பொருளடக்கம்

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TNPSC / Indian Economy / Degree Standard / Bilingual

Nature of Indian Economy

Economy

- Economy is a economics in a certain region. This region is best defined today as a country, a nation - the Indian Economy.

Economics

- Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people.
- Economics studies the economic activities of mankind.

Economics and Economy

The relation between economics and economy, simply saying, is that of theory and practice. While the former is a discipline studying economic behaviour of human beings, the latter is a stillframe picture of it. Economics will come out with theories of market, employment, etc., and an economy is the real picture of the things which emerges after the application of those theories.

Wings of economy

Micro economy

- Basic elements in the economy including individual agents.
- Deals with a problems such as the output of a single firm or industry, price of a single commodity and spending on goods by a single household

Macro economy

- It studies the economy as a whole, like national income, unemployment, poverty, balance of payments and inflation.
- It deals with formulation of models explaining relationship between factors such as consumption, inflation, savings, investment, national income, and finance.

Sectors of Indian Economy

Primary sector

Production

- This sector includes all those economic activities where there is the direct use of natural resources eg : agriculture, forestry, fishing, fuels, metals, minerals, etc.

GDP - 17.33%

Secondary sector

Manufacture

- This sector uses the produce of primary sector as its raw materials. Since manufacturing is done by the industries, this sector is also called the industrial sector - examples are production of fuels, electricity, automobiles, textiles, etc.

GDP - 29.01%

Tertiary sector

Service

This sector includes all economic activities where different 'services' are produced such as education, banking, insurance, transportation, tourism, etc.

GDP - 53.66%

Types of Economies

1. **Agrarian Economy**

- In an agrarian economy, agriculture dominance prevails in both the gross national product (GNP) and employment. More than half of India's working population is engaged in agriculture.

2. **Capitalistic Economy**

- The capitalistic form of economy has its origin in the famous work of Adam Smith - Wealth of Nations (1776).
- An environment of 'laissez faire' (non-interference by the government).
- A capitalist economy is an economic system in which the production and distribution of commodities take place through the mechanism of free markets.
- Hence it is also called **as market economy or free trade economy**. Eg. USA

3. **Socialist Economy**

- In a socialist economy, the means of production are owned and operated by the State. All decisions regarding production and distribution are taken by the central planning authority.
- Hence the socialist economy is also called as **planned economy or command economy**. The government plays an active role. Social welfare is given importance, hence equal opportunity is given to all.
- All such advantages have delivered high level of human development. Some of the most successful socialist economies are China, Cuba, Vietnam and North Korea.

4. **Mixed Economy**

- In a mixed economy, both public and private institutions exercise economic control.
- The public sector functions as a socialistic economy and the private sector as a free enterprise economy. Eg. India
- Mixed economy coined by J.M.keynes
- Father of modern mixed economy- J.M.keynes
- Father of Indian mixed economy-J.L.Nehru

DEFINITION OF ECONOMICS

Name	Statement
Adam Smith	"Economics is the science of wealth" "Wealth of Nations – 1776" "Father of political economy"
Ruskin & Carlyle	'A dismal science' 'A dark science'
Alfred Marshall (1842 – 1924)	"Principles of economics – 1890" "A study of Mankind in the ordinary business of life"
Lionel Robbines	"Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses" "An essay on the nature and significance of economic science"
Samuelson	"Economics is a social science concerned chiefly with the way society choose to employ its resources, which have alternative uses to produce goods & service for present and future Consumption" Samuelson's definition is known as a modern definition of economics Coined the concept of net economic welfare (NEW).
Karl marx	Father of socialism
J.M.Keynes	Father of new economy

- Indian Economy during the British Period Indian's sea route trade to Europe started only after the arrival of Vasco da Gama in Calicut, India on May 20, 1498.
- The Portuguese had traded in Goa as early as 1510. In 1601 the East India Company was chartered, and the English began their first inroads into the Indian Ocean.
- In 1614 Sir Thomas Roe was successful in getting permission from Jahangir for setting up factories and slowly moved all parts of India.
- Hundred years after Battle of Plassey, the rule of the East India Company finally did come to an end. In 1858, British Parliament passed a law through which the power for governance of India was transferred from the East India Company (EIC) to the British crown.
- Even the transfer of power from the East India Company to the British Crown did not materially alter the situation.
- Britain had exploited India over a period of two centuries of its colonial rule. On the basis of the form of colonial exploitation, economic historians have divided the whole period into three phases: namely the period of merchant capital, the period of industrial capital, the period of finance capital.

History of British Period

During the British period

- Before the advent of the British, Indian practically lived in village. Thus the economy of the village was self sufficient. But under the British rule only industries were allowed to develop.
- These economic and organization change brought down the economic condition of Indians. All the problems are chiefly related with health, housing, child and woman welfare and labour, recreation, crime and social disorganization. Due to these problems, the need for organized social work was realized.

Period of Merchant Capital

- The period of merchant capital was from 1757 to 1813.
- The only aim of the East India Company was to earn profit by establishing monopoly trade in the goods with India and the East India's.

- During this period, India had been considered as the best hunting ground for capital by the East Indian company to develop industrial capitalism is Britain.
- When Bengal and South India came under political shake of the East India company in 1750s and 1760s, the objective of monopoly trade was fulfilled.
- The company administration succeeded in generating huge surpluses which were repatriated to England, and the Indian leaders linked this problem of land revenue with that of the drain.
- Above all, the officers of the company were unscrupulous and corrupt.

Period of Industrial Capital

- The period of Industrial capital was from 1813 to 1858.
- During this period, India had become a market for British textiles.
- India's raw materials were exported to England at low price and imported finished textile commodities to India at high price. In this way, Indians were exploited.
- India's traditional handicrafts were thrown out of gear

Period of Finance Capital

- The third phase was the period of finance capital starting from the closing years of the 19th century and continuing till independence. During this period, finance imperialism began to entrench itself through the managing agency firms, export – import firms, exchange banks and some export of capital.
- Britain decided to make massive investments in various fields (rail, road, postal system irrigation, European banking system, and a limited field of education etc) in India by plundering Indian capital.
- Railway construction policy of the British led to unimaginable as well as uneconomic. The poor Indian taxpayers had been compelled to finance for the construction of railways. The political power was handed over to the British Government by the East India Company in 1858.

Decline of Indian Handicrafts

- The Indian handicrafts products had a worldwide market. Indian exports consisted chiefly of hand weaved cotton and silk fabrics, calicoes, artistic wares, wood carving etc.
- Through discriminatory tariff policy, the British Government purposefully destroyed the handicrafts.
- With the disappearance of nawabs and kings, There was no one to protect Indian handicrafts.
- Indian handicraft products could not compete with machine-made products.
- The introduction of railways in India increased the domestic market for the British goods.
- "India will be a global player in the digital economy" –Sunder Pichai, CEO Google

Economic Growth and Development

- As per the economist Amartya Sen, economic growth is one aspect of economic development. Also, united nation see it like this "Economic development focuses not only on man's materialistic need but it focuses on overall development or rise in its living standards.

Differences between Economic Growth and Economic Development

Comparison between Economic Growth and Economic Development	Economic Growth	Economic Development
Definition /Meaning	It is the positive quantitative change in the output of an economy in a particular time period	It considers the rise in the output in an economy along with the advancement of HDI index whicn considers a rise in living standards, advancement in technology and overall happiness index of a nation.
Concept	Economic growth is the "Narrower" concept	Economic development is the "Broader" concept
Nature of Approach Scope	Quantitative in nature Rise in parameters like GDP, GNP, FDI,FII etc.	Qualitative in nature Rise in life expectancy rate, infant, improvement in literacy rate, infant mortality rate and poverty rate etc.
Term / Tenure	Short term in nature	Long-term in nature
Applicability	Developed nation	Developing economies
Measurement Techniques	Increase in national income	Increase in real national income i.e. per capita income
Frequency of Occurrence	In a certain period of time	Continuous process
Government Aid	It is an automatic process so may not require government support/aid or intervention	Highly dependent on government intervention as it includes widespread policies changes so without government intervention it is not possible
Wealth Distribution	Economic growth does not emphasize on the fair and equal distribution of wealth/income among all its people.	It focuses on a balanced and equitable distribution of wealth among all individual and tries to uplift the downgrade societies.

Approaches to Economic Development

1. **Traditional Approach:**
   - The traditional approach defines development strictly in economic terms. The increase in GNP is accompanied by decline in share of agriculture in output and employment while those of manufacturing and service sectors increase. It emphasizes the importance of industrialization.
2. **New Welfare oriented Approach:**
   - During 1970s, economic development was redefined in terms of reduction of poverty, 'inequality' and unemployment within the context of a growing economy.

Underdevelopment

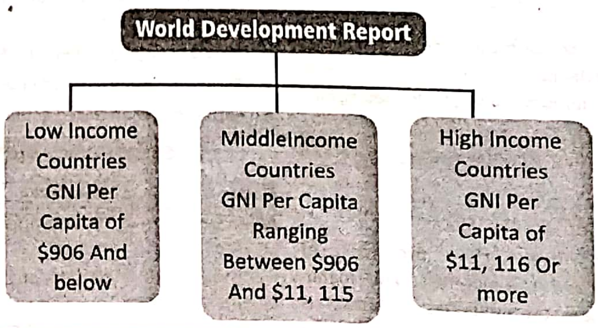
- The UDCs are characterized by predominance of primary sector i.e. agriculture, low per capita income, widespread poverty, wide inequality in distribution of income and wealth, over population, low rate of capital formation, high rate of unemployment, technological backwardness, dualism etc.

Features of an Underdeveloped Economy

Introduction

- The term 'underdeveloped country' is relative.
- The World bank in its world Development Report classified various countries on the basis of Gross National Income (GNI) Per Capita.

World Development Report



Differences between Economic Growth and Economic Development

Economic Growth	Economic Development
Deals with the problems of Developed countries	Deals with the problems of UDCs
Change is gradual and steady	Change is discontinuous and spontaneous
Means more output	Means not only more output but also its composition
Concerns Quantitative aspects i.e. increase in per capita income	Quantitative as well as Qualitative
Narrow	Wider concept Development = Growth + Change

Measurement of Economic Development

GNP

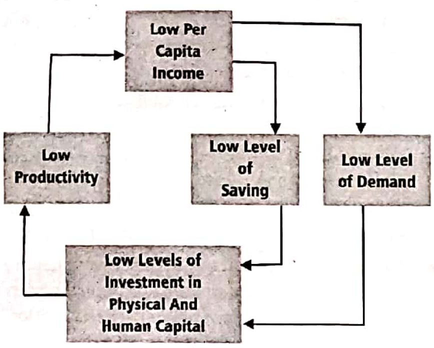
- Gross National Product (GNP): GNP is the total market value of all final goods and services produced within a nation in a particular year, plus income earned by its citizens (including income of those located abroad), minus income of non-residents located in that country.

GNP per capita:

- This relates to increase in the per capita real income of the economy over the long period.

Economic & Non-Economic Factors

Vicious circle of Poverty



- There are circular relationships known as the 'vicious circles of poverty' that tend to perpetuate the low level of development in Less Developed Countries (LDCs). Nurkse explains the idea in these words: "It implies a circular constellation their parents, the children would not work hard, because the children do not know the value of the assets.

Indian Economy

- Indian economy is the Seventh largest economy of the world.

Features of a Developed Economy

- High National Income
- High Per Capita Income
- High Standard of Living
- Full Employment of Resources
- Dominance of Industrial Sector

Determinants of Economic Development

Economic Factors

1. Natural Resource
2. Capital Formation
3. Size of the Market
4. Structral Change
5. Financial System
6. Markatable surplus
7. Foreign Trade
8. Economic System

Non - Economic Factors

1. Human Resource
2. Technical Know-how
3. Political Freedom
4. Social Organization
5. Corruption free adminstration
6. Desire for Development
7. Moral, ethical and social value
8. Casino Capitalism
9. Patrimonial Capitalism

- High Level of Technology
- High Industrialisation
- High Consumption Level
- High Level of Urbanisation
- Smooth Economic Growth
- Social Equity, Gender Equality and Low Levels of Poverty
- Political Stability and Good Governance

Features of Indian Economy

i) Strengths of Indian Economy

1. India has a mixed economy

- Indian economy is a typical example of mixed economy. This means both private and public sectors co-exist and function smoothly.

2. Agriculture plays the key role

- Around 60% of the people in India depend upon agriculture for their livelihood.
- In fact, about 17% of our GDP today is contributed by the agricultural sector.
- Green revolution, ever green revolution and inventions in bio technology have made agriculture self sufficient and also surplus production.

3. An emerging market

- India has emerged as vibrant economy sustaining stable GDP growth rate even in the midst of global downtrend.
- This has attracted significant foreign capital through FDI and FII.
- India has a high potential for prospective growth. This also makes it an emerging market for the world.

4. Emerging Economy

- Emerging as a top economic giant among the world economy, India bags the seventh position in terms of nominal Gross Domestic Product (GDP) and third in terms of Purchasing Power Parity (PPP).
- As a result of rapid economic growth Indian economy has a place among the G20 countries.

5. Fast Growing Economy

- India's economy is well known for high and sustained growth.
- It has emerged as the world's fastest growing economy in the year 2016-17 with the growth rate of 7.1% in GDP next to People's Republic of China.

6. Fast growing Service Sector

- The service sector, contributes a lion's share of the GDP in India.
- There has been a high rise growth in the technical sectors like Information Technology, BPO etc. These sectors have contributed to the growth of the economy.

7. Large Domestic consumption

- With the faster growth rate in the economy the standard of living has improved a lot. This in turn has resulted in rapid increase in domestic consumption in the country.

8. Rapid growth of Urban areas

- Urbanization is a key ingredient of the growth of any economy. There has been a rapid growth of urban areas in India after independence.

9. Stable macro economy

- The Indian economy has been projected and considered as one of the most stable economies of the world.
- The current year's Economic survey represents the Indian economy to be a "heaven of macroeconomic stability, resilience and optimism.
- According to the Economic Survey for the year 2014-15, 8%-plus GDP growth rate has been predicted, with actual growth turning out to be a little less (7.6%). This is a clear indication of a stable macroeconomic growth.

10. Demographic dividend

- The human capital of India is young. population is not only motivated but skilled and trained enough to maximize the growth.

ii. Weakness of Indian Economy

1. Large Population

- India stands second in terms of size of population next to China and our country is likely to overtake china in near future.
- Population growth rate of India is very high and this is always a hurdle to growth rate. The population growth rate in India is as high as 1.7 per 1000.The annual addition of population equals the total population of Australia.

2. Inequality and poverty

- The proportion of income and assets owned by top 10% of Indians goes on increasing. This has led to an increase in the poverty level in the society and still a higher percentage of individuals are living Below Poverty Line (BPL).
- As a result of unequal distribution of the rich becomes richer and poor becomes poorer.

3. Increasing Prices of Essential Goods

- The continuous rise in prices erodes the purchasing power and adversely affects the poor people, whose income is not protected.

4. Weak Infrastructure

- Even though there has been a gradual improvement in the infrastructural development in the past few decades, there is still a scarcity of the basic infrastructure like power, transport, storage etc.

5. Inadequate Employment generation

- The growth in production is not accompanied by creation of job. The Indian economy is characterized by 'jobless growth'

6. Outdated technology

- The level of technology in agriculture and small scale industries is still outdated and obsolete.

Growth of GDP and Economic Policies

1. Agriculture policy

- Agricultural policy is the set of government decisions and actions relating to domestic agriculture and imports of foreign agricultural products. Governments usually implement agricultural policies with the goal of achieving a specific outcome in the domestic agricultural product markets. Some over arching themes include risk management and adjustment, economic stability, natural resources and environmental sustainability research and development, and market access for domestic commodities.

Some Agricultural policies are Price policy, land reform policy, Green Revolution, Irrigation policy, Food policy, Agricultural Labour Policy and Co-operative policy.

2. **Industrial Policy**

- Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.
- Several industrial policies since 1948, Industrial policy on large scale industries (eg). Textile Industry policy, Sugar Industry policy, Price policy of industrial growth, Small scale industrial policy and Industrial Labour policy.

3. **New Economic Policy**

- The economy of India had undergone significant policy shifts in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world. These economic reforms had influenced the overall economic growth of the country in a significant manner.

Meaning of Growth and Development

- A country's economic growth is usually measured by National Income, indicated by Gross Domestic Product (GDP).
- The GDP is the total monetary value of the goods and services produced by that country over a specific period of time, usually one year.
- The level economic development is indicated not just by GDP, but by an increase in citizens' quality of life or well-being.
- The quality of life is being assessed by several indices such as Human Development Index (HDI), Physical Quality of Life Index (PQLI) and Gross National Happiness Index (GNHI).

Gross National Happiness Index (GNHI)

- The term "Gross National Happiness" was coined by the fourth king of Bhutan, Jigme Singye Wangchuck, in 1972.
- It is an indicator of progress, which measures sustainable develop- ment, environmental conservation promotion of culture and good governance.
- Developed economies are those countries which are industrialised, utilise their resources efficiently and have high per capita income. The USA, Canada, U.K, France, and Japan are some of the developed economies.
- Developed economies are also termed as Advanced Countries. On the other hand, countries which have not fully utilized their resources like land, mines, workers, etc., and have low per capita income are termed as under developed economies. Examples of underdeveloped countries are Sub Saharan Africa, Bangladesh, Myanmar, Pakistan, Indonesia etc.They are also termed as Undeveloped Countries or Backward Nations or Third World Nations.

Gross National Happiness (GNH)

- Gross National Happiness (GNH) is a philosophy that guides the government of Bhutan. It includes an index which is used to measure the collective happiness and well-being of a population. Gross National Happiness is instituted as the goal of the government of Bhutan in the Constitution of Bhutan, enacted on 18 July 2008.
- The term Gross National Happiness was coined in 1972 during an interview by a British journalist for the Financial Times at Bombay airport when the king of Bhutan, Jigme Singye Wangchuck, said "Gross National Happiness" is more important than Gross National Product.
- In 2011, The UN General Assembly passed Resolution "Happiness": towards a holistic approach to development" urging member nations to follow the example of Bhutan and measure happiness and well-being and calling happiness a "fundamental human goal."
- GNH is distinguishable from Gross Domestic Product by valuing collective happiness as the goal of governance, by emphasizing harmony with nature and traditional values as expressed in the 9 domains of happiness and 4 pillars of GNH. The four pillars of GNH's are
  1) sustainable and equitable socio - economic development;
  2) environmental conservation;
  3) preservation and promotion of culture; and
  4) good governance.
- The nine domains of GNH are psychological well-being, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards. Each domain is composed of subjective (survey-based) and objective indicators. The domains weigh equally but the indicators within each domain differ by weight.

Development Indicators

1. **Human Development Index (HDI)**

- United Nations Development Programme has been publishing Human Development Report annually since 1990. HDI helped the government to the real uplifting of standard of living of the people.
- HDI was developed by the Pakistani Economist Mahbub ul Haq and the Indian Economist Amartya Kumar Sen in 1990 and was published by the United Nations Development Programme (UNDP). It is constructed based on Life Expectancy Index, Education Index and GDP Per Capita.
- HDI is based on the following three indicators
  1. Longevity is measured by life expectancy at birth,
  2. Educational attainments,
  3. Standard of living, measured by real GDP per capita (PPP$).
- As per latest Human Development Report (2016) by the United Nations Development Programme (UNDP), India has been ranked 131st out of 188 countries. Out of 188 countries, India lies in Medium HumanDevelopment bracket.
- Biswajeet Guha has stated that the calculation of HDI neglected many important aspects of human development.
- He has created four indices of HDI as HDI_1, HDI_2, HDI_3, and HDI_4. HDI_1 is based on UNDP methodology is given in Human Development Report.
- He has enlarged the scope of HDI by adding three more dimensions such as quality of life, poverty eradication, and urbanization.

Top three countries of HDI

- Norway (0.949)
- Australia (0.939)
- Switzerland (0.939)
- Biswajeet Guha has stated that the calculation of HDI neglected many important aspects of human development. He has created four indices of HDI as HDI_1, HDI_2, HDI_3, and HDI_4. HDI_1 is based on UNDP methodology as given in HumanDevelopment Report. He has enlarged the scope of HDI by adding three more dimensions such as quality of life, poverty eradication, and urbanization.

HDI

- A fast-growing population of working age. There are 700 million Indians under the age of 35 and the demographics look good for Indian growth in the next twenty years at least Human Development Index
- In 1990 Mahbub ul Haq, a Pakistani Economist at the United Nations, introduced the Human Development Index (HDI). The HDI is a composite index of life expectancy at birth, adult literacy rate and standard of living measured as a logarithmic function of GDP, adjusted to purchasing power parity.
- India climbed one spot to 130 out of 189 countries in the latest human development rankings released today by the United Nations Development Programme (UNDP).

Physical Quality of Life Index (PQLI)

- Morris D Morris developed the Physical Quality of Life Index (PQLI). The PQLI is a measure to calculate the quality of life (well being of a country). For this, he included three indicators such as life expectancy, infant mortality rate and literacy rate.
- A scale of each indicator ranges from the number 1 to 100. Number 1 represents the worst performance by any country. 100 is the best performance.
- This was assigned to 77 years which was achieved by Sweden in 1973. The lower limit of 1 was assigned to 28 years which was achieved by Guinea-Bissau in 1960.
- The main difference between the two is the inclusion of income in HDI and exclusion of income from PQLI. HDI represents both physical and financial attributes of development and PQLI has only the physical aspects of life.

Contributions of Indian Economic Thinkers

Thiruvalluvar

- A large part of Valluvar's economic ideas are found in the second part of Thirukkural, the porutpal.

Mahatma Gandhi

- Gandhian Economics is based on ethical foundations. In 1921, Gandhi wrote, "Economics that hurts the moral well-being of an individual or a nation is immoral, and therefore, sinful."
- Again in 1924, he repeated the same belief: "that economy is untrue which ignores or disregards moral values".

Salient Features of Gandhian Economic Thought

- **Village Republics:** To Gandhi, India lives in villages. He was interested in developing the villages as self-sufficient units. He opposed extensive use of machinery, urbanization and industrialization.
- **On Machinery:** Gandhi described machinery as 'Great sin'. He said that "Books could be written to demonstrate its evils...
- **Industrialism:** Gandhi considered industrialism as a curse on mankind. He thought industrialism depended entirely on a country's capacity to exploit.
- **Decentralization:** He advocated a decentralized economy, i.e., production at a large number of places on a small scale or production in the people's homes.
- **Village Sarvodaya:** According to Gandhi, "Real India was to be found in villages and not in towns or cities." So he suggested the development of self-sufficient, self-dependent villages.
- **Bread Labour:** Gandhi realized the dignity of human labour. He believed that God created man to eat his bread by the sweat of his brow. Bread labour or body labour was the expression that Gandhi used to mean manual labour.
- **The Doctrine of Trusteeship:** Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism. However, now India experiences both casino capitalism and crony capitalism

- **On the Food Problem:** Gandhi was against any sort of food controls.
- **On Population:** Gandhi opposed the method of population control through contraceptives. He was, however, in favour of birth control through Brahmacharya or self- control.
- **On Prohibition:** Gandhi advocated cent per cent prohibition. He regarded the use of liquor as a disease rather than a vice. He felt that it was better for India to be poor than to have thousands of drunkards.

Jawaharlal Nehru

- Jawaharlal Nehru, one of the chief builders of Modern India, was the first Prime Minister of Independent India and he was there in that post till his death in 1964.

a. Democracy and Secularism

- Jawaharlal Nehru was a firm believer in democracy. He believed in free speech civil liberty,adult franchise and the Rule of Law and Parliamentary democracy. Secularism, is another signal contribution of Nehru to India.

b. Planning

- Jawaharlal Nehru was responsible for the introduction of planning in our country.
- Initiating the debate on the Second Plan in the Lok Sabha in May 1956, Nehru spoke on the theme of planning. He said, "the essence of planning is to find the best way to utilize all resources of manpower, of money and so on."
- Planning for Nehru was essentially linked up with industrialization and eventual self-reliance for the country's economic growth on a self- accelerating growth.
- It was during his period, many IITs and Research Institutions were established. He always in insited on "scientific temper".

c. Democratic Socialism

- Socialism is another contribution of Nehru to India. He put the country on the road towards a socialistic pattern of society. But Nehru's socialism is democratic socialism.

B. R. Ambedkar

- B. R. Ambedkar (1891- 1956) was a versatile personality. He was the architect of the Indian Constitution, a custodian of social justice and a champion of socialism and state planning.
- Ambedkar's writings included "Ancient Indian Commerce" (a thesis submitted to the Columbia University for the award of the Master of Arts Degree in 1915),
- **National Dividend of India:** A Historical and Analytical Study (a thesis for which he was awarded Ph.D). His thesis was published as 'The Evolution of Provincial Finance in British India: A Study of the Provincial Decentralization of Imperial Finance".
- Ambedkar's thesis on "Provincial Decentralization of Imperial Finance in British India" was accepted for the M. Sc degree in 1921. And his theis" The Problem of the Rupee" was accepted for the award of the M.Sc degree by the London School of Economics in 1923.
- It is a miracle that RBI was conceptualized as per the guidelines presented by Ambedkar in his book, "The Problem of the Rupee;Its origin and its solution".

1. Financial Economics

- Ambedkar divided the evolution of provisional finance into three stages: (i). Budget by Assignment (1871-72 to 1876-77); (ii) Budget by Assigned Revenue (1877-78 to 1881-82); and (iii) Budget by Shared Revenues (1882-83 to 1920-1921).

Agricultural Economics

- In 1918, Ambedkar published a paper "Small Holding in India and their Remedies". Citing Adam Smith's 'Wealth of Nations", he made a fine distinction between "Consolidation of Holdings" and "Enlargement of Holdings".

3. Economics of Caste

- It resulted in social stratification.
- The caste system has resulted in the absence of social democracy in India as distinct from political democracy.

4. Economics of Socialism

- Ambedkar was a socialist. He was a champion of state socialism. He advocated the nationalization of all key industries and suggested state ownership of land and collective farming.
- He was for state monopoly of insurance business. Not only that, he advocated compulsory insurance for every citizen.

J. C. Kumarappa

- Joseph Chelladurai Kumarappa was born on 4 January 1892 in Tanjavur, Tamil Nadu. A pioneer of rural economic development theories, Kumarappa is credited for developing economic theories based on Gandhism – a school of economic thought he coined "Gandhian Economics".

Gandhian Economics

- J.C.Kumarappa strongly supported Gandhi's nation of village industries and promoted Village Industries Associations.
- Kumarappa worked to combine Christian and Gandhian values of "trusteeship", non- violence and a focus on human dignity and development in place of materialism as the basis of his economic theories.
- Gandhi and Kumarappa envisioned an economy focused on satisfying human needs and challenges while rooting out socio-economic conflict, unemployment, poverty and deprivation. Kumarappa worked as a Professor of economics at the Gujarat Vidyapith in Ahmedabad, while serving as the editor of Young India during the Salt Satyagraha.
- He founded the All India Village Industries Association in 1935; and was imprisoned for more than a year during the Quit India movement.
- He wrote during his imprisonment, Economy of Permanence: The Practice and Precepts of Jesus (1945) and Christianity: Its Economy and Way of Life (1945).
- Historian Ramachandra Guha calls Kumarappa, "The Green Gandhian," portraying him as the founder of modern environmentalism in India.

V.K.R.V. Rao

- According to P.R. Brahmananda, " the great trinity of pre- independent and post independent Indian economists consisted of D.R.Gadgill,
- C.N.Vakil and V.K.RV. Rao. V.K.R.V: Rao was a prolific writer. V.K.R.V: Rao was deeply interested in three large themes. They were:
  - i. National Income,
  - ii. Food, nutrition and the distribution of good; and
  - iii. Employment and occupational distributions.

1. National Income Methodology

- As an applied economist, Rao's name is remembered for his pioneering work on the enumeration of national income of India. Rao was a pupil of J.M. Keynes and he worked with Colin Clark. H.W Singer considered V.K.R.V Rao as " the best equipped of all Keynes' pupils.
- Rao's paper on "Full Employment and Economic Development" was one of the earliest contributions in the field of development towards employment.

2. International Food Aid

- Rao was influential in creating ideas and shaping policy in the international attack on world poverty, not only through his contributions to the question of international aid and improved flows of external resources, but also through his activities in the field of food aid.

3. Support for Socialism

- During the early phases of planning in India, Rao supported the case of a socialist India, where the state would control the commanding heights of the economy and the public sector would play a dominant role in economic development.

4. Rao's Views on Industrialization

- In his pamphlet "What is wrong with Indian Economic Life?' (1938), Rao gave the following reasons for low per capita income and low levels of per capita nutrition in India.
  - i. Uneconomic holdings with sub- divisions and fragmentation;
  - ii. Low levels of water availability for crops;
  - iii. Excess population pressure on agriculture due to the absence of a large industrial sector;
  - iv. Absence of capital;
  - v. Absence of autonomy in currency policy, and in general in monetary matters encouraging holding of gold.

5. Village Clusters

- Rao felt that rural communities had to be given a viable base.Therefore he suggested that a cluster of villages should form a unit for rural development, so that both social and economic interactions between villages could develop, and they could effectively generate and fashion their own development with a more meaningful participation by people.

6. Investment, Income and Multiplier

- Rao's examination of the "interrelation between investment, income and multiplier in an under developed economy" (1952) was his major contribution to macroeconomic theory.

7. Institution Builder

- He founded three national level research institutes namely Delhi School of Economics, Institute of Economic Growth (both at Delhi) and Institute for Social and Economic Change (Bangalore).

Amartya Kumar Sen

- Amartya Kumar Sen The Nobel citation refers to Sen's contributions to social choice theory, development economics, study on poverty and famines and concept of entitlements and capability development (1998).

1. Poverty and Famines

- Sen's Poverty and Famines: An Essay on Entitlement and Deprivation" (1981) is both a theoretical and an applied work. In the book, several famines have been studied in the working of a general theoretical framework from an original angle.
- He examined various meanings of poverty and drew attention to the incidence of absolute and relative deprivation. Poverty and Inequality Sen's major point has been that the distribution of income/ consumption among the persons below the poverty line is to be taken into account.

3. The Concept of Capability

- Capability, as defined by Sen, is the ability to transform Rawlsian primary goods to the achievement of wellbeing.

4. Entitlement

- Sen has included the concept of entitlement items like nutrition, food, medical and health care, employment, security of food supply in times of famine etc.
- He considered famine as arising out of the failure of establishing a system of entitlements.

5. Choice of Technique

- Sen's 'Choice of Technique ' was a research work where he argued that in a labour surplus economy, generation of employment cannot be increased at the initial stage by the adaptation of capital-intensive technique.

LPG and India's Development

Meaning of Liberalization, Privatization and Globalization (LPG)

Impacts of Globalisation

Positive Effects (+)	Negative Effects (–)
• Expansion of Market • Development of Infrastructure • Higher Living Standards • International cooperation	• Cut throat competition • Rise in Monopoly • Discourage Domestic Firms • Increase in Inequalities

- **Liberalization:** Liberalization refers to removal of relaxation of governmental restrictions in all stages in industry.
- **Privatization:** Privatization means transfer of ownership and management of enterprises from public sector to private sector. Denationalization, disinvestment and opening exclusive public sector enterprises to private sector are the gateways to privatization.
- **Globalization:** Globalization refers to the integration of the domestic (Indian) economy with the rest of the world. Import liberalization through reduction of tariff and non-tariff barriers, opening the doors to Foreign Direct Investment (FDI) and Foreign Portfolio Investment (FPI) are some of the measures towards globalization.

Impacts of Liberalisation

Positive Effects (+)	Negative Effects (–)
• Increase in Foreign Investment • Increase in production • Technological advancement • Increase in GDP growth rate	• Increase in Unemployment • Decrease in Tax Receipt

Arguments in favour of LPG

a. Liberalization was necessitated because various licensing policies were said to be deterring the growth of the economy.

b. Privatization was necessitated because of the belief that the private sector was not given enough opportunities to earn more money.

c. Globalization was necessitated because today a developed country can grow without the help of the under developed countries. Natural and human resources of the developing countries are exploited by the developed countries and the developing economies are used as market for the finished goods of the developed countries.

- The surplus capital of the developed countries are invested in backward economies. Obsolute and outdated technologies of the developed countries can be easily sold to poor under developed countries.
- Ultimately, the rich countries can grow further at the cost of developing economies.

Arguments against LPG

1. Liberalization measures, when effectively enforced, favour an unrestricted entry of foreign companies in the domestic economy. Such an entry prevents the growth of the local manufacturers.
2. Privatization measures favour the continuance of the monopoly power. Only the powerful people can sustain in business markets. Social justice cannot be easily established and maintained.
   - As a result, the disparities tend to widen among people and among regions.
3. As globalization measures tend to integrate all economies of the world and bringing them all under one umbrella; they pave the way for redistribution of economic power at the world level.
   - Only the already well- developed countries are favoured in this process and the welfare of the less- developed countries will be neglected.
   - The economic crisis of the developed countries are easily spread to the developing economies through trade.
   - The following are the major changes after 1991 :
     1. Foreign exchange reserves started rising.
     2. There was a rapid industrialization.
     3. The pattern of consumption started improving (or deteriorating).
     4. Infrastructure facilities such as express highways, metro rails, flyovers and airports started expanding (but the local people were thrown away).

Disinvestment

- Disinvestment means selling of government securities of Public Sector Undertakings (PSUs) to other PSUs or private sectors or banks. This process has not been fully implemented.

Relative Position of on Indian Economy

- India was at 3rd position after China and Japan among Asian countries. India shared 8.50% of total Asia's GDP (nominal) in 2016.

Industrial Sector Reforms

- The Prime Minister of India announced the new industrial policy on July 24, 1991. The new policy radically liberalized the industrial policy itself and de-regulated the industrial sector substantially.
- The primary objectives of the industrial policy were to promote major industries from the clutches of bureaucrats, to abolish restrictions on foreign direct investment, to liberate the indigenous enterprise from the restrictions of MRTP Act, to maintain a sustained growth in productivity and employment and also to achieve international competitiveness.

Important Initiatives by the Government towards Industrial Policy

- The policy has brought changes in the following aspects of industrial regulation:
  1. Industrial delicensing
  2. Dereservation of the industrial sector
  3. Public sector policy (dereservation and reform of PSEs)
  4. Abolition of MRTP Act
  5. Foreign investment policy and foreign technology policy.

Industrial Deregulation

Before 1991	After 1991
• Industrial Licensing for all commodities • Private sector not allowed in many industries • Controls on price fixation and distribution	• Licensing restricted to alocohol, drugs etc., • Only defense, energy, railway for public sector - large scale privatization, disinvestment • Market allowed to determine prices

1. **Industrial delicensing policy**

   The most important objective of the new industrial policy of 1991 was the end of the industrial licensing or the license raj or red tapism

2. **Dereservation of the industrial sector**

   Under the new industrial policy, only three sectors viz., atomic energy, mining and railways will continue as reserved for public sector. All other sectors have been opened for private sector participation.

3. **Reforms related to the Public sector enterprises**

   The government identified strategic and priority areas for the public sector to concentrate. Loss making PSUs were sold to the private sector.

4. **Abolition of MRTP Act**

   The New Industrial Policy of 1991 has abolished the Monopoly and Restrictive Trade Practices Act 1969. In 2010, the Competition Commission has emerged as the watchdog in monitoring competitive practices in the economy.

5. **Foreign investment policy**

   Another major feature of the economic reform was red carpet welcome to foreign investment and foreign technology.

- Foreign investment including FDI and FPI were allowed. In 1991, the government announced a specified list of high-technology and high- investment priority industries wherein automatic permission was granted for foreign direct investment (FDI) upto 51 percent foreign equity.
- The limit was raised to 74 percent and subsequently to 100 percent for many of these industries.
- Foreign Investment Promotion Board (FIPB) has been set up to negotiate with international firms and approve foreign direct investment in select areas.

Impact of LPG on Agricultural Sector Reforms

- Indian economy has achieved a remarkable rate of growth in industry and service sector. However, this growth process bypassed the agricultural sector, which showed sharp deceleration in the growth rate (3.62 percent during 1984/85 – 1995/96 to 1.97 percent in 1995/96 – 2004/05).
- The sector has recorded wide variations in yield and productivity and there was a shift towards cash crop cultivation.

Crop Insurance

- The Pradhan Mantri Fasal Bima Yojana (Prime Minister's Crop Insurance Scheme) was launched on 18 February 2016.
- It envisages a uniform premium of only 2 percent to be paid byfarmers forKharif crops and 1.5 percent for Rabi crops.

- The premium for (annual) commercial and horticultural crops will be 5 percent.

Cold Storage

- India is the largest producer of fruits and second largest producer of vegetables in the world.
- In order to overcome this constraint, the Government of India and the Ministry of Agriculture promulgated an order known as "Cold Storage Order, 1964" under Section 3 of the Essential Commodities Act, 1955.

Kisan Credit Card Scheme

- A Kisan Credit Card (KCC) is a credit delivery mechanism that is aimed at enabling farmers to have quick and timely access to affordable credit. It was launched in 1998 by the Reserve Bank of India and NABARD.
- The scheme aims to reduce farmer dependence on the informal banking sector for credit – which can be very expensive and suck them into a debt spiral.
- The card is offered by cooperative banks, regional rural banks and public sector banks. Based on a review of the working of the KCC, the government has advised banks to convert the KCC into a smart card cum debit card.
- The Ministry of Food Processing Industries (MoFPI) has implemented various components of Central Sector Schemes.

Post Harvest measures

- The annual value of harvest and post- harvest losses of major agricultural produce at national level was of the order of Rs.92,651 crores, calculated using production data of 2012-13 at 2014 and wholesale prices, estimated by the Indian Council of Agricultural Research (ICAR).

Agricultural Produce Market Committee

- Agricultural Produce Market Committee (APMC) is a statutory body constituted by state government in order to trade in agricultural or horticultural or livestock products.

Functions of APMC

Functions of APMC are:

1. To promote public private partnership in the ambit of agricultural markets.
2. To provide market led extension services to farmer.
3. To bring transparency in pricing system and transactions taking place in market in a transparent manner.
4. To ensure payments to the farmers for the sale of agricultural produce on the same day.
5. To promote agricultural activities.
6. To display data on arrivals and rates of agricultural produce from time to time into the market.

Agrarian Crisis after Reforms

a) **High input Costs:** With liberalization, India's seed market was opened up to global agribusinesses. Also, following the deregulation many state government institutions were closed down in 2003.

- These hit farmers doubly hard: seed prices shot up, and fake seeds made an appearance in a big way.

b) **Cutback in agricultural subsidies:** Liberalisation policies reduced the subsides on pesticide, fertilizer and elasticity. As a result prices have increased by 300%. However, the prices of agricultural goods have not increased to that extent.

c) **Reduction of import duties:** With a view to open India's markets, the liberalization reforms also withdrew tariffs and duties on imports. By 2001, India completely removed restrictions on imports of almost 1,500 items including food. As a result, cheap imports flooded the market, pushing prices of crops like cotton and pepper down.

d) **Paucity of credit facilities:** After 1991 the lending pattern of commercial banks, including nationalised bank drastically changed. As a result, loan was not easily adequate. This has forced the farmers to rely on moneylenders who charge exorbitant rate of interest.

Trade Reforms:

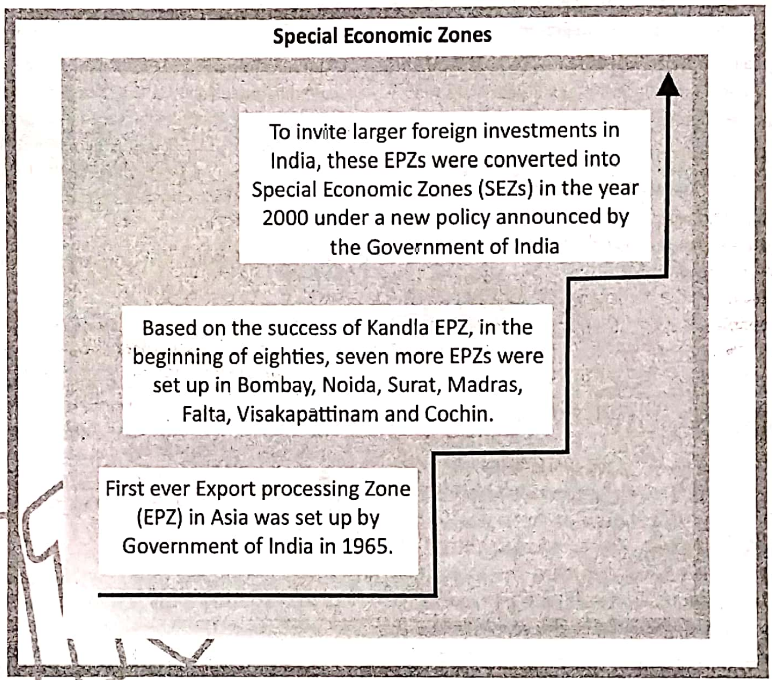
- Free imports and exports: Prior to 1991, in India imports were regulated. From 1992, imports were regulated by a limited negative list. For instance, the trade policy of 1 April 1992 freed imports of almost all intermediate and capital goods. Only 71 items remained restricted. This would affect the domestic industries.
- **Rationalization of tariff structure and removal of quantitative restrictions:** The Chelliah Committee's Report had suggested drastic reduction in import duties. It had suggested a peak rate of 50 percent.

Export and Import Policy

- The Government of India, Ministry of Commerce and Industry announced New Foreign Trade Policy on 01st April 2015 for the period of 2015-2020.

Salient Features of "EXIM POLICY (2015-2020)"

- The new EXIM policy has been formulated focusing on increasing in exports scenario, boosting production and supporting the concepts like Make in India and Digital India.
- Reduce export obligations by 25% and give boost to domestic manufacturing supporting the "Make in India" concept.
- As a step to Digital India concept, online procedure to upload digitally signed document by CA/CS/Cost Accountant are developed and further mobile app for filing tax, stamp duty has been developed.
- Repeated submission of physical copies of documents available on Exporter Importer Profile is not required.
- Export obligation period for export items related to defence, military store, aerospace and nuclear energy to be 24 months.
- EXIM Policy 2015-2020 is expected to double the share of India in World Trade from present level of 3% by the year 2020. This appears to be too ambitions.



- With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances, absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000.
- As per the Special Economic Zones Act of 2005, the government has so far notified about 400 such zones in the country.
- Since the SEZ deprives the farmers of their land and livelihood, it is harmful to agriculture.
- India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965.

Major Objectives of SEZs

- To enhance foreign investment, especially to attract foreign direct investment (FDI) and thereby increasing GDP.
- To increase shares in Global Export (International Business).
- To generate additional economic activity.
- To create employment opportunities.
- To develop infrastructure facilities.
- To exchange technology in the global market.

Main Characteristics of SEZ

- Geographically demarked area with physical security
- Administrated by single body/ authority
- Streamlined procedures
- Having separate custom area
- Governed by more liberal economic laws.
- Greater freedom to the firms located in SEZs. As a result, they need not respect the Government's rules and regulations. The social and environmental impacts were disastrous.

Fiscal Reforms

- It means reduction of fiscal deficit to the extent of just 3% of GDP, as suggested by Fund Bank Policies. reversing the downtrend in the share of direct taxes to total tax revenues and curbing conspicuous consumption.
- Some of the important policy initiatives introduced for correcting the fiscal imbalance were: reduction in fertilizer subsidy, abolition of subsidy on sugar and disinvestment of a part of the government's equity holdings in select public sector undertakings.

Monetary and Financial Sector Reforms

- **Reserve Requirements:** Reduction in statutory liquidity ratio (SLR) and the cash reserve ratio (CRR) were recommended by the Narasimham Committee Report, 1991.
- **Interest Rate Liberalisation:** Earlier, RBI controlled (i) the interest rates payable on deposits, (ii) the interest rates which could be charged for bank loans.
- Greater competition among public sector, private sector and foreign banks and elimination of administrative constraints.
- Liberalisation of bank branch licensing policy in order to rationalize the existing branch network.

- Banks were given freedom to relocate branches and open specialized branches
- Guidelines for opening new private sector banks.
- New accounting norms regarding classification of assets and provisions of bad debt were introduced in tune with the Narasimham Committee Report.
- The GDP growth rate of India is very much appreciated. This growth is also due to changes in accounting system. That is why the increased GDP growth rate has failed to alleviate the miseries of the common people and to reduce the socio, economic and environmental imbalances.

Globalization

- Globalization is the process of integrating various economies of the world without creating any barriers in the free flow of goods and services, technology, capital and even labour or human capital. Under globalization, the international markets for goods and services are integrated.
- Globalization is the integration of a country with the world economy. Basically, globalization signifies a process of internationalization plus liberalization.

History of Globalization

- The term of 'Globalization' was introduced by Pro. Theodore Levitt. The historical backround of globalization can be discussed on three stages.

History of Globalization
- Stage - 1 Archaic Globalization
- Stage - 2 Proto Globalization
- Stage - 3 Modern globalization

Archaic Globalization

- Andre Gunder Frank argued that a form of globalization has been in existence since the rise of trade links between Sumer and Indus valley civilization in the third millennium BC (BCE). An early form of globalized economics and culture, known as Archaic globalization existed during the Hellenistic Age.
- Dynasty made the commercial links between these powers inspired the development of the Silk Road.

Proto Globalization

- Globalization became private business phenomenon like British East India Company[founded in 1600] described as the first multinational company, and the first Dutch.

Modern Globalization

- Multinational trade contracts and agreements have been signed, like the General Agreement on Tariffs and Trade [GATT] and World Trade Organization [WTO]. From 1890 and up to World War 1 instability trade was a problem, but in the post war period there has mostly been economic expansion which leads to stability. Technological changes have caused lower transporting costs, it take just a few hours to transport goods between continents today.

