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GATEWAY OF GENERAL KNOWLEDGE

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VOLUME-II

Dr. Abitha Vivekanandan



WIDE RANGE
OF TOPICS



ACCURATE &
UPDATED



FOR STUDENTS
& COMPETITIVE
EXAMS



ENHANCE
AWARENESS
& CONFIDENCE

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POLITICAL SYSTEM AND POLITICAL PARTIES IN INDIA

Nature of the Indian Party System

India has one of the most complex party systems in the world. Key features include:

- **Multi-Party System:** Unlike the US (two-party) or China (single-party), India allows a multitude of parties to represent its diverse social, religious, and linguistic fabric.
- **Lack of Clear Ideology:** Most parties (except the Left and BJP) tend to be pragmatically oriented toward power rather than strict adherence to a specific ideology.
- **Personality Cult:** Parties are often identified with a single charismatic leader (e.g., the “Congress System” under Nehru/Indira, or the DMK under Karunanidhi/Stalin).
- **Coalition Politics:** Since 1989, no single party dominated for decades, leading to eras of “National Front,” “UPA,” and “NDA” coalitions.

Classification of Political Parties

The **Election Commission of India (ECI)** classifies parties into three categories based on their electoral performance.

A. National Parties (Current Status 2026)

As of the latest updates, there are **6 recognized National Parties** in India:

1. **BJP** (Bharatiya Janata Party)
2. **INC** (Indian National Congress)
3. **CPI (M)** (Communist Party of India - Marxist)
4. **BSP** (Bahujan Samaj Party)
5. **NPP** (National People’s Party)
6. **AAP** (Aam Aadmi Party)

Alert: The **TMC (Trinamool Congress)**, **NCP**, and **CPI** lost their National Party status in 2023. Ensure you don’t use old lists!

B. State Parties (Regional Parties)

These are parties recognized in specific states. In Tamil Nadu, the prominent ones are:

- **DMK** (Dravida Munnetra Kazhagam)
- **AIADMK** (All India Anna Dravida Munnetra Kazhagam)
- **NTK** (Naam Tamilar Katchi) — *Recently recognized as a State Party in May 2025.*

Criteria for Recognition (ECI Rules)

To be a National Party (Any ONE must be met):

- Win **2% of seats** in the Lok Sabha from at least **3 different states**.
- In a General Election (LS or Assembly), poll **6% of total valid votes** in 4 or more states AND win **4 Lok Sabha seats**.
- Be recognized as a **State Party in 4 states**.

To be a State Party (Any ONE must be met):

- Win **3% of seats** in the State Assembly (or 3 seats, whichever is more).
- Win **1 Lok Sabha** seat for every 25 seats allotted to the state.
- Poll **6% of valid votes** in the State AND win **2 Assembly seats**.
- Poll **8% of total valid votes** in the state (even if no seats are won).

Symbols and Allotment

- **Reserved Symbols:** Used only by candidates of recognized National or State parties.
- **Free Symbols:** Available for independent candidates or unregistered parties.
- **Symbol Disputes:** The ECI is the sole authority to decide which faction gets the party symbol during a split (e.g., the AIADMK “Two Leaves” or Shiv Sena “Bow and Arrow” disputes).
- **Representation of the People Act (1951):** The “Bible” for conducting elections, registration of parties, and disqualification of members.
- **Election Commission (Article 324):** The constitutional body responsible for the “superintendence, direction, and control” of elections.

Quick Facts

- **First General Elections:** 1951-52.
- **Voter Age Reduction:** From 21 to 18 years via the 61st Amendment Act (1988).
- **EVMS (Electronic voting machine):** First used in Kerala (1982) and nationwide in 2004.
- **NOTA:** “None of the above” option introduced in 2013 following the SC judgment in the *PUCL vs. Union of India* case.

ECONOMICS

The Indian economy is essentially described as a **Developing, Mixed, and Transitional Economy**.1.

Key Characteristics (Strengths).

