

★

Ch-6.

Determination of national income.

Unit - 1.

National Income accounting.

• Simon Kuznets

• Richard Stone

★

Usefulness.

- Helps business to forecast future demand of product.
- It shows 'composition' & 'structure' of national income.
- It helps the govt in making policies.
- International comparisons.

★

Concepts of National Income.

① Gross Domestic Product (GDP) - it is the value of all final goods & services produced in the country within a given period.

$P \times Q$

- Nominal GDP - GDP at current Prices.
- Real GDP - GDP at constant prices (Base year price)

→ GDP deflator.

To take out inflation GDP deflator is calculated & it measures current level of price related to price of base year.

$$\text{GDP deflator} = \frac{\text{Nominal GDP}}{\text{Real GDP}} \times 100.$$

$$\bullet \text{ Inflation Rate (year 2)} = \frac{\text{GDP deflator (year 2)} - \text{GDP deflator (year 1)}}{\text{GDP deflator (year 1)}} \times 100.$$

$$\ast \text{ Depreciation} = \text{Gross} - \text{net}.$$

$$\ast \text{ NDP}_{\text{MP}} = \text{GDP}_{\text{MP}} - \text{Depreciation}$$

$$\ast \text{ NDP}_{\text{MP}} + \text{Depreciation} = \text{GDP}_{\text{MP}}.$$

$$\ast \text{ Net factor income from Abroad (NFIA)}$$

$$\ast \text{ NFIA} = \text{National Product} - \text{Domestic Product}$$

$$\ast \text{ NFIA} = \text{Net composition of employees} + \text{Net income from property \& entrepreneurship} + \text{Net retained earnings}.$$

$$\ast \text{ Net indirect tax} = \text{Indirect tax} - \text{Subsidy}$$

$$\ast \text{ GDP}_{\text{MP}} = \text{GDP}_{\text{FC}} + \text{NIT}.$$

$$\ast \text{ GDP}_{\text{FC}} = \text{GDP}_{\text{MP}} - \text{NIT}.$$

$$\ast \text{ GDP}_{\text{FC}} = \text{Compensation of employees} + \text{Operating Surplus} + \text{Mixed income of self employed} + \text{Depreciation}$$

$$\ast \text{ Operating surplus} = \text{Rent} + \text{interest} + \text{profit}$$

* $NNP_{MP} = GNP_{MP} - \text{depreciation}$

* $NNP_{MP} = NDP_{MP} + NFIA$

* $NNP_{MP} = GDP_{MP} + NFIA - \text{depreciation}$

* $NDP_{FC} = NDP_{MP} - \text{Net indirect taxes}$

* $NDP_{FC} = \text{Compensation of employees} + \text{Operating Surplus} + \text{Mixed income of self employed}$

* $NNP_{FC} = NNP_{MP} - NIT$

* $NNP_{FC} = \text{National Income (NI)}$

* Per Capita Income.

It is measure of a country's economic output per person.

* Personal Income (PI)

* $PI = NI + \text{income received but not earned} - \text{income earned but not received}$

* $PI = NI - \text{Undistributed profits} - \text{Net interest payments made by households} - \text{Corporate Tax} + \text{Transfer payments to the households from firms \& govt}$

* Disposable Personal Income (DI)

$DI = PI - \text{Personal indirect tax} - \text{Non tax payments}$

* Private Income.

Private income is a measure of the income which accrues to private sector from all sources within and outside the country.

* Measurement of National Income in India.

- a) The circular flow of income.
- b) Value added method / Product Method
- c) Income method
- d) Expenditure method.

b) Value added method.

$$\text{Gross value added (GVA}_{MP}) = \text{Value of output} - \text{Intermediate Consumption}$$

$$\text{Value of output} = \text{Sales} + \text{Change in stock.}$$

$$* \sum \text{GVA}_{MP} - \text{Depreciation} = \text{NVA}_{MP}$$

$$* \text{NVA}_{MP} - \text{NIT} = \text{NVA}_{FC}$$

$$* \text{NVA}_{FC} + \text{NFIA} = \text{National Income.}$$

c) Income Method.

$$\begin{aligned} \text{NNP}_{FC} / \text{National income} = & \text{Compensation of employees} \\ & + \text{Operating surplus} \\ & + \text{Mixed income of self employed} \\ & + \text{NFIA.} \end{aligned}$$

d) Expenditure method.

$$GDP_{mp} = \sum \text{Final expenditure.}$$

- * Final Consumption Expenditure
- * Gross domestic capital formation
- * Net exports.

_____ X _____

* Points to remember.

* Gross $\rightarrow$ Net.

$$\text{Gross} - \text{depreciation} = \text{Net}.$$

* Market price $\rightarrow$ Factor cost

$$\text{MP} - \text{NIT} = \text{FC}.$$

* National $\rightarrow$ Domestic.

$$\text{National} - \text{NFIA} = \text{domestic}$$

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Unit-2. The Keynesian Theory of Determination of National Income.

1930 - The Great Depression.

The Keynesian theory of income determination is presented in three models.

- i) two sector model
- ii) three sector model
- iii) four sector model.

i) Two sector model.

House hold & Firm

Factor Payments = Household income = Household expenditure
= Total receipts of firms = Value of output.

Basic Concepts & Functions.

a) Aggregate Demand Function.

AD is what economists call total planned expenditure.

$$* AD = C + I$$

I = Constant investment.

b) The consumption function.

* $C = f(Y)$

* $C = a + bY$

* $MPC = \frac{\Delta C}{\Delta Y} = b$

MPC = Marginal Propensity to Consume.

* $APC = \frac{\text{Total Consumption}}{\text{Total Income}} = \frac{C}{Y}$

APC = Average Propensity to Consume.

* $S = f(Y)$

* $S = Y - C$

* $Y = C + S$

* $MPS = \frac{\Delta S}{\Delta Y} = 1 - b$

Marginal Propensity to Save.

* $APS = \frac{\text{Total Saving}}{\text{Total Income}} = \frac{S}{Y}$

Average Propensity to Save.

c) Aggregate Supply.

Planned aggregate supply is the total supply of goods and services which firms in a national economy plan on selling during a specific time period.

$AS = C + S$

$AD = AS$

$C + I = C + S$

$I = S$

* Deflationary Gap.

If the AD is for an amt of output less than the full employment level of output it is deficient demand. This gives rise to 'deflationary gap' or 'recessionary gap'.

* Inflationary Gap

If the AD is for an amt of output greater than the full employment level of output it is excess demand. This gives rise to inflationary gap.

* Investment Multiplier.

The process of increase in national income due to increase in investment.

$$k = \frac{\Delta Y}{\Delta I}$$

$$\frac{\Delta Y}{\Delta I} = \frac{1}{1 - MPC} = \frac{1}{MPS}$$

ii)

Three sector model.

Household consumption, business & govt

$$Y = C + I + G.$$

$$AD = C + I + G$$

$$AS = C + S + T.$$

$$AS = AD$$

$$C + S + T = C + I + G$$

$$T = G.$$

a) income determination with lump sum tax.

$$Y = a + b(Y - T) + I + G.$$

b) income determination with lump sum tax and transfer payments

$$Y(1-b) = a - bT + bTR + I + G$$

c) Income determination with tax as a function

$$Y(1-b+bt) = a - b\bar{T} + I + G$$

d) Income determination with tax, govt expenditure G , transfer payments.

$$Y = a + b(Y - \bar{T} - tY + TR) + I + G.$$

iii) Four sector model.