Early Traders

- In the year 1053 AD (CE) the Kalinga traders (Modern Orissa) brought red colored stone decorative objects for trade and also cotton textile to Southeast Asia at an early date.

The Portuguese

- The Portuguese under the leadership of Vasco da Gama landed at Calicut on the 17th May, 1498. Profits of goods brought by Vasco do Gama to Portugal were to 60 times cost of the entire expedition to India. The arrival of Pedro Alvarez cabral in India in 1500AD (CE) and the second trip of Vasco da Gama in 1502 led to the establishment of trading station at Calicut Cochin and Cannanore. Cochin was the early capital of the Portuguese in India.

The Dutch in South India

- Dutch undertook several voyages from 1596 and formed the Dutch East India company (VOC) I 1602. In 1605, Admiral van der Hagen established Dutch Factory at Masulipatnam and Pettapoli (Nizamapatanam),Devanampatinam. In 1610, upon negotiating with the king of Chandragiri, found another factory at Pulicut. Other commodities exported by the Dutch were indigo, saltpeter and Bengal raw silk. Pulicut was the headquarters of the Dutch in India. Nagapatnam on the Tanjore coast acquired from the Portuguese in 1659.

The British Company (UK)

- On 31st December, 1600, Queen Elizabeth granted charter to The East India Company. On the south-eastern coast, the English established at Masulipatnam in 1611 and near Pulicat in 1626. The Sultan of Golconda granted the English the "Golden Fireman" in 1632 by which they were allowed to trade freely in their "Kingdom Ports". In 1639, built a fortified factory in Madras which known as Fort St.George, which soon displaced Masulipatnam as headquarters of the English settlement on the coromandel coast.

The Danes

- The Danes formed an East India company and arrive in India in 1616. The Danish settlements were established at Tranguebar (in Tamil nadu) in 1620 which was the headquarters of Danes in India. They failed to strengthen themselves, in India and in 1845 were forced to sell all their India settlements to the British.

The French

- The first French factory in India was established in 1668 by obtaining permission from the Sultan of Golconda. In 1693, the Dutch captured Pondicherry but was handed back to the French. In 1701, Pondicherry was the headquarters of the French. Settlements in the East after 1742 Political motives began to overshadow the desire for commercial gain.

Globalization in India

- In India the period after 1980-81 was marked by severe balance of payment difficulties mainly due to hike in oil price and Gulf war in 1990-91 and hostilities in West Asia.
- When the new government took over in June 1991. India had unprecedented balance of payment crisis. The finances of the central, and state Government had reached a situation of near bankruptcy.
- July 1991 with a series of policy changes which underlined globalization, liberalization and privatization. This has come to be called as India's new economic policy. This policies were strengthened when India signed the Dunkel Draft in 1994.

Reforms made to adopt Globalization:-

(New Economic policy in India)

1. Abolition of Industrial licensing, except for a few industries.
2. Reduction in the number of industries reserved for public sector.
3. Fixation of a realistic exchange rate of rupee to exchange exports of Indian goods.
4. Foreign private sector by making rupee convertible on trade, on current account and by reducing import duties.
5. Foreign exchanges regulations were suitably amended
6. The Statutory Liquidity Ratio (SLR) was reduced to increase lending by RBI.

Impact and Challenges of Globalization

Positive Impact

- A better economy introduces rapid development of the capital market.
- Standard of living has increased.
- Globalization rapidly increase better trade so that more people are employed.
- Introduced new technologies and new scientific research patterns.
- Globalization increasing the GDP of a country.
- It helps to increase in free flow of goods and also to increase Foreign Direct Investment.

Negative Impact

- Too much flow of capital amongst countries, introduces unfair and immoral distributors of income.
- Another fear is losing national integrity. Because of too much exchange of trade, independent domestic policies are lost.
- Rapid growth of the economy has required a major infrastructure and resource extraction. This increase negative ecological and Social costs.
- Rapid increases in exploitation of natural resources to earn foreign exchange.
- Environmental standards and regulations have been relaxed.

Challenges of Globalization

- The benefits of globalization extend to all countries that will not happen automatically.
- The fear that globalization leads to instability in the developing world.
- The industrial world that increased global competition will lead in race to the bottom in wages, labour right, and employment practice.
- It leads to global inbalance.
- Globalization has resulted with the embarrassment.
- Globalization has led to an increase in activities such as child labor and slavery.
- People started consuming more junk food. This caused, the degradation of health and spread of diseases.
- Globalization has led to environmental degradation.

II Planning Commission & NITI Aayog , Five Year plan Models - an Assessment

Planning Commission & NITI Aayog

Planning

Meaning of planning

- Planning is a technique, a means to an end being the realization of certain pre-determined and well-defined aims and objectives laid down by a central planning authority. The end may be to achieve economic, social, political or military objectives.

Definition of planning

- Economic Planning is "collective control or suppression of private activities of production and exchange". - Robbins

  "Economic Planning in the widest sense is the deliberate direction by persons in-charge of large resources of economic activity towards chosen ends". - Dalton

Economic Planning in India

- Consists of economic decisions, schemes formed to meet certain pre- determined economic objectives and a road map of directions to achieve specific goals within specific period of time.
- Soviet Union adopted economic planning for the first time in 1928 that enabled the country to turn into an industrial superpower.
- The idea of economic planning was strengthened during the Great Depression in 1930s.
- After Independence, in 1948, a declaration of industrial policy was announced. The policy suggested the creation of a National Planning Commission and the elaboration of the policy of a mixed economic system.
- On January 26, 1950, the Constitution came into force. In logical order, the Planning Commission was created on March 15, 1950 and the plan era began on April 1, 1951 with the launch of the first five year plan (1951-56).

Evolution of Planning

- The evolution of planning in India is stated below:

1. **Sir M. Vishveshwarya (1934):**
   - A prominent engineer and politician made his first attempt in laying foundation for economic planning in India in 1934 through his book, "Planned Economy of India". It was a 10 year plan.
2. **Jawaharlal Nehru (1938):**
   - Set-up "National Planning Commission" by a committee but due to the changes in the political era and second World War, it did not materialize.
3. **Bombay Plan (1940):**
   - The 8 leading industrialists of Bombay presented "Bombay Plan". It was a 15 Year Investment Plan.
4. **S. N Agarwal (1944)**
   - Gave the "Gandhian Plan" focusing on the agricultural and rural economy.
5. **M.N. Roy (1945):**
   - Drafted 'People's Plan". It was aiming at mechanization of agricultural production and distribution by the state only.
6. **J.P. Narayan (1950):**
   - Advocated, "Sarvodaya Plan" which was inspired by Gandhian Plan and with the idea of Vinoba Bhave. It gave importance not only for agriculture, but encouraged small and cottage industries in the plan.

- After considering all the plans, in the same year Planning Commission was set up to formulate Five Year Plan in India by Jawaharlal Nehru. He was the first Chairman of Planning Commission, Government of India.

Strategies of Planning

1. **Harrod - Domar Strategy**
   - First Five Year Plan was based on This strategy.
   - This strategy emphasises the role of capital accumulation's dual character, which on the one hand increases the national income (demand side role) and on the other hand increases the production capacity (supply side rolle).
2. **Nehru Mahalanobis Strategy**
   - Second and Third Five Year Plan was based on this strategy.
   - Based on Russian experience, this strategy is a two sector model i.e., consumer good sector and capital good sector.
   - This strategy emphasised investment in heavy industry to achieve industrialisation for rapid economic development.
3. **Gandhian Strategy**
   - It was enunciated by Acharya SN Agarwal in his 'Gandhian Plan' in 1944. The basis objective of the Gandhian Model is to raise the material as well as cultrual level of the masses so as to provide basic standard of life.

LPG Strategy

- Liberalisation, Privatisation and Globalisaion (LPG) strategy of planning was introduced by the Finance Minister of that time Dr . Manmohan Singh under Narsimha Rao Government.
- The strategy ended the 'license permit - raj' and opened the hitherto areas reserved for the public sector to private setor.

PURA Strategy

- PURA stands for Providing Urban Amenities in Rural Areas and was the brainchild of APJ Abdul Kalam.
- This strategy emphasises on four connectivities physical , electronic, knowledge and thereby leading to economic connectivity to enhance the prosperity of cluster of villages in rural areas.

Planning Commission

- The Planning Commission was set up in India in the year 1950. The Prime Minister of India is the chairman of Planning Commission.
- Recently, the Planning Commission has been renamed as NITI Aayog.

National Development Council

- The National Development Council (NDC) was set up on August 6, 1952 by a Resolution issued from the Cabinet secretariat.
- **Constituted on** : 6th August, 1952.
- **Ex-officio Chairman :** Prime Minister
- **Ex-officio Secretary** : Secretary of the Planning commission
- **Members :** Chief Minister of all the states and the members of the Planning commission

Case for planning

1. **To accelerate and strengthen market mechanism:**
   - The market mechanism works imperfectly in underdeveloped countries because of the ignorance and unfamiliarity with it. A large part of the economy comprises the non-monetized sector. The product, factor, money and capital markets are not organized properly. Therefore the planned economy will be a better substitute for free economy.
2. **To remove unemployment:**
   - Capital being scarce and labour being abundant, the problem of providing gainful employment opportunities to an ever-increasing labour force is a difficult task. The need for planning in underdeveloped countries is further stressed by the necessity of removing widespread unemployment and disguised unemployment in such economies.
3. **To achieve balanced development:**
   - In the absence of sufficient enterprise and initiative, the planning authority is the only institution for planning the balanced development of the economy. For rapid economic development, underdeveloped countries require the development of the agricultural and industrial sectors, the establishment of social and economic overheads, the expansion of the domestic and foreign trade sectors in a harmonious way.
4. **Development of Agriculture and Industrial Sectors:**
   - The need for developing the agriculture sector along with the industrial sector arises from the fact that agriculture and industry are interdependent. Reorganization of agriculture releases surplus labour force which can be absorbed by the industrial sector. Development of agriculture is also essential to supply the raw material needs of the industrial sector.
5. **Development of Infrastructure:**
   - The agriculture and industrial sectors cannot develop in the absence of economic and social overheads. The building of canals, roads, railways, power stations, etc., is indispensable for agricultural and industrial development. Infrastructure involves huge capital investment long gestation period and low rate of return. The state alone can provide strong infrastructural bases through planning.
6. **Development of Money and Capital Markets:**
   - The expansion of the domestic and foreign trade requires not only the development of agricultural and industrial sectors along with social and economic overheads but also the existence of financial institutions. Money and capital markets are not adequate in underdeveloped countries. This factor acts as an obstacle to the growth of industry and trade. So planning alone can provide sound money market and capital market.
7. **To remove poverty and inequalities:**
   - Planning is the only path open to underdeveloped countries, for raising national and per capita income, reducing inequalities and poverty and increasing employment opportunities.

Types of Planning

- Democratic Vs Totalitarian
  - Centralized Vs Decentralized
- Planning by Direction Vs Inducement
  - Indicative Vs Imperative
- Short, Medium and Long term
  - Financial Vs Physical
- Functional Vs Structural
  - Comprehensive Vs Partial

1. **Democratic Vs Totalitarian Planning**

- Democratic planning implies planning within democracy. People are associated at every step in the formulation and implementation of the plan.
- A democratic plan is characterized by the widest possible consultations with the various state governments and private enterprises at the stage of preparation. The plan prepared by the Planning Commission is not accepted as such.
- Under totalitarian planning, there is central control and direction of all economic activities in accordance with a single plan. Consumption, production, exchange, and distribution are all controlled by the state. In authoritarian planning, the planning authority is the supreme body.

2. **Centralized Vs Decentralized:**

- Under centralized planning, the entire planning process in a country is under a central planning authority.
- This authority formulates a central plan, fixes objectives, targets and priorities for every sector of the economy. In other words, it is called 'planning from above'.

3. **Planning by Direction Vs Inducement:**

- Under planning by direction, there is a central authority which plans, directs and orders the execution of the plan in accordance with pre-determined targets and priorities.

4. **Indicative Vs Imperative Planning:**

- Indicative planning is peculiar to the mixed economies. It has been in practice in France since the Monnet Plan of 1947-50.
- In a mixed economy, the private sector and the public sector work together. Under this plan, the outline of plan is prepared by the Government.
- Then it is discussed with the representatives of private management, trade unions, consumer groups, finance institutions and other experts. The essential function of planning is coordination of different economic units.
- The state provides all types of facilities to the private sector. The private sector is expected to fulfill the targets and priorities.
- The state does not force the private sector but just indicate the areas of operation and targets to be fulfilled. In short, the planning procedure is soft and flexible.
- Under imperative planning, the state is all powerful in preparation and implementation of the plan.
- Once a plan is drawn up, its implementation is a matter of enforcement. The USSR President Stalin used to say, 'Our plans are our instructions'.
- There is complete control over the entire resources by the state. There is no consumer sovereignty. The Government policies and procedures are rigid.
- China and Russia follow imperative planning.

5. **Short, Medium and Long term Planning:**

- Short-term plans are also known as 'controlling plans'. They encompass the period of one year, therefore, they are also known as 'annual plans'.
- The medium-term plans last for the period of 3 to 7 years.

6. **Financial Vs Physical Planning:**

- Financial planning refers to the technique of planning in which resources are allocated in terms of money while physical planning pertains to the allocation of resources in terms of men, materials and machinery.

7. **Functional Vs Structural Planning:**

- Functional planning refers to that planning which seeks to remove economic difficulties by directing all the planning activities within the existing economic and social structure.

8. **Comprehensive Vs Partial Planning:**

- General planning which concerns itself with the major issues for the whole economy is known as comprehensive planning whereas partial planning is to consider only the few important sectors of the economy.

Planning

- Long - term over 10 year
  - Long - term planning is considered for a time period over 10 years- strategic planning
- Medium - term 3-7 years
  - Medium - term planning is considered for a time period of 5 yeras- tactical planning
- Short - term upto 1 year
  - Short- term planning concerns the plans in a time period of 1 year- operational planning

Five Year plan Models - an Assessment

Performance of India's Five Year Plans

- The concept of economic planning in India or five year plan is derived from Russia (then USSR). India has launched 12 five year plans so far. Twelfth five year plan will be the last one.
- The government of India has decided to stop the launching of five year plans and it was replaced by NITI Aayog.

First Five Year Plan (1951-1956)

- It was based on the Harrod-Domar Model.
- Its main focus was on the agricultural development of the country.
- This plan was successful and achieved the GDP growth rate of 3.6% (more than its target)

Second Five Year Plan (1956-1961)

- It was based on the P.C. Mahalanobis Model.
- Its main focus was on the industrial development of the country.
- This plan was successful and achieved the growth rate of 4.1%

Third Five Year Plan (1961-1966)

- This plan was called 'GadgilYojana' also.
- The main target of this plan was to make the economy independent and to reach self prpalled position ortake off.
- Due to Indo -China war, this plan could not achieve its growth target of 5.6%

Plan Holiday (1966-1969)

- The main reason behind the plan holiday was the Indo-Pakistan war & failure of third plan.
- During this plan, annual plans were made and equal priority was given to agriculture, its allied sectors and the industry sector.

Fourth Five Year Plan (1969-1974)

- There are two main objectives of this plan i.e. growth with stability and progressive achievement of self reliance.
- This plan failed and could achieve growth rate of 3.3% only, against the target of 5.7%.

Fifth Five Year Plan (1974-1979)

- In this plan top priority was given to agriculture, next cameindustry and mines.
- Overall this plan was successful, which achieved the growth rate of 4.8% against the target of 4.4%.
- The draft of this plan was prepared and launched by D.P. Dhar. This plan was terminated in 1978.

Rolling Plan

- This plan was started with an annual plan for 1978-79 and as a continuation of the terminated fifth year plan.

Sixth Five Year Plan (1980-1985)

- The basic objective of this plan was poverty eradication and technological self reliance. Garibi-Hatao was the motto.
- It was based on investment yojana.
- Its growth target was 5.2% but it achieved 5.7%.

Seventh Five Year Plan (1985-1990)

- Objectives of this plan included the establishment of the self sufficient economy and opportunities for productive employment.
- For the first time, due to the pressure from private sector the private sector got the priority over public sector.
- Its growth target was 5.0% but it achieved 6.0%.

Annual Plans

- Eighth five year Plan could not take place due to volatile political situation at the centre. So two annual programmes are formed in 1990-91& 1991-92.

Eighth Five Year Plan (1992-1997)

- In this plan the top priority was given to development of the human resources i.e. employment, education and public health.
- During this plan, New Economic Policy of India was introduced.
- This plan was successful and got annual growth rate of 6.8% against the target of 5.6%.

Ninth Five Year Plan (1997-2002)

- The main focus of this plan was "growth with justice and equity".
- This plan failed to achieve the growth target of 7% and Indian economy grew only at the rate of 5.6%.

Tenth Five Year Plan (2002-2007)

- This plan aimed to double the per capita income of India in the next 10 years.
- It aimed to reduce the poverty ratio to 15% by 2012.
- Its growth target was 8.0% but it achieved only 7.2%.

Eleventh Five Year Plan (2007-2012)

- Its main theme was "faster and more inclusive growth".
- Its growth rate target was 8.1% but it achieved only 7.9%

Twelfth Five Year Plan (2012-2017)

- Its main theme is "Faster, More Inclusive and Sustainable Growth".
- Its growth rate target is 8%.

NITI Aayog

- NITI Aayog (National Institution for Transforming India) was formed on January 1, 2015 through a Union Cabinet resolution. NITI Aayog is a policy think-tank of the Government of India. It replaced the Planning Commission from 13th August, 2014. The Prime Minister is the Chairperson of NITI Aayog and Union Ministers will be Ex-officio members. The Vice- Chairman of the NITI Aayog is the functional head and the first Vice- Chairman was Arvind Panangariya.

Pillars of effective Governance of NITI Aayog

1. Pro - people
2. Pro - Activity
3. Participation
4. Empowering
5. Inclusion of all
6. Equality
7. Transparency

- Aayog will monitor, coordinate and ensure implementation of the accepted sustainable development goals.
- NITI Aayog serves as a knowledge hub and monitors progress in the implementation of policies and programmes of the Government of India.
- It includes the matters of national and international importance on the economic front, dissemination of best practices from within the country and from other nations, the infusion of new policy ideas and specific issue-based support.
- In order to understand the achievements of the NITI Aayog, researches need to be done then and there.

Functions of NITI Aayog

1. **Cooperative and Competitive Federalism:**
   - To enable the States to have active participation in the formulation of national policy.
2. **Shared National Agenda:**
   - To evolve a shared vision of national development priorities and strategies with the active involvement of States.
3. **Decentralized Planning:**
   - To restructure the planning process into a bottom-up model.
4. **Vision and Scenario Planning:**
   - To design medium and long-term strategic frameworks towards India's future.
5. **Network of Expertise:**
   - To mainstream external ideas and expertise into government policies and programmes through a collective participation.
6. **Harmonization:**
   - To facilitate harmonization of actions across different layers of government, especially when involving cross-cutting and overlapping issues across multiple sectors; through communication, coordination, collaboration and convergence amongst all the stakeholders.
7. **Conflict Resolution:**
   - To provide platform for mutual consensus to inter-sectoral, inter-departmental, inter-state as well as centre-state issues for all speedy execution of the government programmes.
8. **Coordinating Interface with the World:**
   - It will act nodal point to harness global expertise and resources coming from International organizations for India's developmental process.
9. **Internal Consultancy:**
   - It provides internal consultancy to Central and State governments on policy and programmes.
10. **Capacity Building:**
    - It enables to provide capacity building and technology up-gradation across government, benchmarking with latest global trends and providing managerial and technical know-how.
11. **Monitoring and Evaluation:**
    - It will monitor the implementation of policies and progammes and evaluate the impacts.
    - Initiatives like Atal Innovation Mission, Ayushmaan Bharat approach towards water conservation measures and the draft bill to establish the National Medical Commission to replace the Medical Council of India have all been conceptualized in NITI Aayog.
    - NITI Aayog is also bringing about a greater level of accountability. It has established a development monitoring and evaluation office which collects data on the performance of various ministries.
    - Using such data, the Aayog makes performance based ranking of states to foster a spirit of competitive federalism. The success of NITI Aayog can be evaluated after a substantial period of time.

S.No	Year	Five year Plan	Priority Strategy	Target	Acheived
1.	1951- 56	1st plan	Priority to agriculture, irrigation and power projects	2.1	3.6
2.	1956 - 61	2nd Plan	Priority to Industry	4.5	4.0
3.	1961 - 66	3rd Plan	Basic Industries	5.6	2.2
4.	1969 - 74	4th Plan	Growth with distributive justice	5.7	3.3
5.	1974 - 79	5th Plan	Poverty eradication and self reliance	4.4	5.2
6.	1980 - 85	6th Plan	Poverty alleviation	5.2	5.2
7.	1985 - 90	7th Plan	Generation of employement	5.0	5.8
8.	1992 - 97	8th Plan	Employment Generation leading to achieve full employment by 2000.	5.6	6.7
9.	1997 - 02	9th Plan	Growth with social justice and equality	6.5	5.4
10.	2002 - 07	10th Plan	Reproduction of poverty and population growth.	8.1	7.7
11.	2007 - 12	11th Plan	Rapid and inclusive growth	9	7.6
12.	2012 - 17	12th Plan	Rapid inclusive and sustainable growth	8.2	-

III

Reserve Bank of India

Historical Development

- The Ricks Banks of Sweden, which had sprung from a private bank established in 1656 is the oldest central bank in the world. It acquired the sole right of note issue in 1897. But the fundamentals of the art of banking have been developed by the Bank of England (1864) as the first bank of issues.
- A large number of central banks were established between 1921 and 1954 in compliance with the resolution passed by the International Finance Conference held at Brussels in 1920.

Functions of Central Bank (Reserve Bank of India)

- The Reserve Bank of India (RBI) is India's central banking institution, which controls the monetary policy of the Indian rupee.
- It commenced its operations on 1 April 1935 in accordance with the Reserve Bank of India Act, 1934.
- The original share capital was divided into shares of ₹100 each fully paid, which were initially owned entirely by private shareholders.
- Following India's independence on 15 August 1947, the RBI was nationalised on 1 January 1949.

1. **Monetary Authority:**

   It controls the supply of money in the economy to stabilize exchange rate, maintain healthy balance of payment, attain financial stability, control inflation, strengthen banking system.

2. **The issuer of currency:**

   The objective is to maintain the currency and credit system of the country. It is the sole authority to issue currency. It also takes action to control the circulation of fake currency.

3. **The issuer of Banking License:**

   As per Sec 22 of Banking Regulation Act, every bank has to obtain a banking license from RBI to conduct banking business in India.

4. **Banker to the Government:**

   It acts as banker both to the central and the state governments. It provides short-term credit. It manages all new issues of government loans, servicing the government debt outstanding and nurturing the market for government securities. It advises the government on banking and financial subjects.

5. **Banker's Bank:**

   RBI is the bank of all banks in India as it provides loan to banks, accept the deposit of banks, and rediscount the bills of banks.

6. **Lender of last resort:**

   The banks can borrow from the RBI by keeping eligible securities as collateral at the time of need or crisis, when there is no other source.

7. **Act as clearing house:**

   For settlement of banking transactions, RBI manages 14 clearing houses. It facilitates the exchange of instruments and processing of payment instructions.

8. **Custodian of foreign exchange reserves**

   It acts as a custodian of FOREX. It administers and enforces the provision of Foreign Exchange Management Act (FEMA), 1999. RBI buys and sells foreign currency to maintain the exchange rate of Indian rupee v/s foreign currencies.

9. **Regulator of Economy**

   It controls the money supply in the system, monitors different key indicators like GDP, Inflation, etc.

10. **Managing Government securities**

    RBI administers investments in institutions when they invest specified minimum proportions of their total assets/liabilities in government securities.

11. **Regulator and Supervisor of Payment and Settlement Systems**

    The Payment and Settlement Systems Act of 2007 (PSS Act) gives RBI oversight authority for the payment and settlement systems in the country. RBI focuses on the development and functioning of safe, secure and efficient payment and settlement mechanisms.

12. **Developmental Role**

    This role includes the development of the quality banking system in India and ensuring that credit is available to the productive sectors of the economy. It provides a wide range of promotional functions to support national objectives. It also includes establishing institutions designed to build the country's financial infrastructure. It also helps in expanding access to affordable financial services and promoting financial education and literacy.

13. **Publisher of monetary data and other data:**

    RBI maintains and provides all essential banking and other economic data, formulating and critically evaluating the economic policies in India. RBI collects, collates and publishes data regularly.

14. **Exchange manager and controller**

    - RBI represents India as a member of the International Monetary Fund [IMF]. Most of the commercial banks are authorized dealers of RBI.

15. **Banking Ombudsman Scheme**

    - RBI introduced the Banking Ombudsman Scheme in 1995. Under this scheme, the complainants can file their complaints in any form, including online and can also appeal to the Ombudsman against the awards and the other decisions of the Banks.

16. **Banking Codes and Standards Board of India:**

    - To measure the performance of banks against Codes and standards based on established global practices, the RBI has set up the Banking Codes and Standards Board of India (BCSBI).

RESERVE BANK OF INDIA

History

- Formed on April 1, 1935 in accordance with the RBI Act, 1934
- Nationalized on January 1, 1949 (Fully owned by GOI)
- Governors and 4 Deputy Governors along with a central board of Governors and 4 deputy Governors along with a central board of directors appointed by the GOI
- Osborne Smith was the first Governor of RBI

Origin of RBI

- The Imperial Bank of India carried out the note issue and other functions of the central bank. In 1926 the Hilton-Young Commission or the Royal Commission on Indian Currency and Finance (J. M. Keynes and Sir Ernest Cable were its members) made recommendation to create a central bank. As a result, the RBI Act 1934 was passed and RBI launched in operations from April 1, 1935. RBI was established with a share capital of Rs.5 crores divided into shares of Rs.100 each fully paid up. The entire share capital was owned by private shareholders. Its head office was in Calcutta and moved to Mumbai in 1937.
- After independence, the Government of India passed Reserve Bank (Transfer to Public Ownership) Act, 1948 and took over RBI after paying appropriate compensation to the private shareholders. From January 1, 1949, RBI started functioning as a government owned central bank of India. It had three departments. The RBI was the central bank of Burma until 1947, and the central bank of Pakistan until June 1948.

Organisational Structure of RBI

- The head office of the RBI is situated in Mumbai. This central office has 33 departments in 2017. It has four zonal offices in Mumbai, Delhi, Calcutta and Chennai functioning under local boards with deputy governors as their heads. It also has 19 regional offices and 11 sub-offices (2017). The RBI is governed by a Central
- Board of Directors. The 21 member board is appointed by the Government of India. It consists of;

a. one governor and four deputy governors appointed for a period of four years,
b. ten directors from various fields
c. two Government officials
d. four directors - one each from local boards.

Functions of RBI

- The functions of the RBI can be grouped under three heads.

A. Leadership and Supervisory Functions
B. Traditional Functions and
C. Promotional Functions.

Achievements of the RBI

1. RBI is one of the best central banks in the world. RBI took proactive measures during global economic slowdown in 2008-09 to save Indian economy.
2. National Bank for Agriculture and Rural Development (NABARD) was once a subsidiary of RBI. It is the first of its kind in the entire world.
3. The demonetisation in 2016-17 was a grand success because of the leadership role of the RBI.

Administration

- It is the Central Bank/Regulator for all bank in India
- Also called "Lender of Last Resort"

Functions

- Issues currency
- Banker to the government
- Headquarter moved from Calcutta to Mumbai in 1937
- Regulator of Indian Banking system
- Custodian of Forex
- Controller of credit

Role of the Reserve Bank of India

- A government has the responsibility to regulate money supply and oversee the monetary policy. Hoarding of money must be avoided at all costs in a country's economy. Only then money can be saved in banks.
- A major portion of the savings in banks are used for the development of industries, economic growth and various development schemes for the welfare of the poor.
- Dr. B.R. Ambedkar's Ph.D.thesis on 'The Problem of the Rupee - Its origin and solution' was the reference tool and provided guidelines for the Reserve Bank of India Act of 1934.
- All the major and important banks were nationalised (1969) in India. The Reserve Bank of India (RBI) regulates the circulation of currency in India.
- The Reserve Bank of India started its operations on 1st April 1935. It was permanently moved to Mumbai from the year 1937. RBI was natinolised in 1949. 85% of the printed currency is let for circulation. According to the statistics available as on August 2018, currency worth of 19 lakh crore are in circulation.

Relationship between Money and Prices

- There is a close relationship between volume of circulation money and the price of things. 90% of the products are manufactured with the main aim of sales or meant for services. Growing crops and production are done on a commercial basis, rather than on a subsistence level.
- This phenomenon also increased the importance of the market and money. The relationship between money and price is connected with the Monetary policy.
- There is a close relationship between the growth of money supply and inflation. Price controls play a very important role in a country's economic stability. This role is played by the Central Bank of our country, RBI in India.
- Currency is the medium of exchange in a country. The Indian currency is called the Indian Rupee (INR). In a country the foreign currency is called foreign exchange.
- Purchasing capacity of all currencies in the world are compared using the US dollar as the standard currency. This value differs from country to country. Most of the international trade transactions are carried out in US dollar.

How is currency printed in India?

- One rupee and two rupee notes were first printed in India in the year 1917. The Reserve Bank of India is empowered to issue the Government of India notes since1935. 500 rupee note currency was introduced later.
- In 1940, one Rupee notes were issued again. Till 1947, the currency notes with the image of King George VI were in circulation. After Independence, the Government of India issued currency notes.
- In 1925, the British government established a government press at Nasik in Maharashtra. Currencies were printed three years later. In 1974, a press was started in Dewas, Madhya Pradesh. (Security Printing and Minting Corporation of India Ltd.)
- In the 1990s. two more presses were started in Mysuru, Karnataka and Salboni in West Bengal to print bank notes.
- The Reserve Bank of India has the authority to decide the value of currency to be printed and how the amount should reach its destination safely. Around ten thousand workers are employed here. Countries like Sri Lanka, Bhutan, Iraq and Africa have drawn contracts for printing their currencies and sent to the respective countries.
- Though the RBI has the power to print up to ten thousand rupee notes, at present a maximum of upto rupees two thousand is printed.

Paper money

- The first rupee was introduced by Sher Shah Suri based on a ratio of 40 copper pieces (paisa) per rupee.
- The name was derived from the Sanskrit word Raupya, meaning silver.
- Each banknote has its amount written in 17languages (English and Hindi on the front and 15 other on the back) illustrating the diversity of the country.

Public Sector & Private sector banks

Public Sector Banks

- Public sector bank is a bank in which the government holds a major portion of the shares. Say for example, SBI is public sector bank,

Private Sector Banks

- Of the total banking industry in India, public sector banks constitute 72.9% share while the rest is covered by private players.
- In terms of the number of banks, there are 27 public sector banks and 22 private sector banks.As part of its differentiated banking regime, RBI, the apex banking body, has given license to Payments Bank and Small Finance Banks (SFBs). This is an attempt to boost the government's Financial Inclusion drive. (But, there may be other problems).

Nationalisation of Banks

- Five Year Plans came into existence since 1951 . The main objective of the economic planning aimed at social welfare.
- 14 Banks were nationalised on 19 July 1969 and later six banks were nationalised on 1980.

Objectives of Nationalization

1. The main objective of nationalization was to attain social welfare. Sectors such as agriculture, small and village industries were in need of funds for their expansion and further economic development.
2. Nationalisation of banks helped to curb private monopolies in order to ensure a smooth supply of credit to socially desirable sections.
3. In India, nearly 70% of population lived in rural areas. Therefore it was needed to encourage the banking habit among the rural population.
4. Nationalisation of banks was required to reduce the regional imbalances where the banking facilities were not available.
5. Before Independence, the numbers of banks were certainly inadequate. After nationalization, new bank branches were opened in both rural and urban areas.
6. Banks created credit facilities mainly to the agriculture sector and its allied activities after nationalization.
7. After New Economic Policy 1991, the Indian banking industry has been facingthe new horizons of competitions, efficiency and productivity.

- With all these developments people in villages and slums depend largely on local money lenders for their credit need. This is unfortunate.

1969 : 14 banks with deposits above Rs. 50 crores were Nationalized.

19 July 1969

1. Allahabad Bank
2. Bank of Baroda
3. Bank of Maharashtra
4. Canara Bank
5. Central Bank of India
6. Dena Bank
7. Indian Bank
8. Indian Overseas Bank
9. Punjab National Bank
10. Syndicate Bank
11. Union Bank
12. United Bank of India
13. UCO Bank
14. Bank of India

1980 : 6 banks with deposits above Rs. 200 crores were Nationalized

15 April 1980

1. Andhra Bank
2. Corporation Bank
3. New Bank of India
4. Oriental Bank of Commerce
5. Punjab & Sindh Bank
6. Vijaya Bank

The Agricultural Refinance Development Corporation (ARDC)

- Agricultural Refinance Development Corporation (ARDC) was established by an Act of Parliament and it started functioning from July 1, 1963.

Objectives of the ARDC:

- To provide necessary funds by way of refinance to eligible institutions such as the Central Land Development Banks, State Co-operative Banks, and Scheduled banks.
- To subscribe to the debentures floated by the Central Land Development banks, State Co-operative Banks, and Scheduled banks, provided they were approved by the RBI.

Regional Rural Banks (RRBs)

- One of the important points of the 20 points economic programme of Mrs. Indira Gandhi during emergency was the liquidation of rural indebtedness by stages and provide institutional credit to farmers and artisans in rural areas. It was in pursuance of this aspect of the New Economic programme that the Government of India setup Regional Rural Banks (RRBs) on 1975.
- The share capital of RRB is subscribed by the Central Government (50%), the State Government concerned (15%), and the sponsoring commercial bank (35%).
- The main objective of the RRBs is to provide credit and other facilities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs so as to develop agriculture, trade, commerce, industry and other productive activities in the rural areas.

Functions of NABARD

- NABARD acts as a refinancing institution for all kinds of production and investment credit to agriculture, small-scale industries, cottage and village industries, handicrafts and rural crafts and real artisans and other allied economic activities with a view to promoting integrated rural development.
- It provides short-term, medium-term and long-term credits to state co-operative Banks (SCBs), RRBs, LDBs and other financial institutions approved by RBI.
- NABARD gives long-term loans (upto 20 Years) to State Government to enable them to subscribe to the share capital of co-operative credit societies.
- NABARD gives long-term loans any institution approved by the Central Government or contribute to the share capital or invests in securities of any institution concerned with agriculture and rural development.
- NABARD has the responsibility of co-ordinating the activities of Central and State Governments, the Planning Commission (now NITI Aayog) and other all India and State level institutions entrusted with the development of small scale industries, village and cottage industries, rural crafts, industries in the tiny and decentralized sectors, etc.

Industrial Finance Corporation of India (IFCI)

- This was first in the chain of establishment of financial corporations to provide financial assistance for industrial development. This was established on July 1, 1948 under the Act of the Parliament.

Industrial Credit and Investment Corporation of India (ICICI)

- This was set up on 5th January 1955 as a joint-stock company on the advice given by a three-man mission sponsored by the World Bank and The Government of USA to the Government of India. The principal purpose of this institution is to channelize the World Bank funds to industry in India and also to help build up a capital market.

Industrial Development Bank of India (IDBI)

- The Development Bank was a wholly owned subsidiary of the Reserve Bank of India upto February 15, 1976. It was delinked from the RBI with effect from February 16, 1976 and made an autonomous corporation fully owned by the Government of India.
  - i) Assistance to other financial institutions; and
  - ii) Direct assistance to industrial concerns either on its own or in participation with other institutions.
- The financing of exports was also undertaken by the IDBI till the establishment of EXIM BANK in March, 1982.

State Financial Corporation (SFCs)

- The government of India passed in1951 the State Financial Corporations Actand SFCs were set up in many states.

State Industrial Development Corporations (SIDCOs)

- The Industrial Development Corporations have been set up by the state governments and they are wholly owned by them. These institutions are not merely financing agencies; they are entrusted with the responsibility of accelerating the industrialization of their states.

The Two Faces of Monetary Policy

Inflation

Cheap Money Policy

1. Borrowing is easy
2. Consumers buy more
3. Businesses expand
4. More people are employed
5. People spend more

Recession

Dear Money Policy

1. Borrowing is difficult
2. Consumers buy less
3. Businesses Postpone expansion
4. Unemployment increases
5. Production is reduced

E- Banking

- Online banking, also known as internet banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website.
- Today, "virtual banks" (or "direct banks") have only an internet presence, which enables them to lower costs than traditional brick-and-mortar banks.

merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges.

Non - Performing Assets

- Once the borrower fails to make interest or principal payments for 90 days the loan is considered to be a non-performing asset (NPA).

Merger of Banks

- Union Cabinet decided to merge all the remaining five associate banks of State Bank Group with State Bank of India in 2017. After the Parliament passed the merger Bill, the subsidiary banks have ceased to exist.
- Five associates and the Bharatiya Mahila Bank have become the part of State Bank of India (SBI) beginning April 1, 2017.

Demonetisation

- Demonitisation is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency.
- On 8 November 2016, the Indian Prime Minister Mr. Narendra Modi announced the demonetization of all ₹500 and ₹1000 bank notes of the Mahatma Gandhi Series. However, more than 99% of those currencies came back to the RBI.

Objectives of Demonetisation

1. Removing Black Money from the country.
2. Stopping of Corruption.
3. Stopping Terror Funds.
4. Curbing Fake Notes

Demonetization:

- Demonetization is defined as to stripping a currency unit of its status as legal tender
- I[st] time 1946 - Rs. 1000, 10000
- II[nd] time 1978 - Rs 1000, 5000, 10000.
- III[rd] time (8 Nov 2016) - Rs. 500, 1000.

Demonetisation and Remonetisation

- Government of India on the recommendation of the RBI carried out demonetization on November 8, 2016 in order to; a) to crack a whip against black money, b) drive out counterfeit currency in circulation, c) formalization of cash dependent business, and d) dismantling the financial strength of terrorism and naxalism. There were ₹ 17,118 billion value of ₹ 500 and ₹1000 currency notes in circulation before demonetisation.
- They consisted of around 2,203 crore pieces of notes. Of these 98.96% notes were returned to the banks. Subsequently remonetisation was carried out by issuing new ₹ 2000 and ₹ 500 currency notes.

RTGS and NEFT

NEFT	RTGS
National electronic Fund Transfer	Real Time Gross Settlement
Transactions happens in batches hence slow	Transactions Happens in real time hence fast
Timings : 8:00 am to 6:30 pm (12: 30 pm on Saturday)	Timings : 9:00 am to 4:30 pm (1:30 pm on Saturday)
No minimum limit	Minimum amount for RTGS trans fer is ₹ 2 lakhs

ATM (Automated Teller Machine)

- ATMs transformed the bank tech system when they were first introduced in 1967.

Paytm

- Payments Bank. In August 2015, Paytm received a license from RBI to launch a payments bank. The Paytm Payments Bank is a separate entity in which founder Vijay Shekhar Sharma will hold 51% share, One97 Communications holds 39% and 10% will be held by a subsidiary of One97 and Sharma.

Debit card and Credit Card

- A Debit card is a card allowing the holder to transfer money electronically from their bank account when making a purchase.
- A credit card is a payment card issued to users (cardholders) to enable the cardholder to pay a merchant for goods and services based on the cardholder's promise to the card issuer to pay them for the amounts so paid plus the other agreed charges.

Securities Printing and Minting in India

Security Press	Station	Related to
India Security Press (1922)	Nashik	Postal material, Postal stamps etc.
Security Printing Press (1982)	Hyderabad	Union excise duty stamps
Currency Notes Press (1928)	Nashik	Bank notes from ₹ 1 to ₹ 100
Bank Notes Press (1974)	Dewas (MP)	Bank note of ₹ 20, ₹ 50, ₹ 100, ₹ 500
Modernised Currency Notes Press (1995)	Mysore (Kar) Salbani	(West Bengal)
Security Paper Mill (1967-68)	Hoshangabad	Banks and currency notes paper
Indian Government mint	Mumbai, Hyderabad, Noida, Nasik	

Value	Dimensions (Rs)	Main Colour	Backside
1	63 x 97 mm	Blue	Sagar Samrat oil rug
5	63 x 117 mm	Green	Tractor
10	63 x 123 mm	Chocolate brown	Konark Sun Temple
20	63 x 147 mm	Red Orange	Mount Harriet, Port Blair
50	66 x 135 mm	Fluorescent Blue	Hampi with Chariot
100	73 x 157 mm	Purple Green and blue	Himalaya Mountains
200	66 x 146 mm	Yellowish Orange	Sanchi Stupa
500	66 x 150 mm	Olive green	Red Fort
2000	66 x 166 mm	Magenta	Mangalyan

Devaluation of Currency

Devaluation	Year	Percentage	Finance Minister
First	1949 June	30.5%	Dr. John Mathai
Second	1966 June	57%	Dr.Sachindra Chaudhry
Third	1991 July 1[st]	9%	Dr. Manmohan Singh
Fourth	1991 July 3[rd]	11%	Dr. Manmohan Singh

Phillips Curve

- It is a graphic curve which advocates a relationship between Inflation and Unemployment in an economy. As per the curve there is a 'trade off' between inflation and unemployment, i.e., an inverse relationship between them. The curve suggests that lower the inflation, higher the unemployment and higher the inflation, lower the unemployment.

Meaning of Money Supply

- In India, currency notes are issued by the Reserve Bank of India (RBI) and coins are issued by the Ministry of Finance, Government of India (GOI).
- Besides these, the balance is savings, or current account deposits, held by the public in commercial banks is also considered money
- M_1 = Currency held with the public + cash Reserves in commercial and Co-operative banks + cash reserves in the RBI.
- M_2 = M_1 + Money saved in Post office and bank savings Accounts
- M_3 = M_1 + Time Deposits in Commercial and co-operative banks
- M_4 = M_3 + Post office savings Money
  M_1 and M_2 are known as narrow money
  M_3 and M_4 are known as broad money
- The gradations are in decreasing order of liquidity.

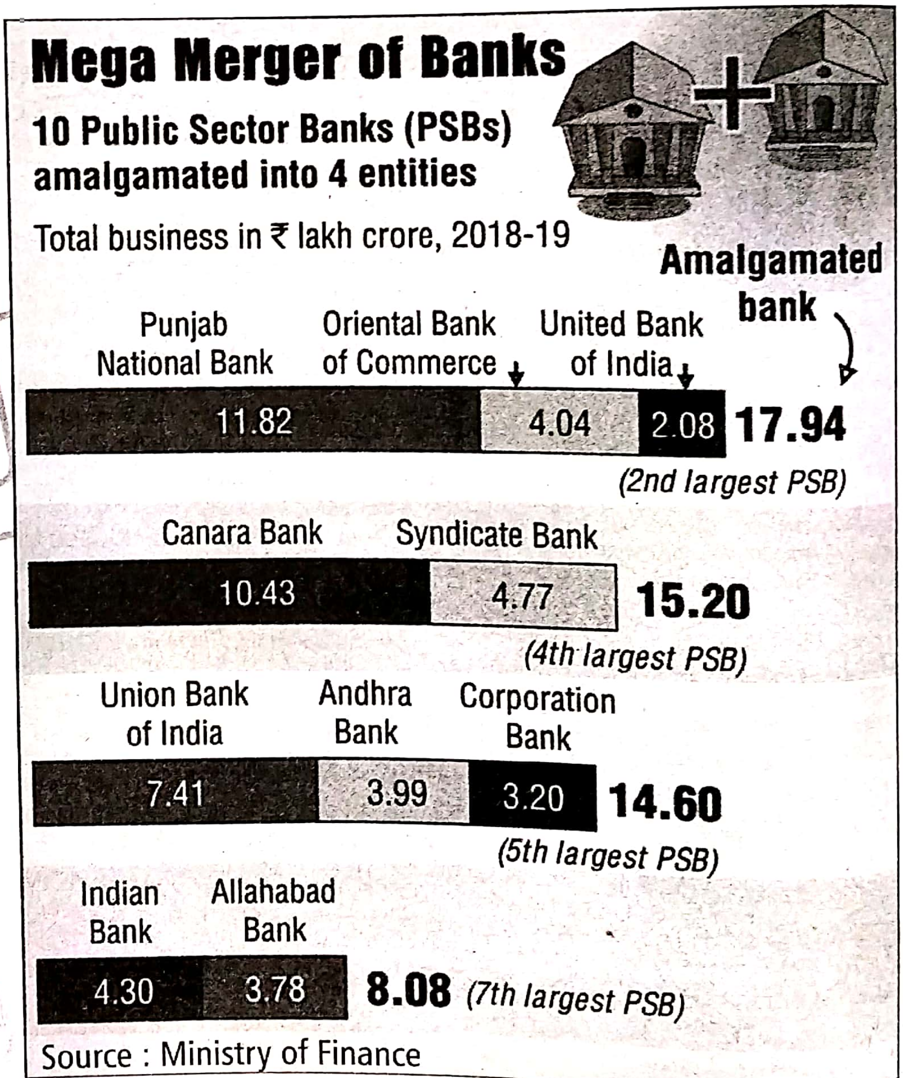
Determinants of Money Supply

1. Currency Deposit Ratio (CDR); It is the ratio of money held by the public in currency to that they hold in bank deposits.
2. Reserve deposit Ratio (RDR); Reserve Money consists of two things (a) vault cash in banks and (b) deposits of commercial banks with RBI.
3. Cash Reserve Ratio (CRR); It is the fraction of the deposits the banks must keep with RBI.
4. Statutory Liquidity Ratio (SLR); It is the fraction of the total demand and time deposits of the commercial banks in the form of specified liquid assests.