- **Mixed Economy:** This is the most crucial term. Both the **Public Sector** (government-owned) and **Private Sector** (individual-owned) coexist and work together. While the government controls strategic sectors (like Atomic Energy, Railways), the private sector drives most production.
- **Agro-Based Economy:** Agriculture is the “backbone.” Around **45–50%** of the workforce is still dependent on agriculture, even though its contribution to GDP is roughly **17–19%**.
- **Fast-Growing Service Sector:** The Service Sector (Tertiary) is the largest contributor to India’s GDP (over **54%**), fuelled by IT, banking, and telecommunications.
- **Demographic Dividend:** India has one of the world’s largest **youth populations**. If trained and employed effectively, this human capital is a major driver of economic growth.
- **Emerging Market:** With a massive consumer base and a growing middle class, India is a top destination for **FDI (Foreign Direct Investment)**.

Challenges (Weaknesses)

- **Low Per Capita Income:** Despite being the 5th largest economy by nominal GDP, the per capita income remains low compared to developed nations because of the massive population.
- **Population Pressure:** India is now the most populous country. This puts immense pressure on infrastructure, healthcare, and education.
- **Poverty and Inequality:** The “Rich-Poor Gap” is significant. A small percentage of the population holds a large share of the national wealth.
- **Disguised Unemployment:** Primarily found in the agriculture sector, where more people are working than necessary, leading to zero marginal productivity.
- **Infrastructure Gaps:** While improving, there is still a high need for better energy, transport, and logistics to support industrial growth.

Structural Transformation

Sector	Contribution to GDP (Approx)	Employment Share (Approx)
Primary (Agriculture)	Low (~18%)	High (~45%)
Secondary (Industry)	Moderate (~26%)	Moderate (~25%)
Tertiary (Services)	High (~54%)	Increasing (~30%)

(Quick Facts)

- **NITI Aayog:** Replaced the Planning Commission in 2015; focuses on “Cooperative Federalism.”
- **Economic Growth vs. Development:** Remember that *Growth* is quantitative (GDP), while *Development* is qualitative (HDI, Literacy, Health).
- **LPG Reforms (1991):** Liberalization, Privatization, and Globalization. This was the turning point that moved India toward a market-oriented economy.

Five-Year Plan Models

The Five-Year Plans (FYPs) were the roadmap for India’s economic development from 1951 to 2017.

Five-year plan models - An Assessment

Economic Planning:

- In the words of Barbara Wooten, “Planning may be defined as the conscious and deliberate choice of economic priorities by some public authorities”.

History of Planning India:

- First attempt to initiate economic planning in India was made by Sir M. Visvesvarayya, in 1934 through his book, ‘**Planned Economy for India**’.
- In 1938, **National Planning Committee** was set up by Subhash Chandra Bose and chaired by Jawaharlal Nehru.

- In 1944, **Bombay Plan** was presented by 8 leading industrialists of Bombay.
- In 1944, **Gandhian Plan** was given by S N Agarwal.
- In August 1944, The British India government set up **Planning and Development Department** under the charge of Ardeshir Dalal.
- In 1945, **People's Plan** was given by M N Roy.
- In 1950, **Sarvodaya Plan** was given by J P Narayan.
- In 1946 the Interim Government was formed and it established a high level advisory planning board in order to study the problems of planning.
- In 1947, Economic Programme Committee (EPC) was formed under the chairmanship of Nehru and in 1948, recommended the formation of permanent planning commission.

The Planning Commission of India:

- It was set-up on March 15, 1950 by a resolution of Union Cabinet.
- Jawaharlal Nehru was its first Chairman.
- It is an extra-constitutional, non-statutory body.
- It consists of Prime Minister as the ex-officio Chairman, one Deputy-Chairman appointed by the PM and some full time members.
- The tenure of its members and deputy chairman is not fixed. They are appointed by the Government on its own discretion.
- Now this commission is scrapped by Modi Government and new institution NITI Aayog is created.

NITI Aayog (National Institution for Transforming India):

- On 15 August 2014, India's Prime Minister Narendra Modi declared to replace the Planning Commission by a new body.
- On January 1, 2015, the government by a resolution established the NITI Aayog.
- This body would work as a policy think-tank of Union Government and aims to involve the states in economic policymaking.
- It consists of
 1. Prime Minister as the Chairperson.
 2. Vice-Chairperson: To be appointed by the Prime Minister.
 3. Members: Full – time.

4. Part-time members: Maximum of 2 from leading universities research organizations and other relevant institutions in an ex-officio capacity. Part time members will be on a rotational basis.
5. Ex Officio members: Maximum of 4 members of the Union Council of Ministers to be nominated by the Prime Minister.
6. Chief Executive Officer: To be appointed by the Prime Minister for a fixed tenure, in the rank of Secretary to the Government of India.
7. Governing Council comprising the Chief Ministers of all the States and Lt. Governors of Union Territories. It replaces the National Development council.