Household, business, govt, foreign sectors.

$$Y = C + I + G + (X - M)$$

where, X = export
 M = import.

$$\text{Foreign trade multiplier} = \frac{1}{1-b+m}$$

— X —

Public finance

UNIT - 1 Introduction

• The primary goal of state is promoting welfare of society

Three main macroeconomic goals:

1. Economic growth
2. high level of employment
3. Stable price level.

Richard Musgrave - 'The Theory of Public Finance'

1. Resource allocation (micro)
2. Income redistribution (micro)
3. macroeconomic stabilization.

1. Resource allocation:

- Resources are limited
- imp function - optimal allocation of resources

allocation instruments by government.

- Govt can directly produce economic good
- Govt may use price mechanism
- may influence through legislation and force
- Policies, regulatory activities:
- administrative frameworks.

2. Redistribution function:

Through income and expenditure:

expenditure - free education, healthcare, housing, food etc
Revenue - done through progressive taxation.

Government aims:

- equitable distribution.
- Increased social welfare
- well being of who suffer from deprivations.
- equality of income, wealth, opportunities.
- providing security
- ensuring everyone enjoys mini standard of living

examples:

- taxation of rich & subsidy to the poor
- employment reservation, minimum wages
- unemployment benefits
- well-being of customers (regulation of manufacturers)
- Schemes to backward regions

There would be conflict b/w efficiency and equity.

∴ Redistribution is accomplished with minimum efficiency cost by balancing equity and efficiency

3. Stabilization function: (macro)

Stability exists when:

- output = production capacity
- total spending = total output
- fully employed
- low inflation & stable.

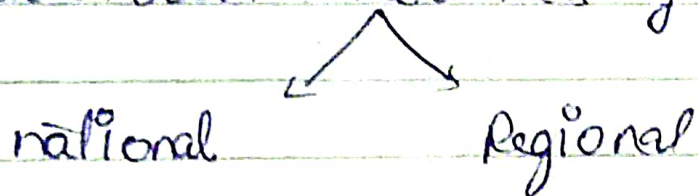
- Govt, central bank promote employment and price stability through fiscal policy & monetary policy
- Instabilities like recession, inflation.
- eliminate macroeconomic fluctuations
- It is key function of fiscal policy

- aggregate economic in terms of :
 - employment and capital utilization
 - output and income
 - general price level and economic growth
 - balance of international payment

- monetary policy affect consumption, investment, prices.
- Fiscal policy direct by expenditure & tax decisions.
- fiscal policy alleviate recession
- fiscal policy control high inflation

Centre and state finance.

- federalism is institutional arrangement to accomodate two sets of government.



- union govt can levy tax on income.
- state govt can levy tax on agricultural income
- finance commission - mandated body - Centre of fiscal federalism
- 15th finance commission - 2017 Nov 27 - introduced 41st and abolition of planning commission.

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Market Failure.

Market failure

means inefficient allocation of resources.

Complete market failure

This is a case of 'missing market' and occurs when the market doesn't supply products at all despite the fact that such product or service are wanted by the people.

Partial market failure.

Failure occurs when the market ^{does} actually function, but it produces either the wrong quantity or at the wrong price. This resource results in loss of economic welfare.

* Why do the market fail?

market power

Externalities

Public goods

Incomplete information

Production externality

Consumption externality

Asymmetric information

Adverse Selection

Moral Hazard

★ Market Power.

- Market power or monopoly power is the ability of the firm to profitably rise the market price of a goods or service over its marginal ~~loss~~ cost.
- Exclusive market power causes the single producer or a small no of producers to restrict output.
- Thus the market fails to produce right quantity of goods & services at the right price.

★ Externalities

→ Externalities are costs (negative externalities) or benefits (positive externalities), which are not reflected in free market price.

→ Externalities are also referred to as

- * Spill over effect
- * Neighbourhood effect
- * Third party effect
- * Side effect.

→ Production Externalities.

Positive

Eg

a firm offering training to its employees

Negative

Eg

Factory produces waste & pollution.

→ Consumption Externalities.

Positive

Eg

• Consumption of the Service of health Club

Negative

Eg

• Smoking

Cause

How externalities ~~may~~ ^{cause} market failure?

- Private Cost : Cost of production incurred by firm. Eg: wages, raw materials etc.:
- Social Cost : Total cost to the society on the amt account of production.
- The market price determined without incorporated externalities are not ideal. Such prices are ~~Send Sent~~ incorrect ~~segment~~ signals to the producers & consumers and cause either over production & under production.

* Public Goods.

Paul. A. Samuelson - The pure theory of Public expenditure

Private Goods	Public Goods.
→ No * free rider problem * Someone who consumes a good or service without paying for it. → These are excludable → Consumption of private good is rivalrous.	→ Free rider problem is there → Indivisibility → Non-rivalrous → More vulnerable to externalities & other issues. → Non excludable

→ Producers are not motivated to produce socially optimal amt of products if they cannot charge a positive price for them or make profit from them. Thus there is market failure in the case of public goods.

★ Incomplete Information.

→ Perfect information implies that both buyer & seller have complete information about anything that may influence their decision making. However these assumptions are not fully satisfied in real market bcoz of.

- a) Complexity of product/service.
- b) Difficulty of getting ~~ex~~ correct information
- c) Deliberate misinformation by interested parties.



Asymmetric Information.

It occurs when ~~they~~ there is an imbalance in information b/w the buyer & seller.

- Eg: *
- Landlords know more about their property
 - * Borrowers know more about their ability to repay.

Adverse Selection

The party which has more information may take advantage of other's ignorance

Moral Hazard

Moral hazard arises when there is externality. It is about the opportunism characterised by an informed person taking advantage of a less informed person through an observed

Government Intervention.

① To minimize market power.

→ Competition Act, 2002 (as amended by Competition (Amendment) Act 2007).

→ Market liberalisation

→ Control on mergers & acq. acquisitions.

→ Price capping - maximizing the price.

* mergers - two big forces merge Eg: VI

* acquisitions - another company acquiring another company.

→ Patronage - helping the consumer through association.

→ Nationalisation eg: Make in India.

→ Restrictions on monopsony power of firms

↳ Single buyer of a good or service.

→ minimizing the imports.

② To Correct Externalities.

★ → To reduce effect of negative externalities.

i) Direct control.

- Ex. → Fix emission of pollutants.
→ Monetary penalties if the limit is exceeded.
→ Licensing
→ Make laws etc..

ii) Market based approach.

a) Setting the price directly through a pollution tax.

b) Setting price through cap-and-trade.

Pigouvian taxes - A.C. Pigou.

Difficult to determine

If demand is inelastic then these taxes may not be effective.

Adverse effect on employment

Limit

Cap & trade → buy & sell.

* total pollution allowed to be emitted during each period.

* Concept of permit + Concept of Carbon Credit
Tradeable permits have been used in credit. USA Since 1980's.

In India.

- * Perform Achieve & Trade [PAT]
- * Renewable Purchase Obligations [RPO]
- * Renewable Energy Certificates [REC]
- * Internal Carbon Pricing [ICP]
- * Energy Conservation (Amendment) Bill 2022.