Bank Rate	• Bank Rate is the rate at which central bank of the country (in india it is RBI) allows money to commercial banks.
CRR (Cash Reverse Ratio)	• It specifies the fraction of the total deposits of banks that they are obliged to keep with the RBI. • Since 1962 the RBI has been empowered to vary the CRR requirement between 3%and 15% of the total demand and time deposits.
SLR(statutory Liquidity Ratio)	• It is the ratio of liquid asset which all commercial banks have to keep in the form of cash gold and unencumbered approved securities equal to not more than 40% of their Total Demand and Time Deposits Liabilities (ranges is 25-40%)
Repo Rate	• Repo Rate is the rate at which commercial banks borrows money from RBI (Repurchasing option Rate)
Reverse Repo Rate	• Reverse Repo Rate is the rate at which RBI borrows money from commercial banks

Types of ATM

White Label ATM	ATM Provided by NBFC (Non Banking Financial Company)
Green Label ATM	ATM Provided for Agricultural Transaction
Orange Label ATM	ATM Provided for Share Transactions
Yellow Label ATM	ATM provided for E-commerce
Pink Label ATM	ATM for Women Banking
Brown Label ATM	ATM are those Automated Teller Machines where hardware and the lease of the ATM machine is owned by a service provider but cash management and connectivity to banking networks is provided by a sponsor bank.



IV Fiscal Policy and Monetary Policy

Definitions

- "Public finance is one of those subjects that lie on the border line between Economics and Politics.
- It is concerned with income and expenditure of public authorities and with the adjustment of one to the other". - Huge Dalton
- "Public finance is an investigation into the nature and principles of the state revenue and expenditure". - Adam Smith

1. **Public Revenue**

   Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.

2. **Public Expenditure**

   This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.

3. **Public Debt**

   Public debt deals with the methods of raising loans from internal and external sources.The burden, effects and redemption of public debt fall under this head.

4. **Financial Administration**

   This part deals with the study of the different aspects of public budget. The budget is the Annual master financial plan of the Government. The various objectives and steps in preparing a public budget, passing or sanctioning, allocation evaluation and auditing fall within financial administration.

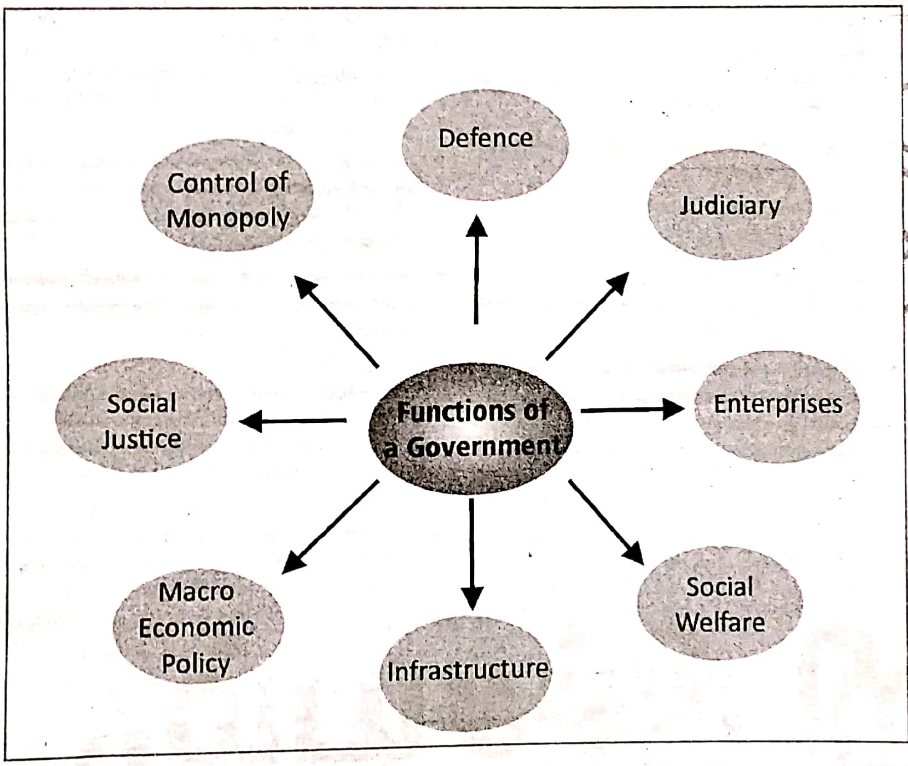
5. **Fiscal Policy**

   Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

Functions of Modern State

The modern state is a welfare state and not just police state.

Functions of a Government



Causes for the Increase in Government Expenditure

Population Growth

- During the past 67 years of planning, the population of India has increased from 36.1 crore in 1951, to 121 crore in 2011. The growth in population requires massive investment in health and education, law and order, etc. Young population requires increasing expenditure on education & youth services, whereas the aging population requires transfer payments like old age pension, social security & health facilities.

Defence Expenditure

- There has been enormous increase in defence expenditure in India during planning period. The defence expenditure has been increasing tremendously due to modernisation of defence equipment. The defence expenditure of the government was ₹ 10,874 crores in 1990-91 which increased significantly to ₹ 2,95,511crores in 2018-19.

Government Subsidies

- The Government of India has been providing subsidies on a number of items such as food, fertilizers, interest on priority sector lending, exports, education, etc. Because of the massive amounts of subsidies, the public expenditure has increased manifold.
- The expenditure on subsidies by central government in 1990-91 was ₹ 9581 crores which increased significantly to ₹ 2, 29,715.67 crores in 2018-19. Besides this, the corporate sectors also receive subsidies (incentives) of more than ₹ 5 lakh crores.

Debt Servicing

- The government has been borrowing heavily both from the internal and external sources, As a result, the government has to make huge amounts of repayment towards debt servicing.
- The interest payment of the central government has increased from ₹ 21,500 crores in 1990-91 to ₹5, 75,794crores in 2018-19.

Development Projects

- The government has been undertaking various development projects such as irrigation, iron and steel, heavy machinery, power, telecommunications, etc. The development projects involve huge investment.

Urbanisation

- There has been an increase in urbanization. In 1950-51 about 17% of the population was urban based. Now the urban population has increased to about 43%. There are more than 54 cities above one million population. The increase in urbanization requires heavy expenditure on law and order, education and civic amenities.

Industrialisation

- Setting up of basic and heavy industries involves a huge capital and long gestation period. It is the government which starts such industries in a planned economy. The under developed countries need a strong of infrastructure like transport, communication, power, fuel, etc.

Increase in grants in aid to state and union territories

- There has been tremendous increase in grant-in-aid to state and union territories to meet natural disasters.

Tax Revenue

Meaning

- Tax is a compulsory payment by the citizens to the government to meet the public expenditure.

Definitions

- "A Tax is a compulsory payment made by a person or a firm to a government without reference to any benefit the payer may derive from the government." - Anatol Murad
- "A Tax is a compulsory contribution imposed by public authority, irrespective of the exact amount of service rendered to the tax payer in return and not imposed as a penalty for any legal offence." - Dalton

Non-Tax Revenue

Fees

- A fee is charged by public authorities for rendering a service to the citizens. Unlike tax, there is no compulsion involved in case of fees. The government provides certain services and charges certain fees for them. For example, fees are charged for issuing of passports, driving licenses, etc.

Fine

- A fine is a penalty imposed on an individual for violation of law.

Earnings from Public Enterprises

- Some of the public sector enterprises do make a good amount of profits. The profits or dividends which the government gets can be utilized for public expenditure.

Special assessment of betterment levy

- Due to a public park or due to the construction of a road, people in that locality may experience an appreciation in the value of their property or land.

Escheats

- It refers to the claim of the state to the property of persons who die without legal heirs or documented will.

Canons of Taxation

1. Economical
2. Equitable
3. Convenient
4. Certain
5. (Efficient and Flexible)

Canon of Ability

- The Government should impose tax in such a way that the people have to pay taxes according to their ability. In such case a rich person should pay more tax compared to a middle class person or a poor person.

Canon of Certainty

- The Government must ensure that there is no uncertainty regarding the rate of tax or the time of payment. If the Government collects taxes arbitrarily, then these will adversely affect the efficiency of the people and their working ability too.

Canon of Convenience

- The method of tax collection and the timing of the tax payment should suit the convenience of the people. The Government should make convenient arrangement for all the tax payers to pay the taxes without difficulty.

Canon of Economy

- The Government has to spend money for collecting taxes, for example, salaries are given to the persons who are responsible for collecting taxes. The taxes, where collection costs are more are considered as bad taxes. Hence, according to Smith, the Government should impose only those taxes whose collection costs are very less and cheap .

Direct Tax and Indirect Tax

Direct Tax

- A direct tax is referred to as a tax levied on person's income and wealth and is paid directly to the government; the burden of such tax cannot be shifted. The tax is progressive in nature. It is levied according to the paying capacity of the person, i.e. the tax is collected more from the rich and less from the poor people.

Indirect Tax

- Indirect Tax is referred to as a tax charged on a person who purchases the goods and services and it is paid indirectly to the government. The burden of tax can be easily shifted to the another person. It is levied on all persons equally whether rich or poor.

GST (Goods and Service Tax)

- GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017.

  GST is one indirect tax for the entire country.
- Under the GST regime, the tax will be levied at the final point of sale. In case of intra-state sales, Central GST and State GST will be charged. Inter-state sales will be chargeable to Integrated GST.

The component of GST are of 3 types.

CGST: Collected by the Central Government on an intra-state sale (Eg: Within state/ union territory)

SGST: Collected by the State Government on an intra-state sale (Eg: Within state/ union territory)

IGST: Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

Definitions

- "The debt is the form of promises by the Treasury to pay to the holders of these promises a principal sum and in most instances interest on the principal. Borrowing is resorted to in order to provide funds for financing a current deficit." – **Philip E.Taylor**

Budget

The word 'budget' is said to have its origin from the French word "Bougett" which refers to 'a small leather bag'.

- The budget is an annual financial statement which shows the estimated income and expenditure of the Government for the forthcoming financial year.

Definitions

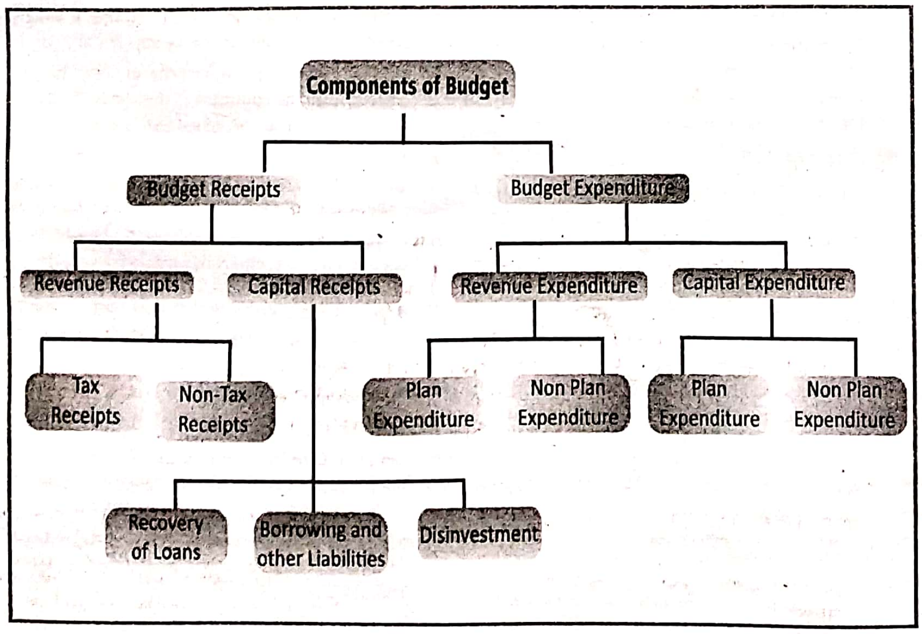
"It is a document containing a preliminary approved plan of public revenue and expenditure".

-Reney Stourn

"The budget has come to mean the financial arrangements of a given period, with the usual implication that they have been submitted to the legislature for approval". **- Bastabale**

Union Budget and State Budget

Union Budget under Article 112 to the Parliament and each State Government has to submit the same for the State in the Legislative Assembly under Article 202.



Types of Budget

Revenue and Capital Budget

Revenue Budget:

- It consists of revenue receipts and revenue expenditure. Moreover, the revenue receipts can be categorised into tax revenue and non-tax revenue. Revenue expenditure can also be categorised into plan revenue expenditure and non-plan revenue expenditure.

Capital Budget:

- It consists of capital receipts and capital expenditure. In this case, the main sources of capital receipts are loans, advances etc. On the other side capital expenditure can be categorised into plan capital expenditure and non-plan capital expenditure.

Supplementary Budget:

- During the time of war emergencies and natural calamities like tsunami, flood etc, the expenditures allotted in the budget provisions are not always enough. Under these circumstances, a supplementary budget can be presented by the Government to tackle these unforeseen events.

Vote - on - Account:

- Under Article 116 of the Indian Constitution, the budget can be presented in the middle of the year. The reason may be political in nature.
- The existing Government may or may not continue for the year, on account of the fact that elections are due, then the Government places a 'lame duck budget'. This is also called 'Vote-on-account Budget'.

Zero Base Budget:

- The Government of India presented Zero-Base-Budgeting (ZBB first) in 1987-88. It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.
- The review has been made to provide justification or otherwise for the project as a whole in the light of the socio-economic objectives which have been already set up for this project and as well as in view of the priorities of the society.

Performance Budget:

- When the outcome of any activity is taken as the base of any budget, such budget is known as 'Performance Budget'. For the first time in the world, the performance budget was made in USA.
- The Administrative Reforms Commission was set up in 1949 in America under Sir Hooper. This commission recommended making of a 'Performance Budget' in USA. In the Performance Budget, it is the compulsion of the government to tell 'what is done', 'how much done' for the betterment of the people. In India, the Performance Budget is also known as 'Outcome Budget'.

Balanced Budget Vs Unbalanced Budget

A. Balanced Budget

- Balanced budget is a situation, in which estimated revenue of the government during the year is equal to its anticipated expenditure.

B. Unbalanced Budget

- The budget in which Revenue & Expenditure are not equal to each other is known as Unbalanced

1. Surplus Budget

The budget is a surplus budget when the estimated revenues of the year are greater than anticipated expenditures.

2. Deficit Budget

Deficit budget is one where the estimated government expenditure is more than expected revenue.

Government's estimated Revenue < Government's proposed Expenditure.

Central State Financial Relationship

I) Union Sources

1. Corporation tax
2. Currency, coinage and legal tender, foreign exchange.
3. Duties of customs including export duties.
4. Duties of excise on tobacco and certain goods manufactured or produced in India.
5. Estate duty in respect of property other than agricultural land.
6. Fees in respect of any of the matters in the Union List, but not including any fees taken in any Court.
7. Foreign Loans.
8. Lotteries organized by the Government of India or the Government of a State.
9. Post Office Savings Bank.
10. Posts and Telegraphs, telephones, wireless, Broadcasting and other forms of communication.
11. Property of the Union.
12. Public Debt of the Union.
13. Railways.
14. Rates of stamp duty in respect of Bills of Exchange, Cheques, Promissory Notes, etc.
15. Reserve Bank of India.
16. Taxes on income other than agricultural income.
17. Taxes on the capital value of the assets, exclusive of agricultural land of individuals and companies.
18. Taxes other than stamp duties on transactions in stock exchanges and future markets.
19. Taxes on the sale or purchase of newspapers and on advertisements published therein.
20. Terminal taxes on goods or passengers, carried by railways, sea or air.

II) State Sources

1. Capitation tax
2. Duties in respect of succession to agricultural land.
3. Duties of excise on certain goods produced or manufactured in the State, such as alcoholic liquids, opium, etc.
4. Estate duty in respect of agricultural land.
5. Fees in respect of any of the matters in the State List, but not including fees taken in any Court.
6. Land Revenue.
7. Rates of stamp duty in respect of documents other than those specified in the Union List.
8. Taxes on agricultural income.
9. Taxes on land and buildings.
10. Taxes on mineral rights, subject to limitations impose by Parliament relating to mineral development.
11. Taxes on the consumption or sale of electricity.
12. Taxes on the entry of goods into a local area for consumption, use or sale therein.
13. Taxes on the sale and purchase of goods other than newspapers.
14. Taxes on the advertisements other than those published in newspapers.
15. Taxes on goods and passengers carried by road or on inland waterways.
16. Taxes on vehicles.
17. Taxes on animals and boats.
18. Taxes on professions, trades, callings and employments.
19. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
20. Tolls.

III) Taxes Levied and Collected by the union but Assigned to the States (Art.269)

1. Duties in respet of succession to property other than agricultural land.
2. Estate duty in respect of property other than agricultural land.
3. Taxes on railway fares and freights.
4. Taxes other than stamp duties on transactions in stock exchanges and future markets.
5. Taxes on the sale or purchase of newspapers and on advertisements published therein
6. Terminal taxes on goods or passengers carried by railways, sea or air.
7. Taxes on the sale or purchase of goods other than newspapers where such sale or purchase taxes place in the course of inter-State trade or commerce.

IV) Duties levied by the Union but collected and Appropriated by the states (Art.268)

Stamp duties and duties of excise on medicinal and toilet preparation (those mentioned in the Union List) shall be levied by the Government of India but shall be collected.

i) In the case where such duties are leviable within any Union territory, by the Government of India.

ii) In other cases, by the States within which such duties are respectively leviable.

v) Taxes which are Levied and Collected by the Union but which may be Distributed between the Union and the States (Arts.270 and 272)

1. Taxes on income other than agricultural income.
2. Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List and collected by the Government of India.

History of Finance Commission

- Finance commission is a quasi-judicial body set up under Article 280 of the Indian Constitution. It was established in the year 1951, to define the fiscal relationship framework between the Centre and the state.
- Finance Commission aims to reduce the fiscal imbalances between the centre and the states (Vertical imbalance) and also between the states (horizontal imbalance). It promotes inclusiveness.
- A Finance Commission is set up once in every 5 years. It is normally constituted two years before the period. It is a temporary Body.
- The 14th Finance Commission was set up in 2013. Its recommendations were valid for the period from 1st April 2015 to 31st March 2020.
- The 15th Finance Commission has been set up in November 2017. Its recommendations will be implemented starting 1 April 2020.

Finance Commission	Year of establishment	Chairman	Operational duration
First	1951	K. C. Neogy	1952–57
Second	1956	K. Santhanam	1957–62
Third	1960	A. K. Chanda	1962–66
Fourth	1964	P. V. Rajamannar	1966–69
Fifth	1968	MahaveerTyagi	1969–74
Sixth	1972	K. Brahmananda Reddy	1974–79
Seventh	1977	J. M. Shelat	1979–84
Eighth	1983	Y. B. Chavan	1984–89
Ninth	1987	N. K. P. Salve	1989–95
Tenth	1992	K. C. Pant	1995–2000
Eleventh	1998	A. M. Khusro	2000–05
Twelfth	2002	C. Rangarajan	2005–10
Thirteenth	2007	Dr. Vijay L. Kelkar	2010–15
Fourteenth	2013	Dr. Y. V Reddy	2015–20
Fifteenth	2017	N. K. Singh	2020–25

Functions of Finance Commission of India

1. The distribution between the Union and the States of the net proceeds of taxes, which may be divided between them and the allocation among the states of the respective shares of such proceeds;
2. To determine the quantum of grants-in-aid to be given by the Centre to states [Article 275 (1)] and to evolve the principles governing the eligibility of the state for such grant-in-aid;

How Taxes Are Split

- Article 280 of the Constitution mandates the finance commission to recommend the distribution of the net proceeds of taxes between the Centre and the states every five years.
- 15th Finance Commission's recommendations on tax sharing between Centre and States are to kick in form April 2020
- Any other matter referred to the Commission by the President of India in the interest of sound finance. Several issues like debt relief, financing of calamity relief of states, additional excise duties, etc. have been referred to the Commission invoking this clause.

Monetary Economics

- Inflation is taxation without legislation.

- Milton Friedman

Money

- Money is anything that is generally accepted a payment for goods and services and repayment c debts and that serves as a medium of exchange.
- A medium of exchange is anything that is widel accepted as a means of payments.
- In recent years, the importance of credit has i creased in all the countries of the world. Credit i struments are used on an extensive scale.
- The use of cheques, bills of exchange, etc. has go up. It should however, be remembered that mon is the basis of credit

Definitions

- " Money is, what money does"- Walker.
- "Money can be anything that is generally acce able as a means of exchange and at the same ti acts as a measure and a store of value".– Crowth

Evolution of Money

Barter System

- The introduction of money as a medium of change was one of the greatest inventions of m kind.
- Before money was invented, exchange took pl by Barter, that is, commodities and services w directly exchanged for other commodities and s vices.

- Under the barter system, buyers and sellers of commodities had to face a number of difficulties. Surplus goods were exchanged for money which in turn was exchanged for other needed goods.
- Goods like furs, skins, salt, rice, wheat, utensils, weapons, etc. were commonly used as money. Such exchange of goods for goods was known as "Barter Exchange" or "Barter System".

The history of Barter system starts way back in 6000 BC

- Barter system was introduced by Mesopotamia tribes.
- Phoenicians adopted bartering of goods with various other cities across oceans.
- Babyloninan's also developed an improved barter system, where goods were exchanged for goods.

Metallic Standard

- After the barter system and commodity money system, modern money systems evolved. Among these, metallic standard is the premier one.
- Under metallic standard, some kind of metal either gold or silver is used to determine the standard value of the money and currency.
- Standard coins made out of the metal are the principal coins used under the metallic standard. These standard coins are full bodied or full weighted legal tender.
- Their face value is equal to their intrinsic metal value.

Gold Standard

- Gold Standard is a system in which the value of the monetary unit or the standard currency is directly linked with gold.
- The monetary unit is defined in terms of a certain weight of gold. The purchasing power of a unit of money is maintained equal to the value of a fixed weight of gold.

Silver Standard

- The silver standard is a monetary system in which the standard economic unit of account is a fixed weight of silver.
- The silver standard is a monetary arrangement in which a country's Government allows conversion of its currency into fixed amount of silver.

Paper Currency Standard

- The paper currency standard refers to the monetary system in which the paper currency notes issued by the Treasury or the Central Bank or both circulate as unlimited legal tender.
- Paper currency is not convertible into any metal. Its value is determined independent of the value of gold or any other commodity.
- The paper standard is also known as managed currency standard. The quantity of money in circulation is controlled by the monetary authority to maintain price stability.

Plastic Money

- The latest type of money is plastic money. Plastic money is one of the most evolved forms of financial products.
- Plastic money is an alternative to the cash or the standard "money".
- Plastic money is a term that is used predominantly in reference to the hard plastic cards used every day in place of actual bank notes.
- Plastic money can come in many different forms such as Cash cards, Credit cards, Debit cards, Prepaid Cash cards, Store cards, Forex cards and Smart cards.
- They aim at removing the need for carrying cash to make transactions.

Crypto Currency

- A digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a Central Bank.
- Decentralised crypto currencies such as Bitcoin now provide an outlet for Personal Wealth that is beyond restriction and confiscation.

Functions of Money

- The main functions of money can be classified into four categories Functions of Money

i) Primary Functions
ii) Secondary Functions
iii) Contingent Functions
iv) Other functions

1. Primary Functions:

a) Medium of exchange
b) Store of Value
c) Measure of value Standard of
d) deferred payments

i) Money as a medium of exchange:

- This is considered as the basic function of money. Money has the quality of general acceptability, and all exchanges take place in terms of money.
- On account of the use of money, the transaction has now come to be divided into two parts. First, money is obtained through sale of goods or services. This is known as sale.
- Later, money is obtained to buy goods and services. This is known as purchase. Thus, in the modern exchange system money acts as the intermediary in sales and purchases.

ii) Money as a measure of value:

- The second important function of money is that it measures the value of goods and services.
- In other words, the prices of all goods and services are expressed in terms of money. Money is thus looked upon as a collective measure of value.
- Since all the values are expressed in terms of money, it is easier to determine the rate of exchange between various types of goods in the community.

2. Secondary Functions

i) Money as a Store of value:

- Savings done in terms of commodities were not permanent. But, with the invention of money, this difficulty has now disappeared and savings are now done in terms of money. Money also serves as an excellent store of wealth, as it can be easily converted into other marketable assets, such as, land, machinery, plant etc.

ii) Money as a Standard of Deferred Payments:

- Borrowing and lending were difficult problems under the barter system. In the absence of money, the borrowed amount could be returned only in terms of goods and services.
- But the modern money-economy has greatly facilitated the borrowing and lending processes. In other words, money now acts as the standard of deferred payments.

iii) Money as a Means of Transferring Purchasing Power:

- The field of exchange also went on extending with growing economic development. The exchange of goods is now extended to distant lands. It is therefore, felt necessary to transfer purchasing power from one place to another.

3. Contingent Functions

i) Basis of the Credit System:

- Money is the basis of the Credit System. Business transactions are either in cash or on credit. For example, a depositor can make use of cheques only when there are sufficient funds in his account.
- The commercial bankscreate credit on the basis of adequate cash reserves. But, money is at the back of all credit.

ii) Money facilitates distribution of National Income:

- The task of distribution of national income was exceedingly complex under the barter system. But the invention of money has now facilitated the distribution of income as rent, wage, interest and profit.

iii) Money helps to Equalize Marginal Utilities and Marginal Productivities:

- Consumer can obtain maximum utility only if he incurs expenditure on various commodities in such a manner as to equalize marginal utilities accruing from them.
- Now in equalizing these marginal utilities, money plays an important role, because the prices of all commodities are expressed in money.
- Money also helps to equalize marginal productivities of various factors of production.

iv) Money Increases Productivity of Capital:

- Money is the most liquid form of capital. In other words, capital in the form of money can be put to any use.
- It is on account of this liquidity of money that capital can be transferred from the less productive to the more productive uses.

4. Other Functions

i) Money helps to maintain Repayment Capacity:

- Money possesses the quality of general acceptability. To maintain its repayment capacity, every firm has to keep assets in the form of liquid cash.
- The firm ensures its repayment capacity with money. Likewise, banks, insurance companies and even governments have to keep some liquid money (i.e., cash)to maintain their repayment capacity.

ii) Money represents Generalized Purchasing Power:

- Purchasing power kept in terms of money can be put to any use. It is not necessary that money should be used only for the purpose for which it has been served.

iii) Money gives liquidity to Capital:

- Money is the most liquid form of capital. It can be put to any use.

Supply of Money

- Money supply means the total amount of money in an economy. It refers to the amount of money which is in circulation in an economy at any given time. Money supply plays a crucial role in the determination of price level and interest rates. Money supply viewed at a given point of time is a stock and over a period of time it is a flow.

Meaning of Money Supply

- In India, currency notes are issued by the Reserve Bank of India (RBI) and coins are issued by the Ministry of Finance, Government of India (GOI).
- Besides these, the balance is savings, or current account deposits, held by the public in commercial banks is also considered money.
- The currency notes are also called fiat money and legal tenders.Money supply is a stock variable. RBI publishes information for four alternative measures of Money supply, namely M_1,M_2,M_3 and M_4.

M_1 = Currency, coins and demand deposits

M_2 = M_1 + Savings deposits with post office savings banks

M_3 = M_2 + Time deposits of all commercial and cooperative banks

- M_4 = M_3 + Total deposits with Post offices.

M_1 and M_2 are known as narrow money M3 and M_4 are known as broad money

- The gradations are in decreasing order of liquidity.

Currency Symbol

- The new symbol designed by D.Udaya Kumar, a post graduate of IIT Bombay was finally selected by the Union cabinet on 15th July, 2010.
- The new symbol, is an amalgamation of Devanagri 'Ra' and the Roman 'R' without the stem. The symbol of India rupee came into use on 15thJuly,2010.
- After America, Britain, Japan, Europe Union. India is the 5th country to accept a unique currency symbol.

Determinants of Money Supply

1. Currency Deposit Ratio (CDR); It is the ratio of money held by the public in currency to that they

hold in bank deposits.

2. Reserve deposit Ratio (RDR); Reserve Money consists of two things (a) vault cash in banks and (b) deposits of commercial banks with RBI.
3. Cash Reserve Ratio (CRR); It is the fraction of the deposits the banks must keep with RBI.
4. Statutory Liquidity Ratio (SLR); It is the fraction of the total demand and time deposits of the commercial banks in the form of specified liquid assests.

Quantity Theories of Money

- Quantity theories of money explain the relationship between quantity of money and value of money. Here, we are given two approaches of Quantity Theory of Money, viz. Fisher's Transaction Approach and Cambridge Cash Balance Approach.

a) Fisher's Quantity Theory of Money:

- The quantity theory of money is a very old theory. It was first propounded in 1588 by an Italian economist, Davanzatti.
- But, the credit for popularizing this theory in recent years rightly belongs to the well-known American economist, Irving Fisher who published his book, 'The Purchasing Power of Money" in 1911.He gave it a quantitative form in terms of his famous "Equation of Exchange".
- The general form of equation given by Fisher is Where

  M = Money Supply/quantity of Money

  V = Velocity of Money

  P = Price level

  T = Volume of Transaction.

  MV = PT
- Fisher points out that in a country during any given period of time, the total quantity of money (MV) will be equal to the total value of all goods and services bought and sold (PT).

  MV = PT
- This equation is referred to as "Cash Transaction Equation".
- It is expressed as P = MV / T which implies that the quantity of money determines the price level and the price level in its turn varies directly with the quantity of money, provided 'V' and 'T' remain .constant.
- The above equation considers only currency money. But, in a modern economy, bank's demand deposits or credit money and its velocity play a vital part in business. Therefore, Fisher extended his original equation of exchange to include bank deposits M1 and its velocity V_1. The revised equation was:
- From the revised equation, it is evident, that the price level is determined by

  (a) the quantity of money in circulation 'M'

  (b) the velocity of circulation of money 'V'

  (c) the volume of bank credit money M1

  (d) the velocity of circulation of credit money V1 and the volume of trade (T)

  Supply of Money = Demand for Money

b) Cambridge Approach (Cash Balances Approach)

i) Marshall's Equation

The Marshall equation is expressed as:

M = KPY

Where

M is the quantity of money

Y is the aggregate real income of the community

P is Purchasing Power of money

K represents the fraction of the real income which the public desires to hold in the form of money.

- Thus, the price level P = M/KY or the value of money (The reciprocal of price level) is 1/P = KY/M
- The value of money in terms of this equation can be found out by dividing the total quantity of goods which the public desires to holdout of the total income by the total supply of money.
- According to Marshall's equation, the value of money is influenced not only by changes in M, but also by changes in K

ii) Keynes' Equation

- Keynes equation is expressed as:

  n = pk (or) p = n / k

  Where

  n is the total supply of money

  p is the general price level of consumption goods

  k is the total quantity of consumption units the people decide to keep in the form of cash,
- Keynes indicates that K is a real balance, because it is measured in terms of consumer goods.
- According to Keynes, peoples' desire to hold money is unaltered by monetary authority.
- So, price level and value of money can be stabilized through regulating quantity of money (n) by the monetary authority.Later, Keynes extended his equation in the following form:

  n = p (k + rk') or p = n/(k + rk')

Where,

n = total money supply

p = price level of consumer goods

k = peoples' desire to hold money in hand (in terms of consumer goods) in the total income of them

r = cash reserve ratio

k' = community's total money deposit in banks, in terms of consumers goods

- In this extended equation also, Keynes assumes that, k, k' and r are constant. In this situation, price level (P) is changed directly and proportionately changing in money volume (n).

Inflation

- Both inflation and deflations are evils of economy. So, understanding of these is essential.

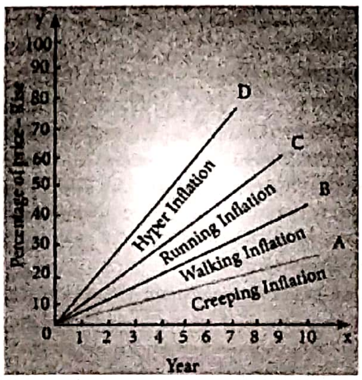
Meaning of Inflation

- Inflation is a consistent and appreciable rise in the general price level.In other words, inflation is the rate at which the general level of prices for goods and services is rising and consequently the purchasing power of currency is falling.

Definitions

- Too much of Money chasing too few goods" - Coulbourn
- "A state of abnormal decrease in the quantity of purchasing power"- Gregorye

Types of Inflation



On the basis of speed

i) Creeping inflation

ii) Walking inflation

iii) Running inflation and

iv) Galloping inflation or Hyper inflation.

- The four types of inflation are indicated in Figure

i) Creeping Inflation:

- Creeping inflation is slow-moving and very mild. The rise in prices will not be perceptible but spread over a long period. This type of inflation is in no way dangerous to the economy. This is also known as mild inflation or moderate inflation.

ii) Walking Inflation:

- When prices rise moderately and the annual inflation rate is a single digit (3% - 9%), it is called walking or trolling inflation.

iii) Running Inflation:

- When prices rise rapidly like the running of a horse at a rate of speed of 10% - 20% per annum, it is called running inflation

iv) Galloping inflation:

- Galloping inflation or hyper inflation points out to unmanageably high inflation rates that run into two or three digits. By high inflation the percentage of the same is almost 20% to 100% from an overall perspective.

Demand-Pull Vs Cost-Push inflation

i) Demand-Pull Inflation:

- Demand and supply play a crucial role in deciding the inflation levels in the society at all points of time. For instance, if the demand is high for a product and supply is low, the price of the products increases.
- The first hyper inflation of the 21st century Zimbabwe's annual inflation rate surged to an unprecendented 3714 percent at the end of April 2007.

ii) Cost-Push Inflation:

- When the cost of raw materials and other inputs rises inflation results. Increase in wages paid to labour also leads to inflation.

Wage-Price Spiral

- Wage-price spiral is used to explain the cause and effect relationship between rising wages and rising prices or inflation.Other types of inflation (on the basis of inducement)

i) Currency inflation:

- The excess supply of money in circulation causes rise in price level.

ii) Credit inflation:

- When banks are liberal in lending credit, the money supply increases and thereby rising prices.

iii) Deficit induced inflation:

- The deficit budget is generally financed through printing of currency by the Central Bank. As a result, prices rise.

iv) Profit induced inflation:

- When the firms aim at higher profit, they fix the price with higher margin. So prices go up.

v) Scarcity induced inflation:

- Scarcity of goods happens either due to fall in production (eg. farm goods) or due to hoarding and black marketing. This also pushes up the price. (This has happened is Venezula in the year 2018)

vi) Tax induced inflation:

- Increase in indirect taxes like excise duty, custom duty and sales tax may lead to rise in price (eg. petrol and diesel). This is also called taxflation.

Causes of Inflation

- The main causes of inflation in India are as follows:

i) Increase in Money Supply:

- Inflation is caused by an increase in the supply of money which leads to increase in aggregate demand. The higher the growth rate of the nominal money supply, the higher is the rate of inflation.

ii) Increase in Disposable Income:

- When the disposable income of the people increases, it raises their demand for goods and services. Disposable income may increase with the rise in national income or reduction in taxes or reduction in the saving of the people.

iii) Increase in Public Expenditure:

- Government activities have been expanding due to developmental activities and social welfare programmes. This is also a cause for price rise.

iv) Increase in Consumer Spending:

- The demand for goods and services increases when they are given credit to buy goods on hire-purchase and installment basis.

v) Cheap Money Policy:

- Cheap money policy or the policy of credit expansion also leads to increase in the money supply which raises the demand for goods and services in the economy.

vi) Deficit Financing:

- In order to meet its mounting expenses, the government resorts to deficit financing by borrowing from the public and even by printing more notes. This raises aggregate demand in relation to aggregate supply, thereby leading to inflationary rise in prices.

vii) Black Assests, Activities and Money:

- The existence of black money and black assests due to corruption, tax evasion etc., increase the aggregate demand. People spend such money, lavishly. Black marketing and hoarding reduces the supply of goods. These trends tend to raise the price level further.

viii) Repayment of Public Debt:

- Whenever the government repays its past internal debt tothe public, it leads to increase in the money supply with the public. This tends to raise the aggregate demand for goods and services.

ix) Increase in Exports:

- When exports are encouraged, domestic supply of goods decline. So prices rise.

Effects of Inflation

- The effects of inflation can be classified into two heads:

(1) Effects on Production and

(2) Effects on Distribution.

1. Effects on Production:

- When the inflation is very moderate, it acts as an incentive to traders and producers. This is particularly prior to full employment when resources are not fully utilized. The profit due to rising prices encourages and induces business class to increase their investments in production, leading to generation of employment and income.

i) However, hyper-inflation results in a serious depreciation of the value of money and it discourages savings on the part of the public.

ii) When the value of money undergoes considerable depreciation, this may even drain out the foreign capital already invested in the country.

iii) With reduced capital accumulation, the investment will suffer a serious set-back which may have an adverse effect on the volume of production in the country. This may discourage entrepreneurs and business men from taking business risk.

iv) Inflation also leads to hoarding of essential goods both by the traders as well as the consumers and thus leading to still higher inflation rate.

v) Inflation encourages investment in speculative activities rather than productive purposes.

2. Effects on Distribution

i) **Debtors and Creditors:** During inflation, debtors are the gainers while the creditors are losers. The reason is that the debtors had borrowed when the purchasing power of money was high and now repay the loans when the purchasing power of money is low due to rising prices.

ii) **Fixed-income Groups:** The fixed income groups are the worst hit during inflation because their incomes being fixed do not bear any relationship with the rising cost of living. Examples are wage, salary, pension, interest, rent etc.

iii) **Entrepreneurs:** Inflation is the boon to the entrepreneurs whether they are manufacturers, traders, merchants or businessmen, because it serves as a tonic for business enterprise. They experience windfall gains as the prices of their inventories (stocks) suddenly go up.

iv. **Investors:** The investors, who generally invest in fixed interest yielding bonds and securities have much to lose during inflation. On the contrary those who invest in shares stand to gain by rich dividends and appreciation in value of shares.

Measures to Control Inflation

- Keynes and Milton Friedman together suggested three measures to prevent and control of inflation.

(1) Monetary measures,

(2) Fiscal measures (J.M. Keynes) and

(3) Other measures.

1. Monetary Measures:

- These measures are adopted by the Central Bank of the country. They are (i) Increase in Bankrate (ii) Sale of Government Securities in the Open Market (iii) Higher Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) (iv) Consumer Credit Control and (v) Higher margin requirements (vi) Higher Repo Rate and Reverse Repo Rate.

2. Fiscal Measures:

- Fiscal policy is now recognized as an important instrument to tackle an inflationary situation. The major anti-inflationary fiscal measures are the following:
- Reduction of Government Expenditure, Public Borrowing and Enhancing taxation.

3. Other Measures:

These measures can be divided broadly into short-term and long-term measures.

i) Short-term measures can be in regard to public distribution of scarce essential commodities through fair price shops (Rationing). In India whenever shortage of basic goods has been felt, the government has resorted to import so that inflation may not get triggered.

ii) Long-term measures will require accelerating economic growth especially of the wage goods which have a direct bearing on the general price and the cost of living. Some restrictions on present consumption may help in improving saving and investment which may be necessary for accelerating the rate of economic growth in the long run.

Meaning of Deflation, Disinflation and Stagflation

Deflation:

- The essential feature of deflation is falling prices, reduced money supply and unemployment. Though falling prices are desirable at the time of inflation, such a fall should not lead to the fall in the level of production and employment. But if prices fall from the level of full employment both income and employment will be adversely affected.

Disinflation:

- Disinflation is the slowing down the rate of inflation by controlling the amount of credit (bank loan, hire purchase) available to consumers without causing more unemployment. Disinflation may be defined as the process of reversing inflation without creating unemployment or reducing output in the economy.

Stagflation:

- Stagflation is a combination of stagnant economic growth, high unemployment and high inflation.

Trade Cycle

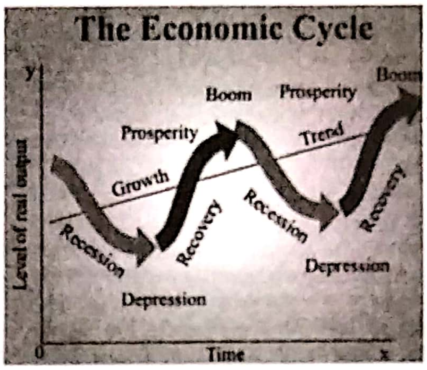
- The economic activity in a capitalist economy will have its periodic ups and downs. The study of these ups and downs is called the study of Business cycle or Trade cycle or Industrial Fluctuation.

Meaning of Trade Cycle

- A Trade cycle refers to oscillations in aggregate economic activity particularly in employment, output, income, etc.
- It is due to the inherent contraction and expansion of the elements which energize the economic activities of the nation.
- The fluctuations are periodical, differing in intensity and changing in its coverage.

Definition

- "A trade cycle is composed of periods of good trade characterised by rising prices and low unemployment percentages altering with periods of bad trade characterised by falling prices and high unemployment percentages". - J.M. Keynes



Phases of Trade Cycle

- The four different phases of trade cycle is referred to as (i) Boom (ii) Recession (iii) Depression and (iv) Recovery.

Phases of Trade Cycle

i) Boom or Prosperity Phase:

- The full employment and the movement of the economy beyond full employment is characterized as boom period.
- During this period, there is hectic activity in economy. Money wages rise, profits increase and interest rates go up. The demand for bank credit increases and there is all-round optimism.

ii) Recession:

- The turning point from boom condition is called recession. This happens at higher rate, than what was earlier.
- Generally, the failure of a company or bank bursts the boom and brings a phase of recession. Investments are drastically reduced, production comes down and income and profits decline.
- There is panic in the stock market and business activities show signs of dullness. Liquidity preference of the people rises and money market becomes tight.

iii) Depression:

- During depression the level of economic activity becomes extremely low. Firms incur losses and closure of business becomes a common feature and the ultimate result is unemployment.
- Interest prices, profits and wages are low. The agricultural class and wage earners would be worst hit. Banking institutions will be reluctant to advance loans to businessmen.
- Depression is the worst phase of the business cycle. Extreme point of depression is called as "trough", because it is a deep point in business cycle.
- Any person fell down in deeps could not come out from that without other's help. Similarly, an economy fell down in trough could not come out from this without external help.
- Keynes advocated that autonomous investment of the government alone can help the economy to come out from the depression.

iv. Recovery:

- After a period of depression, recovery sets in. This is the turning point from depression to revival towards upswing. It begins with the revival of demand for capital goods. Autonomous investments boost the activity.
- The demand slowly picks up and in due course the activity is directed towards the upswing with more production, profit, income, wages and employment. Recovery may be initiated by innovation or investment or by government expenditure (autonomous investment).

V

Source of Revenue, Finance Commission, Resource sharing between Centre & State, Goods and Service Tax

Source of Revenue

Introduction

- Tax is levied by government for the development of the state's economy. The revenue of the government depends upon direct and indirect taxes.
- Direct taxes are levied on income of the persons and the indirect taxes are levied on goods and services by which the government mobilises its "financial resources".

Tax

- The origin of the word "tax" is from "taxation," which means an estimate.
- Taxation is a means by which governments finance their expenditure by imposing charges on citizens and corporate entities.
- The main purpose of taxation is to accumulate funds for the functioning of the government machinery. Tax has come into forefront on account of the new concept of "welfare state".
- Modern governments do not confine themselves to law and order only.
- The importance of public finance (tax) has vastly increased in recent years.
- Taxes are compulsory payments to government without expectation of direct return (or) benefit to the tax payer. Prof. Seligman also defined a tax as "a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred."

Why Taxes?

- The levying of taxes aims to raise revenue to fund governance or to alter prices in order to affect demand.
- States and their functional equivalents throughout history have used money provided by taxation to carry out many functions.
- Some of these include expenditures on economic infrastructure (transportation, sanitation, public safety, education, healthcare systems, to name a few), military, scientific research, culture and the arts, public works and public insurance and the operation of government itself.
- A government's ability to raise taxes is called its fiscal capacity When expenditures exceed tax revenue, a government accumulates debt. A portion of taxes may be used to service past debts. Governments also use taxes to fund welfare and public services.
- These services can include education systems, pensions for the elderly, unemployment benefits and public transportation. Energy, water and waste management systems are also common public utilities.
- According to the proponents of the theory of money creation, taxes are not needed for government revenue, as long as the government in question is able to issue fiat money.
- The purpose of taxation is to maintain the stability of the currency,express public policy regarding the distribution of wealth, subsidising certain industries or population groups or isolating the costs of certain benefits such as highways or social security.

Types of Taxes

Direct Taxes

- A tax imposed on an individual or organisation, which is paid directly, is a direct tax. The burden of a direct tax cannot be shifted to others.
- J.S. Mill defines a direct tax as "one which is demanded from the very persons who it is intended or desired should pay it." Some direct taxes are income tax, wealth tax and corporation tax.

Income tax

- Income tax is the most common and most important tax levied on an individual in India.
- It is charged directly based on the income of a person. The rate at which it is charged varies, depending on the level of income.

Corporate tax

- This tax is levied on companies that exist as separate entities from their shareholders.
- It is charged on royalties, interest gains from sale of capital assets located in India and fees for a technical services and dividends.
- Foreign companies are taxed on income that arises or is deemed to arise in India.

Income	For Indian Companies	For Foreign Companies
Less than Rs. 50 crore	25%	40%
More than Rs. 50 crore	30%	40%

Wealth tax

- Wealth tax is charged on the benefits derived from property ownership. The same property will be taxed every year on its current market value. The tax is levied on the individuals and companies alike.
- In India taxes are collected by all the three tiers of government. There are taxes that can be easily collected by the Union government. In India almost all the direct taxes are collected by the Union governments.
- Taxes on goods and services are collected by both Union and state governments. The taxes on properties are collected by local governments.
- In India we collect more tax revenue through indirect taxes than through direct taxes. The major indirect taxes in India are customs duty and GST. Both these taxes have different tax rates for different goods and services.
- The governments try to design in such a way that the rich consumers pay more tax than the poor. However, poor still pay more through these taxes. Therefore, many argue we should reduce the indirect taxes and increase the collection through direct taxes.
- Indian tax system adheres to all the canons of taxation. But there are arguments that often the equity principle is compromised and productivity is lost when we tinker with tax system to the advantage of a few.
- We announce the tax system once in a year in the annual budget. It is very rarely breached by announcing mid-year tax changes. Therefore, Indian tax system adheres to canon of certainty more than anything else

Indirect Taxes

- If the burden of the tax can be shifted to others, it is an indirect tax. The impact is on one person while the incidence is on the another person. Therefore, in the case of indirect taxes, the tax payer is not the tax bearer.
- Some indirect taxes are stamp duty, entertainment tax, excise duty and goods and service tax (GST).