National Development Council:

- NDC was set up in August 6, 1952 by a cabinet secretariat resolution.
- Here Prime Minister act as a ex-officio Chairman and the secretary of the Planning commission as the ex-officio secretary of the NDC.
- It is a extra constitutional and non-statutory body.
- It consists of Prime Minister, Chief Ministers of states, members of planning commission, the members of the Union Cabinet and administrators of Union Territories.
- It gives final approval to the five year plans.

Strategies of Planning

Harrod Domar Strategy:

- First five year plan was based on it.
- It emphasized the role of capital accumulations dual character i.e.) increases national income on one side and increases production capacity on other side.

Nehru-Mahalanobis Strategy:

- Second five year plan was based on it.
- It is a two sector model-Consumer goods sector and capital goods sector.
- It emphasized investment in heavy industry to achieve rapid industrialisation.

- Here the state controlled the commanding heights of economy through the public sector.

LPG Strategy (Liberalisation, Privatisation and Globalisation):

- It was introduced by Dr. Manmohan Singh in 1991.
- It ended the licence permit raj and opened hitherto areas reserved for the public sector to private sector.

PURA Strategy (Providing Urban Amenities in Rural Areas)

- It was introduced by Dr. APJ Abdul Kalam.
- Government implemented this strategy in their programmes since 2004.
- The objective is to propel economic development without population transfers.
- It emphasizes on three connectivities [i.e) Physical, Electronic and Knowledge] which enhance the prosperity of cluster of villages in rural areas.

Types of Planning

1. Centralized Planning:

- In a socialist economy (eg. Former Soviet Russia), there was centralized planning; it was planning by direction (Imperative Planning).
- Government or Central Authority decides upon every aspects of Economy.
- In a socialist state, most of the means of production are owned by the State.

2. Decentralised Planning:

- It is connected with the capitalistic economies and implemented through market mechanism.
- It empowers the individuals or small groups to carry out their plans for a achievement of a common goal.

3. Structural Planning:

- It aims at bringing changes in socio-economic set up of a country.
- In this system of planning land-lord system was abolished, collective farming was introduced, trade, industries and transport system was

nationalised.

4. Functional Planning:

- The planning that is made to ensure smooth working of the organisation taking into account the needs of each and every department.
- The purpose of functional planning is to promote standardised administrative practices.

5. Planning by Inducement:

- It is often referred as 'market incentives'.
- In a democracy, Planning is done by inducement.
- The government has to persuade the industries in the private sector to fulfil the goals of the Plan through inducements such as tax concessions and by providing incentives.

6. Indicative Planning:

- In this type of planning, the government invites representatives of industry, and business and discuss with them in advance what it proposes to do in the Plan under question and indicates to them its priorities and goals.
- Then the Plan is formulated after detailed discussions.
- After we embraced liberalization and privatization policies in 1991, (8th five year plan) our Indian planning has become indicative planning.

7. Short Term Plans:

- Short term plans are Annual Plans.
- They are also known as controlling plans.
- During the period of implementation, Five Year Plans operated by dividing them into Annual Plans.
- The main objective of short term plan is to raise the revenue, attain the short-term economic targets, bring price stability and remove deficit in Balance of Payment (BOP).

8. Midterm Plans:

- It lasts for a period of 3 to 7 years.

- Our Five Year Plans are in fact, midterm plans.
- It is related to allocation of financial resources and physical resources.

9. Long-term plans:

- It lasts for a period of 10–30 years.
- They are also known as ‘**Perspective plans**’.
- First long term plan was Goelro plan (1920–35) implemented in USSR.
- To bring about structural and functional changes in the Economy.

10. Rolling Plan:

- In this plan, every year the performance of the plan will be assessed and a new plan will be made next year based upon this assessment.
- In the rolling plans there are three kind of plans.
 1. First is the plan for the current year which comprises the annual budget.
 2. Second is a plan for a fixed number of years, which may be 3, 4 or 5 years. This second plan is kept changing as per the requirements of the economy.
 3. Third is a perspective plan which is for 10, 15 or 20 years.