★ → Promote positive externalities.

- i) Corrective subsidies to producers.
* aimed at increasing supply of good.
Ex: Subsidy of farming.
- ii) Corrective ~~subsidies~~ Subsidies to consumer.
* aimed at increasing demand of good.
Ex: Subsidies on education.

③ In case of Merit goods → Socially desirable.

- * Compulsory insurance protection
- * Compulsory immunization
- * Use of legislation [use of helmet & seat belts. - Ex]
- * Free education / free medical services.

④ In case of Demerit goods → Socially undesirable.
Ex: alcohol, drugs etc..

- * Complete Ban
- * Negative advertising
- * prohibit advertisement

- * Restriction in public areas
- * Imposing high taxes.

Note

Demand of these goods are generally inelastic.
So increase in price due to high taxes have very less effect on demand.

⑤ In case of public goods.

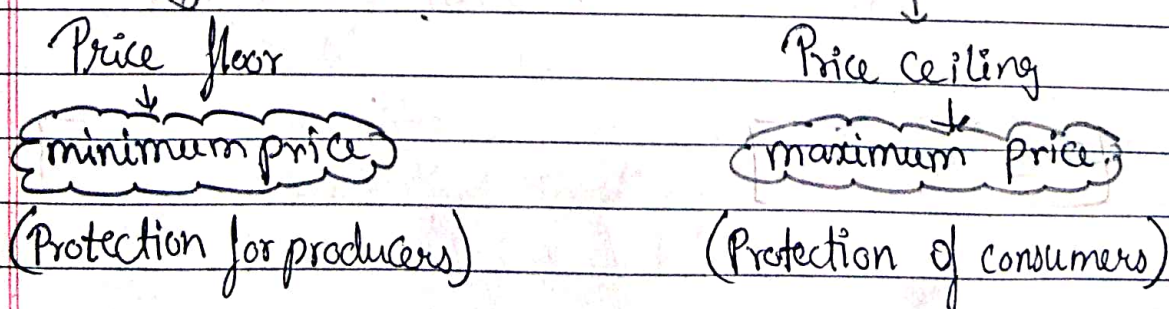
* Defence, legal system, fire protection, disease prevention etc. are provided by govt

* Parks or Museums can be financed through 'entry fees'

* Govt may grant license to private firms to build good public facility

* Govt may invite voluntary contributions & private donations.

⑥ Price Intervention (Non market Pricing)



MSP - minimum Support Price.

⑦ For Correcting information failure.

- * Govt makes accurate labelling mandatory
- * Mandatory disclosures (Ex: SEBI makes it compulsory for companies)
- * Public Dissemination.
- * Regulation on advertising

⑧ For Equitable Distribution.

* Govt → most important activities → ~~redistribute~~ redistribute income → equity & fairness.

- * Progressive taxes
- * Unemployment allowances
- * Job reservations
- * Land reforms
- * Gender sensitive budgeting

but sometimes govt failure when:-

- Intervention is ineffective causing wastage of resources
- Intervention produces fresh & more serious problems.

Unit - 3 Process of Budget Making

Budget is a schedule of entire revenue & expenses that govt receive and spend

- Budgeted estimate - Budget estimates govt accounts for next fiscal year

Process of Budget Making

- Prepared in Consultation with NTI Ayog
- By both houses of parliament
- Procedures :
 1. Preparation
 2. Presentation
 3. Execution
- Types :
 1. administrative process
 2. legislative process

Budget's Speech :

Part A - macroeconomic situation of the Country
taxes, borrowings, allocations

Part B - details of progress, future policies
variation in current taxation system

Annual Financial Statement

Consolidated fund Contingency fund public fund

- The expenditure charged on Consolidated fund
- Appropriation Bill - govt authority to incur expenditure from consolidated fund
- important budgetary reform was merger of railway budget

Sources of Revenue

Statutory boards $\begin{cases} \rightarrow \text{Central board of direct tax (CBDT)} \\ \rightarrow \text{Central board of indirect taxes, Customs (CBIC)} \end{cases}$

CBDT - levy and collection of all direct taxes relating to goods and service tax (GST)

CBIC - Customs, Central excise duties, Service Tax, Indirect tax

Government receipts

Revenue receipt

- tax revenue
- non-tax revenue

Capital receipt

- debt receipt
- non debt Capital receipt

broad sources of revenue:

Corporation tax, Income tax, wealth tax, Custom duties, Union excise duties, GST, CGST, Tax on UT.

NCCD - National Calamity Contingent duty

non-tax revenue:

Interest receipts, dividends & profits, receipts on U

Debt receipt:

Market loans, short term treasury bill borrowings, Securities, state PF, Net external debt

Non-debt receipt:

- Recovery of loans and advances
- Miscellaneous Capital receipt

Public Expenditure Management

- Reduction in fiscal deficit requires mix of revenue and expenditure policies
- Public Exp programmes provide level of output & achieve specific objectives at minimum cost
- Central sector schemes by central agencies under union government.

Public Debt Management

- Govt is largest borrower
- meaning → Govt debt from internal & external sources
Consolidated fund of India
- Contributes to economic growth, welfare of society
- Strategy is based on 3 broad pillars :-
1. low cost of borrowing
 2. Risk mitigation
 3. Market development

IDMO - Internal debt management department (RBI)

- RBI act as manager for internal debt
- Treasury bills - short term
- Securities - long term
- external debt - long term (fixed interest rates)

FRBM - Fiscal responsibility and budget management

→ : 2003, for reduction of deficit

PDMC - Public debt management cell

- RBI retail direct.

Types of Budgets :

1. Balanced budget = Revenue = expenditure
2. unbalanced budget = may either surplus / deficit.
 - * Surplus = Revenue > expenditure
 - * Deficit = Expenditure > Revenue

Capital receipts - reduced assets increased liabilities

Revenue receipts - neither cause asset nor create liability

Revenue exp - Spent on taken use for less than 1 year

Capital exp - spent on taken use for more than 1 year

Budgetary deficit :

excess of total estimated expenses over revenue.

Revenue deficit: Revenue expense - Revenue receipts

Fiscal deficit :

excess of total expenditure over revenue exclude borrowing
[FD = total expenses - Total receipt excluding borrowing]

Indication:- borrowings used for consumption ..

Primary deficit: fiscal deficit - net interest liabilities
goal: to focus on present fiscal imbalances

Finance bill: Produced after presentation of union budget
outcome budget: link b/w budgetary allocation & annual performance

unit - 4 Fiscal Policy

- Govt budget is powerful instrument of economic policy.
- Fiscal policy in nature of demand-side policy
- Govt should balance budget so that fiscal policy is unnecessary

Objectives:

full employment, price stability, GDP growth, equal distribution of income and wealth.

Fiscal policy has ability to influence total amt of output produced.

$$GDP = C + I + G + NX$$

Types:

1. Expansionary fiscal policy; to close 'recessionary gap'
 - bringing policy by the time of loss.
 - [increase govt spending & decrease tax on personal income]
2. Contractionary fiscal policy;
 - aimed at eliminating 'inflationary gap'.
 - [decrease govt spending & increase tax on P.I]

• Public expenditure used to reduce severity of inflation and to bring down the prices.

- tax determines size of disposable income.
- " " Inflationary & deflationary gaps.

