

# UPSC Economics Optional Syllabus for Prelims and Mains

*Searching for UPSC Economics Syllabus 2026? Your curious mind will get satisfied here as we are covering the economics topics that come under Prelims, Mains (GS-3) along with UPSC economics optional syllabus.*

Mastering the UPSC Economics Syllabus helps the IAS aspirants to perform well in Prelims, Mains (GS-3) and the optional paper (if the economics was chosen). When it comes to economics, the basic economics concepts, growth and structure will be covered in Prelims, while in Mains (GS-3) topics related to economic development will be asked. UPSC Economics Optional Syllabus Paper 1 comprises microeconomics, macroeconomics, economic growth & development and international economics. UPSC Economics Optional Syllabus Paper 1 primarily focused on the Indian economy - pre-liberalisation era and post-liberalisation era.

If you are someone with an economics background or having an enormous interest in the subject can excel and choose economics as an optional subject. In the exam, this subject synthesizes the technical, analytical and conceptual elements with current affairs. This article brings more detailed information on UPSC economics syllabus (Prelims + Mains) along with a PDF for a convenient reading.

**Get expert mentorship from [KingMakers IAS Academy](#) to guide you through all the topics in the UPSC economics syllabus and get mastery!**

## UPSC Economics Syllabus for Prelims Exam

In the Prelims exam, around 15-25 questions can be asked from and based on the UPSC economics syllabus. By choosing economics as an optional subject, you can gain expertise to answer the Prelims questions as well. In the following, we have listed the topics comes under UPSC economics syllabus for Prelims exam,

### Basic Economic Concepts

- Law of demand, elasticity of demand and supply
- Consumer behavior, indifference curves
- Production possibility frontiers
- Opportunity cost, production functions
- Law of variable proportions, returns to scale
- Perfect competition, monopoly, monopolistic competition, oligopoly

- Price determination, market equilibrium

## National Income Accounting

- Circular flow of income (two, three, four sector models)
- Methods of measuring national income
- Nominal vs Real GDP, GDP deflator
- Gross Value Added (GVA), Net Value Added (NVA)
- Personal Income, Personal Disposable Income, NNP at factor cost
- National income identities and welfare

## Money & Inflation

- Functions and types of money
- Measures of money supply ( $M_0, M_1, M_2, M_3, M_4$ )
- High Powered Money, Money Multiplier
- Quantity theory of money
- Inflation: Demand pull, cost push, built-in inflation
- Wholesale Price Index (WPI), Consumer Price Index (CPI)
- Inflation targeting, core inflation, stagflation

## Fiscal Policy & Public Finance

- Revenue and capital expenditure
- Revenue deficit, fiscal deficit, primary deficit
- FRBM Act targets
- Tax revenue (direct, indirect taxes)
- Non-tax revenue, disinvestment proceeds
- Subsidies (food, fertilizer, petroleum)
- Public debt (internal, external)
- Finance Commission recommendations

## Banking System

- Reserve Bank of India (RBI): Functions, monetary policy tools
- Commercial banks: Scheduled vs Non-scheduled
- Regional Rural Banks, Small Finance Banks, Payment Banks
- Cooperative banks, NBFCs
- Priority Sector Lending targets
- Banking Regulation Act amendments
- Insolvency and Bankruptcy Code (IBC)
- NPA classification and resolution

## Economic Reforms (LPG)

- Balance of Payments crisis (1991)
- New Economic Policy pillars
- Liberalization measures across sectors
- Globalization and FDI policy evolution
- Privatization and disinvestment strategies
- GST implementation and structure

## Agriculture & Food Security

- Land reforms and tenancy reforms
- Green Revolution phases and limitations
- Agricultural marketing (APMC, e-NAM)
- Minimum Support Price (MSP) mechanism
- Public Distribution System (PDS), NFSR 2013
- Buffer stocks, Food Corporation of India
- Agricultural finance, Kisan Credit Card
- PM-KISAN, crop insurance schemes
- Irrigation: PMKSY, micro-irrigation

## Industry & Infrastructure

- Make in India, PLI schemes
- MSME definition and challenges
- Industrial corridors, smart cities
- Infrastructure status to sectors
- PPP model, HAM model in highways
- Sagarmala, Bharatmala, UDAN scheme
- Renewable energy targets, green hydrogen

## Services Sector - Growth Engine

- Importance in GDP contribution
- IT and ITeS sector growth
- Tourism sector potential
- Services exports challenges
- Skill India Mission, Apprenticeship Act

## External Sector - Balance of Payments

- Current Account (trade balance, invisibles)
- Capital and Financial Account

- Foreign Exchange Reserves adequacy
- Exchange rate regimes (managed float)
- Foreign trade policy, MEIS/SEIS
- Regional trade agreements (RCEP, etc.)