11. Core Plan:

- Here the planning commission asks the state to submit their projected revenue estimates.
- Then it determines the expenditure heads for state annual plans.
- This helps in keeping the plan target to realistic limits and prevents the diversion of funds from the priority items to the non-plan account.

Objectives of Planning in India:

- A major function of the Planning Commission was to “formulate a plan for the most effective and balanced utilization of the country’s resources”.
- Growth with social justice is our basic goal.

The main objectives of Planning in India may be grouped under four heads:

1. Growth
2. Modernization
3. Self-reliance
4. Social justice

The other objectives of developmental planning in India:

- To raise the national income. This is known as Growth Objective;
- To increase investment to a certain level within a given time;
- To reduce inequalities in the distribution of income and wealth and to reduce concentration of economic power over resources;
- To expand employment opportunities and elimination of poverty
- To setup a society based on equality and justice and absence of exploitation.
- To remove bottlenecks in agriculture, manufacturing industry and the balance of payments.

Five Year Plans in India

- Five Year plan concept was borrowed from former Soviet Russia.
- In Russia it was a seven year plan.

1. First Five Year Plan (1951–56):

- Target rate (GDP): 2.1%
- Achieved rate (GDP): 3.6%
- Objective: To raise the standard of living
- Main focus: agriculture, irrigation and power.
- Model: Harrod Domar model
- Drafted by: KN Raj
- Importance: Projects for rehabilitation of refugees, Community development program launched in 1952.

2. Second Five Year Plan (1956–61):

- Target rate (GDP): 4.5%
- Achieved rate (GDP): 4.1%

- Objective: Democratic Socialism.
- Main focus: Rapid industrialization with development of basic and heavy industries
- Model: Nehru Mahalanobis model
- Importance: Industrial policy – 1956 adopted socialistic pattern of society as the goal.

3. Third Five Year Plan (1961–66):

- Target rate (GDP): 5.6%
- Achieved rate (GDP): 2.8%
- Objective: self reliant and self generating economy, to enter take off stage of development (WW Rostow)
- Main focus: Agricultural exports
- Formula: Gadgil yojana
- Model: Sukhamoy Chakravarty and Prof. Saddy
- Importance: Indo China war (1962), Indo Pak war (1965)

Annual Plans (1966–69):

- Main focus: Agriculture and industries
- Importance: Green Revolution (1966–67), devaluation of currency (1966), Introduction of Buffer stock scheme for food grains.
- This period is also called as plan holiday.

4. Fourth Five Year Plan (1969–74):

- Target rate (GDP): 5.7%
- Achieved rate (GDP): 3.3%
- Objective: Growth with stability and progressive achievement of self-reliance.
- Main focus: Agriculture, growth with distributive justice
- Formula: Gadgil formula
- Model: Ashok Rudra Mehta, Alon Manney
- Importance: Nationalisation of banks (1969), MRTP Act (1969), Indo Pak war (1971), the slogan of “Garibi Hatao” is given during the 1971

elections by Indira Gandhi.

5. Fifth Five Year Plan (1974–79):

- Target rate (GDP): 4.4%
- Achieved rate (GDP): 4.8%
- Objective: Removal of poverty (Garibi Hatao) and attainment of self-reliance.
- Main focus: Agriculture, growth with social justice.
- Formula: Gadgil formula
- Model: Investment model of planning commission.
- Prepared by: C. Subramaniam and final draft by D.P. Dhar
- Importance: It is a 10 year long term perspective plan, Twenty point programme – 1975, Minimum needs Programme -1974.
- This plan was terminated by Janata Government in March 1978 (instead of 1979).

Rolling Plan (1978–80):

- Morarji Desai's Janata government came up with this plan.
- It would measure progress every year and make new plans accordingly for next year.
- This plan was again rejected by the Indian National Congress government in 1980.

6. Sixth Five Year Plan (1980–85):

- Target rate (GDP): 5.2%
- Achieved rate (GDP): 5.7%
- Objective: Employment generation, Poverty eradication and technological self-reliance.
- Main focus: Strengthening the infrastructure for both agriculture and industry.
- Model: Investment yojana, infrastructural changing and trend to growth model
- Formula: Modified Gadgil formula

- Importance: Integrated Rural Development Programme (IRDP) – 1980, National Rural Employment Programme (NREP) – 1980, Rural Landless Employment Guarantee Programme (RLEGP) – 1983.