Instruments of fiscal Policy:

govt expenditure, public debt, govt budget

• Public debt : Market loans, small savings.
- financing Capital projects - long-term Capital bonds
- treasury bills - short-term govt expenditure

• long-run - economic growth through human Capital formation.

Limitations :-

- lags :
 1. Recognition lag - delay in recognizing the needs
 2. Decision lag - delay in making decisions
 3. Implementation lag - delay in implementing them
 4. Impact lag - outcomes of policy are not visible

Money Market.

Date / /
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Ch-8 unit-1.

The Concept of 'money demand':
important theories.

→ Money can be anything, that can serve as

- i) Store of value. → Save it for future.
- ii) unit of account → Common base for prices.
- iii) Medium of exchange. → used for buying & selling goods & services

Fiat Money

It is a currency that has no intrinsic value but it is instead backed by a government's decree or law, and its value is derived from the trust and faith people have in it.

→ Functions of money.

- i) Generally acceptable
- ii) Durable i.e., long lasting
- iii) Effortlessly recognisable
- iv) Difficult to counterfeit → duplicate
- v) Relatively scarce
- vi) Portable
- vii) Uniformity
- viii) divisible into smaller parts.

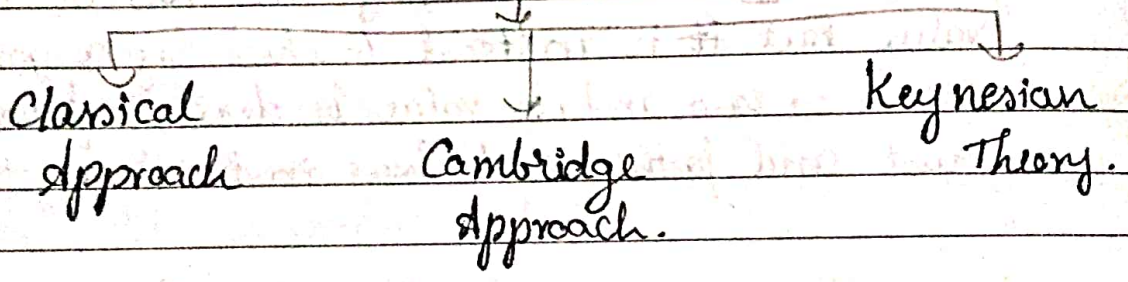
* Demand for Money: - derived demand

→ Liquidity Demand for money is actually demand for liquidity & demand to store value.

• Factors that affect money demand:

- * Income. Income $\uparrow$ demand $\uparrow$
- * Prices. Price $\uparrow$ demand $\uparrow$
- * Interest rates. interest rate $\uparrow$ demand $\downarrow$
- * Innovation. innovation $\uparrow$ demand $\downarrow$

* Theories of demand for money.



☺ Classical Approach. (Quantity Theory of Money) (QTM)

the Purchasing Power of Money - 1911. Irving Fisher

"Demand for money is for transaction purpose".

* Equation of Exchange.

$$MV = PT.$$

where, M = Total money in circulation.

V = 'transaction velocity' of circulation.

(i.e., average no of times across all transactions a unit of money is spent).

P = average price level

T = Total no of transactions.

Extended equation.

$$MV + M'V' = PT.$$

where, M' = the total quantity of credit money.

V' = velocity of M' .

☺ Cambridge Approach
(Cash balance approach).

by Alfred Marshall, A.C. Pigou, D.H. Robertson & John Maynard Keynes.

This says that.

i) enabling the possibility of split up of sale & purchase.

ii) Being a hedge against uncertainty.

Cambridge money demand function.

$$M_d = kPY.$$

where, M_d = the demand for money balances.

Y = real national income.

PY = nominal income.

k = proportion of nominal income.

☺ The Keynesian Theory of Demand for Money.

(Liquidity Preference Theory)

- J. M. Keynes.

'The General Theory of Employment, Interest & Money'
- 1936

People hold money in cash for 3 motives.

- * Transaction Motive.
- * Precautionary Motive.
- * Speculative Motive.

a) Transaction Motive.

The transaction demand for money is directly proportional to income levels.

$$L_r = K \cdot Y$$

where, L_r = transactions demand for money.

K = the ratio of earnings which is kept for transactions purposes.

Y = the earnings.

b) Precautionary Motive

c) Speculative Motive:

Expected returns on bonds are of two types

- * interest payment
- * expected rate of capital gains.

* Market Rate of interest $\rightarrow$ interest rate offered in market on cash deposits.

Current rate is high : low speculative demand for money.

Current rate is low : high speculative demand for money.

😊 Post Keynesian development.

* Inventory Approach to Transaction balance.

- Baumol, Tobin
(1952) (1956)

inventory model assume that there are 2 media for storing value.

* Money

* an interest bearing alternative financial assets.

Baumol proved that the average amt of cash withdrawal which minimise cost is given by.

$$C = \sqrt{\frac{2bY}{r}} \quad \text{also called } \rightarrow \text{Square root rule.}$$

where, b = broker's fee

Y = individual income.

r = rate of interest.

* Friedman's Restatement of Quantity Theory.

Demand for money is affected by the same factors as demand for any other asset, namely.

- * Permanent income.
- * Relative returns on assets.

Measure of wealth - present value of all future incomes.

He determines 4 determinants^{nts} of the demand for money.

- Total wealth.
- demand for money is directly related to price levels
- demand for money rises if opportunity cost of money holdings fall.
- demand for money is influenced by inflation.

* The demand for money as behaviour toward risk.

- James Tobin.

According to him, an individual's behaviour shows risk aversion, which means they prefer less risk.

Bonds & Shares.

Ready money

high risk, high return no risk, no return.

inverse relation } interest ^{rate} ↑ demand for holding money ↓
interest rate ↓ demand for holding money ↑.

← X →

Unit - 2.Concept of Money Supply.★ Rationale of measuring & money supply.

→ knowing the current money supply lets the govt adjust it through monetary policy.

★ Sources of money supply.

→ The central banks of all countries are empowered to issue currency.

★ Measurement of money supply.

→ M_1 → Currency notes & coins with the people + demand deposits with the banking system (current & savings deposit accounts) + other deposits with RBI.

→ M_2 → M_1 + Savings deposits with post office Savings bank.

→ M_3 → M_1 + time deposits with the banking system.

→ M_4 → M_3 + total deposits with the post office Savings organisation (excluding national Savings certificates).

★ Determinations of money supply.

Behaviour of the central bank.

★ The concept of money multiplier.

The money supply is defined as

money is either currency held by the public or bank deposits: $M = C + D$.

$$M = m \times MB$$

$$\text{Money Multiplier (m)} = \frac{\text{Money Supply}}{\text{Monetary Base}}$$

★ The money multiplier approach to supply of money.

— Milton Friedman, (1963).
Anna Schwartz.

Determinants of money supply.

- a) the stock of high powered money (H)
- b) the ratio of reserves to deposits or reserve-ratio = r

$$r = \{\text{Reserves/Deposits}\}$$

$$r = \frac{R}{D}$$

- c) the ratio of currency to deposits, or currency-deposit ratio.

$$c = \frac{C}{D}$$

→ The behaviour of Central bank

Central banks use ~~p~~ monetary policy to manage economic fluctuations & achieve price stability.

