UPDATED FOR 2026-27 EXAMS

Indian Economy

The Complete Master Guide

All 6 Parts — every topic across the complete Indian Economy syllabus, with original diagrams, flowcharts, mind maps, compare-contrast tables, and exam-focused revision material, updated with Budget 2026-27, the 16th Finance Commission, GST 2.0 and Economic Survey 2025-26 data.

SSC CGL · CHSL · MTS · UPSC · STATE PCS · RAILWAYS · BANKING

53	59+	418+	6
TOPICS	DIAGRAMS & TABLES	PYQ-STYLE Qs	PARTS

01 Basic Concepts, National Income & Planning

02 Money, Banking & the Financial System

03 Public Finance, Fiscal Policy & Welfare

04 Sectors of the Economy & the External Sector

05 Reference & Revision

06 Advanced Topics & Current Affairs

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Complete Table of Contents

All 6 Parts · 53 topics · every topic fully regenerated with mind maps, flowcharts, compare-contrast tables, current-affairs linkage and PYQ-style practice questions.

PART 1 Basic Concepts, National Income & Planning

1. Introduction to Economics — Micro vs Macro

Micro vs macro, branches of economics, circular flow of income, economic systems.

2. Basic Economic Concepts (Scarcity, Demand-Supply, Elasticity)

Scarcity, opportunity cost, demand & supply, market equilibrium, elasticity.

3. National Income & Key Concepts (GDP, GNP, NNP, NDP, Per Capita Income)

GDP, GNP, NNP, NDP, per capita income and how they relate to each other.

4. Methods of Calculating National Income

Product, income and expenditure methods of calculating national income.

5. Economic Growth vs Economic Development

How growth (quantitative) differs from development (qualitative), with indices.

6. Sectors of Indian Economy (Primary/Secondary/Tertiary)

Primary, secondary and tertiary sectors and how their share has shifted over time.

7. Economic Planning in India (Five-Year Plans, Planning Commission)

Five-Year Plans, the Planning Commission, and India's planning models.

8. NITI Aayog & the Post-Plan Era

Formation of NITI Aayog, its structure, and how it differs from the Planning Commission.

9. Inclusive Growth & Sustainable Development

Inclusive growth, human development, and the Sustainable Development Goals.

PART 2 Money, Banking & the Financial System

1. Money — Functions, Types & Evolution

Barter to fiat money, functions of money, legal tender & near-money.

2. Structure of the Indian Banking System

RBI, commercial banks, regional rural banks, small finance & payment banks.

3. RBI — Functions & Organisation

Central bank functions, organisational structure, and key departments.

4. Monetary Policy Tools (Repo, CRR, SLR, MPC)

Quantitative and qualitative tools, the Monetary Policy Committee & inflation targeting.

5. Inflation — Types, Causes & Measurement

Demand-pull vs cost-push inflation, CPI vs WPI, core inflation.

6. Financial Markets — Money Market vs Capital Market

Instruments, participants and regulators of India's financial markets.

7. Stock Market & SEBI

Primary vs secondary markets, indices, SEBI's regulatory role.

8. Insurance Sector & IRDAI

Life vs general insurance, penetration & density, IRDAI's mandate.

9. NBFCs & Cooperative Banks

Shadow banking, NBFC regulation, urban & rural cooperative banks.

10. Financial Inclusion — Jan Dhan, UPI & Payment Banks

PMJDY, the JAM trinity, UPI's growth, and India's digital payments stack.

PART 3 Public Finance, Fiscal Policy & Welfare

1. Union Budget — Structure & Process

Budget documents, the FRBM Act, and the parliamentary budget cycle.

2. Fiscal Policy & Deficit Concepts

Revenue, fiscal, primary & effective revenue deficits, expansionary vs contractionary policy.

3. Taxation in India — Direct vs Indirect Tax

Income tax, corporate tax, and the shift from excise/VAT to GST.

4. GST — Structure, Council & Slabs

One Nation One Tax, GST Council, input tax credit, and rate structure.

5. Finance Commission & Fiscal Federalism

Article 280, tax devolution formulas, and Centre-State financial relations.

6. Public Debt & Deficit Financing

Internal vs external debt, ways and means advances, debt sustainability.

7. Disinvestment & PSU Policy

Strategic disinvestment, privatisation, and the National Monetisation Pipeline.

8. Major Government Welfare Schemes

Flagship schemes across food, housing, health and rural development.

9. Poverty & Unemployment — Types & Measurement

Poverty lines, the Tendulkar/Rangarajan methodology, types of unemployment.

10. Employment Schemes (MGNREGA, PMKVY & More)

Rural employment guarantee, skilling missions, and urban employment proposals.

PART 4 Sectors of the Economy & the External Sector

1. Agriculture — Green Revolution to Present

Cropping patterns, irrigation, and the technological transformation of Indian farming.

2. Agricultural Reforms & MSP

Minimum Support Price, the three farm laws episode, and market reform debates.

3. Industry — Industrial Policy Evolution

1956, 1991 and post-1991 industrial policy shifts; licensing to liberalisation.