7. Seventh Five Year Plan (1985–90):

- Target rate (GDP): 5%
- Achieved rate (GDP): 6%
- Objective: Growth, Modernisation, self-reliance and social justice.
- Main focus: Growth in food grain production, increase in employment opportunities and raising productivity.
- Formula: Modified Gadgil formula
- Model: Planning Commission with special emphasis on Liberalisation.
- Prepared by: Pranab Mukherjee.
- Importance: Indian Economy crossed the barrier of Hindu Growth Rate. (Prof. Raj Krishna), For the first time the private sector got the priority over public sector, Jawahar Rozgar Yojana – 1989.

Annual Plans (1990–92):

- Political instability at Centre leads to devaluation of currency.
- Therefore Narasimha Rao government started several reforms which are collectively called “Liberalization” (New Industrial Policy 1991).

8. Eighth Five Year Plan (1992–97):

- Target rate (GDP): 5.6%
- Achieved rate (GDP): 6.7%
- Objective: Accelerating economic growth and improving the quality of life of the common man.
- Main focus: Development of human resources i.e., Employment, Education and Public health.
- Formula: Mukherjee-Gadgil formula.
- Model: John W. Miller model.
- Importance: First Indicative planning, Also known as Rao-Manmohan Singh model, Prime Minister Rozgar Yojana (1993).

9. Ninth Five Year Plan (1997–2002):

- Target rate (GDP): 6.5%

- Achieved rate (GDP): 5.4%
- Objective: Growth with Social Justice and Equity.
- Main focus: agricultural sector, Rural development, Empowerment of women, population control, to develop panchayat administration and to uplift SC, ST etc
- Model: Planning Commission model.
- Importance: It was launched in the 50th year of independence of India, Indicative plan.

10. Tenth Five Year Plan (2002–2007):

- Target rate (GDP): 8%.
- Achieved rate (GDP): 7.2%.
- Objective: Equity, social justice and human development and to double the per capita income in 10 years.
- Model: Planning Commission model.
- Importance: It followed regional approach to bring down regional inequalities, Bharat Nirman – 2005.
- Main focus:
 1. Poverty reduction,
 2. Governance,
 3. Population control,
 4. Literacy,
 5. Reduction in IMR/MMR,
 6. Increase in forest and tree cover,
 7. Cleaning polluted river.

11. Eleventh Five Year Plan (2007–2012):

- Target rate (GDP): 9%.
- Achieved rate (GDP): 8%.
- Theme: Faster and more inclusive growth.
- Objective: To increase the growth rate in agriculture, industry and services to 4%, 10% and 9%, to create 70 million new jobs.
- Model: Planning Commission.
- Prepared by: C. Rangarajan.

- Main focus:
 1. Empowerment through education and skill development,
 2. Reduction of gender inequality,
 3. Environmental sustainability,
 4. To increase the growth rate in agriculture, industry and services,
 5. Reduce Total Fertility Rate,
 6. Provide clean drinking water for all.

12. Twelfth Five Year Plan (2012–2017):

- Target rate (GDP): 8%.
- Theme: Faster, More inclusive and sustainable growth.
- Model: Planning Commission model.
- Objective:
 - Agriculture growth at 4%.
 - Manufacturing growth at 10%.
 - Every state must attain higher growth rate than the rate achieved during 11th plan.
- Main focus:
 - 10% reduction in poverty, create 50 million new jobs.
 - Get IMR: 26, MMR: 1000, Child Sex ratio: 950, TFR: 2.1.
 - Increase mean school years, forest cover, infrastructure investment, rural tele-density.

Fact File:

- ‘Planning in India’ derives its objectives and social premises from the ‘Directive Principles of State Policy’.
- Sixth Five year plan (1980–85) marked the beginning of economic liberalisation.
- In 1991, as an immediate measure to resolve the Balance of Payment crisis, the rupee was devalued against foreign exchanges.
- Arvind Panagariya is the first Vice-Chairman of NITI Aayog.
- Sindhusree Kullar is the first CEO of NITI Aayog.

- Planning Commission released Vision document (India Vision 2020) on January 2003.

Sources of Revenue

Revenue for the state is broadly classified into **Revenue Receipts** and **Capital Receipts**.

Revenue Receipts

These are recurring incomes that do not create a liability or reduce the assets of the government. They are subdivided into:

A. State's Own Tax Revenue (SOTR)

This is the largest component of Tamil Nadu's income.