→ The behavior of Commercial bank.

study of consequences of capital regulations on the portfolio choice of Central bank

→ The behaviour of Public.

$$M = C + D.$$

$$H = C + \text{reserves}.$$

★ Monetary policy & money supply

$$\Delta \text{ money supply} = \frac{1}{R} \times \Delta \text{ Reserves}.$$

★ Effect of govt expenditure on Money Supply.

$$\text{Credit multiplier} = \frac{1}{\text{Required reserve ratio}}.$$

when the Reserve Bank lends to the govt under WMA/OD it results in the generation of excess ~~ere~~ reserves.

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unit 3

Monetary Policy.

Policy of RBI.

Monetary Policy framework.

Organisational Structure

Objectives

Transmission mechanism

Operating Procedure

* Monetary Policy.

RBI uses monetary policy to manage economic fluctuations and achieve price stability which means that inflation is low and stable.

→ Objectives.

- * Maintainance the economic growth.
- * Ensuring an adequate flow of credit to the productive sectors.
- * Sustaining
- * Creation.

→ Transmission mechanism.

- * Changes to monetary policy affect^{ct} interest rates in the economy.
- * Changes to interest ~~policy~~ rates affect economic activity and inflation.

Channels of monetary policy

- i) Saving and investment channel
- ii) Cash flow channel.
- iii) Asset prices & wealth channel
- iv) Exchange Rate channel.

→ Operating Procedures and Instruments.

* Quantitative tools.

• Reserve Ratio.

→ Cash Reserve Ratio [CRR]

→ Statutory Liquidity Ratio [SLR]

• Open Market Operations [OMO]

* Qualitative tools.

• Margin requirements

• Moral Suasion

• Selective Credit Control

• Market Stabilisation Scheme.

• Policy rates

• Bank rate

• Liquidity Adjustment Facility

→ Repo rate

→ Reverse repo rate

$$\text{Reverse repo rate} = \text{Repo rate} - 1.$$

→ Marginal Standing Facility [MSF] Rate.

$$\text{MSF Rate} = \text{Repo rate} + 1 \quad \text{MSF Rate} = \text{Repo rate} + 1.$$

Ch-9 unit-1International Trade.

International trade is the exchange of goods & services as well as resources b/w countries.

* Benefits

→ Eff Economic Efficiency and contributes to economic growth & rising incomes.

→ Greater efficiency in use of natural, human, industrial and financial resources ensure productivity gains.

→ Access to new markets and new materials.

→ Stimulates Innovation.

→ Improvement in Quality of Goods & Services.

→ Contribute to human resource development.

→ Strengthen bonds b/w countries

★ Demerits (arguments against)

→ Often not equally benefitted to all nations

→ Economic Exploitation of undeveloped nations.

→ Substantial environmental damage.

→ Exhaustion of natural resources.

→ Trade cycles are also likely to get transmitted rapidly to other countries.

Note: Trade cycle → Business cycle.

→ Dependence of undeveloped countries on foreign nations.

→ There is often lack of transparency.

→ Too much of export orientation.

★ Important Theories.

i) The Mercantilists view of International Trade.

↓
derived from mercantile → trade & Commercial affairs.

- Exports > Imports.

in simple words.

Mercantilism - Economic policy -
which means a country should focus more on
~~the~~ Constant large quantity of exports over imports.

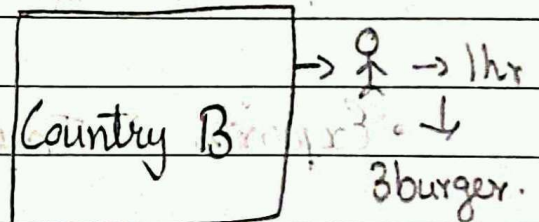
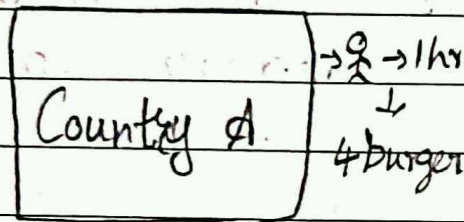
ii) Theory of Absolute Advantage. - Adam Smith.

Assumptions.

- a) Trade b/w two countries
- b) Two Commodities.
- c) No transportation cost.
- d) Labour was mobile within country but immobile b/w countries.
- e) Any trade b/w two countries considered would take place "if each of the two countries had an absolutely lower cost in the production of one of the commodities."

The theory refers to the ability of a party to produce greater quantity of a good using the same amt of resources. (Simple comparison of Labour productivity)

Eg: ① commodity Burger exported.



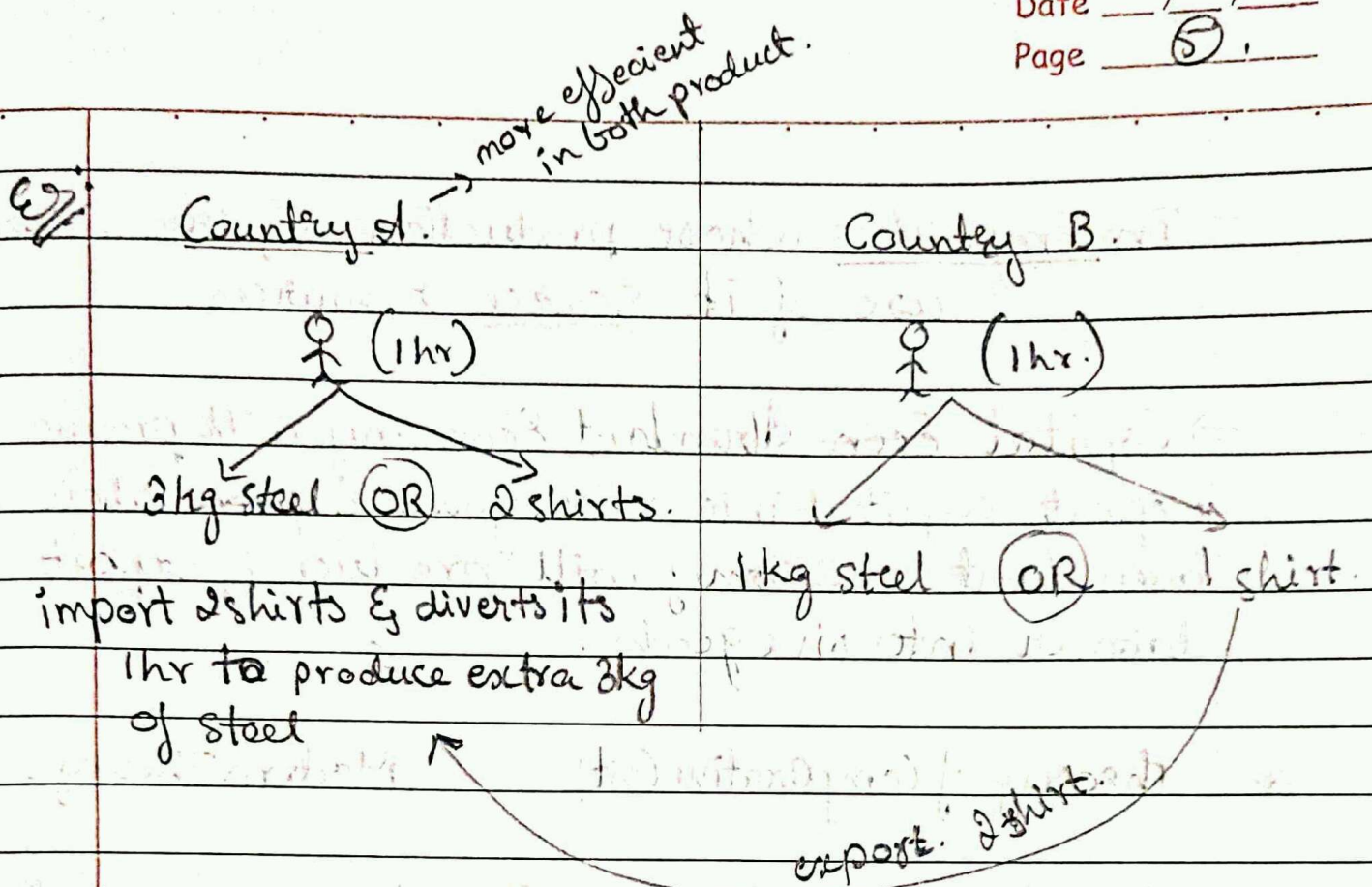
① commodity.
 1 person in → 1 hr → 8 Pizza
 Resources are same