Stamp duty

- Stamp duty is a tax that is paid on official documents like marriage registration or documents related to a property and in some contractual agreements.

Entertainment tax

- Entertainment tax is a duty that is charged by the government on any source of entertainment provided. This tax can be charged on movie tickets, tickets to amusement parks, exhibitions and even sports events.

Excise duty

- An excise tax is any duty on manufactured goods levied at the movement of manufacture, rather than at sale. Excise is typically imposed in addition to an indirect tax such as a sales tax.

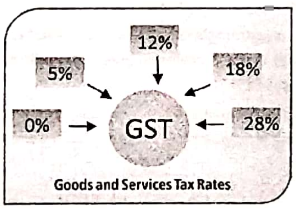
Goods and Service Tax

GST in Constitution

- Added by 101 Amendment Act.
- Article 269 A - GST on Inter-state trade levied, collected and Sharing between Centre & States.
- Article 279 A - Deals with establishment of GST Council

Goods and service tax (GST)

- The goods and service tax (GST) is one of the indirect taxes. The GST was passed in Parliament on 29 March 2017. The act came into effect on 1 July 2017. The motto is one nation, one market, one tax.
- Goods and service tax is defined as the tax levied when a consumer buys a good or service. That aims to replace all indirect taxes levied on goods and services by the Central and state governments. GST would eliminative the cascading effect of taxes on the production and distribution of goods and services. It is also a "one-point tax" unlike value-added tax (VAT), which was a multipoint tax.



Goods and Services Tax Rates

- The motto is **one nation, one market, one tax.** Current GST Rates in India

Advantages of GST

- Removing cascading tax effect
- Single point tax
- Higher threshold for registration
- Composition scheme for small business
- Online simpler procedure under GST
- Defined treatment for e-ecommerce
- Increased efficiency in logistics
- Regulating the unorganized sector
- France was the first country to implement GST in 1954 and many other European countries introduced GST in 1970-80.

How Taxes Are Levied?

- Tax is levied by the government progres-sively, proportionately as well as regressively Structure of Goods and Service Tax (GST)

State Goods and Service Tax (SGST):

- Intra state (within the state) VAT/sales tax, purchase tax, entertainment tax, luxury tax, lottery tax and state surcharge and cesses

Central Goods and Service Tax (CGST):

- Intra state (within the state) Central Excise Duty, service tax, countervailing duty, additional duty of customs, surcharge, education and secondary/ higher secondary cess

Integrated Goods and Service Tax (IGST):

- Inter state (integrated GST)There are four major GST rates: 5%, 12%, 18% and 28%. Almost all the necessities of life like vegetables and food grains are excempted from this tax.

Progressive tax

- Progressive tax rate is one in which the rate of taxation increases (multiplier) as the tax base increases (multiplicand). The amount of tax payable is calculated by multiplying the tax base with the tax rate. In the case of a progressive tax, the multiplicand (income) increases. When income increases, the tax rate also increases. This is known as a progressive tax.

Example:

Tax Base	Tax Rate	Amount of Tax
Rs.10,000	10%	Rs.1000
Rs.20,000	15%	Rs.3000
Rs.30,000	25%	Rs.7500
Rs.40,000	40%	Rs.16000

Proportionate taxes

- Tax levied on goods and service in a fixed portion is known as proportionate taxes. All tax payers contribute the same proportion of their incomes. In this method, the rate of taxation is the same regardless of the size of income. The tax amount realised varies in the same proportions that of income.

Example:

Tax Base	Tax Rate	Amount of Tax
Rs.10,000	10%	Rs.1000
Rs.20,000	10%	Rs.2000
Rs.30,000	10%	Rs.3000
Rs.40,000	10%	Rs.4000

Regressive Taxes

- It implies that higher the rate of tax lower the income groups than in the case of higher income groups. It is a very opposite of progressive taxation.

Progressive Tax	Income increase	Tax also Increase	E.g. Income Tax
Proportional Tax	Income Increase	Tax Decrease	E.g. Corporate Tax
Regressive tax	Income change	Same always	E.g. Sales Tax

Difference between Tax and other Payments

S. No.	Tax	Payments
1	Tax is compulsory to the government without getting any direct benefits	Fee is the payment for getting any service
2	If the element of revenue for general purpose of the state predominates, the levy becomes a tax	While a fee is a payment for a specific benefit privilege although the special to the primary purpose of regulation in public interest.
3	Tax is a compulsory payment	Fee is a voluntary payment.
4	If tax is imposed on a person, he has to pay it; otherwise he has to be penalised	On the other hand fee is not paid if the person do not want to get the service
5	In this case, tax payer does not expect any direct benefit. Example: Income tax, gift box, wealth tax,VAT etc.	Fee payer can get direct benefit for paying fee. Examples: stamp fee, driving license fee, government registration fee

Tax and other Payments

- Taxes are compulsory payments to government without expectation of direct return (or) benefit to the tax payer.
- Payment includes income received from production and supply of goods and servicesof public enterprises and revenue from administrative activities. Payments from non-tax sources other than tax income is known as payments.
- Some payments are fees, fines and penalties, and forfeitures.

Taxes and Development

- The role of taxation in developing economics is as follows.

1. Resource mobilisation: Taxation enables the government to mobilise a substantial amount of revenue. The tax revenue is generated by imposing direct taxes such as personal income tax and corporate tax and indirect taxes such as customs duty, excise duty, etc.
2. Reduction in equalities of income: Taxation follows the principle of equity. The direct taxes are progressive in nature. Also certain indirect taxes, such as taxes on luxury goods, is also progressive in nature.

Social welfare:

- Taxation generates social welfare. Social welfare is generated due to higher taxes on certain undesirable products like alcoholic products.

Foreign exchange:

- Taxation encourages exports and restricts imports, Generally developing countries and even the developed countries do not impose taxes on export items.

Regional development:

- Taxation plays an important role in regional development, Tax incentives such as tax holidays for setting up industries in backward regions, which induces business firms to set up industries in such regions.

Control of inflation:

- Taxation can be used as an instrument for controlling inflation. Through taxation the government can control inflation by reducing the tax on the commodities.

Definitions

- "Public finance is one of those subjects that lie on the border line between Economics and Politics.
- It is concerned with income and expenditure of public authorities and with the adjustment of one to the other". - Huge Dalton
- "Public finance is an investigation into the nature and principles of the state revenue and expenditure". - Adam Smith

1. **Public Revenue**

   Public revenue deals with the methods of raising public revenue such as tax and non-tax, the principles of taxation, rates of taxation, impact, incidence and shifting of taxes and their effects.

2. **Public Expenditure**

   This part studies the fundamental principles that govern the Government expenditure, effects of public expenditure and control of public expenditure.

3. **Public Debt**

   Public debt deals with the methods of raising loans from internal and external sources.The burden, effects and redemption of public debt fall under this head.

4. **Financial Administration**

   This part deals with the study of the different aspects of public budget. The budget is the Annual master financial plan of the Government. The various objectives and steps in preparing a public budget, passing or sanctioning, allocation evaluation and auditing fall within financial administration.

5. **Fiscal Policy**

   Taxes, subsidies, public debt and public expenditure are the instruments of fiscal policy.

Functions of Modern State

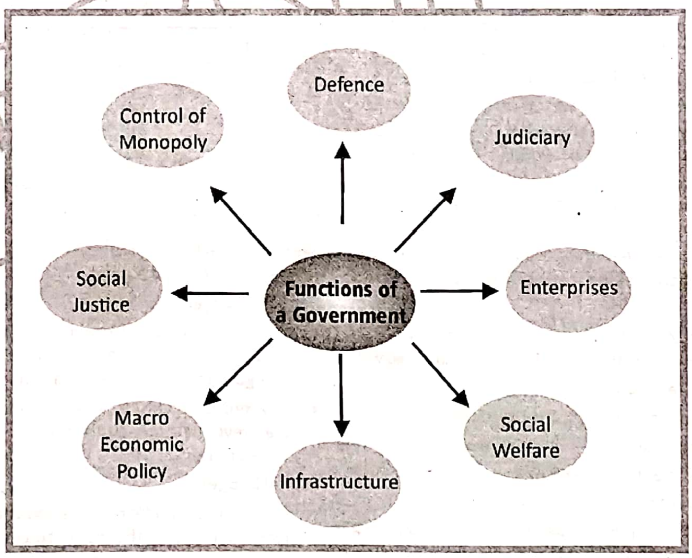
The modern state is a welfare state and not just police state.

Causes for the Increase in Government Expenditure

Population Growth

- During the past 67 years of planning, the population of India has increased from 36.1 crore in 1951, to 121 crore in 2011. The growth in population requires massive investment in health and education, law and order, etc. Young population requires increasing expenditure on education & youth services, whereas the aging population requires transfer payments like old age pension, social security & health facilities.

Functions of a Government



Defence Expenditure

- There has been enormous increase in defence expenditure in India during planning period. The defence expenditure has been increasing tremendously due to modernisation of defence equipment. The defence expenditure of the government was ₹ 10,874 crores in 1990-91 which increased significantly to ₹ 2,95,511crores in 2018-19.

Government Subsidies

- The Government of India has been providing subsidies on a number of items such as food, fertilizers, interest on priority sector lending, exports, education, etc. Because of the massive amounts of subsidies, the public expenditure has increased manifold.
- The expenditure on subsidies by central government in 1990-91 was ₹ 9581 crores which increased significantly to ₹ 2, 29,715.67 crores in 2018-19. Besides this, the corporate sectors also receive subsidies (incentives) of more than ₹ 5 lakh crores.

Debt Servicing

- The government has been borrowing heavily both from the internal and external sources, As a result, the government has to make huge amounts of repayment towards debt servicing.
- The interest payment of the central government has increased from ₹ 21,500 crores in 1990-91 to ₹5, 75,794crores in 2018-19.

Development Projects

- The government has been undertaking various development projects such as irrigation, iron and steel, heavy machinery, power, telecommunications, etc. The development projects involve huge investment.

Urbanisation

- There has been an increase in urbanization. In 1950-51 about 17% of the population was urban based. Now the urban population has increased to about 43%. There are more than 54 cities above one million population. The increase in urbanization requires heavy expenditure on law and order, education and civic amenities.

Industrialisation

- Setting up of basic and heavy industries involves a huge capital and long gestation period. It is the government which starts such industries in a planned economy. The under developed countries need a strong of infrastructure like transport, communication, power, fuel, etc.

Increase in grants in aid to state and union territories

- There has been tremendous increase in grant-in-aid to state and union territories to meet natural disasters.

Tax Revenue

Meaning

- Tax is a compulsory payment by the citizens to the government to meet the public expenditure.

Definitions

- "A Tax is a compulsory payment made by a person or a firm to a government without reference to any benefit the payer may derive from the government." **- Anatol Murad**
- "A Tax is a compulsory contribution imposed by public authority, irrespective of the exact amount of service rendered to the tax payer in return and not imposed as a penalty for any legal offence." **- Dalton**

Non-Tax Revenue

Fees

- A fee is charged by public authorities for rendering a service to the citizens. Unlike tax, there is no compulsion involved in case of fees. The government provides certain services and charges certain fees for them. For example, fees are charged for issuing of passports, driving licenses, etc.

Fine

- A fine is a penalty imposed on an individual for violation of law.

Earnings from Public Enterprises

- Some of the public sector enterprises do make a good amount of profits. The profits or dividends which the government gets can be utilized for public expenditure.

Special assessment of betterment levy

- Due to a public park or due to the construction of a road, people in that locality may experience an appreciation in the value of their property or land.

Escheats

- It refers to the claim of the state to the property of persons who die without legal heirs or documented will.

Canons of Taxation

1. Economical
2. Equitable
3. Convenient
4. Certain
5. (Efficient and Flexible)

Canon of Ability

- The Government should impose tax in such a way that the people have to pay taxes according to their ability. In such case a rich person should pay more tax compared to a middle class person or a poor person.

Canon of Certainty

- The Government must ensure that there is no uncertainty regarding the rate of tax or the time of payment. If the Government collects taxes arbitrarily, then these will adversely affect the efficiency of the people and their working ability too.

Canon of Convenience

- The method of tax collection and the timing of the tax payment should suit the convenience of the people. The Government should make convenient arrangement for all the tax payers to pay the taxes without difficulty.

Canon of Economy

- The Government has to spend money for collecting taxes, for example, salaries are given to the persons who are responsible for collecting taxes. The taxes, where collection costs are more are considered as bad taxes. Hence, according to Smith, the Government should impose only those taxes whose collection costs are very less and cheap .

Direct Tax and Indirect Tax

Direct Tax

- A direct tax is referred to as a tax levied on person's income and wealth and is paid directly to the government; the burden of such tax cannot be shifted. The tax is progressive in nature. It is levied according to the paying capacity of the person, i.e. the tax is collected more from the rich and less from the poor people.

Indirect Tax

- Indirect Tax is referred to as a tax charged on a person who purchases the goods and services and it is paid indirectly to the government. The burden of tax can be easily shifted to the another person. It is levied on all persons equally whether rich or poor.

GST (Goods and Service Tax)

- GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017. GST is one indirect tax for the entire country.
- Under the GST regime, the tax will be levied at the final point of sale. In case of intra-state sales, Central GST and State GST will be charged. Inter-state sales will be chargeable to Integrated GST.

The component of GST are of 3 types.

CGST: Collected by the Central Government on an intra-state sale (Eg: Within state/ union territory)

SGST: Collected by the State Government on an intra-state sale (Eg: Within state/ union territory)

IGST: Collected by the Central Government for inter-state sale (Eg: Maharashtra to Tamil Nadu)

Definitions

- "The debt is the form of promises by the Treasury to pay to the holders of these promises a principal sum and in most instances interest on the principal. Borrowing is resorted to in order to provide funds for financing a current deficit." **- Philip E.Taylor**

Budget

The word 'budget' is said to have its origin from the French word "Bougett" which refers to 'a small leather bag'.

- The budget is an annual financial statement which shows the estimated income and expenditure of the Government for the forthcoming financial year.

Definitions

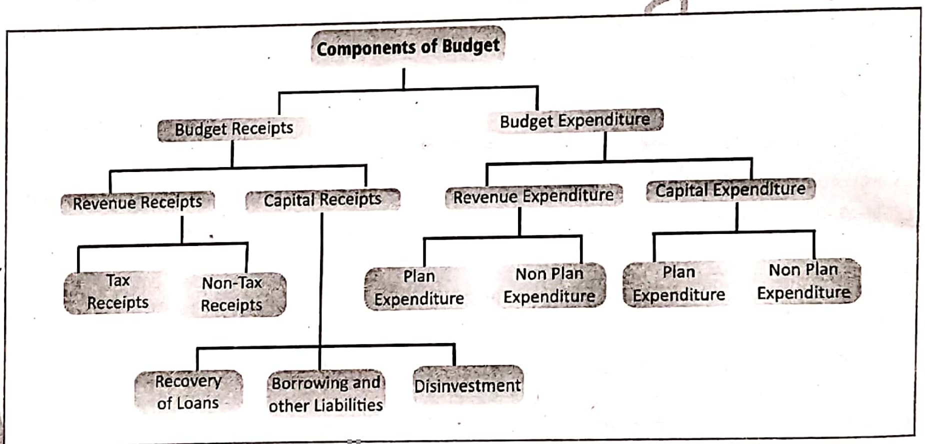
"It is a document containing a preliminary approved plan of public revenue and expenditure".

-Reney Stourn.

"The budget has come to mean the financial arrangements of a given period, with the usual implication that they have been submitted to the legislature for approval". **- Bastabale**

Union Budget and State Budget

Union Budget under Article 112 to the Parliament and each State Government has to submit the same for the State in the Legislative Assembly under Article 202.



Types of Budget

Revenue and Capital Budget

Revenue Budget:

- It consists of revenue receipts and revenue expenditure. Moreover, the revenue receipts can be categorised into tax revenue and non-tax revenue.
- Revenue expenditure can also be categorised into plan revenue expenditure and non-plan revenue expenditure.

Capital Budget:

- It consists of capital receipts and capital expenditure. In this case, the main sources of capital receipts are loans, advances etc.
- On the other side capital expenditure can be categorised into plan capital expenditure and non-plan capital expenditure.

Supplementary Budget:

- During the time of war emergencies and natural calamities like tsunami, flood etc, the expenditures allotted in the budget provisions are not always enough.
- Under these circumstances, a supplementary budget can be presented by the Government to tackle these unforeseen events.

Vote - on - Account:

- Under Article 116 of the Indian Constitution, the budget can be presented in the middle of the year. The reason may be political in nature.
- The existing Government may or may not continue for the year, on account of the fact that elections are due, then the Government places a 'lame duck budget'. This is also called 'Vote-on-account Budget'

Zero Base Budget:

- The Government of India presented Zero-Base-Budgeting (ZBB first) in 1987-88. It involves fresh evaluation of expenditure in the Government budget, assuming it as a new item.
- The review has been made to provide justification or otherwise for the project as a whole in the light of the socio-economic objectives which have been already set up for this project and as well as in view of the priorities of the society.

Performance Budget:

- When the outcome of any activity is taken as the base of any budget, such budget is known as 'Performance Budget'.
- For the first time in the world, the performance budget was made in USA.
- The Administrative Reforms Commission was set up in 1949 in America under Sir Hooper. This commission recommended making of a 'Performance Budget' in USA.
- In the Performance Budget, it is the compulsion of the government to tell 'what is done', 'how much done' for the betterment of the people.
- In India, the Performance Budget is also known as 'Outcome Budget'.

Balanced Budget Vs Unbalanced Budget

A. Balanced Budget

- Balanced budget is a situation, in which estimated revenue of the government during the year is equal to its anticipated expenditure.

B. Unbalanced Budget

- The budget in which Revenue & Expenditure are not equal to each other is known as Unbalanced

1. Surplus Budget

The budget is a surplus budget when the estimated revenues of the year are greater than anticipated expenditures.

2. **Deficit Budget**

Deficit budget is one where the estimated government expenditure is more than expected revenue.

Government's estimated Revenue < Government's proposed Expenditure.

Central State Financial Relationship

I) Union Sources

1. Corporation tax
2. Currency, coinage and legal tender, foreign exchange.
3. Duties of customs including export duties.
4. Duties of excise on tobacco and certain goods manufactured or produced in India.
5. Estate duty in respect of property other than agricultural land.
6. Fees in respect of any of the matters in the Union List, but not including any fees taken in any Court.
7. Foreign Loans.
8. Lotteries organized by the Government of India or the Government of a State.
9. Post Office Savings Bank.
10. Posts and Telegraphs, telephones, wireless, Broadcasting and other forms of communication.
11. Property of the Union.
12. Public Debt of the Union.
13. Railways.
14. Rates of stamp duty in respect of Bills of Exchange, Cheques, Promissory Notes, etc.
15. Reserve Bank of India.
16. Taxes on income other than agricultural income.
17. Taxes on the capital value of the assets, exclusive of agricultural land of individuals and companies.
18. Taxes other than stamp duties on transactions in stock exchanges and future markets.
19. Taxes on the sale or purchase of newspapers and on advertisements published therein.
20. Terminal taxes on goods or passengers, carried by railways, sea or air.

II) State Sources

1. Capitation tax
2. Duties in respect of succession to agricultural land.
3. Duties of excise on certain goods produced or manufactured in the State, such as alcoholic liquids, opium, etc.
4. Estate duty in respect of agricultural land.
5. Fees in respect of any of the matters in the State List, but not including fees taken in any Court.
6. Land Revenue.
7. Rates of stamp duty in respect of documents other than those specified in the Union List.
8. Taxes on agricultural income.
9. Taxes on land and buildings.
10. Taxes on mineral rights, subject to limitations impose by Parliament relating to mineral development.
11. Taxes on the consumption or sale of electricity.
12. Taxes on the entry of goods into a local area for consumption, use or sale therein.
13. Taxes on the sale and purchase of goods other than newspapers.
14. Taxes on the advertisements other than those published in newspapers.
15. Taxes on goods and passengers carried by road or on inland waterways.
16. Taxes on vehicles.
17. Taxes on animals and boats.
18. Taxes on professions, trades, callings and employments.
19. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.
20. Tolls.

III) Taxes Levied and Collected by the union but Assigned to the States (Art.269)

1. Duties in respet of succession to property other than agricultural land.
2. Estate duty in respect of property other than agricultural land.
3. Taxes on railway fares and freights.
4. Taxes other than stamp duties on transactions in stock exchanges and future markets.
5. Taxes on the sale or purchase of newspapers and on advertisements published therein
6. Terminal taxes on goods or passengers carried by railways, sea or air.
7. Taxes on the sale or purchase of goods other than newspapers where such sale or purchase taxes place in the course of inter-State trade or commerce.

IV) Duties levied by the Union but collected and Appropriated by the states (Art.268)

Stamp duties and duties of excise on medicinal and toilet preparation (those mentioned in the Union List) shall be levied by the Government of India but shall be collected.

i) In the case where such duties are leviable within any Union territory, by the Government of India.

ii) In other cases, by the States within which such duties are respectively leviable.

v) Taxes which are Levied and Collected by the Union but which may be Distributed between the Union and the States (Arts.270 and 272)

1. Taxes on income other than agricultural income.
2. Union duties of excise other than such duties of excise on medicinal and toilet preparations as are mentioned in the Union List and collected by the Government of India.

History of Finance Commission

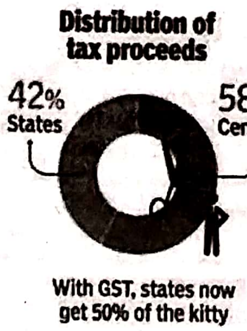
- Finance commission is a quasi-judicial body set up under Article 280 of the Indian Constitution. It was established in the year 1951, to define the fiscal relationship framework between the Centre and the state.
- Finance Commission aims to reduce the fiscal imbalances between the centre and the states (Vertical imbalance) and also between the states (horizontal imbalance). It promotes inclusiveness.
- A Finance Commission is set up once in every 5 years. It is normally constituted two years before the period. It is a temporary Body.
- The 14th Finance Commission was set up in 2013. Its recommendations were valid for the period from 1st April 2015 to 31st March 2020.
- The 15th Finance Commission has been set up in November 2017. Its recommendations will be implemented starting 1 April 2020.

Finance Commission	Year of establishment	Chairman	Operational duration
First	1951	K. C. Neogy	1952–57
Second	1956	K. Santhanam	1957–62
Third	1960	A. K. Chanda	1962–66
Fourth	1964	P. V. Rajamannar	1966–69
Fifth	1968	MahaveerTyagi	1969–74
Sixth	1972	K. Brahmananda Reddy	1974–79
Seventh	1977	J. M. Shelat	1979–84
Eighth	1983	Y. B. Chavan	1984–89
Ninth	1987	N. K. P. Salve	1989–95
Tenth	1992	K. C. Pant	1995–2000
Eleventh	1998	A. M. Khusro	2000–05
Twelfth	2002	C. Rangarajan	2005–10
Thirteenth	2007	Dr. Vijay L. Kelkar	2010–15
Fourteenth	2013	Dr. Y. V Reddy	2015–20
Fifteenth	2017	N. K. Singh	2020–25

Finance Commission

Functions of Finance Commission of India

1. The distribution between the Union and the States of the net proceeds of taxes, which may be divided between them and the allocation among the states of the respective shares of such proceeds;
2. To determine the quantum of grants-in-aid to be given by the Centre to states [Article 275 (1)] and to evolve the principles governing the eligibility of the state for such grant-in-aid;



How Taxes Are Split

- Article 280 of the Constitution mandates the finance commission to recommend the distribution of the net pròceeds of taxes between the Centre and the states every five years.
- 15th Finance Commission's recommendations on tax sharing between Centre and States are to kick in form April 2020
- Any other matter referred to the Commission by the President of India in the interest of sound finance. Several issues like debt relief, financing of calamity relief of states, additional excise duties, etc. have been referred to the Commission invoking this clause.

Union Budget 2020 (New Tax Slabs)

Income	Tax
Upto 5 Lakhs	Nil
Between 5L - 7.5	Reduced to 10% from the current 20%
Between 7.5 - 10 L	Reduced to 15% from the current 20%
Between 10 L - 12.5	Reduced to 20% from the current 30%
Between 12.5L to 15 L	Reduced to 25% from the current 30%
Above 15 L	Continue at 30% but without exemptions

- Over 70 deductions have been removed
- Companies will no longer be required to pay dividend Distribution Tax (DDT)
- Aadhaar - based vertification for GST compliance to be introduced.

VI STRUCTURE OF INDIAN ECONOMY & EMPLOYMENT GENERATION

National Income

- Nobel laureate Simon Kuznets first introduced the concept of national income.

Meaning of National Income

- In common Terms, National Income means the total money value of all final goods and services produced in a country during a particular period of time (one year).

Definitions

- "The labour and capital of a country acting on its natural resources produce annually a certain net aggregate of commodities, material and immaterial including services of all kinds. This is the true net annual income or revenue of the country or national dividend". -Alfred Marshall.
- GDP and its detractors.Simon Kuznets, (Creator of GDP) 1932 Th e welfare of a nation can scarcely be inferred from a measurement of national income as defined by the GDP... goals for more growth should specify of what and for what.
- "The net output of the commodities and services flowing during the year from the country's productive system into the hands of the ultimate consumers or into net addition to the country's stock of capital goods". - Simon Kuznets.

Gross Domestic Product (GDP)

- GDP is the total market value of final goods and services produced within the country during a year. This is calculated at market prices and is known as GDP at market prices.
- GDP by expenditure method at market prices = C + I + G + (X – M)

  Where C – consumption goods;

  I – Investment goods;

  G – Government purchases;

  X – Exports; M – Imports

  (X – M) is net export which can be positive or negative.

Goods and services:

- As you know by now, goods are tangible items while services are activities which are intangible .

Market value:

- This is the price at which goods and services are sold in the market.
- The GDP measures all the goods and services produced in the country. For this, we have to add all the goods and services produced.

Final goods and services:

- Economists Tyler Cowen and Alex Tabarrok say that "final goods and services" are the goods and services which will be used or consumed and will not form a part of other goods and services. The goods and services which will be used for producing other goods and services and will form a part of the goods and services produced are called "intermediate goods".
- Only the final goods are included in the GDP. Intermediate goods are not counted in calculating the GDP because their value is included in the final goods. So if the intermediate goods are included in the GDP it will result in what is called "double counting".

National Income

- 'National Income is a measure of the total value of goods and services produced by an economy over a period of time, normally a year'. Commonly National Income is called as Gross National Product(GNP) or National Dividend.

a) **Net Domestic Product (NDP)**

- NDP is the value of net output of the economy during the year. Some of the country's capital equipment wears out or becomes outdated each year during the production process. Thus Net Domestic Product = GDP - Depreciation.

Gross National Product (GNP)

- GNP is the total measure of the flow of final goods and services at market value resulting from current production in a country during a year, including net income from abroad.

  GNP = C + I + G + (X–M) + NFIA

  C = Consumption

  I = Investment

  G = Government Expenditure

  X-M = Export – Import

  NFIA = Net Factor Income from Abroad

GNP includes five types of final goods and services :

1) value of final consumer goods and services produced in a year to satisfy the immediate wants of the people which is referred to as consumption (C);
2) gross private domestic investment in capital goods consisting of fixed capital formation, residential construction and inventories of finished and unfinished goods which is called as gross investment (I) ;
3) goods and services produced or purchased by the government which is denoted by (G) ; and
4) net exports of goods and services, i.e., the difference between value of exports and imports of goods and services, known as (X-M) ; Net factor incomes from abroad which refers to the difference between factor incomes (wage, interest, profits) received from abroad by normal residents of India and factor incomes paid to the foreign residents for factor services rendered by them in the domestic territory in India (R-P). (C + I + G + (X-M) + (R-P)). GNP at Market Prices = GDP at Market Prices + Net Factor income from Abroad.

Net National Product (NNP) (at Market price)

- Net National Product refers to the value of the net output of the economy during the year. NNP is obtained by deducting the value of depreciation, or replacement allowance of the capital assets from the GNP.
- NNP = GNP – depreciation allowance.
- It is expressed as,(depreciation is also called as Capital Consumption Allowance)

NNP at Factor cost

- NNP refers to the market value of output. Whereas NNP at factor cost is the total of income payment made to factors of production. Thus from the money value of NNP at market price, we deduct the amount of indirect taxes and add subsidies to arrive at the net national income at factor cost.

  NNP at factor cost = NNP at Market prices – Indirect taxes + Subsidies.

Personal Income

- Personal income is the total income received by the individuals of a country from all sources before payment of direct taxes in a year. Personal income is never equal to the national income, because the former includes the transfer payments whereas they are not included in national income.
- Personal Income = National Income – (Social Security Contribution and undistributed corporate profits) + Transfer payments

Disposable Income

- Disposable Income is also known as Disposable personal income. It is the individuals income after the payment of income tax. This is the amount available for households for consumption.

  Disposable Income = Personal income – Direct Tax.

- (From consumption approach DI = Consumption Expenditures + Savings)
- First quarter, or Q1: April, May and June
- Second quarter, or Q2: July, August, September
- Third Quarter or Q3: October, November, December
- Fourth Quarter, or Q4: January, February, March.

Per Capita Income

- The average income of a person of a country in a particular year is called Per Capita Income. Per capita income is obtained by dividing national income by population.

$$\text{Per capita income} = \frac{\text{National income}}{\text{Population}}$$

- In 1867-68 for the first time Dadabhai Navroji had ascertained the Per Capital Income in his book "Poverty and Un-British Rule of India".

Real Income

- Nominal income is national income expressed in terms of a general price level of a particular year in other words, real income is the buying power of nominal income. National income is the final value of goods and services produced and expressed in terms of money at current prices.
- National Income at constant price = National Income at current price $\div \frac{P_1}{P_0}$

  P_1 – Price index during current year;

  P_0 – Price index during base year

GDP deflator

- GDP deflator is an index of price changes of goods and services included in GDP. It is a price index which is calculated by dividing the nominal GDP in a given year by the real GDP for the same year and multiplying it by 100.

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

Methods of Measuring National Income

- Three methods that are used to measure national income.
  1. Production or value added method
  2. Income method or factor earning method
  3. Expenditure method

GDP - By Sum of Spending, Factor Incomes or Output		
GDP (Expenditure)	**GDP (Factor Incomes)**	**GDP (Value of Output)**
• Consumption • Government spending • Investment spending • Change in value of stocks • Exports • -Imports • = GDP (known as aggregate demand)	• Income from people in jobs and in self employment (e.g. wages and salaries) • Profits of private sector business • Rent income from the ownership of land	• Value added from each of the main economic sectors • These sectors are • Primary • Secondary • Manufacturing • Quaternary

Product Method

- Product method measures the output of the country. It is also called inventory method. Under this method, the gross value of output from different sectors like agriculture, industry, trade and commerce, etc., is obtained for the entire economy during a year.

Examples

i) Total production of 64 agriculture commodities is estimated. The output of each crop is measured by multiplying the areas own by the average yield per hectare.

ii) The total output of each commodity is valued at market prices.

iii) The aggregate value of total output of these 64 commodities is taken to measure the gross value of agricultural output.

iv) The net value of the agricultural output is measured by making deductions for the cost of seed, manures and fertilisers, market charges, repairs and depreciation from the gross value.

- Similarly, the gross values of the output of animal husbandry, forestry, fishery, mining and factory establishments are obtained by multiplying their estimates of total production with market prices.

Income Method

(Factor Earning Method)

- This method approaches national income from the distribution side. Under this method, national income is calculated by adding up all the incomes generated in the course of producing national product.

Steps involved

1. The enterprises are classified into various industrial groups.
2. Factor incomes are grouped under labour income, capital income and mixed income.
   i) Labour income - Wages and salaries, fringe benefits, employer's contribution to social security.
   ii) Capital income – Profit, interest, dividend and royalty
   iii) Mixed income – Farming, sole proprietorship and other professions.
3. National income is calculated as domestic factor income plus net factor incomes from abroad. In short,

   Y = w + r + i + P + (R-P)

   w = wages, r = rent, i = interest, P = Profits,

   R = Exports and P = Imports

   This method is adopted for estimating the contributions of the remaining sectors, viz., small enterprises, banking and insurance, commerce and transport, professions, liberal arts and domestic service, public authorities, house property and foreign sector transaction.

The Expenditure Method (Outlay method)

- Under this method, the total expenditure incurred by the society in a particular year is added together. To calculate the expenditure of a society, it includes personal consumption expenditure, net domestic investment, government expenditure on consumption as well as capital goods and net exports.
- GNP = C + I + G + (X-M)

  C - Private consumption expenditure

  I - Private Investment Expenditure

  G - Government expenditure

  X-M = Net exports

Factor cost (FC)

- There are a number of inputs that are included into a production process when producing goods and services. These inputs are commonly known as factors of production and include things such as land, labour, capital and entrepreneurship.
- Producers of goods and services incur a cost for using these factors of production. These costs are ultimately added onto the price of the product.
- The factor cost refer to the cost of production that is incurred by a firm when producing goods and services.
- Examples of such production costs include the cost of renting machines, purchasing machinery and land, paying salaries and wages, cost of obtaining capital, and the profit margins that are added by the entrepreneur.
- The factor cost does not include the taxes that are paid to the government since taxes are not directly involved in the production process and, therefore, are not part of the direct production cost.
- However, subsidies received are included in the factor cost as subsidies are direct inputs into the production.

Market price (MP)

- Once goods and services are produced they are sold in a market place at a set market price.

  The market price is the price that consumers will pay for the product when they purchase it from the sellers.
- Taxes charged by the government will be added onto the factor price while subsides provided will be reduced from the factor price to arrive at the market price.
- Taxes are added on because taxes are costs that increase the price, and subsidies are reduced because subsidies are already included in the factor cost, and cannot be double counted when market price is calculated.
- MP = FC + Indirect Taxes - Subsidies
- FC = MP - Indirect Taxes + Subsidies
- National Income (NNPFC) = Gross Value Added by all the production Enterprises within the Domestic Territory of the Country – Depreciation – Net Indirect Taxes + Net Factor Income from Abroad
- DPI = Individual Income - Direct Tax

Importance of GDP

1. Study of Economic Growth.
2. Unequal distribution of wealth.
3. Problems of inflation and deflation.
4. Comparison with developed countries of the world.
5. Estimate the purchasing power.
6. Public Sector.
7. Guide to economic planning.

Limitations of GDP

- The GDP is the most widely used measure of the state of the economy. While appreciating its usefulness, we should be aware of some of its limitations.

1. **Several important goods and services are left out of the GDP:**
- The GDP includes only the goods and services sold in the market. The services provided by parents to their children is very important but it is not included in the GDP because it is not sold in the market. Likewise clean air, which is vital for a healthy life, has no market value and is left out of the GDP.

2. **GDP measures only quantity but not quality:**
- In the 1970s schools and banks did not permit the use of ballpoint pens. This is because the ones available in India were of very poor quality. Since then, not only has there been a substantial increase in the quantity of ballpoint pens produced in India but their quality has also improved a lot. The improvement in quality of goods is very important but it is not captured by the GDP.

3. **GDP does not tell us about the way income is distributed in the country:**
- The GDP of a country may be growing rapidly but income may be distributed so unequally that only a small percentage of people may be benefitting from it.

4. **The GDP does not tell us about the kind of life people are living:**
- A high level of per capita real GDP can go hand-in-hand with very low health condition of people, an undemocratic political system, high pollution and high suicide rate.

Estimation of GDP

- The Central Statistical Organi-sation (CSO), under the Ministry of Statistical department keeps the records. It's processes involves conducting an annual survey of industries and compilation of various indexes like the Index of Industrial Production (IIP) Consumer Price Index (CPI) etc.

1) **Primary Sector: (Agricultural Sector)**
- Agricultural sector is known as primary sector, in which agricultural operations are undertake. Agriculture based allied activities, production of raw materials such as cattle farm, fishing, mining, forestry, corn, coal etc. are also undertaken.

2) **Secondary Sector:(Industrial Sector)**
- Industrial sector is secondary sectors in which the goods and commodities are produced by transforming the raw materials. Important industries are Iron and Steel industry, cotton textile, Jute, Sugar, Cement, Paper, Petrochemical, automobile and other small scale industries.

3) **Tertiary: (Service Sector)**
- Tertiary sector is known as service sector it includes Government, scientific research, transport communication, trade, postal and telegraph, Banking, Education, Entertainment, Healthcare and Information Technology etc.. In the 20th century, economists began to suggest that, traditional tertiary services could be further distinguished from "quaternary" and "quinary" service sectors.

Gross value added (GVA)

- Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.
- GVA is linked as a measurement to Gross Domes-

tic Product (GDP), as both are measures of output. The relationship is defined as GVA + taxes on products - subsidies on products = GDP

GVA = GDP + subsidies - (direct sales) taxes.

Difficulties in Measuring National Income

Difficulties in Measuring National Income:
- Transfer payments
- Difficulties in assessing depreciation allowance
- Unpaid services
- Income from illegal activities
- Production for self - consumption and changing price
- Capital Gains
- Statistical Problems

Importance of National Income Analysis

- National income is of great importance for the economy of a country. Nowadays the national income is regarded as accounts of the economy, which are known as social accounts. It enables us
  1. To know the relative importance of the various sectors of the economy and their contribution towards national income; from the calculation of national income, we could find how income is produced, how it is distributed, how much is spent, saved or taxed.
  2. To formulate the national policies such as monetary policy, fiscal policy and other policies; the proper measures can be adopted to bring the economy to the right path with the help of collecting national income data.
  3. To formulate planning and evaluate plan progress; it is essential that the data pertaining to a country's gross income, output, saving and consumption from different sources should be available for economic planning.
  4. To build economic models both in short - run and long - run.
  5. To make International comparison, inter - regional comparison and inter - temporal comparison of growth of the economy during different periods.
  6. To know a country's per capita income which reflects the economic welfare of the country (Provided income is equally distributed)
  7. To know the distribution of income for various factors of production in the country.
  8. To arrive at many macro economic variables namely, Tax – GDP ratio, Current Account Deficit - GDP ratio, Fiscal Deficit - GDP ratio, Debt - GDP ratio etc.

Capital Gains

- Capital gains are excluded from national income.

Social Accounting and Sector

Firms

- Firms undertake productive activities. Thus, they are all organizations which employ the factors of production to produce goods and services.

Households

- " Households" are consuming entities and represent the factors of production, who receive payment for services rendered by them to firms. Households consume the goods and services that are produced by the firms.
- Thus, firms make payment to households for their services. Households spend money incomes they received on the goods and services produced by the firms. This is a circular flow of money between these two groups.

The Government sector

- " The Government sector" refers to the economic transactions of public bodies at all levels, centre, state and local. In their work concerning social accounting, Edey and Peacock have defined government as a collective 'person' that purchases goods and services from firms. These purchases may be financed through taxation, public borrowings, or any other fiscal means. The main function of the government is to provide social goods like defence, public health, education, etc. This means satisfying the collective wants of society. However, public enterprises like Post Offices and railways are separated from the Government sector and included as "Firms".

Rest of the world sector

- " Rest of the world sector" relates to international economic transactions of the country. It contains income, export and import transactions, external loan transaction, and allied overseas investment income and payments.

Capital sector

- " Capital sector" refers to saving and investment activities. It includes the transactions of banks, insurance corporations, financial houses, and other agencies of the money market. These are not included under "Firms". These agencies merely provide financial assistance to the firms' activities.
- While assessing sectoral contribution to GDP, the economy is divided into three namely Primary, Secondary and Tertiary sectors.

National Income and Welfare

- National Income is considered as an indicator of the economic wellbeing of a country. The economic progress of countries is measured in terms of their GDP per capita and their annual growth rate.
- Physical Quality of Life Index (PQLI) is considered a better indicator of economic welfare. It includes standard of living, life expectancy at birth and literacy.

National Income & Erosion of national Wealth

- For achieving higher GDP, larger natural resources are being depleted or damaged. This means reduction of potential for future growth. Hence, it is suggested that while assessing national income, loss of natural resources should be subtracted from national income.

National income in terms of US$

- When Indian national income is expressed in terms of US$, the former looks very low. If Purchasing Power Parity (PPP) method is adopted India looks better.

Economic Trends in TamilNadu

Introduction

- Tamil Nadu is geographically eleventh largest and population wise third largest. Tamil Nadu fares well with many achievements. It stands to second in terms of contribution to GDP, third highest in terms of per capita income, investment, Foreign Direct Investment (FDI) and industrial output. It has been ranked as the most economically free state by the Economic Freedom.
- In the social and health sector also Tamil Nadu's performance is better than many other states and better than national average in terms of health, higher education, IMR and MMR

Highlights of Tamil Nadu Economy

- Growth of SGDP in Tamil Nadu has been among the fastest in India since 2005.
- Poverty reduction in Tamil Nadu has been faster than that in many other States.
- Tamil Nadu contains a smaller proportion of India's poor population.
- Tamil Nadu is the second largest contributor to India's GDP.
- Tamil Nadu ranks 3rd in Human Development Index (source: UNDP-2015)
- Tamil Nadu ranks 3rd in terms of invested capital (Rs.2.92 lakh crore) and value of total industrial output (Rs.6.19 lakh crore).
- Tamil Nadu ranks first among the states in terms of number of factories with 17% share and industrial workers (16% share) of the country.
- Tamil Nadu is placed third in health index as per the NITI AAYOG report.
- Tamil Nadu has a highest Gross Enrolment Ratio in higher education.
- Tamil Nadu has the largest number of engineering colleges
- Tamil Nadu has emerged as a major hub for renewable energy.
- Tamil Nadu has highest credit Deposit Ratio in commercial and Cooperative banks.
- has highest ranks first on investment proposals filed by MSMEs.

Performance of Tamil Nadu Economy

- Some of the States like Gujarat and Maharashtra seem to perform well in some of the economic indicators.
- Kerala tops in literacy, IMR and MMR. In recent years Tamil Nadu's performance is outstanding and far ahead of all other states in the spheres of health, higher education, growth of MSMEs, poverty alleviation and employment generation.

Tamil Nadu is placed third in health index

- The Tamil Nadu state has come third after Kerala and Punjab in a health index report.
- The neo natal mortality rate is 14 lower than that of many other states and that the under 5 mortality has dropped from 21 in 2014 to 20 in 2015

Healthy States, Progressive India Report, (2018) –NITI AAYOG

Natural Resource

Water Resources

- Tamil Nadu is not endowed with rich natural resources compared to other States. It accounts for three per cent of water sources, four per cent of land area against six per cent of population
- North East monsoon is the major source of rainfall followed by South West monsoon. There are 17 river basins in Tamil Nadu.
- The main rivers are Palar, Cheyyar, Ponnaiyar, Cauvery, Bhavani, Vaigai, Chittar, Tamiraparani, Vellar, Noyyal Siruvani, Gundar, Vaipar, Valparai etc.
- Wells are the largest source of irrigation in Tamil Nadu (56%).

Water Resources

Source of Irrigation	Numbers
Reservoirs	81
Canals	2239
Tanks	41262
Tube Wells	3,20,707
Open Wells	14,92,359

(Source: Tamil Nadu Government Season & Crop Report 2012-13)

Mineral Resources

- Tamil Nadu has a few mining projects based on Titanium, Lignite, Magnesite, Graphite, Limestone, Granite and Bauxite.
- The first one is the Neyveli Lignite Corporation that has led development of large industrial complex around Neyveli in Cuddalore district with Thermal power plants, Fertilizer and Carbonisation plants.
- Magnesite mining is at Salem from which mining of Bauxite ores are carried out at Yercaud and this region is also rich in Iron Ore at Kanjamalai. Molybdenum is found in Dharmapuri, and is the only source in the country.

Mineral Resources

Mineral	Reserve (Tonnes)	National Share
Lignite	30,275,000	87%
Vermiculite	2,000,000	66%
Garnet	23,000,000	42%
Zircon	8,000,000	38%
Graphite	2,000,000	33%
Ilmenite	98,000,000	28%
Rutile	5,000,000	27%
Monazite	2,000,000	25%
Magnesite	73,000,000	17%

(Source: Department. of Geology and Mining)

Population

- Tamil Nadu stands sixth in population with 7.21 crore against India's 121 crore as per 2011 census. However, Tamil Nadu's population is higher than that of several countries according to UN Report

Density

- The density of population which measures population per sq.km is 555 (2011) against 480 (2001). Tamil Nadu ranks 12th in density among the Indian States and overall it is 382 for India.

Urbanisation

- Tamil Nadu is the most urbanized state with 48.4% of urban population against 31.5% for India as a whole. The State accounts for 9.61% of total urbanites in India against 6% share of total population.

Sex ratio (Number of female per 1000 males)

- Balanced sex ratio implies improvement in quality of life of female population. The sex ratio in Tamil Nadu is nearing balance with 995 which is far better compared to most of the States and all India level. Tamil Nadu stands third next only to Kerala state and Puduchery Union Territory in sex ratio.