- **State GST (SGST):** The biggest contributor (approx. 38% of SOTR). It is levied on the intra-state supply of goods and services.
- **Sales Tax/VAT:** Primarily collected on **petrol, diesel, and alcoholic liquor** for human consumption (since these are outside GST).
- **State Excise Duty:** Levied mainly on the manufacture of alcohol.
- **Stamps and Registration Fees:** Revenue from the sale of property and legal documents.
- **Taxes on Vehicles:** One-time or annual taxes on motor vehicles.

B. State's Own Non-Tax Revenue (SONTR)

Income earned by the state through services and interests.

- **Interest Receipts:** Interest on loans given to local bodies or public sector undertakings.
- **Dividends & Profits:** Income from State Public Sector Undertakings (SPSUs) like TNEB or TNSTC.
- **General Services:** Fees from various departments (e.g., police, public works, education).
- **Mines and Minerals:** Senior age fees and royalties from mining activities.

C. Receipts from the Centre

- **Devolution (Share of Central Taxes):** Based on the **Finance Commission** recommendations (Article 280). Tamil Nadu receives a

specific percentage of the pool of central taxes (Income Tax, Corporation Tax, etc.).

- **Grants-in-Aid:** Funds provided by the Union for specific purposes (Article 275) or centrally sponsored schemes.

2. Capital Receipts

These are non-recurring and either create a liability (debt) or reduce assets.

- **Internal Debt:** Borrowings from the open market (State Development Loans - SDLs) or financial institutions like NABARD.
- **Loans from Centre:** Financial assistance provided by the Union Government.
- **Recovery of Loans:** Repayments made by local bodies or other entities to the state.
- **Disinvestment:** Rarely used at the state level compared to the Centre, but involves selling stakes in state-owned enterprises.

The Reserve Bank of India (RBI)

History

- **Recommendation:** Established based on the **Hilton Young Commission** (also known as the Royal Commission on Indian Currency and Finance, 1926).
- **Act: Reserve Bank of India Act, 1934.**
- **Establishment: April 1, 1935**, in Kolkata (moved to **Mumbai** in 1937).
- **Nationalization: January 1, 1949**, under the Transfer of Public Ownership Act, 1948.
- **Trivia:**
 - First Governor: **Sir Osborne Smith**.
 - First Indian Governor: **C.D. Deshmukh**.
 - RBI acted as the central bank for **Burma** (until 1947) and **Pakistan** (until June 1948).

Structure and Governance

The RBI is governed by a **Central Board of Directors** appointed by the Government of India for a term of 4 years.

- **Official Directors:** 1 Governor and up to 4 Deputy Governors.
- **Non-Official Directors:** 10 Directors from various fields, 2 Government officials, and 4 Directors from Local Boards (Mumbai, Kolkata, Chennai, New Delhi).

Major Functions of RBI

- **Monetary Authority:** Formulates and implements Monetary Policy to maintain price stability while keeping growth in mind.
- **Issuer of Currency:** Sole authority to issue banknotes (except **₹1 note and coins**, which are issued by the Ministry of Finance). ₹1 notes bear the signature of the **Finance Secretary**, while others bear the **RBI Governor's** signature.
- **Banker to the Government:** Acts as a merchant banker for Central and State governments; manages public debt.
- **Bankers' Bank:** Maintains banking accounts of all scheduled banks and acts as the **Lender of Last Resort**.
- **Custodian of Foreign Exchange:** Manages the Foreign Exchange Management Act (FEMA), 1999, and maintains India's forex reserves.
- **Regulator of Financial System:** Sets parameters for banking operations (licensing, liquidity, mergers) to protect depositors' interests.

Monetary Policy Tools

Quantitative Tools (Volume Control)

- **Repo Rate:** The rate at which RBI lends money to commercial banks (Short-term).
- **Reverse Repo Rate:** The rate at which RBI borrows money from banks.
- **Cash Reserve Ratio (CRR):** The % of total deposits (NDTL) banks must keep with RBI in **cash**.
- **Statutory Liquidity Ratio (SLR):** The % of deposits banks must maintain with themselves in **liquid assets** (Gold, Cash, or Govt Securities).
- **Bank Rate:** The rate for long-term lending to banks.
- **Open Market Operations (OMO):** Buying or selling Government Securities to regulate liquidity.

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