

# Base Year or BASE EFFECT

IT IS THE YEAR ON THE BASIS OF WHICH WE COMPUTE INFLATION OF AN ECONOMY, I.E. PERCENTAGE CHANGE IN PRICES.

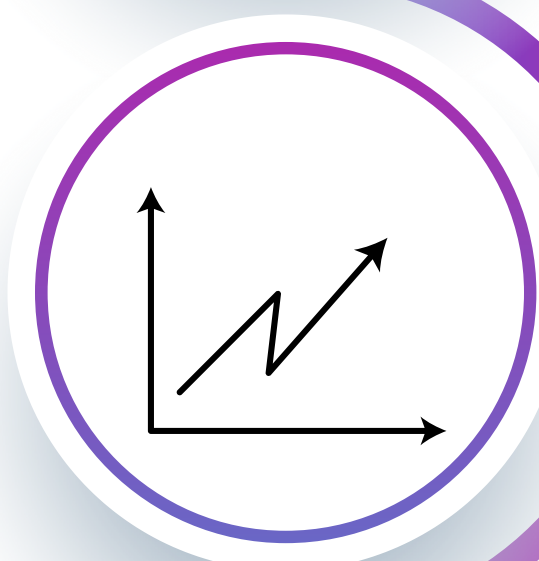
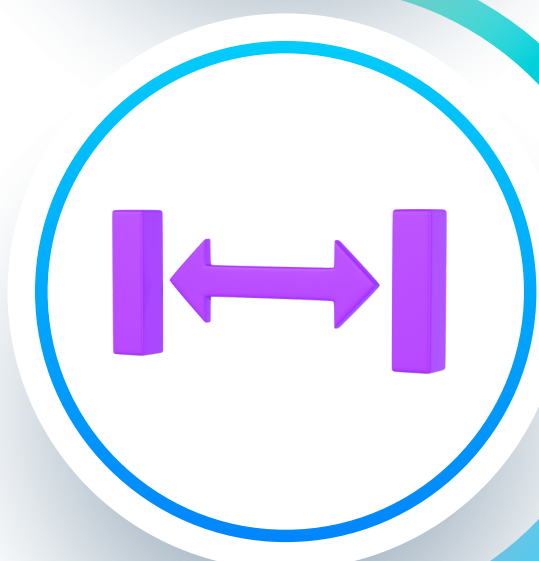
**Criteria for deciding a particular financial year as Base Year:**

**Year with less Monsoon Deficit and with no major natural calamity, drought or famine.**

**There should not be much gap between base year chosen and current year.**

**That year should not have inflation at alarming rates .**

**Unstable years in terms of economic activity are not considered.**



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