Sex Ratio

Sl.No	Indicator	TamilNadu	India
1	IMR	17	34
2	MMR	79	159
3	Life Expectancy		
	Total	70.6	67.9
	Male	68.6	66.4
	Female	72.7	69.6
4	Literacy Rate		
	Total	80.33 %	74.04 %
	Male	86.81 %	82.14 %
	Female	73.86 %	65.46 %
5	Sex Ratio	995	940

Infant Mortality Rate (mortality before completing 1 year)

- Tamil Nadu is well ahead of national average and other states in IMR. According to NITI AAYOG, the IMR is 17 (per 1000) for Tamil Nadu which is just half of national average of 34 as on 2016

Maternal Mortality Rate (MMR) (Mother's death at the time of delivery per 1 lakh)

- Tamil Nadu has a good record of controlling MMR, ranking third with 79 (Kerala 61, Maharashtra 67) against national average of 159 again half of the national average [NITI AAYOG].

Life Expectancy at birth

- The average period that a person may expect to live is called life expectancy. However, life expectancy in India still falls short of most developed and developing nations.

Literacy

- The literacy rate of Tamil Nadu is Is higher than in many States.

Gross State Domestic Product (GSDP)

- Just like GDP, the Gross State Domestic Product refers to the total money value of all the goods and services produced annually in the State.
- Tamil Nadu is the second largest economy in India with a GSDP of $ 207.8 billion in 2016-17 according to the Directorate of Economics and Statistics, Tamil Nadu. The GSDP of Tamil Nadu is equal to the GDP of Kuwait on nominalterm and GDP of UAE on PPP terms.
- The GSDP of Tamil Nadu is far higher compared to many countries as shown below. This is mainly due to population effect. Per capita GSDP would be better for intercountry or interstate comparisons.
- Tamil Nadu may go below if per capita GSDP is considered for comparison.

Gross State Domestic Product

State / Country	GSDP /GDP (Billion)
Tamil Nadu-GSDP	$ 207.8
Iraq-GDP	$ 171
New Zealand-GDP	$ 184
Sri Lanka-GDP	$ 81

Sectoral Contribution

- The tertiary sector (service sector) is the major contributor to Tamil Nadu's GSDP at 63.70%. The secondary sector (Industry) contribution is gradually on the rise and now it is 28.5%.
- Agriculture occupies a prominent position in occupation but its contribution to GSDP is declining and now it is just 7.76%.
- This means that the tertiary and secondary sectors have grown faster, the agricultural sector has grown slow.
- Agriculture sector provides employment and food to larger proportion of Indians and Tamils.
- But, the same sector is growing slowly means it is not good. With this trend sustainable development may not be possible.

Per capita Income

- The Per capita GSDP of Tamil Nadu also ($ 2,200) which is higher than that of many other States in India.
- Per capita GSDP of Tamil Nadu is nearly 1.75 times higher than the national average, as per 2018 data.
- In term of ₹ the per capita income in Tamil Nadu was ₹ 1,03,600 in 2010-11 and it has increased to ₹ 1,88,492 in 2017-18 as per the Budjet figures 2018.

Per capita income

State / Country	Per capita Income (in USD)
Tamil Nadu	2200
India	1670
Nigeria	2175
Nicaragua	2151
Pakistan	1443
Bangladesh	1358
Zimbabwe	1029
Nepal	729

(Source: World Bank National Accounts data, and OECD National Accounts)

Per capita Income (2015-16)

State	PI (₹)
Tamil Nadu	1,57,116
Kerala	1,55,516
Karnataka	1,46,416
Telangana	1,58,360
Andhra Pradesh	1,37,000

(Source: Reserve Bank of India, New Delhi, February 2017)

Agriculture

- Tamil Nadu, with seven agro climatic zones and varied soil types is better suited for the production of fruits, vegetables, spices, plantation crops, flowers and medicinal plants.
- The State is the largest producer of loose flowers and the third largest producer of fruits.
- Tamil Nadu has historically been an agricultural State. At present, Tamil Nadu is the India's second biggest producer of rice, next only to West Bengal.
- The state is one of the major producers of turmeric. It is also the leading producer of Kambu, Corn, Groundnut, Oil seeds and Sugarcane.
- It ranks first in production of plantation crops and banana and coconut, second in rubber and cashew nut, third in pepper and fourth in sugarcane.
- The gross cropped area under all crops was 58.97 lakh hectares in the year 2013-14.
- The area under food crops account for 72.9% and that of non-food crops is 27.1%. Among the food crops paddy takes a major share.
- Among the non-food crops, groundnut and coconut take a major share.
- Net sown area has been gradually declining; and, rural land, labour and capital are moving towards urban projects.
- As a result, villages are emptied and cities are over-crowded and congested, leading to spatially unbalanced bulging.

Foodgrain Production

- Rice production dominates among food grain production with 79.49 lakh tones on 2014-15 followed by millets at 40.79 lakh tons.

Productivity Position of Tamil Nadu and India

- The Government of Tamil Nadu lays emphasis on agricultural production and productivity. As a result, Tamil Nadu tops in productivity, in food crops as well as non-food crops, among the States in India.

Industry

- Chennai is sometimes referred to as the Health Capital of India or the Banking Capital of India, having attracted investments from International Finance Corporationsand the World Bank. It is also called as Detroit of Asia.
- Tamil Nadu has a network of about 110 industrial parks/estates that offer developed plots with supporting infrastructure.
- Also, the Government is promoting other industrial parks like Rubber Park, Apparel Park, Floriculture Park, TICEL Park for Biotechnology, Siruseri IT Park and Agro Export Zones.
- The heavy engineering manufacturing companies are centeredaround the suburbs of Chennai.
- Chennai boasts of global car manufacturing giants as well as home grown companies.
- Karur is known for its bus body building which contributes 80% of South Indian bus body building.
- TNPL is the Asia's largest ecofriendly paper mill. Salem is called as steel city and has many sago producing units and mineral wealth.
- Sivakasi is the leader in printing, fireworks, safety matches production in India.

- It contributes to 80% of India's total safety matches production and 90% of India's total fireworks production.
- Thoothukudi is the gateway of Tamil Nadu. It is a major chemical producer next only to Chennai.

Textile

- Tamil Nadu is the largest textile hub of India. Tamil Nadu is known as the "Yarn Bowl" of the country accounting for 41% of India's cotton yarn production.
- The textile industry plays a significant role in the Indian economy by providing direct employment to an estimated 35 million people, and thereby contributing 4% of GDP and 35% of gross export earnings.
- The textile sector contributes to 14% of the manufacturing sector. From spinning to garment manufacturing, entire textile production chain facilities are in Tamil Nadu.
- About half of India's total spinning mill capacity is in Tamil Nadu. The western part of Tamil Nadu comprising Coimbatore, Tirupur, Erode, Dindigul and Karur has the majority of spinning mills manufacturing cotton/polyester/blended yarn and silk yarn used by garment units in Tamil Nadu, Maharastra etc.

Tirupur

- Yarn is also exported to China, Bangladesh etc. Tirupur known as "Knitting City" is the exporter of garments worth USD 3 Billion.
- Karur is the major home for textile manufacturing (Curtain cloth, bed linens, kitchen linens, toilet linens, table linens, wall hangings etc.) and export hub in India.
- Erode is the main cloth market in South India for both retail and wholesale ready-mades.

Leather

- Tamil Nadu accounts for 30 per cent of leather exports and about 70 per cent of leather production in the country.
- Hundreds of leather and tannery industries are located around Vellore, Dindigul and Erode. Every year the State hosts the India International Leather Fair in Chennai.

Electronics

- Chennai has emerged as EMS Hub of India. Many multi – national companies have chosen Chennai as their South Asian manufacturing hub.

Automotives

- Chennai nicknamed as "The Detroit of Asia"is home to a large number of auto component industries.
- Tamil Nadu has 28% share each in automotive and auto components industries, 19% in the trucks segment and 18% each in passenger cars and two wheelers.

Cement Industry

- Tamil Nadu ranks third in cement roduction in India (First Andhra Pradesh, Second Rajasthan).
- Among 10 largest cement companies in India as on 2018, Ramco Cement and India Cement find prominent place.
- And also Tamil Nadu stands second in number of cement plants with 21 units against 35 units in Andhra Pradesh.

Fire works

- The town of Sivakasi is a leader in the areas of printing, fireworks, and safety matches.
- It was fondly called as "Little Japan" by Jawaharlal Nehru. It contributes to 80% of India's fireworks production.
- Sivakasi provides over 60% of India's total offset printing solutions.

Other Industries

- One of the global electrical equipment public sector companies viz BHEL has manufacturing plants at Tiruchirappalli and Ranipet.
- The Tamil Nadu State Government owns the Tamil Nadu Newsprint and Papers (TNPL), the world's biggest bagasse-based paper mill in Karur.
- Tamil Nadu is a leading producer of cement in India and with manufacturing units located at Ariyalur, Virudhunagar, Coimbatore and Tirunelveli.
- The region around Salem is rich in mineral ores. The country's largest steel public sector undertaking, SAIL has a steel plant in Salem
- Coimbatore is also referred to as "the Pump City" as it supplies two thirds of India's requirements of motors and pumps. The city is one of the largest exporters of jewellery, wet grinders and auto components and the term "Coimbatore Wet Grinder" has been given a Geographical indication
- Thoothukudi is known as "Gateway of Tamil Nadu". Thoothukudi is the major chemical producer in the state. It produces the 70 per cent of the total salt production in the State and 30 per cent in the country.

MSMEs

- The Micro, Small and Medium Enterprises are defined under the MSMED Act 2006. The enterprises are classified as Manufacturing and Service enterprises based on the investment in plant and machinery and equipment (excluding land and building) the classification of Micro, Small and Medium Enterprises.
- Tamil Nadu accounts of 15.07% Micro, Small and Medium Enterprises (MSMEs) in the country(the highest among all States) with 6.89 lakhs registered MSMEs. Producing over 8000 varieties of product for a total investment of more than Rs.32,008crore
- MSMEs produce a wide variety of products in almost all sectors. The prominent among them are the engineering, electrical, chemicals, plastics, steel, paper, matches, textiles, hosiery and garments sector. Around 15.61 lakh entrepreneurs have registered, providing employment opportunities to about 99.7 lakhs persons with total investment of Rs. 1,68,331 crore

Energy

- Tamil Nadu tops in power generation among the southern States.
- Installed capacity of power utilities in States in southern region
- Tamil Nadu is in the forefront of all other Indian States in installed capacity. Muppandal wind farm is a renewable energy source, supplying the villagers with electricity for work.
- Wind farms were built in Nagercoil and Tuticorin apart from already existing ones around Coimbatore, Pollachi, Dharapuram and Udumalaipettai. These areas generate about half of India's 2,000 megawatts of wind energy or two percent of the total power output of India.

Nuclear Energy

- The Kalpakkam Nuclear Power Plant and the Koodankulam Nuclear Power Plant are the major nuclear energy plants for the energy grid.

Thermal Power

- In Tamil Nadu the share of thermal power in total energy sources is very high and the thermal power plants are at Athippattu (North Chennai) Ennore, Mettur, Neyveli and Thoothukudi.
- The generation of power under various sources is given below

Thermal Power

Source	Million	Units %
Thermal	13304	49.52
Hydel	2203	8.20
Nuclear	986	3.67
Others (Wind, Solar)	10372	38.61
Total	26865	100.00

(Source: Central Electricity Authority, Ministry of Power, Government of India. Retrieved 15 Jan.2017)

Hydel Energy

- There are about 20 hydro electric units in Tamil Nadu. The prominent units are Hundah, Mettur, Periyar, Maravakandy, Parson Valley etc.

Solar Energy

- Tamil Nadu tops in solar power generation in India as seen in following table.
- Southern Tamil Nadu is considered as one of the most suitable regions in

Solar Energy

Ranking	States	Total capacity (MW) 2017
1	Tami l Nadu	1590.97
2	Rajasthan	1317.64
3	Gujarat	1159.76
4	Telangana	1073.41
5	Andhra Pradesh	979.65

- The country for developing solar power projects.

Wind Energy

- Tamil Nadu has the highest installed wind energy capacity in India. The State has very high quality of off shore wind energy potential off the Tirunelveli coast and southern Thoothukudi and Rameswaram coast.

Banking

- In Tamil Nadu, Nationalised banks account for 52% with 5,337 branches, Private Commercial Banks 30% (3,060) branches, State Bank of India and its associates 13% (1,364), Regional Rural Banks 5% (537) branches and the remaining 22 foreign bank branches.
- Total deposits of the banks in Tamil Nadu registered an year-on year increase of 14.32% by March 2017 and touched ₹ 6,65,068.59 crores.
- Total credit of the banks in Tamil Nadu registered a year-on year increase of 13.50% by March 2017 and touched ₹ 6,95,500.31 crores. The share of Priority Sector Advances stands at 45.54% as against the national average of 40%.
- The percentage of Agricultural advances to total advances as at the end of March 2017 works out to 19.81% as against the national average of 18%.
- Banks in Tamil Nadu have maintained one of the highest Credit Deposit Ratio of 119.15% in the country whereas this ratio is 77.5% at the national level.

Education

a. School Education

- Tamil Nadu is grouped among high Gross Enrolement Ratio (GER) States. It ranks third next only to Kerala (81%) and Himachal Pradesh (74%). The all India average is 43% and the world average is 59%.

Tamil Nadu's primary education statistics 2016-17

Number of schools	Primary	35,414
	Middle	9,708
	High and Higher Secondary	12,911

- Gross Enrolment Ratio is 118.8% for primary level(class 1-5); 112.3% for upper primary level (class 6-8), 62.7% for secondary level (class 9-10), 49.26% at Higher Secondary level (class 11-12).
- This has been possible mainly due to the supply of free food, cloth, foot-wear, scholarship, laptop etc.

b. Higher Education

- In Gross Enrolment Ratio under higher education (Tertiary level) Tamil Nadu continues to be at the top level well ahead of other states.
- The GER is 46.9% in Tamil Nadu which is far higher against national average and all other States This higher GER is thanks to the distribution of free food,cloth, footwear, laptop and scholarship.

Gross Enrolment Rate %

State	2016-17
Tamil Nadu	46.9
Maharashtra	30.2
Uttar Pradesh	24.9
Odisha	21.0
Bihar	14.4
All India	25.2

- Tamil Nadu has 59 Universities, 40 Medical colleges, 517 Engineering colleges, 2,260 Arts and Science colleges, 447 Polytechnics and 20 dental colleges. Tamil Nadu produces nearly four lakh engineering and polytechnic students every year, the highest in the country.

Educational Loans

- As far as educational loans disbursed by Public Sector Banks under priority sector are concerned, 20.8% of the total amount was disbursed in Tamil Nadu between 2013-14 and 2015-16. Andhra Pradesh was second with 11.2% of the total loan amount followed by Maharashtra (10.2%).
- Of the total amount of educational loans disbursed by Private Banks during the same period, Kerala accounted for 37.8% followed by Tamil Nadu with 24.8%.
- Both Karnataka & Kerala together accounted for more than 60% of the total educational loan amount by Private Banks.

Health

- Tamil Nadu has a three – tier health infrastructure comprising hospitals, primary health centres, health units, community health centres and sub-centres.
- As of March 2015, the State had 34 district hospitals, 229 sub-divisional hospitals, 1,254 primary health centres, 7,555 Sub-centres and 313 community health centres.

Communication

- Maharashtra has the highest number of internet subscribers in the country at 29.47 million, followed by States like Tamil Nadu, Andhra Pradesh and Karnataka.
- According to government data, India had a total of 342.65 million internet subscribers at the end of March, 2016.
- Tamil Nadu had 28.01 million subscribers, while its neighbours Andhra Pradesh and Karnataka had 24.87 million and 22.63 million, respectively.

Transport

- Tamil Nadu has a well established transportation system that connects all parts of the State. This is partly responsible for the investment in the State.
- Tamil Nadu is served by an extensive road network in terms of its spread and quality, providing links between urban centres, agricultural market-places and rural habitations in the country side. However, there is scope for improvement.

a. Road

- There are 28 national highways in the State, covering a total distance of 5,036 km.
- The State has a total road length of 167,000 km, of which 60,628 km are maintained by Highways Department.
- It ranks second in India with a share of over 20% in total road projects under operation in the public-private partnership (PPP) model.

b. Rail

- Tamil Nadu has a well-developed rail network as part of Southern Railway, Headquartered at Chennai. The present Southern Railway network extends over a large area of India's Southern Peninsula, covering the States of Tamil Nadu, Kerala, Puducherry, minor portions of Karnataka and Andhra Pradesh.
- Tamil Nadu has a total railway track length of 6,693 km and there are690 railway stations in the State.
- The systemconnects it with most major cities in India. Main rail junctions in the State include Chennai, Coimbatore, Erode, Madurai, Salem, Tiruchirapalli and Tirunelveli.
- Chennai has a well-established Suburban Railway network, a Mass Rapid Transport System and is currently developing a Metro system, with its first underground stretch operational since May 2017.

c. Air

- Tamil Nadu has four major international airports. Chennai International Airport is currently the third largest airport in India after Mumbai and Delhi.
- Other international airports in Tamil Nadu include Coimbatore International Airport, Madurai International Airport and Tiruchirapalli International Airport.
- It also has domestic airports at Tuticorin, Salem, and Madurai. Which connect several parts of the country.
- Increased industrial activity has given rise to an increase in passenger traffic as well as freight movement which has been growing at over 18 per cent per year.

d. Ports

- Tamil Nadu has three major ports; one each at Chennai, Ennore, and Tuticorin, as well as one intermediate port in Nagapattinam, and 23 minor ports. The ports are currently capable of handling over 73 million metric tonnes of cargo annually (24 per cent share of India).
- All the minor portsare managed by the Tamil Nadu Maritime Board, Chennai Port. This is an artificial harbour and the second principal port in the country for handling containers.
- It is currently being upgraded to have a dedicated terminal for cars capable of handling 4,00,000 vehicles.
- Ennore Port was recently converted from an intermediate port to a major port and handles all the coal and ore traffic in Tamil Nadu.

Tourism

- Tamil Nadu has since ancient past been a hub for tourism. In recent years, the state has emerged as one of the leading tourist destinations for both domestic and foreign tourists.
- Tourism in Tamil Nadu is promoted by Tamil Nadu Tourism Development Corporation (TTDC), a Government of Tamil Nadu undertaking.
- The State currently ranks the highest among Indian States with about 25 crore arrivals (in 2013).
- The annual growth rate of this industry stood at 16 per cent. Approximately 28 lakh foreign and 11 crore domestic tourists visit the State.

Unemployment and Poverty

- National average of unemployment rate stands at 50 and Tamil Nadu ranks 22nd with unemployment rate of 42 per 1000.
- There are different kinds of unemployment with different economic implications.
- All those aspects need to be studied to fully understand the employment situation Tamil Nadu is one of India's richest states Since 1994, the state has seen a steady decline in poverty.

Poverty - Compartitive with other states

- Today, Tamil Nadu has lower levels of poverty than most other States in the country.
- After 2005, Tamil Nadu was among India's fastest growing states, with growth being driven mainly by services.

Population Growth in Tami Nadu: At a Glance (2011 Census)

Total Population	72138958
Male	36158871
Female	35980087
Crude birth rate (per thousand)	15.7
Crude death rate (per thousand)	7.4
Growth Rate (per thousand)	8.3
Districts with Highest Population	(Chennai, Kancheepuram, Vellore and Thiruvallur)
Districts with Lowest Population	(Perambalur, The Nilgiris, Ariyalur and Theni)
Population Density (per sq km):	555 (2011), 480 (2001)
Maximum Density	Chennai (26903); Kanyakumari (1106)
Minimum Density	The Nilgiris (288); Thiruchirappalli (602)
Sex Ratio (per 1000 males)	995 females (2011) 987 females (2001)
District with Highest Sex Ratio	The Nilgiris (1041 females) Thanjavur (1031 females) Nagapattinam (1025 females)
District with Lowest Sex Ratio	Theni (900 females) Dharmapuri (946 females)
Child Sex Ratio (0-6 age group)	946 female children (2011) 942 female children (2001)
District with Highest Child Sex Ratio	The Nilgiris (985), Kanyakumari (964)
District with Lowest Child Sex Ratio	Cuddalore (896); Ariyalur (897)
Literacy Rate	80.33% (2011) 73.45% (2001)
Male Literacy	86.81% (2011) 82.33% (2001)
Female Literacy	73.86% (2011) 64.55% (2001)
District with Highest Literacy	Kanyakumari (92.14%); Chennai 90.33%)
District with Lowest Literacy	Dharmapuri(64.71%; Ariyalur (71.99%)

Employment in India and Tamil Nadu

- To survive in the world, we all need employment to earn money.
- Those who are engaged in economic activities, in whatever capacity–high or low – are called employees.
- People who employ these workers and pay rewards for their work are called the employers.
- Labour force of the economy is the number of people in the country who work and also capable of working. We take the age group of 15–60 years for the computation of workforce.
- Persons who are less than 15 years are considered as children, and person who have crossed 60 years of age are excluded as they are not physically fit to undertake productive occupation.
- If larger percentage of population is accounted by children and old-age persons, then the progress of the country would be very slow as the working force is very small.
- Besides, the small working force will have to maintain larger non-working force for feeding out of the small national product.

Employment Structure in India

- The nature of employment in India is multi-dimensional. Some get employment throughout the year; some others get employed for only a few months in a year.
- The economy is classified into three sectors: primary or agriculture sector, secondary or industrial sector and tertiary or service sector

Primary sector

- Agriculture, forestry animal husbandry, poultry, dairy farming, fishing etc.

Secondary sector

- Manufacturing, small and large-scale industries and constructional activities.

Tertiary sector

- Transport, insurance, banking, trade, communication, real estate, government and non-government services.
- In the medieval period, Feroz Shah Thuglaq, the Sultan of Delhi, had set up an 'Employment Bureau' to solve the unemployment problem.

Types of Employment:

Organised and Unorganised Sectors

Organised Sector

- The organised sector is one that is incorporated with the appropriate authority or government and follows its rules and regulations.
- In India employees of central and state governments, banks, railways, insurance, industry and so on can be called as organised sector.

Unorganised Sector

- The unorganised sector of the economy characterised by the household manufacturing activity and small-scale industry.
- Jobs here are low paid and often not regular, This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street, doing repair work and so on.

Public Sector

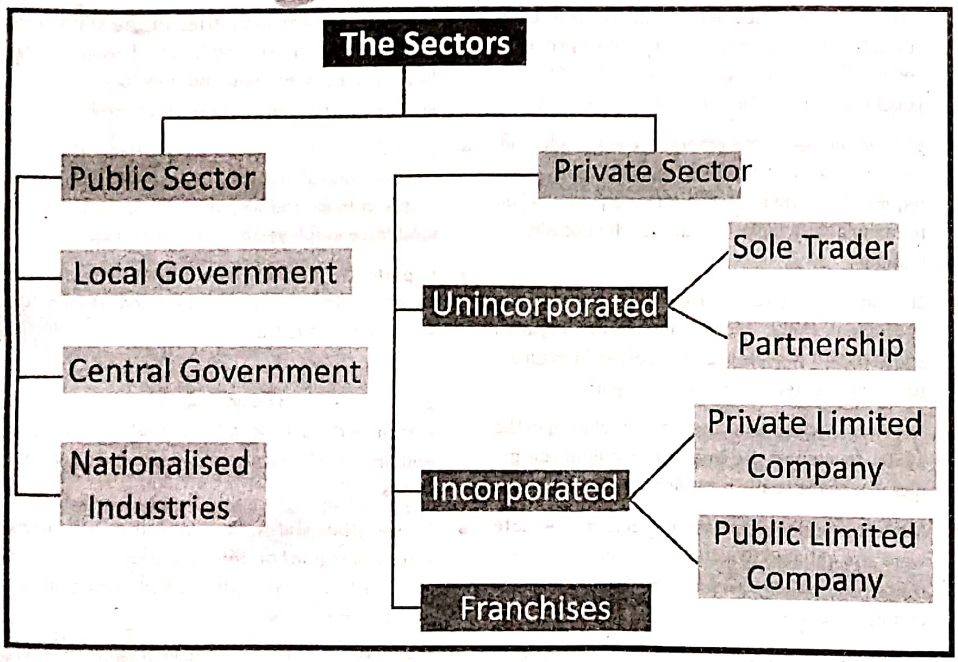
- NLC, SAIL, BSNL

Private Sector

- TVS Motors, Ashok Leyland, TATA Steel

Differences between the Public Sector and Private Sector

S. No.	Public Sector	Private Sector
1	Service motive	Profit motive
2	Government owns the assets	Private individuals own the assets
3	Wages are paid by the government	Wages are paid by the owner of private enterprises.



Employment Pattern

- In recent years, there has been a change in the employment pattern and this has helped the employers to develop more flexible working patterns among their employees.
- The trends are (a) increasing self-employment (b) firms using fewer full-time employees and tending to offer more short-term contracts (c) there has been a growth in part-time employment.
- This may be due to lifestyle of the people.

Employment Trends in Tamil Nadu

- Agriculture, despite a sharp decline in gross domestic product, continues to be the largest employer in Tamil Nadu.
- This is because the non-agriculture sectors are yet to generate enough employment to affect a shift of labour force.
- Most of the employment growth in Tamil Nadu has been contributed by the unorganised and informal sectors.

Industrial Clusters in Tamil Nadu

- Generally, "any human activity which is engaged in the conversion of raw materials into readily usable materials is called an industry".
- Industrialisation refers to the process of using modern techniques of production to produce goods that are required by both consumers and other producers on a large scale.

What benefits does industrialisation bring to an economy?

- As stated earlier, it is essential to produce inputs to other producers in an economy. Even agriculture requires inputs from industry such as fertilisers and tractors to increase productivity.
- Second, a market exists for both producers and consumer goods. Even services like banking, transport and trade are dependent on production of industrial goods.
- Third, by using modern methods of production, industries contribute to better productivity and hence lower cost of production of all goods produced. It therefore helps people to buy goods at a cheaper rate and help create demand for more products.
- Fourth, through such expansion of production, industrialisation helps to absorb the labour force coming out of agriculture. Employment generation is therefore an important objective of industrialisation.
- Fifth, a related advantage of industrialisation is therefore technological change. Through use of modern techniques, industrialisation contributes to learning of such methods and their improvement.
- As a result labour productivity, ie, output per unit of labour input increases, which can help workers earn higher wages.
- Sixth, expanding incomes lead to more demand for goods and services. If an economy is not able to produce enough to meet such demand, it has to rely on imports and therefore spend a lot of foreign exchange.
- If the economy does not earn enough from exporting, it will be difficult to meet the growing demand. Industrialisation therefore helps an economy to save and also generate foreign exchange through exports.

Types of Industries

- Industries can be classified on the basis of
- **Users:** If the output is consumed by the final consumer, it is called a consumer goods sector. If the output is consumed by another producer, it is called a capital goods sector. There are industries that produce raw materials for other industries such as cement and steel. Such industries are called basic goods industries.
- **Type of Inputs Used:** Industries are also classified based on the kind of raw material used such as agro-processing, textiles sector, rubber products, leather goods, etc.
- **Ownership:** Firms may be privately owned, publicly owned (by the government, central or state),

jointly owned by the private and public sector, or cooperatively owned (cooperatives).

- **Size:** Firms may be large, small or medium based on their volume of output, sales or employment or on the basis of the amount of investments made. The Indian government normally uses the investment criterion to decide whether a firm is small, medium or large. There are also micro or tiny enterprises that are smaller than even small firms. This classification is important because the government often provides financial, infrastructural or subsidy support to the smaller firms to promote them.
- The small sector is seen as important for two reasons. One, it is believed to generate more employment than the large-scale sector, which is likely to use more advanced and automated technologies and therefore may not generate enough employment.
- Second, the small scale sector allows for a larger number of entrepreneurs to emerge from less privileged backgrounds.
- Till the 1980s, it was widely believed that large firms are more efficient and can out- compete the smaller firms.
- But at present, based on experiences of industrialisation in different parts of the world, it is believed that when small firms specialising in one sector are geographically concentrated in specific locations, and linked to one another through production and learning, they tend to be equally if not more efficient than large scale enterprises. Such agglomerations of small firms are called industrial clusters.

Industrial Clusters

- Industrial clusters are groups of firms in a defined geographic area that share common markets, technologies and skill requirements.
- An important aspect of clusters is the nature of inter-firm networks and interactions. Clusters where firms specialise in one stage of the production process and supply inputs or absorb the output of another firm in the cluster is critical to the efficiency and competitiveness of the cluster.
- The advantages of industrial clusters or districts was first observed by the famous economist Alfred Marshall in the 1920s when he tried to understand the working of clusters of small firms in the metal-working and textile regions in England.
- While the notion of an 'industrial district' was developed by Marshall, it was only after the success of small firms in Italy in the 1980s that it became popular.
- Policy-makers in developing countries like India began to promote them actively as they realized that there several such small firm clusters in the country.

The following are the chief characteristics of a successful cluster.

- geographical proximity of small and medium enterprises (SMEs)
- sectoral specialisation
- close inter-firm collaboration
- inter-firm competition based on innovation
- a socio-cultural identity, which facilitates trust
- multi-skilled workforce
- active self-help organisations, and
- supportive regional and municipal governments.
- Firms are therefore expected to collaborate and compete with one another at the same time. By collaborating, they can expand their capacity and also learn from one another.
- Through competition, they are forced to become more efficient. Apart from the Chennai region, industrial growth has been concentrated in several small town clusters, throughout the state, with the western region being more dominant.
- These clusters specialise in a range of activities like clothing, home furnishings, textiles, leather, poultry, coir products, transport equipment servicing, engineering services and auto component making.

How Do Clusters Originate?

- Clusters may arise due to many factors. Certain clusters evolve over a long time in history when artisans settle in one locality and evolve over centuries.
- Handloom weaving clusters are one examples of this development. Or else, in some sectors, when a large firm is established, a cluster of firms may emerge to take care of its input and service requirements.
- At times, governments may decide to encourage manufacturing using raw materials from a region, which may also lead to emergence of clusters.

Historical Development of Industrialisation in Tamil Nadu

- There is lot of evidence for presence of industrial activities such as textiles, ship-building, iron and steel making and pottery in precolonial Tamil Nadu.
- Given the vast coastline, the region has been involved in trade with both South-East and West Asia for several centuries.
- Colonial policies also contributed to the decline of the handloom weaving industry due to competition from machine- made imports from England.
- But some industries also developed during the colonial period and provided the basis for subsequent industrialisation in the state.

Post-Independence to early 1990s

- Soon after independence, several large enterprises were set up by both the central and state governments in different segments such as the Integral Coach Factory in Chennai to make railway coaches and the Bharat Heavy Electricals Limited (BHEL) in Tiruchirapalli manufacture to boilers and turbines.
- BHEL in turn led to the emergence of an industrial cluster of several small firms catering to its input requirements. Heavy Vehicles Factory was set up to manufacture tanks in Avadi on the outskirts of Chennai.
- Standard Motors too started manufacturing cars in Chennai. Ashok Motors (later Ashok Leyland) and Standard Motors together helped form an automobile cluster in the Chennai region.
- The Avadi industrial estate was established in the 1950s to support the small and medium companies supplying to the large firms in the region.
- More hydro-electric power projects in the state were also initiated to increase the spread of electrification. The government played a major role in all these processes.
- The Salem Steel Plant was set up in 1973 to produce stainless steel.
- The Coimbatore region also witnessed diversification from textiles to textile machinery as well as agricultural machinery like electric motors and pumpsets for drawing ground water.
- The 1970s and 1980s saw the setting up of emergence of powerloom weaving clusters in the Coimbatore region as well as expansion of cotton knitwear cluster in Tiruppur and home furnishings cluster in Karur.
- This period also saw more encouragement of the small and medium sector with setting up of industrial estates by the state government in different parts.
- The Hosur industrial cluster is a successful case of how such policy efforts to promote industrial estates helped develop industries in a backward region.

Industrialisation in Tamil Nadu – Liberalization Phase

- The final phase of industrialisation is the post-reforms period since the early 1990s. The reforms made the state governments more responsible for resource mobilisation and they were forced to compete with each other to attract private investments for industrialisation.
- Incentives such as cheap land, tax concessions and subsidised but quality power were all offered to woo investors. Trade liberalisation and currency devaluation also helped open up export markets. This led to two major developments.
- First, because of trade liberalisation measures, exports of textiles, home furnishings and leather products began to grow rapidly.
- Second, efforts to attract investments led to entry of leading multinational firms (MNCs) into the state, especially in the automobile sector.
- Since automobile sector relies heavily on component makers, entry of MNCs not only brought along other MNC component suppliers but also opened up new market opportunities for domestic component producers.
- Chennai region also emerged as a hub for electronics industry with MNCs such as Nokia, Foxconn, Samsung and Flextronics opening plants on the city's outskirts. A significant share of these investments has come up in special economic zones in the districts bordering Chennai.
- Tamil Nadu has often been hailed as a model for successfully using the SEZ route to attract productive investments.
- Other important industries in the state that evolved over a much longer period include sugar, fertilizers, cement, agricultural implements, iron and steel, chemicals, transformers and paper.
- Because of all these factors, Tamil Nadu at present has the largest number of factories among all states in India and also has the largest share of workforce employed in manufacturing.
- Importantly, it is more labour intensive compared to other industrially advanced states like Maharashtra and Gujarat.
- The major industries are automobiles, auto- components, light and heavy engineering, machinery, cotton, textiles, rubber, food products, transport equipment, chemicals, and leather and leather goods.
- Unlike other states, the industries are spread across all regions of the state (there are 27 clusters in 13 districts) with many of them being export oriented as well.
- The state has a well-developed network of roads, rail, air and major ports. The diffusion of industrialisation also implies a widening of the social base of entrepreneurship.
- Unlike in North India where entrepreneurs and business groups are drawn mostly from merchant communities, in Tamil Nadu, the entrepreneurs

come from a dispersed social background, with a relatively small size of capital. Further, the spatial spread of industries is higher.

- The state also has a better mix of large, small and household industries. This diffused process of industrialisation and corresponding urbanisation has paved the way for better rural-urban linkages in Tamil Nadu than in most other states.

Major Industrial Clusters and Their Specialisation in Tamil Nadu

- Automotive Clusters Chennai is nicknamed as "The Detroit of Asia" because of its large auto industry base. Chennai is home to large number of auto assembly and component making firms.
- While there were a few domestic firms like TVS, TI Cycles, Ashok Leyland and Standard Motors earlier, in the post- reform period, several MNC firms like Hyundai, Ford, Daimler-Benz and Renault-Nissan have opened factories in the region.
- This in turn has attracted a number of component suppliers from foreign countries. Many local firms too cater to component production for all these firms.
- Hosur is another auto cluster with firms like TVS and Ashok Leyland having their factories there. Coimbatore region is also developing into an auto component cluster.

Truck and Bus Body Building Industry Clusters

- The Namakkal- Tiruchengode belt in western Tamil Nadu is known for its truck body building industry.
- About 150 of the 250 units in this sector are located in this cluster including 12 large-sized body building houses.
- Karur is another major hub with more than 50 units. Many entrepreuners were previous employees in a big firm involved in body building who came out to set up their own units.

Textile Clusters

- Tamil Nadu is home to the largest textiles sector in the country. Because of the development of cotton textile industry since the colonial period, Coimbatore often referred as the "Manchester of South India".
- At present, most of the spinning mills have moved to the smaller towns and villages at a radius over 100 to 150 km around the Coimbatore city. Tamil Nadu is the biggest producer of cotton yarn in the country.
- Palladam and Somanur, small towns near Coimbatore and the villages near these towns, are home to a dynamic powerloom weaving cluster as well. Powerloom is however more widespread with Erode and Salem region too having a large number of power loom units.
- Tiruppur is famous for clustering of a large number of firms producing cotton knitwear. It accounts for nearly 80% of the country's cotton knitwear exports and generates employment in the range of over three lakh people since the late 1980s.
- It is also a major producer for the domestic market. Because of its success in the global market, it is seen as one of the most dynamic clusters in the Global South.
- While initially most firms were run by local entrepreneurs, at present, some of the leading garment exporters in India have set up factories here.

Global South

- Countries in the southern hemisphere are called Global South countries

- Apart from body building, Karur is a major centre of exports of home furnishings like table cloth, curtains, bed covers and towels.
- Bhavani and Kumrapalayam are again major centres of production of carpets, both for the domestic and the global markets.
- Apart from such modern clusters, there are also traditional artisanal clusters such as Madurai and Kanchipuram that are famous for silk and cotton handloom sarees.
- Even these clusters have witnessed a degree of modernisation with use of powerlooms in several units.

Leather and Leather Goods Clusters

- Tamil Nadu accounts for 60 per cent of leather tanning capacity in India and 38 per cent of all leather footwear, garments and components. Hundreds of leather and tannery facilities are located around Vellore and its nearby towns, such as Ranipet, Ambur and Vaniyambadi.
- The Vellore district is the top exporter of finished leather goods in the country. Chennai also has a large number of leather product making units involved in exports.
- There is another clustering of leather processing in Dindigul and Erode. The leather products sector too is a major employment generator.
- Fireworks, Matches and Printing Cluster Sivakasi region, once famous for its match industry has now become a major centre for printing and fireworks in the country.
- It is believed to contribute to 90% of India's fireworks production, 80% of safety matches and 60% of offset printing solutions. The offset printing industry has a high degree of specialisation among firms with several of them undertaking just one operation required for printing.
- All these industries have their origin in the colonial period and at present offer employment to a large number of workers.

Electronics and Information Technology (IT) Clusters

- After the economic reforms started in the early 1990s, the state has seen the entry of hardware and electronics manufacturers like Nokia, Foxconn, Motorola, Sony- Ericsson, Samsung and Dell making cellular handset devices, circuit boards and consumer electronics.
- They have all been set up in the Chennai region. While Nokia has been closed down, Chennai still continues to be a minor electronics hub in the country.
- Similarly, with the expansion of the software sector, Chennai and, to a limited extent Coimbatore, have emerged as centres for software services.

Information Technology Specific Special Economic Zones :

- In order to make development more inclusive, Tier II cities such as Coimbatore, Madurai, Trichy, Tirunelveli, Hosur and Salem have been promoted as IT investment destinations apart from the Chennai region.
- To facilitate this, ELCOT has established ELCOSEZs (IT Specific Special Economic Zones) in the following eight locations:
- Chennai – Sholinganallur
- Coimbatore – Vilankurichi
- Madurai – Ilandhaikulam
- Madurai – Vadapalanji-Kinnimangalam
- Trichy – Navalpattu

- Companies desiring to set up units in the state can avail themselves of the facilities provided in ELCOSEZs. The possibility of setting up ELCOSEZs in new locations will be explored based on demand and viability. (Map Information Communication Technology Policy - 2018–19)
- Tirunelveli – Gangaikondan
- Salem – Jagirammapalayam
- Hosur – Viswanathapuram

Special Economic Zones (SEZs)

- A policy was introduced on in April 2000 for the settling up of special Economic Zones in the country with a view to a hassle-free environment for exports.
- Units may be set up in SEZ units are on a self-certification basis. The policy provides for setting up of SEZs in the public, private, joint sector or by state governments.
- It is also envisaged the some of the existing Export Processing Zones, would be converted in to Special Economic Zones.
- Accordingly, the government has converted Export Processing Zones located at following places.
- Nanguneri SEZ – A multi product SEZ, Thirunelveli
- Ennore SEZ – Thermal power project, Vayalur
- Coimbatore SEZ – IT Parks
- Hosur SEZ – Auto Engineering, Electronics, Defence and Aerospace
- Perambalur SEZ – Multi product SEZ
- Autocity SEZ – Automobile/Auto Components, Tiruvallur
- India-Singapore SEZ – IT & ITES, Electronic Hardware, Logistics and Warehousing – Thiruvallur District
- Bio-Pharmaceuticals SEZ – Clinical Research Organisation, Poison Control Centre, Centre for Regenerative Medicine, Medicine Research

Madras Export Processing Zone (MEPZ)

- MEPZ is a Special Economic Zone in Chennai. It is one of the seven export processing zones in the country set up the central government.
- It was established in 1984 to promote foreign direct investment, enhance foreign exchange earnings and create greater employment opportunities in the region. The MPEZ headquarters is located on GST Road in Tambaram, Chennai.

Startup India Scheme (Launched 16-Jan-2016):

- Startup India Scheme is an initiative of the Indian government, the primary objective of which is the promotion of startups, generation of employment and wealth creation.

Standup India Scheme (Launched 5-April-2016):

- Standup India Scheme is to facilitate bank loans between ₹10 lakh and ₹1 crore to at least one Scheduled Caste (SC) or Scheduled Tribe (ST) borrower and one woman borrower per bank branch for setting up a greenfield enterprise.

VII Land Reforms and Agriculture - Application of Science and Technology in agriculture

Land Reforms

Production

- Production is a process of combining various material inputs and immaterial inputs in order to make something for consumption (the output).

Types of Production

1. Primary production
2. Secondary Production
3. Tertiary or Service Production

1. Primary Production

- Primary production is carried out by 'extractive' industries like agriculture, forestry, fishing, mining and oil extraction. These industries are engaged in such activities as extracting the gifts of nature from the earth's surface, from beneath the earth's surface and from the oceans.

2. Secondary Production

- This includes production in manufacturing industry, turning out semi-finished and finished goods from raw materials and intermediate goods, conversion of flour into bread or iron ore into finished steel.
- They are generally described as manufacturing and construction industries, such as the manufacture of cars, furnishing, clothing and chemicals, as also engineering and building.

3. Tertiary Production

- Industries in the tertiary sector produce all those services which enable the finished goods to be put in the hands of consumers. In fact, these services are supplied to the firms in all types of industry and directly to consumers. Examples cover distributive traders, banking, insurance, transport and communications. Government services, such as law, administration, education, health and defence, are also included.

Primary sector and Secondary sector Production

- **Cotton** (Primary sector) – Cotton Industry (Secondary Sector) = Cloth Production
- **Iron ore** (Primary sector) – Iron Industry (Secondary sector) = Material Production
- **Wheat flour** (Primary sector) – Bread Factory (Secondary Sector) = Food Production

FACTORS OF PRODUCTION

Land | Labour | Capital | Organization

Land

- Land as a factor of production refers to all those natural resources or gifts of nature which are provided free to man.

Characteristics of Land

1. Land is a Free Gift of Nature

- Man has to make efforts in order to acquire other factors of production. But to acquire land no human efforts are needed. Land is not the outcome of human labour. Rather, it existed even long before the evolution of man.

2. Land is fixed in supply

- The total quantity of land does not undergo any change. It is limited and cannot be increased or decreased with human efforts. No alteration can be made in the surface area of land.

3. Land is imperishable

- All man-made things are perishable and these may even go out of existence. But land is indestructible. Thus it cannot go out of existence. It is not destructible.

4. Land is a Primary Factor of Production:

- In any kind of production process, we have to start with land. For example, in industries, it helps to provide raw materials, and in agriculture, crops are produced on land.

5. Land is Immovable

- It cannot be transported from one place to another. For instance, no portion of India's surface can be transported to some other country.

6. Land has some Original Indestructible Powers

- There are some original and indestructible powers of land, which a man cannot destroy. Its fertility may be varied but it cannot be destroyed completely.

7. Land Differs in Fertility

- Fertility of land differs on different pieces of land. One piece of land may produce more and the other less. As a gift of nature, the initial supply price of land is zero. However, when used in production, it becomes scarce.
- Therefore, it fetches a price accordingly.

Labour

- Labour is the human input into the production process. Alfred Marshall defines labour as, 'the use of body or mind, partly or wholly, with a view to secure an income apart from the pleasure derived from the work

Characteristics of Labour

- Labour is an active factor of production. Neither land nor capital can yield much without labour.
- Labour is not homogeneous. Skill and dexterity vary from person to person.
- Labour cannot be separated from the labourer.
- Labour is mobile. Man moves from one place to another from a low paid occupation to a high paid occupation.
- Individual labour has only limited bargaining power. He cannot fight with his employer for a rise in wages or improvement in work-place conditions. However, when workers combine to form trade unions, the bargaining power of labour increases.

Division of Labour

- The concept 'Division of Labour' was introduced by the Adam Smith in his book 'An enquiry into the nature and causes of wealth of nations'.
- Division of labour means dividing the process of production into distinct and several component processes and assigning each component in the hands of a labour or a set of labourers, who are specialists in that particular process.

Merits of division of labour

- It improves efficiency of labour when labour repeats doing the same tasks.
- Facilities the use of machinery in production, resulting in inventions. Ex. More's Telegraphic Codes.
- Time and Materials are put to the best and most efficient use.

Demerits of division of labour

- Repetition of the same task makes labour to feel that the work is monotonous and stale. It kills the humanity in him.
- Narrow specialization reduces the possibility of labour to find alternative avenues of employment. This results in increased unemployment.
- Reduce the growth of handicrafts and the worker loses the satisfaction of having made a commodity in full.

Capital

- "Marshall, 'Capital consists of those kinds of wealth other than free gifts of nature, which yield income"

Forms of capital

- Physical Capital or Material Resources Ex. Machinery, tools, buildings, etc.
- Money capital or Monetary resources
  Ex. Bank deposits, shares and securities, etc.
- Human capital or Human Resources
  Ex. Investments in education, training and health

Characteristics of Capital

- Capital is a passive factor of production
- Capital is man-made
- Capital is not an indispensable factor

Production

- Capital has the highest mobility
- Capital is productive
- Capital lasts over time
- Capital involves present sacrifice to get future benefits

Entrepreneur

- An entrepreneur is a person who combines the different factors of production (land, labour and capital)
- The entrepreneur is also called 'Organizer'. An entrepreneur is called 'the changing agent of the society'.

Characteristics of Entrepreneur

- Identifying profitable investible opportunities
- Deciding the location of the production unit
- Making innovations
- Deciding the reward payment
- Taking risks and facing uncertainties

The Land Tenure Systems in India

1) Zamindari System or the Land lord-Tenant System

- This system was created by the British East India Company, when in 1793, LordCornwallis introduced 'Permanent Settlement Act'. Under this system the landlords or the Zamindars were declared as the owners of the land and they were responsible to pay the land revenue to the government.
- The share of the government in total rent collected was fixed at 10/11th, the balance going to the Zamindars as remuneration.