## Human Development - Inclusive Growth

- Poverty estimation (Tendulkar, Rangarajan)
- Multidimensional Poverty Index
- Human Development Index components
- Gender Inequality Index
- Employment types, Labour Force Participation Rate
- Unemployment types, Periodic Labour Force Survey

## Government Schemes & Policies

- Atmanirbhar Bharat packages
- Production Linked Incentive schemes
- PM Gati Shakti National Master Plan
- National Monetization Pipeline
- Fiscal Federalism (GST Council)
- 15th Finance Commission recommendations

## Economic Survey & Budget

- Key themes and chapters
- Sectoral allocation trends
- Policy announcements
- Five Year Plans legacy
- NITI Aayog role and vision documents

## UPSC Economics for Mains Exam (General Studies Paper - 3)

Questions related to economics specifically appear in the UPSC Mains GS-3 Paper. It covers a range of topics including Indian economy issues, government budgeting, agriculture, industrial policy and effects of liberalisation, etc. Know about the complete list of economic-related topics likely asked in the Mains GS-3 Paper,

## Indian Economy & Planning

- Economic planning evolution: Five Year Plans to NITI Aayog
- Resource mobilization: Domestic savings, FDI, FII, ECBS

- Growth vs development measurement: GDP, GVA, HDI, MPI
- Employment generation: Skill development, Make in India
- Demographic dividend challenges and opportunities

## Inclusive Growth Issues

- Dimensions of inclusive growth: Gender, social inclusion
- Poverty alleviation programs: MGNREGA, PM Garib Kalyan
- Regional disparities: Backward area development
- Urban poverty and slum rehabilitation
- Social sector spending effectiveness

## Government Budgeting

- Budget components: Revenue vs capital accounts
- Deficit classification: Revenue, fiscal, primary, effective revenue
- FRBM Act targets and compliance
- Tax-GDP ratio trends and reforms
- Public debt sustainability analysis
- Finance Commission: Tax devolution, grants-in-aid

## Agriculture: Cropping & Irrigation

- Major cropping patterns: Rabi, Kharif, Zaid crops
- Irrigation sources: Canals, tanks, wells, micro-irrigation
- Irrigation efficiency challenges: PMKSY, AIBP
- Watershed management and rainwater harvesting
- Climate-resilient agriculture practices

## Agriculture: Marketing & Technology

- Agricultural Produce Market Committees (APMC)
- e-NAM platform and digital marketing
- Contract farming and farmer producer organizations
- Cold chain infrastructure gaps
- Minimum Support Price mechanism: C2, A2+FL costs

## Farm Subsidies & MSP

- Direct subsidies: Input subsidies, PM-KISAN
- Indirect subsidies: Fertilizer, power, irrigation
- MSP determination: CACP methodology

- Market price support effectiveness
- WTO compliance issues (Amber Box)

## Public Distribution System

- PDS objectives and evolution: Targeted to NFSA
- Issue prices vs economic cost analysis
- Leakages and diversion challenges
- DBT in PDS and One Nation One Ration Card
- Revamping strategies: Fortified rice, cereals diversification

## Buffer Stocks & Food Security

- Buffer stock norms: Wheat, rice, coarse cereals
- Procurement operations and MSP operations
- Excess stock management: Open market sales, OMSS
- Food security challenges: Malnutrition, stunting
- Technology missions: Oilseeds, pulses, maize

## Animal Rearing Economics

- Contribution to agricultural GDP
- Dairy development: Operation Flood legacy
- Poultry and fisheries growth potential
- Livestock insurance and credit access
- PESA and animal husbandry in tribal areas

## Food Processing Industries

- Scope: GDP contribution, employment potential
- Location factors: Agro-climatic zones, infrastructure
- Upstream requirements: Packaging, cold chain
- Downstream requirements: Retail linkages
- Supply chain management: Farm-to-fork
- Mega Food Parks and processing clusters

## Land Reforms in India

- Zamindari abolition and tenancy reforms
- Ceiling laws implementation challenges
- Operation Barga and sharecropping rights
- Land consolidation and consolidation schemes
- Land records modernization: Digital India Land Records

- Land acquisition: LARR Act 2013 controversies

## Economic Liberalization Effects

- License Raj dismantling impact
- Trade liberalization: Quantitative restrictions removal
- Exchange rate: From fixed to market determined
- Financial sector liberalization effects
- PSUs performance post-disinvestment

