will ease compliance burden for small miners.
- **Penalty provisions** in the rules have been rationalized. Previously, the rules provided for penalty of imprisonment upto 2 years or fine upto 5 lakh rupees or both for violation of each and every rule irrespective of the severity of the violation. New amendment:
  - **Major Violations**: Penalty of imprisonment, fine or both.
  - **Minor Violations**: Penalty reduced. Penalty of only fine for such violations prescribed.



# 49. Major Port Authorities Act, 2021



- Replaced the **Major Port Trusts Act, 1963**.
- Application to only **major ports in India**.
- A Board of Major Port Authority for each major port will be formed.
- These Boards will **replace the existing Port Trusts**.
- Board will comprise of a **Chairperson and a deputy Chairperson, both appointed by central government** on the recommendation of a selection committee.
- One member each from **respective state governments, Railways Ministry, Defence Ministry, and Customs Department**.



# 49. Major Port Authorities Act, 2021



- Board will also include **two to four independent members**, and two members representing the interests of the employees.
- Bill allows the Board to use its property, **assets and funds as deemed fit** for the development of the major port.
- Board or committees **appointed by the Board will determine rates for assets and services** available at ports.
- The legislation empowers these ports to perform with greater efficiency on account of increased autonomy in decision making and by modernizing their institutional framework.



# 50. Important Reports In News

REPORT NAME	RELEASED BY	IMPORTANT POINTS
<b>'World Economic Situation and Prospects'</b>	<ul style="list-style-type: none"><li>UN Conference on Trade and Development (UNCTAD), UN Department of Economic and Social Affairs (UN DESA) and the five United Nations Regional Economic Commissions</li></ul>	<ul style="list-style-type: none"><li>The pandemic and shutdowns affected more than four out of five jobs worldwide.</li></ul>
<b>'World Economic Outlook'</b>	<ul style="list-style-type: none"><li>IMF</li></ul>	<ul style="list-style-type: none"><li>Global economy is projected to grow 5.5% in 2021 and 4.2% in 2022.</li><li>India's FY 22 growth, is shown to be 11.5%.</li></ul>

# 50. Important Reports In News

REPORT NAME	RELEASED BY	IMPORTANT POINTS
<b>Global Investment Trend Monitor</b>	<ul style="list-style-type: none"><li>• United Nations Conference on Trade and Development (UNCTAD)</li></ul>	<ul style="list-style-type: none"><li>• Global FDI collapsed in 2020, falling by 42% to an estimated \$859 billion.</li><li>• FDI in India rose by 13% in 2020 boosted by digital sector</li></ul>
<b>Global Risks Report</b>	<ul style="list-style-type: none"><li>• World Economic Forum (WEF)</li></ul>	<ul style="list-style-type: none"><li>• Report highlights disruptive implications of major risks, including COVID-19, that may reshape our world in 2021.</li></ul>

REPORT NAME	RELEASED BY	IMPORTANT POINTS
<b>Economic Freedom Index, 2021</b>	<ul style="list-style-type: none"> <li>US conservative think-tank, The Heritage Foundation.</li> </ul>	<ul style="list-style-type: none"> <li>The index ranks 12 indicators from property rights to financial freedom under four categories: rule of law, size of government, regulatory efficiency and open markets.</li> <li>India was ranked at 26th out of 40 countries among Asia-Pacific countries and 121st globally (out of 184).</li> </ul>
<b>Global Innovation Index</b>	<ul style="list-style-type: none"> <li>World Intellectual Property Organisation (WIPO), Cornell University and INSEAD.</li> </ul>	<ul style="list-style-type: none"> <li>From 81 in 2015, India has improved its ranking to 46 in 2021 due to immense knowledge capital, vibrant start-up ecosystem.</li> <li>A similar India Innovation Index (I3) is released by NITI Aayog.</li> </ul>

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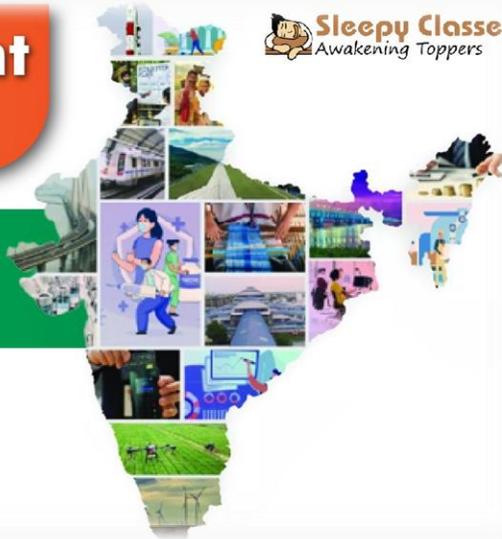


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