2. Mahalwari System or Communal System of Farming

- After introduction of this system, it was later extended to Madhya Pradesh and Punjab. The ownership of the land was maintained by the collective body usually the villagers which served as a unit of management.
- They distributed land among the peasants and collected revenue from them and pay it to the state.

3. Ryotwari System or the Owner-Cultivator System

- This system was initially introduced in Tamil Nadu and later extended to Maharashtra,Gujarat, Assam, Coorg, East Punjab and Madhya Pradesh. Under this system the ownership rights of use and control of land were held by the tiller himself. There was the direct relationship between owners.

- This system was the least oppressive system before Independence.

Land Reforms

- Indian Agriculture was previously based on Agricultural Land holding.
- In Many defects and problems were there in the Indian Agricultural system.
- The intermediaries between the Government and the Land holders were also getting the benefit of yielding.
- At the same time, the zamindari and zahirdhari methods were also interrupted the development of agriculture.
- Hence for the scientific development of agriculture, Land reforms was required at the time of independance.

Objectives

- Changing the problem of Land holding and provide the Land to the tillers.
- Removal of Labour exploitation, economic imbalance and social injustice.
- Increase the agriculture production by introducing the scientific approach in agriculture.
- Forming the socialistic approach in agriculture.
- Distribution of Land by fixing Land ceiling.
- Increase the standard of living of farmers.

Abolition of Intermediaries

- Before independance there three types of Land pattern.
  1) Zamindari 2) Mahalwari 3) Ryotwari
- In the method of zamindari the zamindars accepted the Lands from the Government, and handed over it to the tenants and accepted the rent from them and findly paid it to the british.
- In Mahalwari's system, the village community maintained the agrilands and paid the Land tax to the Government.
- In Ryotwari system, the farmers got the rights over the Land and paid the tax directly to the Government. This system was followed in the madras Presidency.

Abolition of Zamindari

- After Independance the government of Assam, Bombay, Bihar,Madras, M.P and U.P were enacted Zamindari abolition acts during 1949 and thus intermediaries were abolished.

Tenancy Reforms

- Even after the abolition of Zamindari system, there was no change in the status of tenants who was farming in the own Lands of Zamindars. In the Ryotwari system also, the status of tenants was not upto the satisfactory level. Hence, the state government enacted the tenancy legislations.

Main Objectives of Tenancy Reforms

- Give a legal protection to the tenants regarding the land ownership.
- Regulate and reduce the rate of rent.
- Land to the tillers.
- These tenancy legislations tried to balance the Land holders and tenants.

Fixation of Land Ceiling

- In 1946, All India Kissan Sabha requested to fix a LandCeiling as 25 Acres.
- In 1947, the Congress economic planning committee headed by Nehru also recommended the Land ceiling acts.
- In 1949, the agricultural reforms committee chaired by J.C.Kumarappa also insisted the importance of fixation of Land ceiling.
- During the first five year plan (1951-56) the fixation of Land ceiling was accepted at policy level.
- Finally in 1961-62 the state Governments enacted the Land celing fixation acts.
- The Land ceiling was fixed based on family holding and it differed from one state to another.
- In Tamilnadu, the Land ceiling was fixed as 15 Acres.
- In 1974, the 34th Amendment Act was enacted and the Land ceiling acts were included in the 9th Schedule of the constitution.

Consolidation of Holdings

- It was a reform effort taken against holding small Lands.
- By these initiative small Lands were got consolidated and converted to large holdings and handed over to farmers.
- Based on consolidation of Land holdings the farmers could increase the production by utilizing the scientific method of agriculture.

Co-Operative Farming

- Gandhi, Nehru socialists and communists were believed that the systems of Cooperative Farming would bring a major reform in Indian agriculture.
- In 1949, J.C.Kumarappa committee also prescribed the Cooperative farming.
- In 1956, two committees visited the people China and recommended for the implementation Chinese model cooperative farming in India.
- In 1959, Nagpur, congress meet decided to implement the cooperative farming system in india within three years.

Evaluation

- Thus, the below mentioned five dimensions were considered as the Institutional reforms in Land Reforms segment.
  1) Abolition of Zamindari
  2) Tenancy reforms
  3) Fixation of Land ceiling
  4) Consolidation of Land holdings
  5) Cooperative farming

Bhoodan Movement

- Achyarya Vinobha Bhave who was one of the disciples of Gandhiji is the father of this movement.
- Bhoodhan movement had two wings
  1) Bhoodhan
  2) Gramdhan
- To forward the Bhoodhan movement, Vinobha Bhave started All India Sarvodya Samaj.
- He requested the land owners to donate 1/6th portion of their Land to his movement.
- In 1951, he obtained the first Land donation from a village Pochampalli, Andhra.
- He got donation to the tune of 4 million Acres till 1956, March.
- During 1955, Gramdan movement was started in Orissa and at the end of 1960, 4500 villages were obtained as donation.

Other Key points

- In 1949, the obolition of Zamindari system Act was passed in Madras state.
- In 1963, G.L.Nandha Committee was constituted to implement Land ceiling.

Land Reforms and Tenancy Protection acts in TamilNadu

1) **Minimum wages Act 1948:**
- It enabled the agricultural labourers to get the minimum wage.

2) **Tamilnadu cultivating tenants Protection Act 1955 (Tenure)**
- This act gave a ptotection of Tenure to the tenants for cultivating in the Land for a particular period.

3) **Tamilnadu cultivating Tenants Protection Act 1955 (Fair Rent)**
- It fixed the fair rent to the tenants based on Lands and thus provide safety to the cultivating farmers.

4) **Tamilnadu Bhoodhan Yagna Act 1958**
- The Bhoodhan yagna board was formed as per this act and it is accepting Land donations from the Land Lords and distributing it to the Landless farmers. The board is functioning under the Ministry Khadi.

5) **Tamilnadu Land Reforms (Land ceiling) Act 196**
- It fixed the Land ceiling in Tamilnadu as 15 Acres

6) **Tamilnadu Agricultural labourers Fair wages Ac 1969**
- It enabled the Agricultural labourers to get the fai wage from the LandLords.

7) **Tamilnadu Land Reforms (Land ceiling) Amendment Act 1971-72**
- As per this act the ceiling for Land holding to a family consisting 5 members was fixed as15 acres. An additional of 5 Acres per one additional family member was allowed and the maximum limit of family holding was fixed as 30 acres. Further for providing Sridhana to their female children the family was permitted to retain 10 Acres additionally.

Minimum Support Price (MSP)

- Minimum support price announced by the government is that price at which government is ready to purchase the food grains from the farmers directly if price becomes lower than MSP.
- These minimum support prices of various food grains are announced on the basis of recommendations made by Commission for Agriculture Cost & Prices (CACP).

Main objectives

1. To prevent fall in prices in the situation of over production.
2. To protect the interest of farmers by ensuring them a minimum price for their food grains in the situation fall of price in the market.

Procurement Prices (PP)

- The purpose was to encourage farmers to sell a bit more and get encouraged to produce more.
- The MSP was announced before sowing, while the procurement price was announced before harvesting.

Issue Price (IP)

- The price at which the government allows offtake of foodgrains from the FCI. i.e the price at Open Market Sale or Ration Shop.

Buffer Stock

- India has a policy of maintaining a minimum reserve of foodgrains (only for wheat and rice) so that food is available throughout the country at affordable prices around the year.

Subsidy

- Subsidies are opposite to taxes. In case of subsidy, govt extends monetary benefit to achieve some results.

Types of subsidies

- **Cash subsidy** - providing food or fertilizer, MGNREGA pension to elders. at a price lower than at which government procures at market price.
- **Interest subsidy / Credit subsidy** Loans given at rate lower than the market rate. Basically concessional credit soft loan to priority sectors. eg. education loan
- **Tax subsidy** - Like Special Economic zone not to pay tax for first 5 years, for next 5 years - 50%,Tuition fee, Income tax exempted.
- **In kind subsidy** - Free medical services in Government hospitals Free equipments to poorers (Laptop / cycle).
- **Procurement subsidy** - Government purchase food grains at a price which is higher than market price eg. Minimum support price.
- **Regulatory subsidy** - Government fixed price for goods for PSU at very low margin or less than the cost. (LPG, electricity to farmer).

Public Distribution System (PDS)

- The Public Distribution System (PDS was changed to Targeted PDS in 1997) strives to ensure food security through timely and affordable distribution of foodgrains to the BPL population.

- This involves procurement of foodgrain at MSP by the Government, building up and maintenance of food stocks, their storage, and timely distribution, making foodgrains accessible at reasonable prices to the vulnerable sections of the population. i.e. Ration.
- Food subsidy bill has planned to increase over 15 per cent of agri-GDP by 2016-17 from 5 per cent of 2005-06 (as per the Commission for Agricultural Costs and Prices - CACP)

Fertilisers

- In improving agricultural output, fertiliser is a critical and expensive input.
- To facilitate and promote the use of fertilizers, the Government has been providing fertilizer subsidy to farmers.
- Today, the fertiliser subsidies stand at around 10 per cent of the total agricultural GDP.

Use of Fertilizers

- According to agriculture scientists, different types of fertilizers (i.e., Nitrogen, Phosphate and Potash-NPK) should be used in a balanced proportion to maintain the productivity of soil. For India, the standard ratio for the use of various fertilizers has been assumed to be 4 : 2 : 1. NPK consumption ratio.
- India is meeting 80 per cent its urea requirement through indigenous production.
- Urea, which is the main source of Nitrogen (N), constitutes around 50% of total fertiliser consumption.
- The Nutrient Based Subsidy (NBS) Policy for fertilizers was implemented in 2010.

Neem Coated Urea

- In January 2015, the government allowed the urea producers to produce upto 100% of production as Neem coated urea.
- Further, the government made it mandatory to produce at least 75% of domestic Urea as Neem coated.
- The current policy is that Government has mandated all indigenous producers of Urea to produce 100% of urea as Neem coated urea only.

PMFBY

- New agricultural insurance scheme, Pradhan Mantri Fasal Bima Yojana (PMFBY) - has been termed as a path breaking scheme for farmers ' welfare.
- The highlights of this scheme are as given below:
- There will be a uniform premium
- 2 % for all kharif crops
- 1.5 % for all rabi crops
- 5% for horticultural crops
- There is no upper limit on Government subsidy. Even if balance premium is 90 per cent, it will be borne by the Government.
- 25 per cent of the likely claim will be settled directly on farmers account
- Provision of capping the premium rate
- Smartphones will be used to capture and upload data of crop cutting to reduce the delays in claim payment to farmers.
- Remote sensing will be used to reduce the number of crop cutting experiments.
- PMFBY replaced the existing NAIS (National Agricultural Insurance Scheme) of 1999 and Modified NAIS of 2010 - 11.
- Implemented by the private sector as well as the public sector (AICIL) Agriculture Insurance Company of India Ltd.

Doubling farm income

- Aimed at doubling the farmers ' income by 2022, the Government of India has announced a 'seven-point strategy'. The details of the strategy are as given below:

i) Focus on irrigation with bigger budgets aimed at 'per drop, more crop'.
ii) Provision of quality seeds and nutrients based on soil health
iii) Strengthening warehousing and cold chains to prevent post - harvest crop losses
iv) Promoting value addition through food processing
v) Creation of a national farm market, removing distortions and e - platform.
vi) Mitigating risks at affordable cost through suitable kind of farm insurance
vii) Promoting ancillary activities like poultry, beekeeping and fisheries.

National Food Security Act

- The National Food Security Act was enacted by the Ministry of Consumer Affairs, Food and Public Distribution by end-December 2013.

Major highlights

- It will cover upto 75 per cent rural and 50 per cent urban population (around two thirds of the total population) with uniform entitlement of 5 kg foodgrains per month at highly subsidised prices of Rs. 3, Rs. 2 and Rs. 1 per kg for rice, wheat and coarse grains, respectively. The poorest of poor households continue to receive 35 kg foodgrains per household per month under the Antyodaya Anna Yojana at the same subsidised prices.
- It provisions for special focus on nutritional support to women and children - pregnant women and lactating mothers.
- Children in the age group of 6 months to 14 years will be entitled to take home ration or hot cooked food as per prescribed nutritional norms.
- Eldest woman of eighteen years of age or above will be head of the household for issue of ration card, and if not available, the eldest male member is to be the head of the household.

Irrigation

- The Planning Commission has introduced a new classification of irrigation schemes:

1. **Major Irrigation Schemes -** Those with culturable command areas (CCA) more than 10,000 hectares.
2. **Medium Irrigation Schemes -** Those with culturable command areas (CCA) between 2,000 and 10,000 hectares.
3. **Minor Irrigation Schemes -** Those with culturable command area (CCA) upto 2,000 hectares.

- Rural Infrastructure Development Fund (RIDF) has been in operation since 1995-96. The Government launched Accelerated Irrigation Benefits Programme (AIBP) in 1996-97.

National Rainfed Area Authority

- The Government of India has also constituted the NRAA to give focused attention to the problem of rainfed areas of the country. The Authority is an advisory policy making and monitoring body charged with examining guidelines in various existing schemes and in the formulation of new schemes including all externally aided projects in this area.

Sprinkler / Drip Irrigation

- Under Sprinkler/Drip Irrigation System, water is sprinkled evenly on total agriculture ground through a pipe network cropped area, where water is poured directly to the roots.

Agricultural sector Institutions:

- Central Ware housing Corporation was started in the year 1957.
- The Ware Housing Development and REgulating Authority was established in the year 2010. Its head quarters is in New Delhi
- APEDA : Agriculture and Processed food Product Export Development Authority was started in the year 1986 under the Ministry of Trade and Commerce.
- NAFED: National Agricultural Cooperative Marketing Federation of India is an initiative by the Cooperative Secotr in the segment of Agri Marketing.
- TRIFED : Tribal Cooperative Marketing Development Federation was established in the year 1987 to safeguard the Welfare of Tribal People

Agri Loans:

- **Short Term Loans:**
  Period : below 15 months
  Purpose : To Purchase Fertilizers, Seeds basic agri needs
- **Medium Term Loans:**
  Period : 15 months to 5 years
  Purpose : To buy agri equipments, Cattles Land Development etc.,
- **Long Term Loans:**
  Purpose : To Purchase Agri Lands Agri equipments, digging of wells etc.,

New Agricultural Policy 2000:

Main Features

- maintain the agricultural growth rate at 4% till 2020.
- Land to the Landless farmers
- Consolidation of Lands
- Encouraging private Investment in agricultrual sector
- Introduction of Insuracne in Agriculture
- Encourage Bio technology
- Encourage Agri research technologies.
- Withdrawal of agri subsidies
- Strengthening Agricultrual sector to face the global competition.

Kissan call Centre:

- Established on Jan 21 , 2004
- At present there are 144 call centres are functioning.
- Farmers can clear their doubts from 6 AM to 10 PM through Toll Free numbers '1551' and 1880 - 180 - 1551
- To monitor this state level monitoring committees have been established.

Seeds Bank:

- The plan was started by the central government in the year 1999 - 2000.
- To provide the qualitative seeds to the farmers is the main objective.
- National seeds Corporation is the implementing authority of this Scheme.

Kissan Credit Card:

- To solve the temporary loan requirement of the farmers the banks are issuing these Kissan credit cards from the year 1988.
- The Scheme is being implemented as per the directions of NABARD.

National Commission on Farmers:

- Set up in the year 2004 under the chairmanship of M.S. Swaminathan.
- To Safeguard soil fertility Irrigation Agri debt, Agri insurance are the main recommendations of the Commission.

Agriculture Insurance:

- At the first time agri insurance was introduced in India in the year 1999 - 2000 by GIC.
- Agricultural Insurance Company of India Ltd (AICIL) was started in the year 2002.
- Under this company the government has launched the National Agricultural Insurance Scheme.
- In 2004 the Farm Insurance Scheme was launched.
- Pilot Weather Based Crop insurance Scheme was started in the year 2001.

National Food Security Mission (2007):

- To increase the crop of production of Paddy Wheat and Pulses production the scheme was launched.

Accelerated Pulses Production programme (2010)

- To increase the production of pulses and millets the programme was initiated.

Rashtriya Krishi Vikas Yojana (2007 - 08):

- The Scheme was launched to increase the agri growth rate at 4% and to encourage the investment in agri sector

Agriculture

- Agriculture is the process of producing food for people, fodder for cattle, fiber and many other desired products by the cultivation of certain plants and the raising of domesticated animals (livestock).
- Though India is industrially a fast developing nation, still the agriculture in India employs more than 50 percent of the population of the country and accounts for about 25 percent of the national income.

Determinants of Agriculture

- Agriculture in India is determined by a set of factors. Some of the important factors:
  1. Physical factors: relief, climate and soil.
  2. Institutional factors: Size of farm holdings, land tenure, and land reforms.
  3. Infrastructural factors: Irrigation, power, transport, credit, market, insurance and storage facilities.
  4. Technological factors: High yielding varieties of seeds, chemical fertilisers, insecticides and machinery.

Types of Farming

a) Subsistence Farming

- A considerable proportion of farmers in the country practice subsistence farming.
- In this, agricultural land holding is small.
- As the farmers are poor, they can't apply the modern inputs which cost more.
- They grow crops with the help of family members and consumes almost the entire farm produce with little surplus to sell in the market.
- Preference is given to food crops. In addition to the food crops, sugarcane, oilseeds, cotton, jute and tobacco are also cultivated.
- Traditional farming method results in low productivity.
- In Punjab, some parts of Rajasthan, Uttar Pradesh and Madhya Pradesh subsistence farming is practiced.

b) Shifting Agriculture

- This type of agriculture is performed by tribal people in a piece of forest land after clearing the trees through felling and burning the trunks and branches.
- Once the land is cleared, crops are grown for two to three years and the land will get abandoned as the fertility of the soil decreases. The farmers then move to new areas and the process will be repeated. They cultivate some grains and vegetable crops using the manual labour. It is also called as "Slash and burn" cultivation.

Different names of shifting agriculture in different regions in India

Name	Place
Jhum	Assam
Poonam	Kerala
Podu	Andhra Pradesh,
Beewar, Mashan,	Odisha
Penda, Beera	Various Parts of Madhya Pradesh

c) Intensive Farming

- Intensive farming is an agricultural intensification and mechanization system that aims to maximize yields from available land through various means, such as heavy use of pesticides and chemical fertilizers.
- This intensification and mechanization has also been applied to the raising of livestock with billions of animals, such as cows, pigs and chickens, being held indoors.
- They have become known as factory farms. Intensive farming is practiced in Punjab, parts of Rajasthan, Uttar Pradesh, and Madhya Pradesh in India

d) Dry Farming

- This type of farming is practiced in arid areas where irrigation facilities are lacking.
- Crops cultivated in these areas can withstand dry conditions.
- The crops grown generally with the help of irrigation are also grown under dry farming.
- In such circumstances, the yields are generally low. Most of the areas under dry cultivation entertain only one crop per year.
- This is practiced in drier parts of Rajasthan, Gujarat, Madhya Pradesh etc.

e) Mixed Farming Agriculture

- Mixed farming is defined as a system of farm which includes crop production, raising livestock, poultry, fisheries, bee keeping etc. to sustain and satisfy as many needs of the farmer as possible.

f) Terrace Cultivation

- This type of cultivation is practiced specially in hilly areas, where lands are of sloping nature.
- The hill and mountain slopes are cut to form terraces and the land is used in the same way as in permanent agriculture.
- Since the availability of flat land is limited, terraces are made to provide small patches of level land. Soil erosion is also checked due to terrace formation on hill slopes.
- In our country, terrace cultivation takes place in the states of Punjab, Meghalaya, Haryana, Uttar Pradesh, Himachal Pradesh, and Uttrakhand

Cropping Seasons in India

Cropping Seasons	Major crops cultivated	
	Northern States	Southern States
Kharif Season June–September	Rice, Cotton, Bajra, Maize, Jowar, Tur	Rice, Ragi, Maize, Jowar, Groundnut
Rabi Season October–March	Wheat, Gram, Rice, Maize, Ragi, Rapeseeds, Mustard, Barley	Groundnut, Jowar
Zaid Season April–June	Vegetables, Fruits, Fodder	Rice, Vegetables, Fodder

Major Crops Cultivated in India

- The major crops of India are divided into four major categories as follows:
  1. Food crops (wheat, maize, rice, millets, pulses etc.).
  2. Cash crops (sugarcane, tobacco, cotton, jute, oilseeds etc.).
  3. Plantation crops (tea, coffee and rubber).
  4. Horticulture crops (fruits, flowers and vegetables).

Rice:

- Rice is an indigenous crop. India is the second largest producer of rice in the world after China. It is mainly a tropical crop, growing mainly with mean temperatures of 24°C and annual rainfall of 150 cm.
- Deep fertile clayey or loamy soils are suited well for rice cultivation. It also needs abundant supply of cheap labour. Rice in India is sown in three ways:
  i) Broadcasting
  ii) Ploughing or drilling, and
  iii) Transplanting.
- Due to increased use of High Yielding Variety (HYV) seeds (CR Dhan 205, AR Dhan 306, CRR 451 etc.), many of the indigenous varieties were disappeared.
- In 2016, the first 10 leading rice producing states are West Bengal (First in India) Uttar Pradesh, Punjab, Tamil Nadu, Andhra Pradesh, Bihar, Chhattisgarh, Odisha; Assam, and Haryana.

Wheat:

- Wheat is the second most important food crop of the country, after rice.
- It accounts for 22 percent of the total area and 34 percent of the total production of food grains in the country. It requires 10-15°C at the time of sowing and 20-25°C at the time of ripening of grains.
- Over 85% of the India's wheat production comes from 5 states namely Uttar Pradesh, Punjab, Haryana, Rajasthan and Madhya Pradesh.
- Apart from these regions, the black soil tract of the Deccan covering parts of Maharashtra and Gujarat also contribute a major wheat production.

Jowar:

- Jowar is the third important food crop of our country. It is an indigenous plant of Africa. The plant has a tendency to grow in adverse climatic conditions.
- Its grains are rich in carbohydrates, protein, minerals, and vitamins. Hence, it provides cheap food to the large section of the poor population.
- It is also used as fodder in many parts of the country. Jowar is essentially a crop of the Peninsular India. Maharashtra, Karnataka, and Madhya Pradesh are the leading producers of Jowar.

Bajra

- Bajra is an indigenous plant of Africa. This forms the staple food for poor people. Its stalks are used as fodder for cattle and for thatching purposes. Bajra is a crop of dry region.
- Rajasthan is the largest producer of bajra followed by Uttar Pradesh, Haryana, Gujarat and Maharashtra.

Barley

- Barley is one of the important cereals of our country. Besides, being poor man's diet, it is used for making barley water, beer and whiskey. Rajasthan and Uttar Pradesh are the two leading producers of Barley.

Pulses

- Pulses include a large number of crops which are mostly leguminous and rich in vegetable protein. They are used as human food and feeding cattle.
- They fix atmospheric nitrogen in the soil and hence are usually rotated with other crops. India is the largest producer of pulses. The major pulse growing areas are Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra and Andhra Pradesh.

2. Cash Crops

- The crops which are cultivated for commercial purpose are called cash crops.
- These crops include sugarcane, tobacco, fibre crops (cotton, jute, and mesta) and oilseeds.

Sugarcane:

- Sugarcane is the most important cash crop of India and is the second largest producer in the world.
- This crop provides raw material for the sugar industry which is the second largest industrial category of our country.
- Besides providing sugar, gur and khandsari, it supplies molasses for alcohol industry and bagasse for paper industry.
- India is ranked third in sugar production in the world after Cuba and Brazil.
- At the state level, Uttar Pradesh is the leading producer of sugarcane followed by Maharashtra, Karnataka, Tamil Nadu and Gujarat.

Cotton:

- Cotton is the most important cash crop of India.
- It provides raw material to the largest industry of India. India ranks second next to China in the production of cotton.
- About 79% of the total area and production in the country were contributed by four states viz., Gujarat, Maharashtra, Andhra Pradesh and Punjab.

Jute:

- It is a tropical fibre crops, grows well in the alluvial soil. It provides raw material for Jute industry.
- It is used for manufacturing of gunny bags, carpets, hessian, ropes and strings, rugs, clothes, tarpaulins, upholstery etc. West Bengal is the leading state both in cultivation and production of jute. The other cultivators of jute are Bihar, Assam and Meghalaya.

Oil Seeds:

- Oil seeds, the premier source of fat in the Indian diet are derived from number of crops like groundnut, rapeseed, mustard, sesame, linseed, sunflower, castor seed, cotton seed, niger seed etc.
- These provide oil and oilcake which are used for making lubricants, varnish, medicine, perfume, candles, soaps, manure and cattle feed.
- Gujarat is India's largest oilseeds producing state.In groundnut production, India is the second largest producer in the world after China.

3. Plantation Crops

- Plantation crops are cultivated for the purpose of exports. These are cultivated in large estates on hilly slopes.
- Cultivation near the coast is preferable as it facilitates exports. Tea, coffee, rubber and spices are the major plantation crops of India.

Tea:

- Tea is an evergreen plant that mainly grows in tropical and subtropical climates. Tea is a labour intensive and grows faster under light shade.
- Tea plants require high rainfall but its root cannot tolerate water logging.
- Two major varieties of tea are cultivated in India. They are i) Bohea originated from China and ii) Assamica from India. A number of hybrid varieties have been developed by mixing these two.
- India is the second largest producer of tea after China in the world. Assam is the larger producer of tea in India. Other states are Tamil Nadu, Kerala and West Bengal.

Coffee:

- Coffee is grown in shade and it grows effectively in the altitudes between 1,000 and 1,500 m above mean sea level. There are two main varieties of coffee. They are
  - i) Arabica (High quality-cultivated more in India) and
  - ii) Robusta (Inferior quality).
- India is the 7th largest producer of coffee globally. Karnataka is the leading producer of coffee in India. It produces 71% in India, and 2.5 % in the world (source; coffee board of India-2018).

Rubber:

- Rubber plantation were first established in Kerala in 1902. It needs hot and wet climatic conditions (temperature above 20°C and rainfall above 300cm).
- Most of the land under rubber belongs to small land holders. The major rubber growing areas are Tamil Nadu, Kerala, Karnataka and Andaman and Nicobar Islands.

Spices:

- India has been world famous for its spices since ancient times. These spices mostly used for flavouring or tampering cooked food and for preparing medicines, dyes etc.
- Pepper, chillies, turmeric, ginger, cardamom, clove and areca nut are the major spices cultivated in India. Kerala is the leading producer of spices in India.

4. Horticulture Crops

- It refers to the cultivation of fruits, flowers and vegetables. Fruits and vegetables are important supplement to the human diet, as they provide essential minerals, vitamins, and fibres required for maintaining health.
- India is in the second position in the production of fruits and vegetables. Apple is mostly produced in Himachal Pradesh, Jammu and Kashmir and Uttarakhand. Production of banana is concentrated in Tamil Nadu and Maharashtra.
- Orange is cultivated in Maharashtra, Uttarakhand, Himachal Pradesh, Jammu and Kashmir, Tamil Nadu and Karnataka.
- Grape is cultivated mainly in Uttarakhand, Himachal Pradesh, Jammu and Kashmir, Maharashtra, Andhra Pradesh, Tamil Nadu and Karnataka. India contributes about 13% of the world's production of vegetables.

Livestock

- Livestock is an integral component of the farming system in India. The livestock sector is socially and economically very significant due to its multi-functional outputs and contribution to socio-cultural security.
- It also helps to improve food and nutritional security by providing nutrient-rich food products, generate income and employment and act as a cushion against crop failure, provide draught power and manure inputs to the crop subsector.
- Livestock sector contributes approximately 4 percent of national GDP (Gross Domestic Product) and 25.6 percent to agriculture GDP.
- As per 19th Livestock Census, conducted in 2012 (Government of India, 2014), India's livestock sector is one of the largest in the world with 11.6 percent of world livestock population, which consists of cattle (37.3 percent), goats (26.4 percent), buffaloes (21.2 percent), sheep (12.7 percent) and pigs (2.0 percent) etc.

Distribution of Livestock in India in 2012

Sl. No.	Name of the State	Total No. of Livestock in Lakhs (2012)
1.	Uttar Pradesh	687.2
2.	Rajasthan	577.3
3.	Andhra Pradesh	561.0
4.	Madhya Pradesh	363.3
5.	Bihar	329.4

Source: 19th Livestock Census, Department of Animal Husbandry, Dairying & Fisheries

Cattle

- Cattle constitute 37.3 percent of livestock population in India. India has second largest cattle population after Brazil at World level.
- Among the states, Madhya Pradesh leads with 10.3 percent followed by Uttar Pradesh (10.2 percent) and West Bengal (8.7 percent).
- Cattle population in India belongs to different breeds. These include: 1) Milch Breed, 2) Draught breed, and 3) Mixed or General breed.
- The following table shows the Livestock population of India in 2012

Sl. No.	Name of the Livestock	Population in Lakhs (2012)
1.	Cattle	1.91
2.	Goats	1.35
3.	Buffaloes	1.09
4.	Sheep	0.65
5.	Pigs	0.10

Source:

- 19th Livestock Census, Department of Animal Husbandry, Dairying & Fisheries

Goats

- The goat is the poor man's cow providing milk, meat, skin and hair. It is the main source of meat for the country.
- While looking at the current status of goat population among Indian states, Rajasthan records first with 16 percent followed by Uttar Pradesh and Bihar.

Buffaloes

- Buffaloes are an important source of milk supply for India. Uttar Pradesh has the highest number of buffaloes (28.2%) followed by Rajasthan (9.6%) and Andhra Pradesh (7.9%).

Livestock Census:

- First Livestock Census in India was conducted with the title of Dairy Cattle Census in 1919. Following this, the 19th Livestock census was conducted in October 2012 and it takes place at every five years.
- State Government is conducting Livestock Census with the help of Department of Animal Husbandry at state level and Regional Joint Director at Distric level under the guidelines of Government of India Ministry of Agriculture and farmers welfare, Department of Animal Husbandary Dairying and Fisheries.

Dairy, Meat and Wool Production

- According to State / UT Animal Husbandry Department, during 2016-17, the total production of milk in our nation is 163.7 million tonnes.
- At this time, the leading producer was Uttar Pradesh with 27.6million tonnes (16.8 percent) followed by Rajasthan with 19.4 million tonnes (11.8 percent) and Madhya Pradesh with 13.4 million tonnes (8.2 percent) in total milk production.
- While looking at the meat, the total production is 7.4 million tonnes. Uttar Pradesh is the leading producer with 1.3 million tonnes (18.2 percent), where Maharashtra and West Bengal are estimated with 0.8 million tonnes (11.4 percent) and 0.7 million tonnes (9.6 percent) respectively in the total country's production.
- The total wool production of our nation is 43.5 million kilograms. The leading state in the wool production is Rajasthan with 14.3 million kilograms (32.9 percent) followed by Jammu and Kashmir with 7.3 million kilograms (16.7 percent) and Karnataka with 6.6 million kilograms (15.1 percent) in country's total wool production.

Fisheries

- Fisheries in India are a very important economic activity and a flourishing sector with varied resources and potentials. Fishing in India is a major industry in its coastal states, employing over 14 million people.
- It produces about 3 percent of World's fish and occupies second place among the fish producing nations of the world after China. It also helps in augmenting food supply, generating employment, raising nutritional level and earning valuable foreign exchange.
- The length of Indian coastline is 7,517 km including the coastline of the islands, however the mainland's length is 6,100 km. In India, fishing is categorised into two types: they are
  1. Marine or Sea Fisheries: It includes coastal, off-shore and deep sea fisheries mainly on the continental shelf upto a depth of 200 m. Among the coastal states, Kerala leads in the marine fish production in India.
  2. Inland or Fresh Water Fisheries: Rivers, lakes, canals, reservoirs, ponds, tanks etc. are the sources of fresh water and provide fresh water fisheries. About 50 percent of the country's total fish production comes from the inland fisheries and Andhra Pradesh is the leading producer in India.
- In India, the important varieties of fishes caught by the fisherman are Cat fish, Herrings, Mackerels, Perches, Eels, Mullets etc.
- In India, the top five fish producing states are Andhra Pradesh, West Bengal, Gujarat, Kerala, and Tamil Nadu.

Major issues faced by farmers in India Small and fragmented land-holdings:

- The problem of small and fragmented holdings is more serious in densely populated and intensively cultivated states in India.
- About 67 percent of operational land holdings in India are marginal holdings (< 1 hectare).
- High Costs of Inputs: Seed is a critical and basic input for attaining higher crop yields and sustained growth in agricultural production.
- Unfortunately, good quality seeds are out of reach for many small and marginal farmers due to their high price.
- Infertile Soil: Indian soils have been used for

growing crops over thousands of years without caring much for replenishing. This has led to depletion and exhaustion of soils resulting low productivity.

- Lack of Irrigation: Only one-third of the cropped area falls under irrigated area. To make agriculture reliable, irrigation facility has to be developed.
- Lack of mechanization: In spite of the large scale mechanization of agriculture in some parts of the country, most of the agricultural operations in larger parts are carried on by human hand using simple and conventional tools.
- Soil erosion: Large tracts of fertile land suffer from soil erosion by wind and water. Such kind of areas must be properly treated and restored to its original fertility.
- Agricultural marketing: In rural India, agricultural marketing continues in a bad shape. Due to the absence of sound marketing facility, the farmers have to depend on local traders and middlemen for the disposal of their farm products which is sold at low price.
- Besides, there is a fluctuation in the prices of agriculture products.
- Inadequate storage facilities: Storage facilities in the rural areas are either totally absent or grossly inadequate.
- Under such conditions the farmers are compelled to sell their products immediately after the harvest irrespective of the condition of market.
- Inadequate transport: One of the main handicaps with Indian agriculture is the lack of cheap and efficient means of transportation. Even at present there are lakhs of villages which are not well connected with main roads or with market centres.
- Scarcity of capital: Agriculture is an important industry which requires a huge capital. The role of capital plays a major role in the purchase of advanced farm machineries and equipments

Application of Science and Technology in agriculture

Green Revolution

- The term Green Revolution refers to the technological breakthrough in of agricultural practices. During 1960's the traditional agricultural practices were gradually replaced by modern technology and agricultural practices in India. Initially the new technology was tried in 1960-61 as a pilot project in seven districts. It was called as the High Yielding Varieties Programme (HYVP).

Achievement of Green Revolution

- The major achievement of the new strategy was to boost the production of major cereals viz., wheat and rice. India was depending on the US for the food grain. The US by using Public Law 480 (PL480) exported wheat to India. Indians were waiting for the ships to sip their food. On the other hand, India lost lots of minerals.
- The US could strategically exploit Indian mineral resources at cheapest price for manufacturing missiles and weapons, which gave job opportunity for larger US youth and largely contributed to US GDP.
- But now India is food surplus, exporting food grains to the European countries.
- The Green revolution was confined only to High Yielding Varieties (HYV) cereals, mainly rice, wheat, maize and jowar.
- This Strategy was mainly directed to increase the production of commercial crops or cash crops such as sugarcane, cotton, jute, oilseeds and potatoes.
- Per hectare productivity of all crops had increased due to better seeds.
- Green Revolution had positive effect on development of industries, which manufactured agricultural tools like tractors, engines, threshers and pumping sets.
- Green Revolution had brought prosperity to rural people. Increased production had generated employment opportunities for rural masses. Due to this, their standard of living had increased.
- Due to multiple cropping and more use of chemical fertilizers, the demand for labour increased.
- Financial resources were provided by banks and co-operative societies. These banks provided loans to farmer on easy terms.
- The New Agricultural strategy was also called by various names. Modern agricultural technology, seed – fertilizer – water technology, or simply green revolution.

Weaknesses of Green Revolution

- Indian Agriculture was still a gamble of the monsoons.
- This strategy needed heavy investment in seeds, fertilizers, pesticides and water.
- The income gap between large, marginal and small farmers had increased. Gap between irrigated and rain fed areas had widened.
- Except in Punjab, and to some extent in Haryana, farm mechanization had created widespread unemployment among agricultural labourers in the rural areas.
- Larger chemical use and inorganic materials reduced the soil fertility and spoiled human health. Now organic farming is encouraged.

Rainbow Revolution

Green revolution	Agriculture (food grains production)
White Revolution	Milk
Blue Revolution	Fish
Yellow Revolution	Oilseeds
Golden Revolution	Fruit / Apple
Black Revolution	Petroleum
Siver Revolution	Egg
Round Revolution	Potato
Red Revolution	Meat / Tomato
Grey Revolution	Fertilizes
Pink Revolution	Shrimp
Brown Revolution	Leather

Second Green Revolution

- The target of Second Green Revolution was to increase 400 million tons of food grain production as against about 214 million tons in 2006-07.
- This is to be achieved by 2020. In agricultural sector, the growth rate of 5% to 6% has to be maintained over next 15 years. There may be changes in these statistics.

Requirements of Second Green revolution:

- Introduction of Genetically Modified (GM) seeds which double the per acreage production.
- Contribution of private sector to market the usage of GM foods.
- Government can play a key role in expediting irrigation schemes and managing water resources.
- Linking of rivers to transfer surplus water to deficient areas.

List of important Agricultural Revolutions in India

Revolution	Related Product
Yellow Revolution	Oil seed Production (Especially Mustard and Sunflower)
Blue Revolution	Fish Production
Brown Revolution	Leather / Cocoa / Non-Conventional Products
Golden Fibre Revolution	Jute Production
Golden Revolution	Fruits / Honey Production / Horticulture Development
Grey Revolution	Fertilizers
Pink Revolution	Onion Production / Pharmaceuticals / Prawn Production
Evergreen Revolution	Overall Production of Agriculture
Silver Revolution	Egg Production / Poultry Production
Silver Fibre Revolution	Cotton
Red Revolution	Meat Production / Tomato Production
Round Revolution	Potato
Green Revolution	Food Grains
White Revolution	Milk Production

TamilNadu Agriculture

- According to the 2001 census, 49.3% out of the total population of workers were involved in agriculture. The percentage has reduced to 42.1 in the next 10 years. In 2011 there were three crore 29 lakh workers in Tamilnadu of which 96 lakh were agricultural workers.
- In 2011, nearly 55% of the women were involved in agriculture whereas nearly one third (35.3%) of the male population was involved in agriculture during the same year
- Most of the cultivators in Tamilnadu are micro farmers who cultivate in an area less than 1 hectare.
- The total geographical area of Tamil Nadu is one crore 30 lakhs and 33 thousand hectares. Out of this only one third of land is used for agriculture (45,44,000 hectare).
- River Cauvery is the 3rd largest river in South India. Its length is 765 km.
- The dams constructed across Cauvery in Tamil Nadu are Mettur Dam, Kallanai

Different water sources for irrigation

Irrigated area

- Wells -62% Canals - 24% Lakes - 14%
- Paddy cultivation is carried out at a large scale of 30 percent cultivated land area and other food crops in 12 percent area. Millets are cultivated in a very low percentage of area. Sorghum (Cholam) cultivation in 7 per cent land area, cumbu in one percent and ragi in 1.7 per cent. Other millets occupy 6 per cent in the year 2014 - 2015.

Micro irrigation

- Micro irrigation technology is a very good remedial measure to tackle shortage in irrigational water. This irrigation technology helps to have a higher yield when compared to the traditional irrigation methods.

The yield of productive crops

- Next to paddy, maize stands second in the production (8,824 kg/hectare).
- The productivity of crops continues to increase. For example the productivity of paddy in 1965 - 66 was 1,409 kg. It increased to 2,029 kg in 1975-76 and 2,372 kg in 1985-86.
- It increased to 2,712 kg after a decade. The production was 4,429 kg in the year 2014-15. In the past fifty years, the productivity of paddy has increased more than three times.
- The food grain production capacity, has increased about 3.5 times between 1965-66 and 2014-15. Similarly, the total foodgrain production has risen by 2.5 times during this period. In 1965-66, the total food grain production was slightly more than 50 lakh tonnes and in 2014-15, the production increased and was slightly below one crore 28 lakh tonnes.

VIII Industrial Growth

Process of Industrial Transition and Colonial Capitalism

i) Industrial growth during the 19th century

- Although the Britishers initiated industrialisation process in the 19th century, they were primarily interested in making profit and not in accelerating the economic growth in India.
- At the end of 19th century, there were about 36 jute mills, 194 cotton mills and a good number of plantation industries. The production of coal had risen to over 6 million tonnes per annum.

b) Industrial progress during the 20th century

- During the first part of 20th century, Swadeshi movement stimulated the industrialisation process in India. The existing industries and new industries had maintained a slow but steady growth till the outbreak of the First World War in 1914.
- During the period 1924-39, various major industries like iron and steel, cotton textiles, jute, matches, sugar, paper and pulp industry etc.

Problems of British Rule

- The British rule stunted the growth of Indian enterprise.
- The economic policies of British checked and retarded capital formation in India.
- The drain of wealth financed capital development in Britain.
- Indian agricultural sector became stagnant and deteriorated even when a large section of Indian population was dependent on agriculture for subsistence.
- The British rule in India led the collapse of handicraft industries without making any significant contribution to development of any modern industrial base.
- Some efforts by the colonial British regime in developing the plantations, mines, jute mills, banking and shipping, mainly promoted a system of capitalist firms that were managed by foreigners. These profit motives led to further drain of resources from India.

Important Industrial Policies Prior to 1991

- India is the Asia's third largest economy. The 70 years of Independence have brought a remarkable change in the socio – economic landscape of India.

Industrial Policy of India

- 1948, 1956, 1977, 1980, 1990 & 1991

Industrial Policy on 6th April 1948.

- The main importance of this policy was that it ushered in India the system of mixed economy.
- Industries were classified into four groupssuch as public sector (strategic industries), public–cum – private Sector (key industries), controlled private sector, private and co-operative sectors.
- This policy endeavoured to protect cottage and small scale industries.
- The central and state governments had a virtual monopoly in rail roads and exclusive rights to develop minerals, iron ore etc.
- The Government encouraged the significance of foreign capital for industrialization but the government decided that the control should remain with Indian hands

Industrial Policies

Industrial Policy 1948 -

- **Center's Monopoly :** Government of India's Monopoly shall include Railways, Arms and Ammunition, Atomic Energy, Postal Department.
- **State's Monopoly :** State Monopoly shall include natural resources like coal, steel manufacture of aircraft, cement, rubber, automobile, wireless apparatus (Ratio Receiving Sets) and mineral oil.
- **Unregulated Private Enterprises :** It was kept open to private enterprises of individuals and co-operative societies to also involve.

Industrial Resolution Policy - 1956

- Industrial policy 1956 declared with the basic objective of establishing 'Socialistic pattern of socieity'.

1. The Industrial Policy of 1956 sought to give a dominant role to public sector. At the same time, it assured a fair treatment to the private sector.
2. The Government would support and encourage cottage and small scale enterprises by restricting volume of production in the large scale sector by differential taxation or by direct subsidies.
3. This industrial policy emphasized the necessity of reducing the regional disparities in levels of development.
4. The Government recognized the need for foreign capital for progressive Indianisation of foreign concerns.

- Shaped by the Mahalanobis Model of growth, which suggested that empahsis on heavy industries would lead the economy towards a long term higher grower path.
- **17 Industries :** Exclusively under the domain of the Government. These included inter alia, railways, air transport, arms and ammunition, iron and steel and atomic energy.
- **12 industries :** Which were envisaged to be progressively Statewned but Private Sector was expected to supplement the effort of the State.
- **The third category** contained all the remaining industries and it was expected that private sector would initiate development of these industries but they would remain open for the state as well.

Industrial Policy 1991

- In June 1991, Narsimha Rao Government took over charge and a wave of reforms and liberalisation was observed in the economy,
- The Government declared broad change in Industrial Policy on July 24, 1991.

NEW INDUSTRIAL POLICY , 1991

1. De-reservation of the Industries
2. De-licencing of the Industries
3. Abolition of the MRTP Limit
4. Promotion to Foreign Investment
5. FERA Replace by FEMA
6. Location of Industries

List of Industries Requiring Compulsory License

- With the introduction of New Industrial Policy in 1991, a substantial programme of deregulation has been undertaken. Industrial licensing has been abolished for all items except for a short list of five industries related to security, strategic or environmental concerns. These are

1. Distillation and brewing of alcoholic drinks
2. Cigar Cigarettes and other substitutes of prepared tobacco
3. Electronic, Aerospace and all types of defence equipment.
4. Industrial Explosive including match boxes
5. Hazardous chemicals.

Areas reserved for the public sector (a) atomic energy ; (b) the substances specified in the schedule to the notification of the Government Atomic Energy (c) railway transport.

- The year 1991 is an important landmark in the economic history of post-independent India.

Meaning of Liberalization, Privatization and Globalization (LPG)

- The triple pillars of New Economic Policy are Liberalization, Privatization and Globalization (LPG)
- **Liberalization :** Liberalization refers to removal of relaxation of governmental restrictions in all stages in industry.
- **Privatization :** Privatization means transfer of ownership and management of enterprises from public sector to private sector.
- **Globalization :** Globalization refers to the integration of the domestic (Indian) economy with the rest of the world.
- Opening of the doors to Foreign Direct Investment (FDI) and Foreign Protfolio Investment (FPI)
- The following are the major changes after 1991 :

1. Foreign exchange reserves started rising.
2. There was a rapid industrialization.
3. The pattern of consumption started improving (or deteriorating).
4. Infrastructure facilities such as express highways, metro rails, flyovers and airports started expanding (but the local people were thrown away).

Industrial Sector Reforms

- **Industrial delicensing policy :** The most important objective of the new industrial policy of 1991 was the end of the industrial licensing or the license raj or red tapism.
- Under the new industrial policy, only three sectors viz., atomic energy, mining and railways will continue as reserved for public sector.
- **Abolition of MRTP Act :** The New Industrial Policy of 1991 has abolished the Monoply and Restrictive Trade Practices Act 1969.
- **Foreign investment policy :** Major feature of the economic reform was red carpet welcome to foreign investment and foreign technology
- Foreign investment including FDI and FPI were allowed.