## Industrial Policy Changes

- MRTP Act repeal effects
- SEZ policy outcomes
- Make in India and PLI schemes
- MSME definition changes and challenges
- Labor law consolidation: Four Labour Codes

## Infrastructure Development

- Power sector: Capacity addition, AT&C losses
- Renewable energy targets: Solar, wind, green hydrogen
- Energy transition challenges: Coal dependency

## Transport Infrastructure

- Road connectivity: Bharatmala, hybrid annuity model
- Railway modernization: Dedicated Freight Corridors
- Airport expansion: UDAN scheme
- Port development: Sagarmala project
- Urban transport: Metro rail expansion

## Investment Models

- Public investment trends and constraints
- PPP models: BOT, BOOT, HAM, DBFOT
- Viability Gap Funding mechanism
- InvITs and REITs for infrastructure
- National Monetization Pipeline strategy

## UPSC Economics Optional Syllabus

As like other optional subjects, UPSC Economics optional syllabus also contains two papers (Paper-I & Paper-II), totalling 500 marks. Each economics optional paper focuses on the specific set of topics. Let's get into more detail on the UPSC economics optional syllabus:

- **Paper 1:** It deals with advanced economics concepts, economic growth and development, and international economics.
- **Paper 2:** It tests the candidates familiarity on the Indian economy during the pre-independence and post-independence period.

## UPSC Economics Optional Syllabus Paper 1: Advanced Economic Theory

In the Paper 1 of the UPSC economics optional syllabus, you will be faced with theoretical and conceptual level of economics. You must attain a deeper level of understanding on all the topics and concepts that come in UPSC economics syllabus to excel in the examination. Get an overview of the syllabus of Paper-I below,

### Advanced Micro Economics

- Marshallian and Walrasian Equilibrium Analysis
- Alternative Distribution Theories: Ricardo, Kaldor, Kalecki
- Market Structures: Monopolistic Competition, Duopoly, Oligopoly
- Modern Welfare Criteria: Pareto, Hicks & Scitovsky, Arrow's Impossibility Theorem, A.K. Sen's Social Welfare Function

### Advanced Macro Economics

- Approaches to Employment Income and Interest Rate determination: Classical, Keynes (IS-LM)
- Post Keynesian (Neo Keynesian): Income, Pricing, Investment and their policy implications
- Growth and Trade: Output multiplier, accelerator, Kaldor's growth function
- Theories of Interest Rate determination and Interest Rate Structure

### Money - Banking and Finance

- Demand for and Supply of Money: Money Multiplier Quantity Theory of Money (Fisher, Pigou, Friedman)
- RBI and its functions and monetary policy
- Commercial Banks: Structure and functioning
- Public Finance and its role in Market Economy: Sources of Govt. revenue, types of taxes
- Public Expenditure and its effects
- State Finance: Criteria for center-state financial relation
- Financial Sector Reforms: Recent trends in Banking and Capital Markets

## International Economics

- Old and New Theories of International Trade:
  - Comparative Advantage
  - Terms of Trade and Offer Curve
  - Product Cycle and Strategic Trade Theories
  - Trade as engine of growth
- Forms of Protection: Tariff and Quota
- Balance of Payments Adjustments: Alternative Approaches:
  - Price versus income, income adjustments under fixed exchange rates
  - Theories of Policy Mix
  - Exchange rate adjustments under capital mobility
  - Floating Rates and implications for Developing Countries: Currency Boards
  - Trade Policy and Developing Countries
  - BOP, adjustments and Policy Coordination in open economy macro-model
  - Speculative attacks
  - Trade Blocks and Monetary Unions
  - WTO: TRIMS, TRIPS, Domestic Measures, Different Rounds of WTO talks

## Growth and Development

- (i) Theories of growth:
  - Harrod's model
  - Lewis model of development with surplus labour
  - Balanced & Unbalanced growth
  - Human Capital and Economic Growth
  - Research and Development and Economic Growth
- (ii) Process of Economic Development of less developed countries:
  - Myrdal and Kuznets on economic development and structural change
  - Role of Agriculture in Economic Development of less developed countries
- Economic development and International Trade and Investment, Role of MNCs
- Planning and Economic Development: changing role of Markets and Planning, Private-Public Partnership
- Welfare indicators and measures of growth - Human Development Indices
- The basic needs approach
- Development and Environmental Sustainability - Renewable and Non Renewable Resources, Environmental Degradation, Intergenerational equity development