① commodity.
 1 person in → 1 hr → 9 Pizza.
 Resources are same
 Pizza
 exported

iii) Theory of Comparative Advantage.
 - David Ricardo.

→ Ricardo observed that trade was driven by Comparative rather than absolute cost.

"Exporting products in which absolute advantage was greatest and importing products in which absolute advantage was comparatively less."



iv) The Heckscher-Ohlin Theory of Trade.

- Eli Heckscher & Bertil Ohlin.

- $\rightarrow$ Factor Endowment theory OR Modern theory.
- $\rightarrow$ Cost of production is exclusively by the difference in factor endowment.

A country tend to specialize

- $\rightarrow$ In exports: whose production requires intensive use of its abundant resources.

- In Imports : whose production requires intensive use of its scarce resources.
- Capital Econ Abundant Economy will produce & export capital intensive goods & poor labour abundant economy will produce & export labour intensive goods.

⌘ Theory of Comparative Cost	Modern Theory.
→ Based on <u>labour</u> theory of value	→ Based on <u>money cost</u> .
→ Considered <u>labour</u> as sole factor	→ Considered <u>labour</u> as well as <u>capital</u> .
→ Comparative costs of goods concerned	→ Considers relative prices of the factors.
→ Normative in nature ↓ should be	→ Positive in nature ↓ what is.

v) Globalization & New International Trade theory - Paul Krugman.

Krugman noticed that most of the international trade takes place b/w countries with roughly the same ratio of capital to labour.

→ Krugman defended free trade.

* 'Inpr praise of cheap labour' published in Slate in 1997.

* New Trade theory. ⇒

two advantages to the country that import goods to compete with domestic goods.

a) Economies of Scale.

Scale of production $\uparrow$ (increases)
Cost $\downarrow$ (decreases).

b) Network effect (Bandwagon effect).

The way one person's value for a good or service is affected by value of that good or service to others.

International Trade

Unit - 2 Instruments of Trade Policy

CEPA - Comprehensive economic partnership agreement
ECTA - Economic Cooperation & Trade agreement

Protectionism :

It is a state policy aimed to protect domestic producers against foreign competition by use of tariffs.

- Trade policy includes all instruments that government may use to promote or restrict imports and exports

Tariffs :- (import duties)

- Known as Customs duties
- imposed on goods & services of imports & exports
- to contract domestic demand
- to regulate volume of their imports
- main goal :
 - Raise revenue for the government
 - to protect domestic import industries

Types :-

1. Specific Tariff : based on weight and measurement
2. Ad valorem Tariff : fixed percentage of commodity
 - i) mixed Tariff - basis of value of imported goods
 - ii) Compound Tariff - mix of ad valorem & specific tariff
 - iii) Technical Tariff - basis of specific contents
 - iv) Tariff rate quotas - quantitative threshold quota
 - v) most-favoured nation (MFN) impose on import of WTO members
 - vi) variable Tariff
 - vii) Preferential Tariff - lower tariff on preferential treatment
NAFTA - North American free trade agreement
 - viii) Bound Tariff - not to raise tariff rate above certain level
 - ensures transparency and predictability

- i) Applied Tariff - charged on imports on MFN basis.
- x) Escalated Tariff - manufactured goods tariff > inputs, raw material tariff.
- xi) Prohibitive tariff - no imports can enter.
- xii) Import subsidies - payment per unit for importation (negative)
- xiii) tariffs as response to trade distortions - distortion in nature
 - trigger-price mechanism
- xiv) Anti-dumping duties - Protectional duties.
- xv) Countervailing duties -

Non-Tariff measures :-

- Technical barriers to trade & sanitary & phytosanitary negotiated during Uruguay round.

1. Technical measures :-

- i) Sanitary & phytosanitary : to protect biodiversity
- ii) Technical barriers to trade : quality, quantity, price control

2. Non-technical measures :-

- i) Import Quotas : Certain good is allowed into country.
 - Binding quota.
- Types : 1. absolute quota 2. tariff-rate quota.
- The profit received by the holders of import licenses are quota rents.

ii) Price Control measures : Para-Tariff

iii) Non-automatic licensing & prohibitions : Limiting quantity of goods that can be imported

iv) Financial measure : to increase import cost

v) measures affecting competition : special preferences to few Ltd groups of economic operators.

vi) government procurement policy : govt purchases should be from domestic market/firms

vii) Trade-related investment measures :

- limiting the purchase
- restricting level of imports

viii) Distribution restriction : geographical restrictions .

ix) restriction on post-sale services : limitation after sales .

x) Administrative procedure : Increase transaction cost
- Procedures and formalities

xi) rules of origin : - which country produced good.
- home country of service providers

xii) Safeguard measures : restrict import if domestic market injured.

xiii) Embargoes : ban - due to political, health, religious.

Export - related measures :

1. Ban on export - period of shortages in domestic
2. Export taxes - reduce export / increase domestic supply
3. Export subsidies & incentives - duty drawbacks.
4. voluntary export restraints - political considerations

International Trade

Unit - 3 Trade Negotiations.

Taxonomy of Regional Trade Agreements (RTAs)

- Grouping of countries
- objective - reducing barriers to trade
- Treaty b/w two govt's that define rules of trade
- Feb 2021 - 339 RTA's

Types :-

1. unilateral - importing country offer trade incentives to encourage exporting country.
2. Bilateral - rules of trade b/w 2 countries or blocs
3. Regional preferential - on reciprocal & preferential basis
[Global system of trade preferences among developing countries - GSP]
4. Trading bloc - • free trade agreement b/w themselves.
• Common external tariff to other countries
5. Free Trade area - • tariff free
objective :- increasing exchange of goods.
6. A Customs union - eliminate all tariff & maintain common external tariff outside union.
7. Common market - free flow of output & factors of production
8. Economic / monetary union - 2 countries accepting 1 currency

General Agreement on Tariffs and Trade (GATT)

- Made by representatives of WTO members.

Uruguay round, establishment of WTO.