TYPES OF INDUSTRIES		
Primary	Nature, Primary directly depend on environment (Agriculture, Fisheries, Food gathering, mining)	Red collar
Secondary	Production	Blue collar
Tertiary	Service sector (Trade, Transport Telecommunication)	Pink collar
Quaternary	Knowledge Sector (Education, Judiciary, Medicine)	White collar
Quinary	Interpretation of new and existing ideas and evaluation of new technologies (Judges)	Gold Collar

Industries

- It refers to the activities which converts the raw materials into finished products. This sector is called as the value addition sector.

Agro based industries

- These industries draw their raw materials from agricultural sector. The following part discusses the agro based industries in India.
- The first cotton textile mill was established at Fort Gloster near Kolkata in 1818.

a) Cotton Textile Industry

- Textile is a broad term which includes cotton, jute, wool, silk and synthetic fibre textiles.
- This sector in India is the second largest in the world.
- The cotton textile industries contribute about 7% of industrial output, 2% of India's GDP and 15% of the country's export earnings. It is one of the largest sources of employment generation in the country.
- With over 45 million employees, the total employment in this industry is well over 25million worker. At present there are 1,719 textiles mills in the country. Out of which 188 mills are in public sector, 147 in cooperative sector and 1,284 in private sector.

Do you know

- Byssinosis, also called "brown lung disease" or "Monday fever", is an occupational lung disease caused by exposure to cotton dust in inadequately ventilated working environments.
- Currently, India is the third largest producer of cotton and has the largest loom arc and ring spindles in the world.
- At present, cotton textile industry is the largest organized modern industry of India. About 16% of the industrial capital, 14% of industrial production and over 20% of the industrial labour of the country are engaged in this industry.
- Ginning is the process of cotton fiber is separated from the cotton seed
- The higher concentration of textile mills in and around Mumbai, makes it as "Manchester of India".
- Presence of black cotton soil in Maharastra, humid climate, presence of Mumbai port, availability of hydro power, good market and well developed transport facility favour the cotton textile industries in Mumbai.
- Coimbatore is the most important centre in Tamil nadu with 200 mills out of its 435 and called as "Manchester of South India". Erode, Tirupur, Karur, Chennai, Thirunelveli, Madurai, Thoothukudi, Salem and Virudhunagar are the other major cotton textiles centres in the state.

b) Jute Textiles

- Jute is a low priced fibre used mainly for making package materials like gunny bags. Today jute is blended with cotton and wool to produce textiles.
- India is the largest producer of jute goods contributing 35% of the world's total output.
- This is the second important textile industry in India after cotton textiles.
- Jute is the golden fibre which meets all the standards of goods packing with its natural, renewable, bio degradable and eco-friendly products.
- National jute board is headquarter at Kolkata.
- The first jute mill in India was established at Rishra near, Kolkata in 1854 by the English man George Auckland.
- India tops in the production of raw jute and jute goods and second in the export of jute goods next to Bangladesh.
- Jute production includes gunny bags, canvas, pack sheets, jute web, carpets, cordage, hessians and twines. Now jute is also being used in plastic furniture and insulation bleached fibres to blend with wool.
- The major jute producing areas are in West Bengal and concentrated along the Hooghly river within the radius of six kilometre of Kolkata. Titagarh, Jagatdat, Budge - Budge, Haora and Bhadreshwar are the chief centres of jute industry.
- Andhra Pradesh, Bihar, Uttar Pradesh, Assam, Chhattisgarh and Odisha are the other jute goods producing areas.

c) Silk Industry

- CSTRI is the only research institute in the country dedicated to the Research & Developmental activities related to silk technology. CSTRI was established in the year 1983 by the Central Silk Board, Ministry of Textiles, Govt. of India having head quarter at Bangalore
- Since the ancient times, India is the second largest producer of raw silk next only to China. Sericulture is a labour intensive industvry and provides employment to 7.56 million people make to weaker and marginalised sections of society.
- Karnataka is the largest producer of silk with an average of 8200 metric tons every year which is about one third of the total silk production of India .

Do you know

- Development Commissioner for Handlooms was set up as an attached non- participating office on 20th November, 1975 under the Ministry of Commerce. At present it is functioning under the Ministry of Textiles having headquarters at Udyog Bhawan, New Delhi.

d) Sugar Industry

- Sugar can be produced from sugar cane, sugar-beets or any other crop which have sugar content. In India, sugar cane is the main source of sugar.
- At present this is the second largest agro based industry of India aft er cotton textiles. India is the world's second largest producer of sugar cane aft er Brazil.
- This industry provides employment to 2.86 lakh workers. Sugar industry is decentralized and located near the sugarcane growing areas as they are weight loosing and bulky to transport.
- Uttar Pradesh is the largest producer of sugar, producing about 50% of the country's total.

Forest based industries

- Forest provide us with different types of material which are used as raw material for certain industries like paper, lac, sports goods, plywood etc.

a) Paper industry

- Paper Industry has emerged as a diversified and specialized industry in India that produces numerous types of papers that comes in various use such as sheet paper, paper boxes, tissues, paper bags, stationery, envelopes and printed-paper products such as books, periodicals, and newspapers.
- The first successful effort was made in 1867 with the setting up of the Royal Bengal paper mills at Ballyganj near Kolkata. Subsequent successful efforts were made at Lucknow in 1879, Titagarh in 1882, Pune in 1887, Raniganj in 1892, Kankinra in 1892 and Naihati in 1918.
- West Bengal is the largest producer of paper in the country followed by Madhya Pradesh, Odisha and Tamil nadu states.

Do you know

- The first paper mill of India was started in 1812 at Serampore in West Bengal.

Mineral based industries

- Mineral based industries use both metallic & non metallic minerals as raw materials. The major mineral based industry of country is the iron steel industry

a) Iron and steel industries

- Iron and steel industry is called a basic metallurgical industry as its finished product is used as raw material by host of other industries.
- The modernization of the industry was started in 1907 with the establishment of Tata Iron and Steel Company at Sakchi, now called Jamshedpur. Iron and steel industry of India is mainly concentrated in the states of Jharkhand,West Bengal and Odisha.
- Proximity to the coal fields of Jharia, Raniganj, Bokaro and Karanpura and the iron ore mines of Mayurbhanj, Keonjar and Brona are responsible for this.
- This area also has sufficient deposits of limestone, dolomite, manganese, silicon and dolomite which are required for the industry.

Do you know

- The first attempt to produce iron and steel unit was set up at Porto Novo in Tamil nadu in 1830.

S.No	Name of Industry	Place	Establishment Year	Product
1	Tata Iron and Steel Company(TISCO)	Jamshedpur, Jharkhand	1911	Pig Iron
2	Indian Iron and Steel Company (IISCO)	Burnpur,Hirapur, Kulti, West Bengal	1972	Pig Iron & Crude steel
3	Visweshwaraya Iron Steel Ltd(VISL)	Bhadravati,Karnataka	1923	Alloy and Sponge steel
4	Hisdustan Steel Ltd (HSL) Collaborated with Russia	Bhilai, Chattisgarh	1957	Railway Equipments and Ship Building
5	Hindustan Steel Ltd(HSL) Collaborated with Germany sheets and electrical plates	Rourkela,Odisha	1965	Hot and Cold rolled sheets, Galvanized
6	Hindustal Steel Ltd(HSL) Collaborated with United kingdom	Durgapur,West Bengal	1959	Alloy steel, Construction materials and railway equipments
7	Hindustan Steel Ltd(HSL) Collaborated with Russia	Bokaro, Jharkhand	1972	Sludge and Slog
8	Salem Steel Ltd	Salem, Tamil Nadu	1982	Stainless Steel
9	Vijayanagar Steel Plant	Tornagal,Karnataka	1994	Flat steel and Long Steel
10	Visakhapatnam Steel Plant(VSP)	Visakhapatnam, Andhra Pradesh	1981	Hot Metal

Automobile Industry

- India is set to emerge not only as a large domestic market for automobile manufacturers, but also as a crucial link in the global automotive chain.
- The first automobile industry of India was started in 1947. The industry is the Premier Automobiles Ltd located at Kurla (Mumbai).
- It was followed by the Hindustan Motors Ltd at Uttarpara (Kolkata) in 1948.
- At present, India is the 7th largest producer of automobile manufacturers .

Do you know

- Chennai is nicknamed as the "Detroit of Asia" due to the presence of major automobile manufacturing units and allied industries around the city
- Make in India program was launched in 2004 to put India on the world map as a major hub for global design and manufacturing.
- The automobile industries are found in four clusters viz; Delhi, Gurgaon and Manesar in North India, Pune, Nasik, Halol and Aurangabad in West India, Chennai, Bengaluru and Hosur in South India and Jamshedpur and Kolkata in East India.

Electrical and Electronic Industries

- Heavy electrical industries manufacture equipment used for power generation, transmission and utilization.
- Turbines for steam and hydro power plants, boiler for thermal power plants, generators, transformers, switch gears etc. are the chief products of this industry.
- The most important company in the field of heavy electrical is Bharat Heavy Electricals Ltd (BHEL). It has its plants at Hardwar, Bhopal, Hyderabad, Jammu, Bengaluru, Jhansi and Tiruchirappalli.
- Bengaluru is the largest producer of electronic goods in India, hence it is called as the "Electronic Capital of India".

Software Industry

- India is home to some of the finest software companies in the world.
- In India, software industry began in 1970 with the entry of Tata Consultancy Services (TCS). Along with this, L & T, Infotech, i-Flex, Accenture, Cognizant, GalexE Solutions India Pvt Ltd and ITC Infotech are the major software industries in the country.

Major challenges of Indian Industries

- Industries in India face many problems. Some major problems are listed below.
- Shortage and fluctuation in Power Supply.
- Non- availability of large blocks of land.
- Poor access to credit.
- High rate of interest for borrowed loan.
- Non- availability of cheap labourers.
- Lack of technical and vocational training for employees.
- Inappropriate living conditions nearby industrial estates.
- **Biogas:** The production of methane and carbon-di- oxide from plants and animal wastes.
- **Fossil fuel:** Any naturally occurring carbon or hydrocarbon coal, oil and natural gas.
- **Ore:** It is a deposit in the earth crust with one or more value minerals
- **Solar power:** Heat radiation from the sun converted into electricity.
- **Thermal power station:** An electricity generating plants which burns coal or oil.

Large Scale Industries

- The term 'large scale industries' is a generic one including various types ofindustries in its purview. All the heavy industries of India like the iron and steel industry, textile industry, automobile manufacturing industry fall under the large scale industrial area.

Iron and steel industry

- First steel industry at Kulti, Near Jharia, West Bengal - Bengal iron works company in 1870.
- First large scale steal plant TISCO at Jamshedpur in 1907 followed by IISCO at Burnpur in 1919. Both belonged to private sector.
- The first public sector unit was "Vishveshvaraya Iron and Steel works" at Bhadrawati.
- All these are managed by SAIL (at present all important steel plants except TISCO, are under public sector)
- Steel Authority of India Ltd (SAIL) was established in 1974 and was made responsible for the development of the steel industry.
- Presently India is the eighth largest steel producing country in the world.

Public sector steel plants

Location	Assistance
Rourkela (Odissa)	Germany
Bhilai (MP)	Russia
Durgapur (WB)	UK
Bokaro (Jharkhand)	Russia
Burnpur (WB)	Acquired from private sector in 1976
Vishakhapattnam (AP)	Russia
Salem (Tamil Nadu)	Government of India (No external assistance)
Vijai Nagar (Karnataka)	Government of India
Bhadrawati (Karnataka)	Nationalisation of Vishveshvarayya Iron and Steel Ltd (owned by Centre and State government)

2. Jute industry

- Jute industry is an important industry for a country like India, because not only it earns foreign exchange but also provides substantial employment opportunities in agriculture and industrial sectors.
- Its first modernised industrial unit was established at Reshra in West Bengal in 1855.
- The jute industry in the country is traditionally export oriented. India ranks number one in the raw jute and jute goods production and number two in export of jute goods in the world.

3. Cotton and textile industry

- Oldest industry of India, and employs largest number of workers.
- It is the largest organised and broad- based industry which accounts for 4% of GDP, 20% of manufacturing value-added and one third of total export earnings.
- The first Indian modernised cotton cloth mill was established in 1818 at Fort Gloaster near Calcutta. But this mill was not successful. The second mill named "Mumbai's Spinning and Weaving Co." was established in 1854 at Bombay by KGN Daber.

4. Sugar industry

- Sugar industry is the second largest industry among agriculture-based industries in India.
- India is now the largest producer and consumer of sugar in the world. Maharashtra contributes over one third of the Indian total sugar output, followed closely by Uttar Pradesh.

5. Fertiliser industry

- India is the third largest producer of nitrogenous fertilisers in the world.

6. Paper industry

- The first mechanised paper mill was set up in 1812 at Serampur in West Bengal.
- The paper industry in India is ranked among the 15 top global paper industries.

7. Silk industry

- India is the second-largest(first being China) country in the world in producing natural silk. At present, India produces about 16% silk of the world.
- India enjoys the distinction of being the only country producing all the five known commercial varieties of silk viz Mulberry, Tropical Tussar, Oak Tussar, Eri and Muga.

8. Petroleum and natural gas

- First successful Oilwell was dug in India in 1889 at Digboi, Assam.
- At present a number of regions with oil reserves have been identified and oil is being extracted in these regions
- For exploration purpose, Oil and Natural Gas Commission (ONGC) was established in 1956 at Dehradun, Uttarakhand

Multi National Corporation (MNC)

Evolution of MNC

- 11 of the 15 largest multinationals are American,
- In 1971, the American Corporations held 52 percent of the total world stock of foreign direct Investment.

Reasons for the growth MNC

1. **Expansion of Market territory.**

- As the operations of large sized firm expand, it seeks more and more extension of its activites beyond the physical boundaries of the country in which it is in corporate.

2. **Marketing superiorities:**

- A multinational firm enjoys a number of marketing superiorities over the national firms. It enjoys market reputation and faces less difficulty in selling its products it adopt more effective advertising and sales promotion techniques.

3. **Financial Superiorities**

- It has financial resources and a high level of funds utilization. It has easier access of external capital markets. Because of its international reputation it is able to raise more international resources.

4. **Technological superiorities:**

- The main reason why MNCs have been encouraged by the under developed countries to participate in their industrial development is on account of the technological superiorities which these firms posses as compared to national companies.

5. Product innovations:

- MNCs have research and development engaged in the task of developing new products and superior designs of existing products.

Advantages of MNC

1. Producing the same quality of goods at lower cost and without transaction cost
2. MNC reduce prices and increase the Purchasing power of consumers world wide
3. A MNCs is able to take advantage of tax variation.
4. Spurring job growth in the local economies

Disadvantages of MNC

1. They are a way for the corporations to develop a monopoly (for certain products)
2. They are also a detrimental effect on the environment.
3. The introduction of MNC in to a host country's economy may also lead to the downfall of smaller, local business.
4. MNC breach ethical standards, accusing them of evading ethical laws and leveraging their business agenda with capital.

Top 10 Largest Multinational Companies in India 2018

1. Sony Corporation
2. Hew left Packard (HP)
3. Tata Group
4. Microsoft Corporation
5. IBM
6. Nettle
7. Procter & Gamble
8. City Group
9. Pepsi Company
10. The Coca-Cola Company

- FERA (Foreign Exchange Regulation Act 1974)
- This Act referred directly to the operations of MNCs in India
- FEMA (Foreign Exchange Management Act 1999) Under FEMA the emphasis is on 'Management' rather than 'regulation

Indian Multi National Companies

Company	Headquarter	Type of Industry	Countries of operating
Hero Motocorp	New Delhi	Automobile	Columbia, Bangladesh, Africa
Bajaj	Pune	Automobile	United Arab Emirates(UAE), Bangladesh
TVS	Chennai	Automobile	Brazil,Chile,Colombia, Mexico,Peru
State Bank of India	Mumbai	Banking	Australia,Bangaladesh, Belgium
Bharti Airtel	New Delhi	Communication	South Asia, Africa
Micromax Informatics	Gurgaon	Electronics	Nepal, Srilanka, Bangladesh
Amul	Anand (Gujarat)	Food product	US, Thailand, Malaysia, Hong Kong, Japan,
ONGC	Delhi	Fuel	Brazil, Colombia, Iran
Dr. Reddy's Laboratories	Hyderabad	Medical Laboratory	Brazil, Mexico, Jamalica
Infosys	Bengaluru	Software	America, Europa, Africa

India's efforts at Promoting Entrepreneurship and Innovations

1. **Startup India:**

- Through the Startup India initiative, Government of India promotes entrepreneurship by mentoring, nurturing and facilitating startups throughout their life cycle.
- Since its launch in January 2016, the initiative has successfully given a head start to numerous aspiring entrepreneurs.
- A 'Fund of Funds' has been created to help startups gain access to funding.

2. **Make in India:**

- This scheme is designed to transform India into a global design and manufacturing hub, the Make in India initiative was launched in September 2014.
- It came as a powerful call to India's citizens and business leaders, and an invitation to potential partners and investors around the world to centralize information about opportunities in India's manufacturing sector.
- This has in turn helped procure investments, foster innovation, develop skills, protect intellectual property and build best-in-class manufacturing infrastructure.

3. **Atal Innovation Mission (AIM):**

- AIM is the Government of India's endeavour to promote a culture of innovation and entrepreneurship, and it serves as a platform for promotion of world-class Innovation Hubs, Grand Challenges, start-up businesses and other self-employment activities, particularly in technology driven areas.

4. **Support to Training and Employment Programme for Women (STEP):**

- STEP was launched by the Government of India's Ministry of Women and Child Development to train women who have access to formal skill training facilities, especially in rural India.
- The Ministry of Skill Development & Entrepreneurship and NITI (National Institution for Transforming India formally it is called as planning commission) Aayog recently redrafted the Guidelines of the 30-year-old initiative to adapt to present-day needs.
- The programme imparts skills in several sectors such as agriculture, horticulture, food processing, handlooms, traditional crafts like embroidery, travel and tourism, hospitality, computer and IT services.

5. **Jan Dhan-Aadhaar - Mobile (JAM):**

- JAM, for the first time, is a technological intervention that enables direct transfer of subsidies to intended beneficiaries and, therefore, eliminates all intermediaries and leakages in the system, which has a potential impact on the lives of millions of Indian citizens.

6. **Digital India:**

- The Digital India initiative has been launched to modernize the Indian economy to make all government services available electronically.
- The initiative aims at transforming India into a digitally-empowered society and knowledge economy with universal access to goods and services.

7. **Stand-Up India:**

- It was launched in 2015, Stand-Up India seeks to leverage institutional credit for the benefit of India's underprivileged.
- It aims at enabling economic participation of, women entrepreneurs, Scheduled Castes and Scheduled Tribes and share the benefit of Indian growth with the above mentioned categories.
- Towards this end, at least one women and one individual from the SC or ST communities is granted loans between Rs.10 lakshs to Rs.1 crore to set up greenfield enterprises in manufacturing, services or the trading sector.

8. **Trade related Entrepreneurship Assistance and Development (TREAD):**

- This schemes envisages to address the critical issues of access to credit among India's underprivileged women, the TREAD programme enables credit availability to interested women through non-governmental organizations (NGOs).
- As such, women can receive support of registered NGOs in both accessing loan facilities and receiving counselling and training opportunities to kick-start proposed enterprises, in order to provide pathways for women to take up non-farm activities.

9. **Pradhan Mantri Kaushal Vikas Yojana (PMKVY):**

- A flagship initiative of the Ministry of Skill Development and Entrepreneurship (MSDE).
- This is a Skill Certification initiative which aims to train youth in industry-relevant skills to enhance employment opportunities for livelihood creation and employability.

10. **National Skill Development Mission:**

- This scheme was unveiled in July 2015. The mission aims at building synergies across the sectors in terms of skill training activities. With a vision to build a 'Skilled India' it is designed to expedite decision-making across the sectors to provide skills at scale, without compromising on quality or speed.

11. **Science for Equity Empowerment and Development (SEED):**

- SEED aims to provide opportunities to motivated scientists and field level workers to undertake action-oriented, location specific projects for socio-economic gain, particularly in rural areas.
- SEED emphasizes equity in development, so that the benefits of technology accrue to a vast section of the population, particularly the disadvantaged.

Public and Private Sectors

Introduction

- India was basically an agrarian economy with a weak industrial base at the time of Independence.
- Hence India conceived to have the Indian economy on socialist lines.
- India followed mixed economic system that it is operated both by private enterprises and public enterprises.

Public and Private Sector

- Since the Indian economy consists of both private owned and government owned business enterprises, it is known as a mixed economy.
- Public sector is on service motive and the private sector is on profi t motive.
- Mixed economy is the mixture of merits of both capitalism and socialism.

Definition of Public Sector

- The sector, which is engaged in the activities of providing government goods and services to the general public is known as Public Sector.

History of public Sector

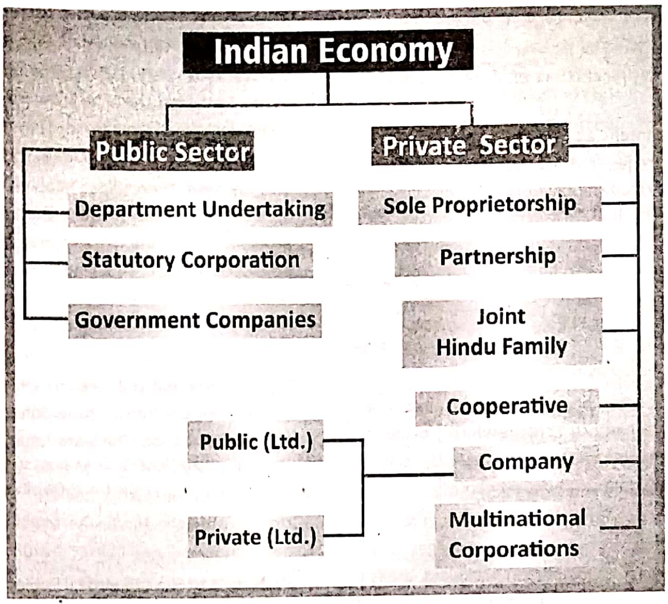
- When India achieved independence in 1947, it was primarily an agricultural country with a weak industrial base. There were only eighteen Indian Ordnance Factories in the country which the British had established for their own economic interest and rule the subcontinent with brute force.
- Rapid industrialisation of the economy which was seen as the key to economic development, improving living standards and economic sovereignty.
- Building upon the Bombay Plan (1940), which noted the requirement of government intervention and regulation, the first Industrial Policy Resolution announced in 1948 laid down broad contours of the strategy of industrial development. Subsequently, the Planning Commission was formed by a cabinet resolution in March 1950 and the Industrial Act was enacted in 1951.
- Prime Minister Jawaharlal Nehru promoted an economic policy based on import substitution industrialisation and advocated a mixed economic system.
- India's second five year plan (1956–60) and the Industrial Policy Resolution of 1956 emphasised the development of public sector enterprises to meet Nehru's national industrialisation policy.
- His vision was carried forward by Dr. V. Krishnamurthy known as the "Father of Public sector undertakings in India".
- Indian statistician Prof. P.C. Mahalanobis was instrumental to its formulation, which was subsequently termed the Friedman–Mahalanobis model.
- The 1991 industrial policy was radically different from all the earlier policies where the government was deliberating disinvestment of public sector and allowing greater freedom to the private sector.

The objectives of Public Sector

- To promote rapid economic development through creation and expansion of infrastructure
- To generate financial resources for development
- To promote redistribution of income and wealth
- To create employment opportunities
- To promote balanced regional growth
- To encourage the development of small-scale and ancillary industries, and
- To accelerate export promotion and import substitution

Public Sector Organizations:

- There are two types of public sector organizations, i.e. either the Government fully finances them through the revenues they raise by collection taxes, duties, fees, etc. of the government holds more than 51% of the total share capital of the company which comes under various ministries. The enterprises are established with service motive.
- It is the largest sector, which works for the upliftment of the people by providing the following services to the people : Postal services , Railway services , Providing security, education and health facilities at low cost, and generation of employment opportunities, etc.



Organs of public sector:

1. **Administration by a Government Department**
   - It is very common almost in all countries. Example - Post and Telegraph, Railways, Port Trust, Irrigation Projects on India etc.,
2. **The Joint sector companies:**
   - It is governed by a company law and controlled by the Government as principal major share holders. Example - Indian Oil Petronas pvt ltd, Indian Oil Sky tanking Limited. Ratnagiri Gas and Power Private Limited, Indian Synthetic Rubber Limited.
3. **Public Corporation :**
   - This type of organization is the establishment of public corporation by the state of the parliament of legislature. Example - LIC, Air India, The Reserve bank of India, Electricity Board

Classification of Industries

- The public sector in India owes its origin in the 1956 Industrial policy resolution of the Government of India. This 1956 resolution classified industries into three categories. The Industries which would be exclusively owned by the state are referred to as Schedule-A
- The industries in which the private sector could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units which are specific in Schedule-B.
- The remaining industries which were in the private sector are mentioned in Schedule-C

Public Sector is divided into the following nine categories

1) Public sector enterprises must supply essential infrastructure for economic development which are known as primary public utilities which include the following: Airlines, Shipping, Railways, Power Generation, Tele communication etc.
2) Public sector enterprises also to have control of the "commanding heights of the economy" e.g. Defence, Banks, Coalmines, Oil, Steel etc.
3) They are to play an entrepreneurial role which is, in other words, called capital intensive industries: e.g., Iron ore, Petro- Chemicals, Fertilizer, Mining, Ship - Building. Heavy Engineering etc.
4) Public sector enterprises under Government monopoly which includes: Telecommunication equipment. Defence production. Railways, Rolling Stock etc.
5) Public sector enterprises which are exclusively meant for High Technology industries, e.g.: Atomic energy.
6) Consumer oriented public sector undertakings. eg. Drug, Paper, Hotels etc.
7) Public Sector enterprise which is set up in order to take over the sick private units, e.g.: Textile, Engineering etc.
8) Public sector enterprises which are set up as Trade Corporation, e.g.: FCI, CCI etc.
9) Public sector enterprises which serves as a consultancy and engineering service etc. e.g. MECON.

NITI Aayog (National Institution for Transforming India)

- NITI Aayog replaced 65 years old planning commission. Planning commission has power to allocate funds to ministries and states, this function will be now at finance ministry.
- NITI Aayog is a policy think tank and a truly advisory body formed on January 1, 2015.

Socio-Economic Development

- Socio-economic development is the process of social and economic development in a society. such as GDP, life expectancy, literacy and levels of employment.
- The new "Think Tank" is NITI Aayog can form a suitable platform in integrating the social sector initiatives of the Centre, state and the local bodies.

INDICATORS OF SOCIO-ECONOMIC DEVELOPMENT

Gross Domestic Product (GDP)

- GDP supports in developing socio - Economic Development. The proportion of GDP by the industrial sector both private and public sector has been increased. It results increasing government funds and increase public spending.

Life Expectancy

- According to 2011 Census of India, Life expectancy in India is 65.80 years for men and 68.33 years for women. Government provides high degree of health measures through various programmes. The Government announced in the Union Budget 2018-19 the "National Health Production Scheme" (NHPS) to serve poor and vulnerable families.

Literacy

- Educational skill plays a vital role in the Socio Economic Development. Sarva Siksha Abhiyan(SSA) is government of India's flagship programme.
- It is implemented for making free and Compulsory Education to the children of 6-14 years with life skills.
- The Government also introduced RMSA, Smart class, e-learning, free computer skill classes and eco-friendly studying environment, Digital India for increasing the level of quality in education.

Employment

- There is a clear shift in employment to secondary and tertiary sector from the primary sector.
- A growing number of people moved urban areas in search of employment.
- It increased urban population, hence government started the 'Smart city' Scheme which provides the city with many facilities like hospitals, schools, housing facilities and shopping centers.
- To promote rural and backward areas in terms of employment the government encourages private sectors to start an industry in backward areas by providing tax benefit electricity at a lower tariff, etc., It removes regional inequality.

Importance of Public sector

- Public sector plays a major role in the development of any economy. It has following importance:-

1. **Public Sector and Capital Formation:** The role of public sector in collecting saving and investing them during the planning period has been very important.
2. **Economic Development:** Economic development mainly depends upon industrial development. Heavy & basic industries like iron & steel, shipping, mining, etc. are required for supplying raw materials to small industries.
3. **Balanced Regional Development:** Public sector undertakings have located their plants in backward parts of the county. These areas lacked basic industrial and civic facilities like electricity, water supply, township and manpower. Public enterprises have developed these facilities thereby bringing about complete transformation in the socio- economic life of the people in these regions.
4. **Employment Generation:** Public sector has created millions of jobs to tackle the unemployment problem in the country. The number of persons employed during the year 2011 was 150 lakh. Public sector has also contributed a lot towards the improvement of working and living conditions of workers by serving as a model employer.
5. **Export Promotion and Foreign Exchange Earnings:** Some public enterprises have done much to promote India's export. The State Trading Corporation (STC), the Minerals and Metals Trading Corporation (MMTC), Hindustan Steel Ltd., the Bharat Electronics Ltd., the Hindustan Machine Tools, etc., have done very well in export promotion.
6. **Protection to Sick Industries:** Public sector, to prevent sick unit closing down, takes over their responsibility & prevent many people from getting unemployed not only this but it prevents unnecessary locking of capital, land, building, machinery, etc.
7. **Import Substitution:** Some public sector enterprises were started specifically to produce goods which were formerly imported and thus to save foreign exchange. The Oil and Natural Gas Commission (ONGC), the Indian Oil Corporation Ltd., the Bharat Electronics Ltd., etc., have saved foreign exchange by way of import substitution.

- The largest public sector employer in india is Indian Railways.

Difference between Public Sector and Private Sector

S. No.	PUBLIC SECTOR	PRIVATE SECTOR
1.	Ownership of industries is with government	Ownership of industries is with private individuals
2.	Public Revenue depends upon levy of taxes, on income & commodities & services	Issuing shares and debentures or by taking loan
3.	Public sector ensures the proper wage	Private sector exploits the workers
4.	It does not allow to concentrate huge wealth in few hands or rich people	It allows concentrate of huge wealth in few hands or rich people
5.	Public sector industries: Example NLC, SAIL, BSNL	Private sector industries: Example TVS Motors, Ashok Leyland, TATA Steel
6.	No tax evasion	Tax evasion is possible
7.	It Is service oriented	It is purely profit oriented
8.	Reservations are implemented. Priority is given to the socially backward people	It does not care the socially backward class, reservation is not followed

List of Public Sector undertaking industries:

- In india, as for the year 2017 there are 8 Maharatna industries, 16 Navratna industries and 74 Miniratna industries. There are nearly 300 CPSEs (Central Public Sector enterprises) in total.

Maharatna Industries

- Three years with an average annual net profit of over ₹ 2500 crore, or Average annual Net worth of ₹ 10,000 crore for 3 years, or Average annual Turnover of ₹ 20,000 crore for 3 years (against ₹ 25,000 crore prescribed earlier) are called as

Maharatna Industries

- National Thermal Power Corporation (NTPC)
- Oil and Natural Gas Commission (ONGC)
- Steel Authority of India Limited (SAIL)
- Bharat Heavy Electricals Limited (BHEL)
- Indian Oil Corporation Limited (IOCL)
- Coal India Limited (CIL)
- Gas Authority of India Limited (GAIL)
- Bharat Petroleum Corporation Limited (BPCL)

Navratna Industries

- A score of 60 (out of 100), based on six parameters which include net profi t, net worth, total manpower cost, total cost of production, cost of services, PBDIT (Profit Before Depreciation, Interest and Taxes), capital employed, etc., and a company must fi rst be a Miniratna and have 4 independent directors on its board before it can be made a Navratna.
- Bharat Heavy Electronics Limited (BHEL)
- Container Corporation of India (CONCOR)
- Engineers India Limited (EIL)
- Hindustan India Limited (HAL)
- Hindustan Petroleum Corporation Ltd. (HPCL)
- Mahan agar Telephone Nigam Ltd (MTNL)
- National Aluminum company (NALCO)
- Neyveli Lignite Corporation India Ltd. (NLCIL)
- Oil India Ltd. (OIL)
- Shipping corporation of India (SCI)

Miniratna Industries - 1

- Have made profi ts continuously for the last three years or earned a net profi t of Rs. 30 crore or more in one of the three years.

  Some Miniratna Industries – 1 are
- Airports Authority of India (AAI)
- Bharat Dynamics Ltd.(BDL)
- Bharat Sanchar Nigam Ltd. (BSNL)
- Chennai petroleum Corporation Ltd. (CPCL)
- India Trade Promotion Organization (ITPO)
- State Trading Corporation of India (STCI)

Miniratna Industries - 2

- Have made profits continuously for the last three years and should have a positive net worth. Some Miniratna Industries – 2 are
- HMT (International) Limited
- Indian Medicines & Pharmaceuticals Corporation Limited
- MECON Limited
- Mineral Exploration Corporation Limited
- National Film Development Corporation Limited
- Bharat Pumps & Compressors Limited Bharat Pumps & Compressors Limited .

Navarathna

- The term Navaratna meant a talisman composed of nine precious gems. Later, this term was adopted in the courts of Gupta emperor Vikramaditya and Mughal emperor Akbar, as the collective name for nine extraordinary courtiers at their respective courts.

Definition of Private sector

- The segment of a national economy that is owned, controlled and managed by private individuals or enterprises is known as Private sector.

Major private companies

- Infosys
- Aditya Birla Company
- Reliance Industrial companies
- Tata Group of companies
- WIPRO Limited
- Hindustan Unilever Limited
- ICICI Bank Limited.

Functions of Private Sector

- The main function of private sector is to create innovation and modernization. The profit motive drives them to invent, innovate new techniques of production and manage the productive activities in a scientific manner.
- Develop and maintain infrastructure and services.
- Promote and expand existing businesses.
- Promote human capital development, to help vulnerable groups especially to participate in the labour market and encourage community development by promoting community business and co-operatives, local exchange systems and informal credit etc..
- Promote small, micro and medium enterprises (SMME) through supply side measures and demand side measures and attract investment in the city.

IMPACT OF GLOBALIZATION IN INDIA

- In India the period after 1980-81 was marked by severe balance of payment difficulties mainly due to hike in oil price and Gulf war in 1990-91 and hostilities in West Asia.

Reforms made to adopt Globalization:-

(New Economic policy in India)

1. Abolition of Industrial licensing, except for a few industries.
2. Reduction in the number of industries reserved for public sector.
3. Fixation of a realistic exchange rate of rupee to exchange exports of Indian goods.
4. Foreign private sector by making rupee convertible on trade, on current account and by reducing import duties.
5. Foreign exchanges regulations were suitably amended
6. The Statutory Liquidity Ratio (SLR) was reduced to increase lending by RBI.

Multi National Corporation (MNC)

- Multi National Corporation is a Corporate organization which owns or controls production of goods or services in at least one country other than its home country.
- Otherwise called Multinational Corporations (MNCs) or Transnational Corporation (TNC) or Multinational Enterprise (MNE).

Evolution of MNC

- Like, the East India Company, which came to India as a trading company and then its net throughout the country to become politically dominant, these multinationals first start their activities in extractive industries or control raw materials in the host countries during 1920s and then slowly entered.
- The manufacturing and service sectors after 1950s. Most of the MNC's at present belong to the four major exporting countries viz., USA, UK, France, Germany. However, the largest is American.
- 11 of the 15 largest multinationals are American, In 1971, the American Corporations held 52 percent of the total world stock of foreign direct Investment.
- Great Britain held 14.5 percent followed by France 5 percent and Federal Republic of Germany 4.4 percent and Japan 2.7 percent.
- In 1969 the American Multinationals alone produced approximately 140 billion dollars worth of goods.
- The American multinationals realize quite substantial returns to the extent of 34 percent in Asiatic countries and 22 percent in African countries.
- They then acquire enormous powers in hose countries, which smoothens the free flow of fund across international boundaries.
- They purchase the best brains in these countries and resort to unfair practices. With their huge resources, the MNCs are able to invest in research and development and exploit technological developments to manufacture new products, and discover new process.

Reasons for the growth MNC

1. **Expansion of Market territory**

- As the operations of large sized firm expand, it seeks more and more extension of its activates beyond the physical boundaries of the country in which it is in corporate.

2. **Marketing superiorities:**

- A multinational firm enjoys a number of marketing superiorities over the national firms. It enjoys market reputation and faces less difficulty in selling its products it adopt more effective advertising and sales promotion techniques.

Top 10 Largest Multinational Companies in India 2018

1. Sony Corporation
2. Hew left Packard (HP)
3. Tata Group
4. Microsoft Corporation
5. IBM
6. Nettle
7. Procter & Gamble
8. City Group
9. Pepsi Company
10. The Coca-Cola Company

FERA (Foreign Exchange Regulation Act 1974)

- This Act referred directly to the operations of MNCs in India

FEMA (Foreign Exchange Management Act 1999)

- Under FEMA the emphasis is on 'Management' rather than 'regulation'

Indian Multi National Companies

Company	Headquarter	Type of Industry	Countries of operating
Hero Motocorp	New Delhi	Automobile	Columbia, Bangladesh, Africa
Bajaj	Pune	Automobile	United Arab Emirates(UAE), Bangladesh
TVS	Chennai	Automobile	Brazil,Chile,Colombia, Mexico,Peru
State Bank of India	Mumbai	Banking	Australia,Bangaladesh, Belgium
Bharti Airtel	New Delhi	Communication	South Asia, Africa
Micromax Informatics	Gurgaon	Electronics	Nepal, Srilanka, Bangladesh
Amul	Anand (Gujarat)	Food product	US, Thailand, Malaysia, Hong Kong, Japan,
ONGC	Delhi	Fuel	Brazil, Colombia, Iran
Dr. Reddy's Laboratories	Hyderabad	Medical Laboratory	Brazil, Mexico, Jamalica
Infosys	Bengaluru	Software	America, Europa, Africa

Advantages of MNC

1. Producing the same quality of goods at lower cost and without transaction cost
2. MNC reduce prices and increase the Purchasing power of consumers world wide
3. A MNCs is able to take advantage of tax variation.
4. Spurring job growth in the local economies

Disadvantages of MNC

1. They are a way for the corporations to develop a monopoly (for certain products)
2. They are also a detrimental effect on the environment.
3. The introduction of MNC in to a host country's economy may also lead to the downfall of smaller, local business.
4. MNC breach ethical standards, accusing them of evading ethical laws and leveraging their business agenda with capital.

GATT: (General Agreement of Trade and Tariffs)

- GATT was signed by 23 countries in 1947. India was one of the founder members of GATT. In the seventh Round 99 countries participated.
- In the Eighth Round of 1986, (Uruguay Round), 117 countries participated. The Director General of GATT Arthur Dunkel came up with a Drafft Final Act, known as Dunked Draft and on April 15, 1994 the Final Act was ultimately approved and signed.
- GATT's primary purpose was to increase International Trade by reducing various tariffs, quotas and subsidies while maintaining meaningful regulations.

Rounds of GATT

- First in Geneva (Switzerland) (1947)
- Second in Annecy (France) in 1949
- Third in Torquay (UK) in 1950 – 51
- Fourth, fifth, and Sixth in Geneva (Switzerland) in 1956, 1960-61, 1964 -67.
- Seventh in Tokyo (Japan) in 1973 – 79
- Eighth and final round at Punta del Este (Uruguay) in 1986 – 1994, known as 'Uruguay Round'

World Trade Organization(WTO):

- Head Quarter: Geneva, Switzerland
- Purpose: Regulation, International trade
- Members of WTO: Director General, Four Deputy Director General, and other 600 Official Staff from around 80 member countries.

The WTO mentions five types of subsidies:

- Cash subsidies, such as the grants mentioned above.
- Tax concessions, such as exemptions, credits, or deferrals.
- Assumption of risk, such as loan guarantees.
- Government procurement policies that pay more than the free-market price.
- Stock purchases that keep a company's stock price higher than market levels.

These are all considered subsidies because they reduce the cost of doing business.

Objectives of W.T.O

- To set and enforce rules for international trade.
- To provide a forum for negotiating and monitoring further trade liberalization.
- To resolve trade disputes.
- Introduction the sustainable development and environment can go together.
- To ensure that developing countries, secure a better share of growth in world Trade.
- To resolve trade disputes.
- To increase the transparency of decision making processes.
- Introduction sustainable development the development and environment can go together.
- To ensure full employment and broad increase in effective demand.

Trade Related aspects of Intellectual Property Rights (TRIPs)

- Intellectual Property Right may be defined as "Information with a commercial Value" Under TRIPs Patent shall be available for any invention whether product or process in all fields of industrial technologies.
- Trips agreement covers seven areas of intellectual's property rights i.e. Copy rights, Trade Market, Trade Secrets, Industrial Design, Geographical appellations Integrated circuits and Patents.

Trade Related Investment Measures (TRIMs)

- The Uruguay Round Agreement on TRIMs refers to certain conditions (or) restrictions imposed by a government in respect of foreign investment in the country in order to give adequate provisions for the home industries to develop.

Impact and Challenges of Globalization

Positive Impact

- A better economy introduces rapid development of the capital market.
- Standard of living has increased.
- Globalization rapidly increase better trade so that more people are employed.
- Introduced new technologies and new scientific research patterns.
- Globalization increasing the GDP of a country.
- It helps to increase in free flow of goods and also to increase Foreign Direct Investment.

Negative Impact

- Too much flow of capital amongst countries, Introduces unfair and immoral distributors of Income.
- Another fear is losing national integrity. Because of too much exchange of trade, independent domestic policies are lost.
- Rapid growth of the economy has required a major infrastructure and resource extraction. This increase negative ecological and Social costs.
- Rapid increases in exploitation of natural resources to earn foreign exchange.
- Environmental standards and regulations have been relaxed.

Challenges of Globalization

- The benefits of globalization extend to all countries that will not happen automatically.
- The fear that globalization leads to instability in the developing world.
- The industrial world that increased global competition will lead in race to the bottom in wages, labour right, and employment practice.
- It leads to global inbalance.
- Globalization has resulted with the embarrassment.
- Globalization has led to an increase in activities such as child labor and slavery.
- People started consuming more junk food. This caused, the degradation of health and spread of diseases.
- Globalization has led to environmental degradation.

Disinvestment - A Historical Perspective

- For the first four decades after Independence, the country was pursuing a path of development in which the public sector was expected to be the engine of growth.
- However, the public sector overgrew itself and its shortcomings started manifesting in low capacity utilisation and low efficiency due to over manning, low work ethics, over capitalisation due to substantial time and cost over runs, inability to innovate, take quick and timely decisions, large interference in decision making process etc.
- Hence, a decision was taken in 1991 to follow the path of Disinvestment.

Period from 1991-92 - 2000-01

- The change process in India began in the year 1991-92, with 31 selected PSUs disinvested for Rs.3,038 crore.
- In August 1996, the Disinvestment Commission, chaired by G V Ramakrishna was set up to advice, supervise, monitor and publicize gradual disinvestment of Indian PSUs.
- It submitted 13 reports covering recommendations on privatisation of 57 PSUs. Dr R.H.Patil subsequently took up the chairmanship of this Commission in July 2001.However, the Disinvestment Commission ceased to exist in May 2004.
- The Department of Disinvestment was set up as a separate department in December, 1999 and was later renamed as Ministry of Disinvestment from September, 2001. From May, 2004, the Department of Disinvestment became one of the Departments under the Ministry of Finance.
- Against an aggregate target of Rs. 54,300 crore to be raised from PSU disinvestment from 1991-92 to 2000-01, the Government managed to raise just Rs. 20,078.62 crore (less than half). Interestingly, the government was able to meet its annual target in only 3 (out of 10) years. In 1993-94, the proceeds from PSU disinvestment were nil over a target amount of Rs. 3,500 crore.
- The reasons for such low proceeds from disinvestment against the actual target set were:
  1. Unfavorable market conditions
  2. Offers made by the government were not attractive for private sector investors
  3. Lot of opposition on the valuation process
  4. No clear-cut policy on disinvestment
  5. Strong opposition from employee and trade unions
  6. Lack of transparency in the process
  7. Lack of political will
- This was the period when disinvestment happened primarily by way of sale of minority stakes of the PSUs through domestic or international issue of shares in small tranches.
- The value realized through the sale of shares, even in blue chip companies like IOC, BPCL, HPCL, GAIL & VSNL, however, was low since the control still lay with the government.
- Most of these offers of minority stakes during this period were picked up by the domestic financial institutions. Unit Trust of India was one such major institution.

Period from 2001-02 - 2003-04

- This was the period when maximum number of disinvestments took place. These took the shape of either strategic sales (involving an effective transfer of control and management to a private entity) or an offer for sale to the public, with the government still retaining control of the management.
- Some of the companies which witnessed a strategic sale included:
  - BHARAT ALUMINIUM CO.LTD.
  - CMC LTD.
  - HINDUSTAN ZINC LTD.
  - HOTEL CORP.OF INDIA LTD. (3 PROPERTIES: CENTAUR HOTEL,JUHU BEACH, CENTAUR HOTEL AIRPORT,MUMBAI & INDO HOKKE HOTELS LTD.,RAJGIR)
  - HTL LTD.
  - IBP CO.LTD.
  - INDIA TOURISM DEVELOPMENT CORP.LTD.(18 HOTEL PROPERTIES)
  - INDIAN PETROCHEMICALS CORP.LTD.
  - JESSOP & CO.LTD.
  - LAGAN JUTE MACHINERY CO.LTD.,THE
  - MARUTI SUZUKI INDIA LTD.
  - MODERN FOOD INDUSTRIES (INDIA) LTD.
  - PARADEEP PHOSPHATES LTD.
  - TATA COMMUNICATIONS LTD.
- The valuations realized by this route were found to be substantially higher than those from minority stake sales.
- During this period, against an aggregate target of Rs. 38,500 crore to be raised from PSU disinvestment, the Government managed to raise Rs. 21,163.68 crore.