4. Make in India & PLI Schemes

Production Linked Incentive schemes, sector coverage, and manufacturing targets.

5. Services Sector & IT/BPO Economy

IT-BPM exports, the services-led growth model, and India's services trade surplus.

6. Infrastructure (Roads, Railways, Ports, Energy)

National highways, dedicated freight corridors, Sagarmala, and the power sector.

7. External Sector — Balance of Payments

Current account, capital account, BoP crises, and reserve management.

8. Foreign Trade Policy, FDI vs FPI & Forex

FTP objectives, investment routes, and forex reserve composition.

9. WTO, IMF, World Bank & Global Institutions

Bretton Woods institutions, WTO agreements, and India's role in each.

10. Economic Reforms of 1991 (LPG Era)

Liberalisation, Privatisation, Globalisation — background, measures and impact.

PART 5 Reference & Revision

1. Economic Survey — How to Read It

Structure of the Survey, thematic chapters, and how it differs from the Budget.

2. Sustainable Development Goals & Green Economy

SDG targets, green GDP, carbon markets, and India's climate commitments.

3. Master Economic Terms & Abbreviations Glossary

A single-reference glossary of high-frequency exam terms and acronyms.

4. Master PYQ Bank — Cross-Topic Practice

Mixed previous-year-style questions spanning all parts of the guide.

5. Complete Revision Sheet — All Parts

One-page-per-part condensed recall sheets for the final week before an exam.

PART 6 Advanced Topics & Current Affairs

1. GVA vs GDP — India's National Accounting Shift

The 2015 base-year revision, GVA at basic prices, and reconciliation with GDP.

2. Key Committees in Banking & Monetary Policy

Narasimham, Urjit Patel, and other landmark committee recommendations.

3. NPA Crisis, Twin Balance Sheet Problem & the IBC

Bad loans, corporate over-leverage, and the Insolvency and Bankruptcy Code.

4. Basel Norms & Bank Capital Adequacy

Basel I/II/III, CRAR, and India's implementation timeline.

5. CBDC (Digital Rupee) & FEMA vs FERA

e₹ pilot programmes, and the shift from FERA's control regime to FEMA's management regime.

6. Five-Year Plans — The Complete Journey

A consolidated plan-by-plan recap with strategy, targets and outcomes.

7. India's Free Trade Agreements (FTAs)

CEPA, CECA and FTA partners — coverage and strategic rationale.

8. Startup India & Digital India

Startup ecosystem policy, unicorns, and the Digital Public Infrastructure stack.

9. India in Global Economic Groupings — G20, BRICS, SAARC

India's positioning and priorities across major multilateral economic forums.

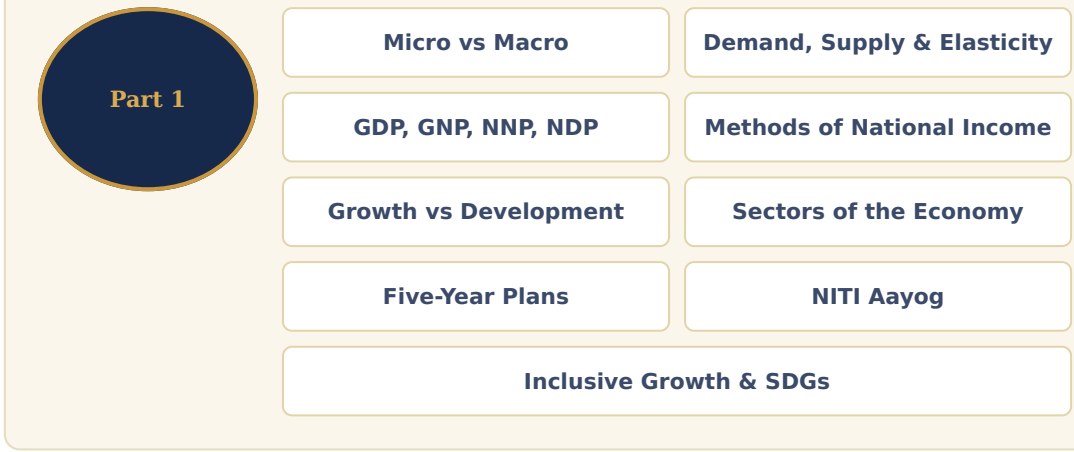
PART 1 OF 6

Basic Concepts, National Income & Planning

MICRO/MACRO → DEMAND-SUPPLY → NATIONAL INCOME → GROWTH VS DEVELOPMENT → SECTORS → PLANNING → NITI AAYOG → SDGs

9	63	10
TOPICS	PRACTICE Qs	DIAGRAMS

MIND MAP Part 1



TOPIC 01

Introduction to Economics — Micro vs Macro

BRANCHES OF ECONOMICS → CIRCULAR FLOW OF INCOME → ECONOMIC SYSTEMS

WHY THIS TOPIC MATTERS

Almost every SSC/UPSC/State PCS paper opens with a classification question — ‘is this concept micro or macro?’ Getting this distinction automatic saves time on at least 2-3 guaranteed marks, and the circular flow model underpins how GDP, income and expenditure are all connected later in this Part.