- need for a formal international organisation.
- Punta del Este, Uruguay - September 1986
- Agreement signed - April 15, 1994
took effect - July 1, 1995

World Trade Organization (WTO) (rules based)

- objective - trade freely, smoothly, fairly, predictably.
- three-tier system of decision making
 1. Minister Conference
 2. General Council
 3. Goods, service, intellectual property bodies

Principles:-

1. Most-favoured-nation :-

- First article of GATT

2. National treatment : Treating foreigners and locals equally.

Three-main agreements of WTO :-

1. Article 3 of GATT
2. Article 17 of GATS
3. Article 13 of TRIPS

Free Trade : Progressive liberalization

Predictability : binding and to ceilings on custom tariff.

The Doha Round : 9th round

- modifications of international trading system
- controversial topic - agricultural trade

Ch-9.Unit - 4.Exchange rates and its economic effects.

→ A foreign currency transaction that is dominated in or requires settlement in foreign exchange.

→ Exchange rate is the rate at which the currency of one country is exchanged for the currency of another country. Ex: $1\$ = 80Rs.$

→ A direct quote [European Currency Quotation] the no of units of ~~local~~ local currency exchangeable for one unit of foreign currency.

→ A indirect quote [American Currency Quotation] is the no of units of foreign currency exchangeable for one unit of local currency.

★ Exchange Rate Regimes

i) Free - Floating exchange rate system.

→ Rate determined by market forces of demand & supply.

- No Govt intervention
- Self regulating
- No need to maintain foreign currency reserves.
- Less stability
- Speculation can be there.
- International trades are riskier.

ii) Managed Floating System.

- Govt & Central banks often seek to ~~increase~~ increase or decrease their exchange rates by buying or selling their own currencies
- Such intervention is likely to have only a small impact.

iii) A Fixed Exchange Rate System.

- Set by govt
- Stability
- Less Speculative
- Avoids currency fluctuation
- Govt has to keep huge foreign currency reserves.
- It enhances international trade & investment.

Basically, free floating exchange rate system is efficient & transparent. It allows central bank to pursue its own independent monetary policy.

★ Nominal and Real Exchange rates.

→ Nominal exchange rate is expressed in units of one currency per unit of other currency. A real exchange rate adjusts this for changes in price levels.

→ A real exchange rate is the rate at which a person can trade the goods or services one country for the goods or services of another.

$$\text{Real exchange rate} = \frac{\text{Nominal exchange rate} \times \text{Domestic products.}}{\text{Foreign Prices.}}$$

$$\text{Real Effective Exchange Rate} = \frac{\text{Nominal Exchange Rate}}{\text{Price deflator.}}$$

★ Foreign Exchange Market

→ Forex market consists of commercial banks & brokerage houses.

→ In foreign exchange market, there are two types of transactions:

a) Currency transactions which are carried out in the spot market and exchange involves immediate delivery.

b) Future transactions wherein contracts are agreed upon to buy or sell currencies for future delivery which are carried out in forward and/or futures markets.

* A foreign exchange transaction can involve any two currencies, but mostly US \$ is involved. Thus, US \$ is called 'Vehicle Currency'.

★ Determination of nominal exchange rate.

Why demand?	Why Supply?
→ To supply → To purchase goods & services from foreign country → Foreign Tour → To send unilateral transfers → To make investment in foreign countries → To open foreign bank A/c → for speculation.	→ Exports → Investments by foreigners in our country → Unilateral transfer received → Foreigns visiting India → Speculation.

* Changes in exchange rates.

- Home currency ~~depreciation~~ appreciation.

Home currency $\uparrow$ Foreign Currency $\downarrow$

- Home currency depreciation.

Home currency $\downarrow$ Foreign currency $\uparrow$.

* Devaluation Vs Depreciation.

- devaluation is deliberately downward adjustment by central bank in the value of a country's currency relative to another currency, group of currencies or standard.

- appreciation of a country's currency cause changes in import & export prices will lead to changes in import & export volumes, causing resulting in import spending & export earnings.

—————x—————

Ch-9 unit-5.International Capital Movements★ Foreign Capital :

inflow.

Foreign capital includes any inflow of capital into the home country from abroad.

★ Types of foreign capital :

- Foreign aid or assistance :
 - Bilateral or direct inter govt grants.
 - Multilateral aid from many many govt
 - Tied aid with stipulation
 - Untied aid with no stipulation.
 - Foreign grants (voluntary) from institutions or organisations.

Stipulation → condition

- Borrowings :
 - Direct inter govt loans.
 - Loans from international institutes.
 - Soft Loans.
 - External commercial borrowings.
 - Trade credit facilities.

Soft loans - loan with no interest or below market rate of interest.

- Deposits from NRI [Non resident of India]
- Investments
 - Foreign Portfolio Investment [FPI]
 - ~~Foreign Disinvestment~~ x.
 - Foreign Direct Investment [FDI]

* FDI

According to IMF and OECD, the acquisition of at least 10% of ordinary shares or voting power in a public or private enterprise by non-resident investors makes FDI.

IMF - International Monetary Fund

OECD - Organization for Economic Cooperation and Development.

FDI has 3 components.

- 1) Equity Capital.
- 2) Reinvested Earnings.
- 3) Other direct Capital.

→ FDI are real investments in factories, assets, land, inventories etc and involve foreign ownership of production facilities.

→ FDI may be categorised as:

* Horizontal: It takes place when investor establishes same type of business operation in foreign country.

* Vertical: It takes place when investor establishes a different activity from its main business activity but may be supportive.
unrelated

* Conglomerate: It takes place when an investor makes investment in a business that is altogether unrelated.

* Two-way direct foreign investment.

* Foreign Portfolio Investment [FPI]

→ FPI is the flow of financial capital rather than real capital.

→ These flows are generally short term and have their immediate effects on BoP & exchange rates.

* FDI v/s FPI.

<u>FDI</u>	<u>FPI</u>
* Direct impact on employment.	* Speculation
* Physical asset.	* Financial asset
* Interest Interest in Management	* Short term
* Difficult to withdraw	

* Reasons for FDI.

- Profits
- higher rate of interest.
- possible economies of large scale operations.
- Risk diversifications.
- Capture of emerging markets.
- lower host country environment & labour standards.
- By passing 'tariff' & 'non-tariff' barriers.
- Cost effective availability of inputs.
- Tax benefits.

* FDI takes place through.

- Opening subsidiary company or associate
- Equity injection
- Acquiring control
- mergers & acquisitions.
- Joint Venture
- Green field investment → New facility
- Brown field investment → existing facility

★ Problems.

- Use of inappropriate capital intensive methods in labour abundant country.
- Increase in regional disparity.
- Crowding out of domestic investment
- ~~Diversion~~ Diversion of capital resulting in distorted pattern of production.
- Instability in BDP + exchange rates.
- Repatriation of profits.
- 'Anti ethical' market distortions
- 'Off sharing' or Shifting of jobs.
- Over exploitation of natural resources.
- Decrease in competitiveness of domestic companies
- Jeopardizing national security.
- harmful → Worsening commodity terms to trade

★ Benefits.

- New innovations
- Higher efficiency
- Better products
- Lower prices
- Welfare of consumers.

- Better access to foreign markets.
- Improvement in BOP.

★ Max' Mauritius — leading country — inflow of FDI to India.

★ A foreign investor may enter India through

↓
Automatic
Route.