## UPSC Economics Optional Syllabus Paper 2: Indian Economy

The Paper 2 of the UPSC economic optional syllabus, centered around the Indian economy. You have to understand the various systems, reforms and policies introduced from

independence to the present. Make sure to understand the events in a chronological order and keeping up with the current affairs on the latest economical decisions impacting the country,

## Indian Economy in Pre-Independence Era

- Land System and its changes: Commercialization of agriculture
- Drain theory, Laissez faire policy and its effects
- Indian Renaissance: Nationalism and rise of economy

## The Pre-Liberalisation Era

- Contribution of Vakil and Brahmananda, V.K.R.V. Rao
- Agriculture: Land Reforms and land tenure system, Green Revolution and capital formation in agriculture
- Industry Trends in composition and growth, Role of public and private sector, Small scale and cottage industries
- National and Per capita income: patterns, trends, aggregate and Sectoral composition and changes there in

## The Post-Liberalization Era

- New Economic Reform and Agriculture: Agriculture and WTO, Food processing, Supply chain Management
- New Economic Policy and Industry: Strategy of industrialization, Privatization, Disinvestments
- New Economic Policy and Trade: Intellectual property rights: Implications of TRIPS, TRIMs, GATS and new EXIM policy
- New Exchange Rate Regime: Partial and full convertibility, Capital account convertibility
- New Economic Policy and Public Finance: Fiscal Responsibility Act, Twelfth Finance Commission and Fiscal Federalism, Fiscal Consolidation
- New Economic Policy and Monetary system: Role of RBI under the new regime
- Planning: From central Planning to indicative planning, Relation between planning and markets for growth and decentralized planning: 73rd and 74th Constitutional amendments
- New Economic Policy and Employment: Employment and poverty, Rural wages, Employment Generation, Poverty alleviation schemes, New Rural Employment Guarantee Scheme

## Preparation Strategy to Crack UPSC Economics Syllabus

Here is the simple strategy devised to help you digest the UPSC economics syllabus in an easy manner.

- **Master the Economic Theories:** Start studying the economic theories and concepts given in the UPSC economics syllabus since those are the common thread running through all the economics happening. Get familiarised with graphical interpretations and develop the skill to draw conceptually correct graphs.
- **Connect it with the Indian Economy:** Try to connect the theories to the Indian economy to understand them in a more contextual manner. Questions might come asking to tell about the connection or it can be written to add more context.
- **Arrange the events properly:** Specifically, in Paper 2, you will find lots of economic growth and development in the Indian landscape. Arranging the events in a chronological way can help you to understand the logical progression and enhances the recalling ability.
- **Memorise the major data points:** Get the data points related to Indian economic performance, memorize it perfectly and practice recalling to strengthen the memory.
- **Write, Write, Write:** Practice writing the essays to develop stronger articulation, ordering the facts in a logical structure with contextual relevance.
- **Do revision:** This is a simple yet powerful habit that you must integrate in your study plan. Ensure to revise the learned materials daily, weekly and monthly. This practice improves the memory and cements the learned concepts, theories and events in your mind in a more stronger manner.

## Recommended Books for UPSC Economics Syllabus

Below, we have given the list of book suggestions to help with mastering the UPSC economics syllabus:

### Paper 1:

- Microeconomic Analysis - Hal R. Varian
- Microeconomic Theory - Walter Nicholson
- Advanced Economic Theory - H.L. Ahuja
- Macroeconomic Analysis - Edward Shapiro
- Macroeconomic Theory - M.L. Jhingan
- Modern Banking - R.S. Sayers
- Monetary Theory and Public Policy - Kenneth Kurihara
- Public Finance - H.L. Bhatia
- Public Finance - K.K. Andley & Sundaram
- International Economics - Dominick Salvatore
- International Economics - H.G. Mannur
- International Trade Theory - Bo Sodersten & Geoffrey Reed
- Economic Growth and Development - Mayer & Baldwin
- Growth and Development - M.L. Jhingan

## Paper 2:

- Indian Economy - Ramesh Singh
- Indian Economy - Mishra & Puri
- Indian Economy - R. Dutt & K.P.M. Sundaram
- The Indian Economy - Sanjiv Verma
- Banking - S.B. Gupta

## Reference (Both Papers):

- Dictionary of Economics - Graham Bannock, T.E. Baxter, Ray Rees
- National Income Accounting - Neethu
- Economic Choice - Koutsouyanis
- Outline of Monetary Economics - A.C.L. Day