CYCLE **The Circular Flow of Income**

Households

Own land, labour, capital & enterprise

↓

Factor Market

Rent, Wages, Interest, Profit flow to households

↓

Firms

Produce goods & services using factors

↓

Product Market

Households spend income buying goods & services

The cycle repeats continuously — add Government (taxes/spending) and the Foreign Sector (exports/imports) for the real, four-sector open economy that India actually operates in.

What is Economics?

Economics is the social science that studies how individuals, businesses, governments and nations make choices about allocating scarce resources to satisfy unlimited wants. Because resources such as land, labour, capital and time are limited while human wants are virtually endless, every economic agent is forced to make a choice — and every choice involves a trade-off. This tension between scarcity and choice is why Economics is often called ‘the science of choice.’

Microeconomics

Microeconomics studies the behaviour of individual economic units — a single consumer, household, firm or industry — and how their interaction determines the price and quantity of individual goods in specific markets.

- Focuses on individual markets, prices and quantities
- Studies theory of demand, theory of supply, theory of the firm, and market structures
- Uses ‘partial equilibrium’ analysis — one market is studied assuming other things remain constant (ceteris paribus)
- Alfred Marshall is called the ‘Father of Microeconomics’

Macroeconomics

Macroeconomics studies the economy as a whole — aggregate output, total employment, the general price level, and the overall growth rate of a nation, rather than any single market.

- Focuses on aggregates — National Income, GDP, inflation, unemployment, balance of payments
- Deals with fiscal policy (taxation & government spending) and monetary policy (money supply & interest rates)
- Uses ‘general equilibrium’ analysis — the whole economy is studied together
- J.M. Keynes is called the ‘Father of Macroeconomics’, following his 1936 work The General Theory of Employment, Interest and Money

Economic Systems

Every economy must answer three fundamental questions — what to produce, how to produce, and for whom to produce. How a country answers these questions determines its economic system.

System	Key Feature	Example
Capitalist Economy	Private ownership; market forces (price mechanism) decide allocation	USA
Socialist Economy	State ownership; central planning decides allocation	Former USSR, Cuba
Mixed Economy	Coexistence of private & public sectors; market + planning	India

India adopted a mixed economy model at Independence, combining private enterprise with a strong public sector and centralised planning through the Planning Commission (later NITI Aayog) — covered in depth in Topics 7 and 8 of this Part.

EXAM TIPS

A very common SSC/UPSC trap asks you to classify a topic as ‘micro’ or ‘macro.’ Simple test: if the question is about ONE consumer/firm/market, it is micro. If it is about the WHOLE economy/nation, it is macro. Inflation, GDP, unemployment and the balance of payments are always macro; the demand for a single good or the output of a single firm is always micro.

CURRENT AFFAIRS LINK

The Economic Survey 2025-26 frames India's recent performance in explicitly macro terms — real GDP growth of 7.4% in FY26 and a projected 6.8-7.2% in FY27 — while also tracking micro-level indicators like the unemployment rate (down to about 4.9% in the latest quarter cited). Exam-setters increasingly frame current-affairs MCQs by asking you to identify whether a cited statistic is a micro or macro indicator.

KEY FACTS

- Father of Economics (classical): Adam Smith, author of The Wealth of Nations (1776)
- Father of Microeconomics: Alfred Marshall
- Father of Macroeconomics: J.M. Keynes
- India follows a mixed economy model
- Circular flow (2-sector) becomes a 4-sector model with Government + Foreign Sector added

PRACTICE — PREVIOUS YEAR PATTERN QUESTIONS

1. Which of the following is a subject matter of Macroeconomics?

(A) Theory of individual demand (B) National Income determination (C) Price of a single commodity (D) Behaviour of a single firm

Answer: (B) National Income determination

2. The circular flow of income shows that households supply factors of production to firms through the:

(A) Product market (B) Factor market (C) Money market (D) Capital market

Answer: (B) Factor market

3. Who is regarded as the 'Father of Macroeconomics'?

(A) Alfred Marshall (B) Adam Smith (C) J. M. Keynes (D) Amartya Sen

Answer: (C) J. M. Keynes

4. India's economic system is best classified as a:

(A) Pure capitalist economy (B) Pure socialist economy (C) Mixed economy (D) Command economy

Answer: (C) Mixed economy

5. The circular flow of income expands from a 2-sector to a 4-sector model by adding:

(A) Banks and NBFCs (B) Government and the Foreign Sector (C) Households twice over (D) Only exports

Answer: (B) Government and the Foreign Sector

6. In a socialist economy, resource allocation is primarily decided by:

(A) The price mechanism (B) Central planning by the state (C) Individual firms (D) Foreign investors

Answer: (B) Central planning by the state

7. Which of these best illustrates a macroeconomic question?

(A) Why did the price of onions rise this week? (B) Why is national unemployment rising? (C) Why did one firm hire fewer workers? (D) Why did one consumer switch brands?