↓
govt
Route

↓
Equity in
domestic

enterprises

★ Prohibited → Chit fund & Nidhi Company.

★ According to RBI, Overseas direct investment stood at US \$ 1922.51 million in Sept 2022

★ According to world investment report 2022.
India was ranked 8th among the world's major FDI recipients.

— X —

Ch-10.Indian Economy.

* India - Between 1st & 17th century A.D. → largest Economy.

* $\frac{1}{3}^{\text{rd}}$ or $\frac{1}{4}^{\text{th}}$ of world's wealth → India.

* Agriculture → Main source of India's Income.

* Ancient Indian Economic Philosophy → 'Arthashastra' by Kautilya (Chanakya)
 → Statecraft in political philosophy.
 → 'Artha' is not wealth alone.

* True Kingship → Ruler's subordination of his own desires and ambitions to the good of his people.

British Rule

1757-1858

The rule of East India Company

1858-1947

British Govt.

* Virtual Reversal → Exporter of Raw materials.

Manifest.

i) Large scale unemployment and absence of alternate sources of employment.

ii) Import of cheap materials machine-made goods from Britain and an over shift of tastes.

iii) Zamindari System created a class of people.

iv) Subsistence farming $\rightarrow$ only for livelihood.

v) Absentee Landlordism.

* Factory based production did not exist in India before 1850.

* Colonial India $\rightarrow$ British Era.

* Cotton mill $\rightarrow$ India $\rightarrow$ 5th position $\rightarrow$ 9 million spindles in 1930's.

* Jute $\rightarrow$ Largest in Raw jute Consumption.

* India's Iron Industry was ranked 8th in 1930.

* 12th $\rightarrow$ Great Depression.

Post Independence (1947 - 1991)

* Literacy rate $\rightarrow$ 18%.

* Life Expectancy $\rightarrow$ 32 years.

* Nehruvian model $\rightarrow$ Social and economic redistribution and industrialization.

* Industrial Policy Resolution [1948] expanded role for public sector & licensing to the private sector.

Policies in 1950s.

i) Nehru's visualization to build a socialistic society with emphasis on heavy industries.

ii) Gandhian philosophy → Small scale and cottage industry and village republics.

* Balance of Payment → Imports = Exports
↓
1958.

* First three decades after independence [1950-80] often referred as to 'The Hindu growth rate' - 3.5%.

* 1 major shift - Indian Economic Strategy - mid 1960s.

* 1966 & 1967 → two severe & consecutive droughts. —
Serious food problem.

* Green Revolution → ~~agri~~ Agricultural policy.

* Govt Nationalized 14 banks → 1969.

another 6 banks → 1980.

* Economic performance → 1965-81 → worst → decline in productivity

- License - raj - autarchic policies - 1960s & 1970s.
A system of strict govt control and regulation of Indian economy.

→ Three wars → 1962, 1965 & 1971.

→ Major Droughts → 1966 & 1967.

→ Oil Shocks → 1973 & 1979.

- * The Monopolies and Restrictive Trade Practices (MRTP) Act 1969
→ regulations of large firms → large market power.
Restrictions in terms of licencing, capacity addition, mergers & acquisitions.

The Era of Reforms.

* GDP → 1980-1985 → 5.7%.

→ 1985-1990 → 5.8%.

- * Early reforms of 1980's broadly covered.

→ industry

→ trade

→ taxation.

- * First wave of liberalization - 1980's.

* Policies initiated

→ 1985 → 25 broad categories of industries were delicensed

→ 'Broad-banding' → allow flexibility & rapid changes in their product mix.

→ The multipoint excise duties ^{converted} → Modified Value added tax (MODVAT)

→ Securities and Exchange Board of India [SEBI] → 12/4/1988

→ ~~The~~ The Open general licence [OGL] list expanded the no of capital good items ~~stead~~ steadily reaching 1329 in April 1990.

→ Export incentives were expanded.

→ Exchange rate was set at a realistic level which helped expand exports & reduced pressure on foreign exchange.

→ Price & distribution controls on cement & aluminium were entirely ~~ab~~ abolished.

→ Real Effective Exchange Rate [REER], Rupee was ~~depreciated~~ depreciated 30% from 1985-86 to 1989-90.

→ The budget for 1986.

* Cutting taxes

* Liberalising imports.

* Reducing tariffs.

The Economic Reforms of 1991

→ Gulf war → triggered oil prices in 1990.

→ Foreign exchange reserves → lowest point → only \$1.2 billion reserves

→ India ^{depend} External borrowings from International Monetary Fund.

→ Crisis of confidence.

★ The Reforms.

- * Liberalisation : reducing rules & regulations
- * Privatisation : Privatising public companies
- * Globalisation : Globalising domestic products.

Objectives.

- Market friendly / Market oriented economy.
- Macroeconomic Stabilization.

★ The Fiscal Reforms.

- Stable & transparent tax structure.
- Ensures better tax compliance.
- Reduction in Subsidies.
- Abolition of unnecessary Subsidies.
- Disinvestments (Gext)
- Private Sector Participation is ensured.

★ Monetary and Financial Sector Reforms

Objective → financial system more efficient & transparent.

- i) Interest rate liberalization.
- ii) New private sector banks.
- iii) Reduction in reserve requirements.
 - SLR - Statutory liquidity ratio.
 - CRR - Cash Reserve Ratio.
- iv) Liberalisation of bank branch licensing policy.
- v) Disclosure of income & PBD → Narasimham Committee

* Reforms in Capital Markets:

SEBI - Securities & Exchange Board of India.
 Set up - 1988, recognition - 1992.

* New Industrial Policy.

→ 24 July 1991.

→ End of license raj

→ 8 sectors based on security & strategic growth.

→ Highest Highest tariff rate (1990-91) $\Rightarrow$ 335%.

1993-94 $\Rightarrow$ 85%.

1995-96 $\Rightarrow$ 50%.

2007-08 $\Rightarrow$ 10%.

* Trade Policy Reforms:

→ 1991 - Govt devalued rupee b/w 18% & 19%.

→ 1992 - Dual exchange rate regime.

→ EMEs - Emerging market economies.

* → Primary Sector → Agriculture.

APEDA - Agricultural & Processed Food Export Development Authority.

* → Secondary Sector → Industry.

* 'Make in India', 'Vocal-for Local'

* Ease of Doing Business.

DATE _____
Mo Tu We Th Fr Sa Su
* National Single Window System → one-stop-shop.

* National Logistics Policy

* Atmanirbhar → Production Linked Incentive.

* Udyami Bharat → Micro & Small & Medium Enterprises

★ → Tertiary Sector → Service.

★ Niti Aayog

→ A bold step for transforming India.

→ Apex policy-making body → 1/1/2015 → NITI-NITI.

→ National Institution for Transforming India (NITI) Aayog.

→ Niti Aayog - Think Tank
- Directions & policy dynamo.

→ Objectives.

→ Counterweight → Voice of development.

→ Strong states make a strong nation.

→ IPI - India Policy Insights

→ Execution of national development agenda.

→ E-Amrit → one-stop destination.

→ NDAP - National Data & Analytics Platform.

→ Shooriya Cham campaign → air quality improvement.

→ Methanol Economy → reduce oil import bill.

→ GHG → Green House Gas.

→ Transforming India's Gold Market.