Period from 2004-05 - 2008-09

- The issue of PSU disinvestment remained a contentious issue through this period. As a result, the disinvestment agenda stagnated during this period. In the 5 years from 2003-04 to 2008-09, the total receipts from disinvestments were only Rs. 8515.93 crore.

2009-10-2017-18

- A stable government and improved stock market conditions initially led to a renewed thrust on disinvestments. The Government started the process by selling minority stakes in listed and unlisted (profit-making) PSUs. This period saw disinvestments in companies such as NHPC Ltd., Oil India Ltd., NTPC Ltd., REC, NMDC, SJVN, EIL, CIL, MOIL, etc. through public offers.
- However, from 2011 onwards, disinvestment activity slowed down considerably. As against a target of Rs.40,000 crore for 2011-12, the Government was able to raise only Rs.14,000 crore.
- However, the subsequent years saw some improvement and the Government was able to raise Rs. 23,857 crore against a target of Rs. 30,000 crore (Revised Target : Rs. 24,000 crore) in 2012-13 and Rs. 21,321 crore against a target of Rs. 54,000 (Revised Target : Rs. 19,027 crore) in 2013-14.
- The achieved target dropped to Rs. 24,338 crore against a target of Rs. 58,425 crore in 2014-15. In 2015-16 the Government was able to raise Rs. 32,210 crore against a target of Rs. 69,500 crore (Revised Target : Rs. 25,312 crore) and Rs. 46,378 crore against a target of Rs. 56,500 (Revised Target : Rs. 45,500 crore) in 2016-17.
- Further, some steep improvement was seen and the Government was able to raise Rs. 1,00,642 crore against a target of Rs. 72,500 crore (Revised Target : Rs. 1,00,000 crore) in 2017-18

2018-19 onwards

- The NDA Government has set an ambitious disinvestment target of Rs. 80,000 crore. As such, 2018-19 is likely to see some big ticket disinvestments taking place.

Disinvestment in 2020

- The Government has decided to get LIC Listed on the markets. The announcement was made by Finance Minister Nirmala Sitaraman in her Budjet Speech.
- The move is in line with the governments aim to look at stake sale in government entities to shore up its finances and allow these PSUs to raise resources. The Government has pegged disinvestment for FY21 at Rs. 2.11 Lakh crore.
- Government had set a target of Rs. 1.05 Lakh crore in FY20. On the strategic sale, the government has already initiated the process for Air India and invited bids from potential buyers for a 100% stakes in the National carrier.

IX

Rural Welfare Oriented Programmes

- India Lives in Villages' – Mahatma Gandhi

Introduction

- Rural Economics deals with the application of economic principles in understanding and developing rural areas. In general, rural areas are geographical areas located outside towns and cities.
- Rural areas have problems like backwardness of agriculture, low income , low employment opportunities, poverty, low infrastructural development, low illiteracy, low labour productivity, lower prices of agricultural products, surplus labour force, larger population, high level of migration and high dependency on natural resources and nature.
- According to the 2011 Population Census, there are 6,40,867 villages in India and 68.84 percent of the 121crore total population live in rural areas.

Features of Rural Economy

Main characteristics of rural economy are:

1. **Village is an Institution**

   The Village is a primary institution and it satisfies almost all the needs of the rural community. The rural people have a feeling of belongingness and a sense of unity towards each other.

2. **Dependence on Agriculture**

   The rural economy depends much on nature and agricultural activities. Agriculture and allied activities are the main occupation in rural areas.

3. **Life of Rural People**

   Rural people rely much on faith, superstitions and traditional cultural practices. The standards of living of majority of rural people are poor and pitiable. In terms of methods of production, social organization and political mobilization, rural sector is extremely backward and weak. In recent years, the incidence of alcohol drinking has gone up.

4. **Population Density**

   Population density, measured by number of persons living per sq. km is very low and houses are scattered in the entire villages.

5. **Employment**

   There exists unemployment, seasonal unemployment and underemployment in rural areas. Unemployment refers to the situation of people with willingness and ability to work but is not getting employed. Disguised unemployment is a situation Where people work but no increase in production. Both the situations are common in rural areas.

6. **Poverty**

   Poverty is a condition where the basic needs of the people like food, clothing and shelter are not being met. According to the 2011-12 estimates, About 22 crores of people in rural areas are poor and live below the poverty line.

7. **Indebtedness**

   People in rural areas are highly indebted owing to poverty and underemployment, lack of farm and non-farm employment opportunities, low wage employment, seasonality in production, poor marketing network etc. A famous British writer Sir Malcolm Darling (1925) stated that 'An Indian farmer is born in debt, lives in debt, dies in debt and bequeaths debt'. Since formal loan facilities are not available to the villagers, they depend on local money lenders who, like a parasite, squeeze the villagers. Hence the villagers commit suicide frequently.

8. **Rural Income**

   Large proportion of labourers and skilled persons are underemployed and the scope for increasing their income is limited.

9. **Dependency**

   Rural households are largely dependent on social grants and remittances from family members working in urban areas and cities.

10. **Dualism**

    Dualism means the co existence of two exteremely different features like developed and underdeveloped, organised and unorganised, traditional and modern, regulated and unregulated, poor and rich, skilled and unskilled and similar contradicting situations in a region. These characteristics are very common in rural areas.

11. **Inequality**

    The distributions of income, wealth and assets are highly skewed among rural people.

12. **Migration**

    Rural people are forced to migrate from villages to urban areas in order to seek gainful employment for their livelihood.

- This is called' double poisoning' by Schumacher, one side villages are empty, on the other side towns are congested. His book is " Small is Beautiful "describes the dangers of the present kind of development.

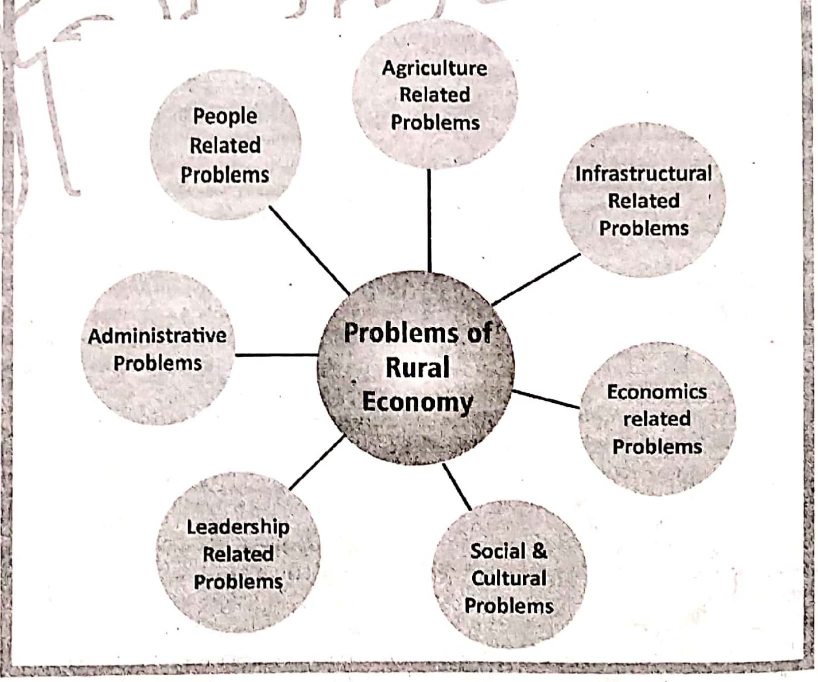
Meaning of Rural Development

- Rural Development is defined as an overall improvement in the economies and social well being of villagers and the institutional and physical environments in which they live.
- According to the World Bank, 'Rural Development is a strategy designed to improve the economic and social life of a specific group of people - rural poor'

Need for Rural Development

- A major share of population lives in rural areas, and their development and contributions are very much supportive for the nation building activities.
- The rural economy supports the urban sectors by way of supplying drinking water, milk, food and raw materials. Hence, the backwardness of the rural sector would be a major impediment to the overall progress of the economy.
- Improvements in education, health and sanitation in villages can help avoid many urban problems namely, begging, rack picking and road side slumming.
- Development of agriculture and allied activities are necessary for providing gainful employment in rural areas and improving overall food production.
- The evils of brain-drain and rural- urban migration can be reduced if rural areas are developed.
- In order to better utilise the unused and under-utilised resources, there is a need to develop the rural economy.
- Rural development should minimise the gap between rural and urban areas in terms of the provision of infrastructural facilities. It was called as PURA by former President Abdul Kalam.
- In order to improve the nation's status in the global arena in terms of the economic indicators like Human Development Index (HDI), Women Empowerment Index (WEI), Gender Disparity Index (GDI), Physical Quality of Life Index (PQLI) and Gross National Happiness Index (GNHI) should be given due attention.

Problems of Rural Economy



1. **People Related Problems**

   The problems related to individuals and their standard of living consist of illiteracy, lack of technical knowhow, low level of confidence, dependence on sentiments and beliefs etc.

2. **Agriculture Related Problems**

- Lack of expected awareness, knowledge, skill and attitude
- Unavailability of inputs
- Poor marketing facility,
- In sufficient extension staff and services,
- Multidimensional tasks to extension personnel.
- Small size of land holding,
- Sub-division and fragmentation of landholdings,
- Absence of infrastructure to work and stay in rural areas,
- Primitive technology and low adoption of modern technologies

- Reduced public investment and absence of role for farmers in fixing the prices for their own products

3. **Infrastructural Related Problems**

Poor infrastructure facilities like, water, electricity, transport, educational institutions, communication, health, employment, storage facility, banking and insurance are found in rural areas.

4. **Economics related Problems**

The economic problems related to rural areas are: inability to adopt high cost technology, high cost of inputs, under privileged rural industries, low income, indebtedness and existence of inequality in land holdings and assets. In fertile areas, a few absentee landlords own large area and they do not evince greater interest in improving the performance of agriculture.

5. **Social and Cultural Problems**

Caste system makes villages almost rigid. Dominant Caste in village holds all land holdings so they will be the superior class too.

- Both class and caste exploitation will be at their peaks. Poverty, mal - nourishment, illiteracy, child marriages and many more can be seen in Indian villages.

6. **Leadership Related Problems**

- Leadership among the hands of inactive and incompetent people, self-interest of leaders, biased political will, less bargaining power and negation skills and dominance of political leaders.

7. **Administrative Problems**

The rural administrative problems consist of political interference, lack of motivation and interest, low wages in villages, improper utilization of budget, and absence of monitoring and implementation of rural development programme.

Rural Poverty

- Poverty in India has been defined as the situation in which an individual fails to earn sufficient income to buy the basic minimum of subsistence.
- Poverty line is a hypothetical line based on income or consumption levels that divides the population as people below poverty line and above poverty line. On the basis of recommended nutritional intake, persons consuming less than 2,400 calories per day in rural areas are treated as they are under rural poverty.
- Poverty is deepest among members of scheduled castes and tribes in the rural areas. India is the home to 22 per cent of the world's poor

Causes for Rural Poverty

- Unequal land distribution the distribution of land is highly skewed in rural areas. Therefore, majority of rural people work as hired labour to support their families.
- **Lack of Non-farm Employment:** Non-farm employment opportunities do not match the increasing labour force. The excess supply of labour in rural areas reduces the wages and increases the incidence of poverty.
- **Lack of Public Sector Investment:** The root cause of rural poverty in our country is lack of public sector investment on human resource development.
- **Inflation:** Steady increase in prices affects the purchasing power of the rural poor leading to rural poverty.
- **Low Productivity:** Low productivity of rural labour and farm activities is a cause as well as the effect of poverty.
- **Unequal Benefit of Growth:** Major gains of economic development are enjoyed by the urban rich people leading to concentration of wealth. Due to defective economic structure and policies, gains of growth are not reaching the poor and the contributions of poor people are not accounted properly.
- **Low Rate of Economic Growth:** The rate of growth of India is always below the target and it has benefited the rich. The poor are always denied of the benefits of the achieved growth and development of the country.
- **More Emphasis on Large Industries:** Huge investment in large industries catering to the needs of middle and upper classes in urban areas are made in India. Such industries are capital-intensive and do not generate more employment opportunities.
- Therefore, poor are not in a position to get employed and to come out from the poverty in villages.
- **Social Evils:** Social evils prevalent in the society like custom, believes etc. increase unproductive expenditure.

Remedial Measures to Rural Poverty

Poverty Eradication Schemes	
Schemes	**Year of launch**
20 Point Programme	1975
Integrated Rural development Programme(IRDP)	1976
Training Rural Youths for Self- Employment (TRYSEM)	1979
Food for Work Programme (FWP)	1977
National Rural Employment Programme (NREP)	1980
Rural Landless Employment Guarantee Programme(RLEGP)	1983
Jawahar Rozgar Yojana(JRY)	1989
Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	2006
Development Schemes	
Pradhan Mantri Adarsh Gram Sadak Yojana (PMAGSY)	2010
Bharat Nirman Yojana	2005
Indira Awas Yojana	1985
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	2005
Rajiv Awas Yojan (RAY)	2009
National Rural Health Mission	2005
National Rural Livelihood Mission	2011
National Food Security Scheme	2013

Rural Unemployment

- Unemployment is a situation in which a person is actively searching for employment but unable to find work at the prevailing wage rate.
- Peter Diamond, Dale Mortensen and Christopher Pissarides shared 2010 Economics Nobel prize for jobs study. Their model, called DMP model, helps us understand how regulation and economic policies affect unemployment, job vacancies and wages.

India are categorised into three classes:

- In Open Unemployment, unemployed persons are identified as they remain without work. This type of unemployment is found among agricultural labourers, rural artisans and literate persons.

In Concealed Unemployment

- For many are employed below their productive capacity and even if they are withdrawn from work the output will not diminish.
- It is also called Disguised Unemployment or Under employment. This kind of unemployment situation is more serious in villages than in urban areas.

In Seasonal Unemployment

- Employment occurs only on a particular season supported by natural circumstances and the remaining period of a year the rural people are unemployed or partially employed.

Causes for Rural Unemployment

1. **Absence of skill development and employment generation**

Lack of Government initiatives to give required training and then to generate employment opportunities.

2. **Seasonal Nature of Agriculture**

Agricultural operations are seasonal in nature and depend much on nature and rainfall. Therefore, the demand for labour becomes negligible during off-season. So, non-farm employment opportunities must be created.

3. **Lack of Subsidiary Occupation**

Rural people are not able to start subsidiary occupations such as poultry, rope making, piggery etc. due to shortages of funds for investment and lack of proper marketing arrangements.

4. **Mechanization of Agriculture**

Mechanization of agricultural operations like ploughing, irrigation, harvesting, threshing etc. reduces employment opportunities for the farm labour.

5. **Capital-Intensive Technology**

The expanding private industrial sector is largely found in urban areas and not creating additional employment opportunities due to the application of capital intensive technologies

6. **Defective System of Education**

The present system of education has also aggravated the rural unemployment problem.Large number of degree- producing institutions has come in the recent years.

- Degrees should be awarded only on the basis of skills acquired. The unemployed youth should get sufficient facilities to update their skills.

Remedies for Rural Unemployment

1. **Subsidiary Occupation**

To reduce the seasonal unemployment rural people should be encouraged to adopt subsidiary occupations. Loans should be granted and proper arrangements should be made for marketing their products.

2. **Rural Works Programme**

Rural Works Programme such as construction and maintenance of roads, digging of drains, canals, etc should be planned during off-season to provide gainful employment to the unemployed.

3. **Irrigation Facilities**

Since rainfall is uncertain irrigation facilities should be expanded to enable the farmers to adopt multiple cropping. The increased cropping intensity creates additional demand for labour.

4. **Rural Industrialization**

To provide employment new industries should be set up in rural areas. This will open new fields of employment and also change the attitude of rural people towards work. For this, government has to do something. Private sector would not take up this responsibility.

5. **Technical Education**

Employment oriented courses should be introduced in schools and colleges to enable the litrate youth to start their own units.

Rural Industries

- Rural industries embrace all industries which are run by rural people in rural areas.

- The rural industries can be broadly classified into
  - a) cottage industries
  - b) village industries
  - c) small industries
  - d) tiny industries and
  - e) agro-based industries.

Cottage Industries

- These industries are carried out by artisans in their own homes at their own risk and for their own benefit. Artisans may combine this work with another regular job.
- No or little outside labour is employed. Normally, the members of the household provide the necessary labour.
- These industries are generally hereditary and traditional in character.
- No or little power is used.
- These industries usually serve the local market and generally work on the orders placed by other industries.
- **Village Industries:** Village industries are traditional in nature and depend on local raw-material. They cater to the needs of local population. Examples of village industries are gur and khandsari, cane and bamboo basket, shoe making, pottery and leather tanning.
- **Small Scale Industries (SSIs):** Most small scale industries are located near urban centres.
- Examples of such small scale industries are manufacture of sports goods, soaps, electric fans, foot wear, sewing machines and handloom weaving.
- SSIs are also known as Micro, Small & Medium Enterprises (MSMEs). They are defined and categorized by the Micro, Small & Medium Enterprises Development Act, 2006.
- **Agro-based Industries:** These industries are based on the processing of agricultural produce. Agro-based industries may be organised on a cottage-scale, small- scale and large-scale.

Rural Indebtedness

- Rural indebtedness refers to the situation of the rural people unable to repay the loan accumulated over a period.
- According to the Government of India's Socio Economic and Caste Census (SECC), 2015, around 73 per cent of households in India are rural. Of these, 18.5 per cent are scheduled caste households and 11 per cent belong to the scheduled tribe category.

Causes for Rural Indebtedness

- Poverty of Farmers
- Failure of Monsoon
- Litigation
- Money Lenders and High Rate of Interest

Measures to Remove Rural Indebtedness

Regional Rural Banks (RRBs)

- Regional Rural Banks came into existence based on the recommendation made by a working group on rural banks appointed by the Government of India in 1975. RRBs are recommended with a view to developing rural economy by providing credit and other facilities particularly to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs.
- At present, there are 64 Regional Rural Banks in India. The RRBs confine their lending's only to the weaker sections and their lending rates are at par with the prevailing rate of cooperative societies.

Micro Finance

- Micro finance, also known as micro credit, is a financial service that offers loans, savings and insurance to entrepreneurs and small business owners who do not have access to traditional sources of capital, like banks or investors.

Self-Help Groups (SHGs)

- Self Help Groups are informal voluntary association of poor people, from the similar socio-economic background, up to 20 women (average size is 14).
- The SHG promotes small savings among its members. They save small amounts Rs.10 to Rs.50 a month. The savings are kept with a bank. After saving regularly for a minimum 6 months they lend small amounts to their members for interest.
- Based on their performance, they are linked with the bank for further assistance under SHG Bank Linked Programme (SBLP) started in 1992.
- It is a holistic programme of micro-enterprises covering all aspects of self-employment, organization of the rural poor into self Help groups and their capacity building, planning of activity clusters, infrastructure build up, technology, credit and marketing.
- The main objective of this programme is to bring the beneficiaries above the poverty line by providing income generating assets to them through bank credit and government subsidy.
- NABARD estimates In 2009-10, the number of new SHGs having credit-linked with banks was 1.59 million and a bank loan of Rs.14,453 Crores was disbursed to these SHGs.
- Further, the number of SHGs which maintained savings accounts with banks at the end of March 2010 was 6.95 million. that there are 2.2 million SHGs in India, representing 33 million members that have taken loans from banks under its linkage program to date.
- Under NABARD SHG Linkage Programme, SHGs can borrow credit from bank on showing their successful track record of regular repayments of their borrowers.

Major Features of SHGs are

- SHG is generally an economically homogeneous group formed through a process of self-selection based upon the affinity of its members.
- Most SHGs are women's groups with membership ranging between 10 and 20.
- SHGs have well-defined rules and by-laws, hold regular meetings and maintain records and savings and credit discipline.
- SHGs are self-managed institutions characterized by participatory and collective decision making.

Micro Units Development and Refinance Agency Bank (MUDRA Bank)

- MUDRA gives credits to micro, small, and medium and enterprise MUDRA bank started its functions on April 8, 2015.

The principal objectives of the MUDRA Bank are the following

- Regulate the lender and the borrower of microfinance and bring stability to the microfinance system .
- Extend finance and credit support to Microfinance Institutions (MFI) and agencies that lend money to small businesses, retailers, self-help groups and individuals.
- Register all MFIs and introduce a system of performance rating and accreditation for the first time.
- Offer a Credit Guarantee scheme for providing guarantees to loans being offered to micro businesses.
- Introduce appropriate technologies to assist in the process of efficient lending, borrowing and monitoring of distributed capital.

Rural Health, Nutrition and Sanitation

- Still in terms of health standard, Sri Lanka is better than India, and in india, Kerala is better than Tamil Nadu.

National Rural Health Mission

- The National Rural Health Mission (NRHM) was launched on 12th April 2005, to provide accessible, affordable and quality health care to the rural population, especially the vulnerable groups.
- NRHM seeks to provide equitable, affordable and quality health care to the rural population, especially the vulnerable groups.
- The emphasis here is on strategies for improving maternal and child health through a continuum of care and the life cycle approach.

Rural Infrastructure

Rural Housing

- The problem of housing can be tackled by the development of low cost technology in house construction, provision of adequate housing finance and provision of land sites to landless workers in rural areas.

Rural Market

- The rural marketing is still defective as farmers lack bargaining power, long chain of middlemen, lack of organisation, insufficient storage facilities, poor transport facilities, absence of grading, inadequate information and poor marketing arrangements.
- Rural roads in India constitute 26.50 lakh kms, of which 13.5 percent of the roads are surfaced.
- India's road network is one of the world's largest. The road length of India increased from about 4 lakh kms in 1950-51 to 34 lakh kms at present (2018).

Rural Roads

- Rural roads constitute the very life line of rural economy. A well-constructed road network in rural area would bring several benefits including the linking of remote villages with urban centres, reduction in cost of transportation of agricultural inputs and promotion of marketing for rural produces.

Rural Electrification

- The main aims of rural electrification are to provide electricity to agricultural operations and to enhance agricultural productivity, to increase cropped area, to promote rural industries and to lighting the villages.
- At the time of March 2017, 99.25% of Indian villages were fully electrified.
- The following 20 states/UT have 100% power supply they are Chandigarh, Delhi, Haryana, Himachal, Punjab, Rajasthan, Daman & Die, Dadra and Nagar Haveli, Goa, Gujarat, Maharastra, Andra Pradesh, Kerala, Lakshadweep, Puduchery, Tamil Nadu, Telungana.

Factors that affects rural Electrification

- **Lack of Funds:** The generation and transmission of power involves huge expenditure and the fund allocation is low.
- **Inter-state Disputes:** As there are inter-state disputes in managing power projects, power distribution is affected.
- **Uneven Terrain:** As rural topography is uneven without proper connection, developing new lines are costlier and difficult.
- **High Transmission Loss:** Transmission loss in power distribution is almost 25 per cent in rural areas.
- **Power Theft:** Unauthorized use and diversion of power are evil practices adopted by affluent people that hinders the rural electrification process.

Requirements for Rural Development

- Efforts need to be made to raise farm and non-farm rural real incomes.
- Investment in basic infra-structure and social services need to be increased.
- Coordinated and integrated programmes for solving the present problems and to achieve sustainable developmentneed to be designed.
- Persons and leaders with an understanding of reality of rural problems and with the required foresight vision should be consulted while designing development programmes.
- PURA (Provision of Urban facilities for Rural Areas) needs to be given due emphasis, without which Indian villages cannot prosper.

X

Social Problems - Population, Education, Health, Employment , Poverty

Introduction

- The study on human population is one of the most important aspects in geography of any region.
- The human population has many components but the most fundamental are its number, composition, distribution and density.
- Therefore, it is essential to study these components. The study on these aspects also would reveal the workforce of the country.
- The population of India as per 2011 census is 1,210.19 million (1,21,01,93,422).
- It shows an increase of 19.31crores from the population of 2001.
- Population Census of India provides the detailed information about the demography of India.
- Along with population, we will study about the transport and communication of India in this chapter.

Population

- The total number of people residing in a country at a specified period of time is called the 'Population' of that country.
- Our population is almost equal to the combined population of the USA, Indonesia, Brazil, Pakistan, Bangladesh and Japan and total population of these six countries is 1214.3 million.

Demographic trends in India

- Scientific study of the characteristics of population is known as Demography.

Size of Population

Population Growth

Census Year	Population (in crores)	Average annual growth rate
1901	23.31	-
1911	25.21	0.56
1921	25.13	-0.03
1931	27.90	1.04
1941	31.87	1.33
1951	36.11	1.25
1961	43.92	1.96
1971	54.81	2.20
1981	68.33	2.22
1991	84.33	2.16
2001	102.70	1.97
2011	121.02	1.66

- Over a period of 100 years, India has quadrupled its population size. In terms of, size of population, India ranks 2nd in the world after China.
- India has only about 2.4% of the world's geographical area and contributes less than 1.2% of the world's income, but accommodates about 17.5% of the world's population.
- In other words, every 6th person in the world is an Indian. Infact, the combined population of just two states namely, Uttar Pradesh and Maharashtra is more than the population of United States of America, the third most populous country of the world.
- The negative growth during 1911-21 was due to rapid and frequent occurrence of epidemics like cholera, plague and influenza and also famines.
- The year 1921 is known as the 'Year of Great Divide' for India's population as population starts increasing.
- During 1951, population growth rate has come down from 1.33% to 1.25%. Hence it is known as 'Year of Small divide'.
- In 1961, population of India started increasing at the rate of 1.96% i.e, 2%. Hence 1961 is known as 'Year of Population Explosion'. In the year 2001, the Population of India crossed one billion (100 crore) mark.
- The 2011 census reveals growth of youth population which is described as 'demographic transition'.

b. Birth rate and death rate

- **Crude Birth rate:** It refers to the number of births per thousand of population.
- **Crude Death rate:** It refers to the number of deaths per thousand of population Crude birth and death rates of India during various years.
- Birth rate was 39.9% in 1951; it fell to 21.8% in 2011.
- The death rate has declined from 27.4 in 1951 to 7.1 in 2011. However, from the data it is clear that the fall in birth rates is less than that of death rates.
- Kerala has the lowest birth rate (14.7) and Uttar Pradesh has the highest birth rate (29.5). West Bengal has the lowest death rate (6.3) and Orissa (9.2) has the highest. Among States Bihar has the highest decadal (2001-11) growth rate of population, while Kerala has the lowest growth rate.
- The four states Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh called BIMARU states have very high population.

Naare as follows

S. No	Term	Defnition	Data for Tamil Nadu
1	Birth Rate	Indicates the number of live births per 1000 people in a year	15.4% (2014)
2	Population Growth	The average annual growth of population	15.6% (2011)
3	Population Density	The average number of people per square kilometre	555/ Km2 (2011)
4	Total Fertility Rate	The average number of children born per womanduring her child bearing years(usually ages 15 to 44)	1.6 Birth Per Woman(2016)
5	Infant Mortality	The number of deaths under one year of age for every1000 live births in a year	17 per 1000 livebirths (2016)
6	Life Expectancy at Birth	The average number of years an individual is expected to live	70.6 years(2010-14)
7	Literacy Rate	The percentage of people in a given population who canread and write a language	80.09% (2011)
8	Sex Ratio	The number of femalesfor 1000 males in a given population	996:1000 (2011)

Census

- Population census is the total process of collecting, compiling, analysing or otherwise disseminating demographic, economic and social data pertaining, at a specific time, of all persons in a country or a well-defined part of a country.
- It happens in an interval of ten years.
- The data collected through the census are used for administration, planning, policy making as well as management and evaluation of various programmes by the government.

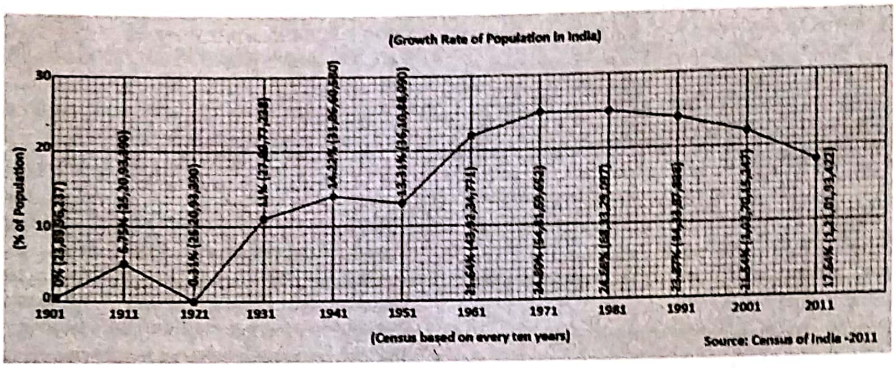
Distribution of Population

- The term 'Population Distribution' refers to the way the people are spaced over the earth's surface.
- The distribution of population in India is quite uneven because of the vast variation in the availability of resources.
- Population is mostly concentrated in the regions of industrial centres and the good agricultural lands.
- On the other hand, the areas such as high mountains, arid lands, thickly forested areas and some remote corners are very thinly populated and some areas are even uninhabited.
- Terrain, climate, soil, water bodies, mineral resources, industries, transport and urbanization are the major factors which affect the distribution of population in our country.
- In India the first census was carried out in the year 1872. But the first complete and synchronous census was conducted in 1881.
- And the 2011 census represents the fifteenth census of India.
- Uttar Pradesh is the most populous state in the country with a population of 199.5 million followed by Maharashtra (112.3 million), Bihar (103.8 million) West Bengal (91.3 million) and the combined Andhra Pradesh (84.6 million).
- These five states account for about half of the country's population.
- More than one fourth of the population live only in the two states of U.P and Maharashtra.
- Sikkim is the least populous state of India(0.61 million). Delhi with 16.75 million population tops among the Union territories.
- The uneven distribution of population in the country is the result of several factors such as physical, socio-economic and historical ones.
- The physical factors include relief, climate, water, natural vegetation, minerals and energy resources.
- Socio-economic factors consists of the religion, culture, political issues, economy, human settlements, transport network, industrialization, urbanization, employment opportunity etc.

Population Growth and Change

- The growth rate of population is an important demographic feature.

- It not only helps in understanding the population change that a society has undergone in the past but also helps in predicting the future demographic characteristics of an area.
- Population growth refers to the change in the number of inhabitants of a country/territory during a specified period of time.
- The growth of population is expressed in percentage and is described as the growth rate of population.
- The following table shows the decadal growth rate of population from 1901 to 2011.
- Growth of population in India has gone through the different phases.
- Population of the country in 1901 was 238 million and it grew to 1,210 million over a period of little more than a century.
- The following are the different stages of population growth of India.



The Period of Stagnant Population (1901-1921)

- During the first phase of 20 years (1901-1921), the population of India grew by 15 million.
- The year 1921 registered a negative growth rate of -0.31% which happened only once throughout the demographic history of India and is called the year of Great Demographic Divide.

The Period of Steady Growth (1921- 1951)

- During the second phase of 30 years (1921-1951), the population of India grew by 110 million.

The Period of Steady Growth (1951- 1981)

- During the third phase (1951- 1981), the population of India grew from 361 million in 1951 to 683 million in 1981.
- Growth rate in this period is almost doubled when compared to the previous phase of growth rate.
- This period is often referred to as the period of population explosion.

The period of High Growth with Definite Signs of Slowing Down (1981- 2011):

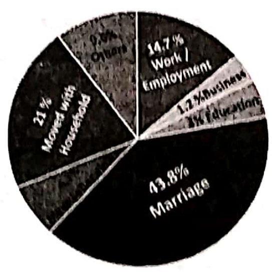
- Population of India increased from 685 million to 1210 million during this phase.
- The growth rate of population decreased from one census to other. This marks the beginning of a new era in the demographic history of India.
- **Population change** refers to an increase or decrease of population of an area from one period to another period.
- Population growth is influenced by the birth rate, death rate and migration.
- These three make the changes in population. Birth rate refers to the number of live births per thousand people in a year and the Death rate refers to the number of deaths per thousand people in a year.
- The rapid decline in death rate is the major cause of the rapid growth of population in India.

Spatial pattern of population Density

Density	Places
Very Low Density (less than 150 persons per sq.km)	Arunachal Pradesh (17), Andaman and Nicobar Islands (46), Mizoram(52), Sikkim (86) Nagaland (120), Manipur (122), Himachal Pradesh (123), Jammu and Kashmir (124) and Meghalaya (132)
Low Density (150 to 300 persons per sq.km)	Arunachal Pradesh (17), Andaman and Nicobar Islands (46), Mizoram (52), Sikkim (86) Nagaland (120), Manipur (122), Himachal Pradesh (123), Jammu and Kashmir (124) and Meghalaya (132)
Moderate Density (300 to 500 persons per sq.km.)	Gujarat (308), The combined Andhra Pradesh (308), Karnataka (319), Tripura (350), Maharashtra (365), Goa (394), Assam (397) and Jharkhand (414) are the states with moderate population density. Assam has tea estates, Andhra Pradesh, Karnataka and Jharkhand
High Density (500 to 1000 persons per sq km.)	Punjab (550), Tamil Nadu (555), Haryana (573), Uttar Pradesh (828) and Kerala (859) The union territory of Dadra and Nagar Haveli(698)
Very High Density (greater than 1000 persons per sq km)	West Bengal (1029), Bihar (1102), Lakshadweep (2013), Daman and Diu (2169), Puducherry (2598), Chandigarh (9252) and Delhi (11,297).

Migration

- It is the movement of people across regions and territories. It can be internal (within a country) or international (between the countries).
- Internal migration does not change the size of population of a country but it influences the distribution of population in a nation.
- It plays an important role in changing the composition and distribution of population. In India, the mass migration is from rural to urban.
- Unemployment and under employment in the rural areas are the push factors and the employment opportunity and higher wages in the urban areas caused by the industrial development are the pull factors of migration in the country.
- 45 out of 121 crores of people in India are reported to be migrants as per 2011 census. Migrants constitute about 37% of population. Migrants are 48% from female and 52% from male.
- Migration is defned as the permanent or semi-permanent change of home of an individual or a group of people over a signifcant distance from their place of origin.
- In the Census of India, migration is enumerated on two basis
  - (i) **Place of birth:** If the place of birth is different from the place of enumeration (known as life-time migrant).
  - (ii) **Place of residence:** If the place of last residence is different from the place of enumeration (known as migrant, by place of last residence)
- In India, the Census of 2011 enumerated a total population of 121 crores, of which 45 crore people were reported as migrants, according to the definition of the place of last residence. Similarly, in Tamil Nadu out of 7.2 crore people, 3.13 crore people were counted as migrants, in 2011. That is, the percentage of migrants was 37 percent in the country, while it was at a much higher rate in Tamil Nadu at 43 percent.
- In 2011, 37 percent of the population are counted as migrants in rural areas while the corresponding percentage in urban India is 27 percent. In Tamil Nadu, migrants account for 41 percent in rural areas and 35 percent in urban areas, in 2011. That is, the mobility of population in rural areas is greater than that in urban areas.
- In the country as a whole, 53 percent are female migrants while 23 percent are male migrants, in 2011.
- To sum up, in Tamil Nadu, two out of every five persons is reported to be a migrant in the year 2011.
- The largest migration corridor in the world in 2010 was Mexico – U.S.A.



- The Arctic tern has the longest migration distance of any bird in the world.

There are two types of migration:

Internal Migration

- The movement of people within a country i.e. between states, districts, villages, etc is called as internal migration.

International Migration

- The movement of people from one country to another, across international borders is called as International migration.

- **Emigration** - means moving out or to leave a place.
- **Immigration** - means to enter or come into a new country for the purpose of settling there.

Push and pull factors of migration

- Push factors are those factors which force people to move to new areas to live, while pull factors are those factors that attract migrants to a new location. Given below are some of the push and pull factors of migration.

Push Factors of migration	Pull factors of migration
Insufficient jobs and few opportunities	Better job opportunities
Primitive conditions	Better living conditions
Desertification	Fertile land
Slavery or forced labour	Socio economic independence
Poor medical care	Better health care
Death threats	Security
Pollution	Clean environment
Poor infrastructural facilities	Better infrastructural facilities
Bullying	Education
Natural Disasters	Living Stability
War	Industry
Lack of political or religious freedom	Political and religious freedom

Population composition

- Population composition refers to the characteristics such as age, sex, marital status, caste, religion, language, education, occupation etc. The study of composition of population helps us to understand the social, economic and demographic structure of population

Age composition

- The age composition of population refers to the number of people in different age groups in a country.
- It is one of the most basic characteristics of a population. It helps us to understand the proportion of population in dependent and independent category.
- Population of a nation is generally grouped in to three broad categories.
- In India, the children who has less than 15 years of age constitute 29.5% and the people above 60 years constitute 8.0%.
- So, the dependent population in India is 37.5% and the independent population (16 - 59 yrs) is 62.5%. It shows that our country has enormous manpower.

c. **Density of population**

- It refers to the average number of persons residing per square kilometre. It represents the man-land ratio.

Density of population

$$= \frac{\text{Total population}}{\text{Land area of the region}}$$

Density of population

Year	Density of population (No. of persons per sq. km)
1951	117
2001	325
2011	382

- Just before Independence, the density of population was less than 100. But after independence.
- It has increased rapidly from 117 in 1951 to 325 in 2001.
- According to 2011 census, the present Density of population is 382.
- Kerala, West Bengal, Bihar and Uttar Pradesh have density higher than the India's average density. Bihar is the most densely populated state in the country with 1,102 persons living per sq.km followed by West Bengal with 880. Arunachal Pradesh has low density of population of only 17 persons.

Sex Ratio

- Sex ratio is defined as the number of females per 1000 male population. This is an important social indicator to measure the extent of equality between males and females in a society at a given time.
- According to 2011 census, the sex ratio of the country is 940 females per 1000 males.
- This suggests that the size of female population is lower than males.

Census year	Sex ratio (Number of females per 1000 males)
1951	946
2001	933
2011	940

- The recent census (2011) shows that there has been a marginal increase in sex ratio. Haryana has the lowest sex ratio of 877 (2011) among other states, while Kerala provides better status to women as compared to other States with 1084 females per 1000 males
- Only in the state of Kerala and the union territory of Puducherry the sex ratio is greater than 1000.
- It is 1084 in Kerala and 1038 in Puducherry.
- The lowest sex ratio is recorded in the union territory of Daman and Diu (618).
- The ratio between the economically active and economically inactive of population is termed as Dependency Ratio.

Life expectancy at birth

- It refers to the mean expectation of life at birth. Life expectancy has improved over the years.
- Life expectancy is low when death rate is high and / or instances of early death are high. On the other hand, life expectancy is high when death rate is low and / or instances of early death are low.

Life Expectency

Year	Male	Female	Overall
1951	32.5	31.7	32.1
1991	58.6	59.0	58.7
2001	61.6	63.3	62.5
2011	62.6	64.2	63.5

(Source: Registrar General of India)

- During 1901 – 11, life expectancy was just 23 years. It increased to 63.5 years in 2011. A considerable fall in death rate is responsible for improvement in the life expectancy at birth. However the life expectancy in India is very low compared to that of developed countries.

Literacy Rate

- The people who are able to read and write are known as **literates**. It is an important indicator of quality of people. The percentage of literate people to the total population is termed as **literacy rate**.

Census year	Literate persons	Males	Females
1951	18.3	27.2	8.9
2001	64.8	75.3	53.7
2011	74.04	82.01	65.5

- There has been a steady improvement in the literacy levels in India. India's literacy rate as per 2011 census is 74.04%.
- From this, the literacy rate of male is 82.14% and the female is 65.46%.
- It shows that still there is a vast gap (16.68%) between the male and female literacy rates.
- Kerala ranks first in the country with a literacy rate of 93.91% followed by union territory Lakshadweep with 92.28%.
- The lowest literacy rate is found in Bihar (63.82 %).

Occupational structure

- The economically active part of a country's population is enumerated during the census operations and stated as workers.
- Workers are placed under three fold categories in census record.
- They are main workers, marginal workers and nonworkers.
- According to the Census of India, all those who had worked for the major part of the preceding year (at least 6 months or 183 days) are recorded as main workers.
- Those who worked for less than six months are recorded as marginal workers and the people who have not worked at all comes under non workers.
- Work participation rate denotes the percentage of total workers i.e., total main and marginal workers to the total population in an area.
- The work participation rate in India is 39.79% in 2011, out of which the work participation rate of male is 53.25% and the female is 25.51%.
- From the workers, main workers constitute 75.23% and the remaining 24.77% of the people belong to marginal workers.

Population Dynamics

- Human population dynamics is a field that tracks factors related to changes in the size of population and its characteristics.
- Predicting population changes is an important aspect of population studies. The demographic trend affects the economic, social, and environmental systems.
- An increase in human population can affect the quality of natural resources like biodiversity, air, land, and water.
- The size of Population and characteristics undergoes changes constantly.
- These changes are reflected clearly in every other aspect of our country.

Problems of over Population

- In India, growing pressure of Population on resource base, created many socioeconomic, cultural, political, ecological and environmental problems.
- The Population problems vary in space and time and differ from region to region.
- Some of the major issues created by the overpopulation in our country are overcrowding, unemployment and under employment, low standard of living, malnutrition, mismanagement of natural and agricultural resources, unhealthy environment etc.

Urbanization

- The process of society's transformation from rural to urban is known as urbanization.
- The level of urbanization of a place is assessed based on the size of population of the towns and cities and the proportion of population engaged in non agricultural sectors.
- These two are closely linked to the process of industrialization and expansion of the secondary and tertiary sectors of economy.

Urbanization in India

- The level of urbanization is measured in terms of percentage of urban population.
- The level of urbanization in the country has increased more than three times from 1901 to 2011.

- The percentage of urban population of India was 27.82% in 2001 and it rose to 31.16% in 2011 shows an increase of 3 % in a decade.
- The level of urbanization varies widely among the states. Goa is the most urbanized state with 62.17% of urban population.
- Himachal Pradesh is the least urbanized state with 10.04% of urban population.
- Among the Union territories, Delhi is the most (97.50 %) urbanized region followed by Chandigarh (97.25%).
- Among the major states, Tamil Nadu continues to be the most urbanized state with 48.4% percent of urban population followed by Kerala (47.7%) and Maharashtra (45.2%).
- As per 2011 Census, there are 7,935 towns (statutory and census) in the country.
- The number of towns has increased to 2,774, from 2001 census.
- In 2011, 475 Urban agglomeration (UAs) with 981 outgrowths (OGs) have been identified as Urban Agglomerations as against 384 UAs with 962 OGs in 2001 Census.
- Out of 468 UAs belongs to Class I category, 53 UAs have the population of one million and above each and these urban centres are known as **"Million Cities"**.
- These are the major urban centres in the country.
- Among the Million Cities, there are three major Urban Agglomerations with more than 10 million population each and are known as "Mega Cities".
- They are Greater Mumbai UA (18.4 million), Delhi UA (16.3 million) and Kolkata UA (14.1million).

Impact of Urbanization

- Urbanization and population concentration go hand – in – hand and are closely related to each other.
- A rapid rate of urbanization in a society is taken as an indicator of its economic development.
- Urbanization is increasing rapidly in the developing countries including India.
- Rural to urban migration leads to population explosion in urban areas.
- Metropolitan cities like Mumbai, Kolkata and Delhi have more population than that can accommodate.
- The urban population of India had already crossed the 377million in 2011, which is more than the total population of USA.
- By 2030, more than 50% of India's population is expected to live in urban areas. The following are the **major problems of urbanization** in India.
  - It creates urban sprawl.
  - It makes overcrowding in urban centres.
  - It leads to shortage of houses in urban areas.
  - It leads to the formation of slums.
  - It increases traffic congestion in cities.
  - It creates water scarcity in cities.
  - It creates drainage problem.
  - It poses the problem of solid waste management.
  - It increases the rate of crime.

Human Development

- Dr. Mahabub-ul-haq defined as "it is a process of enlarging the range of people's choice, increasing their opportunities for education, health care, income and empowerment.
- It covers the full range of human choices from a sound physical environment to economic, social and political freedom".

Human Development Indicators: (as per UNDP)

- Population trends, health outcomes, education achievements, national income and composition of resources, work and employment, human security, human and capital mobility, supplementary indicators: perceptions of well-being and status of fundamental rights treaties are the human development indicators.

Measuring of Human Development

- Human Development Index (HDI) is a composite index focusing on three basic dimensions of human development: i) Health - Life expectancy at birth ii) Education - Expected years of schooling for school age children and average years of schooling for the adult population. iii) Income - Measured by gross national income and percapita income.

Human Development Classification

- HDI classifications are based on HDI fixed cut off points, which are derived from the quartiles of distributions of the component indicators. The HDI of less than 0.550 is used for low human development, 0.550 - 0.699 stands for medium human development, 0.700 - 0.799 for high human development and 0.8 or greater for very high human development.

Population Growth And Distribution

Population Growth

- The world population probably reached 500 million by 1650 and has since gorwn at an increasing rate.
- The world population first reached 1 billion in 1804 . The second billion was added after 123 years in 1927.
- Since 1950 , the rise in population has been rapid.

Year	World population	Time taken to add the in billion next billion
1804	1	
1927	2	123 yrs
1960	3	33
1974	4	14
1987	5	13
1999	6	12
2011	7	12

- The growth of population or the natural increase of population depends on the birth rate and deat rate.
- Bath rate is the number of live births in a year for every 1000 women in the total population.
- Death rate is the number of deaths per 1000 live births.
- The difference between birth rate and death rate is termed as grown rate.
- When birth rates are higher than death rates, the population will increase.
- When the birth rate is low and the death rate is high, the population will decline.

Population Distribution and Density

- Population distribution refers to the pattern of spread of people on the Earth.
- About 90 % of the Earth's people live on 10 % of the land.
- Population density is defined as the number of people per sq. km.
- It is calculated by dividing the number of people in a country by the area of that country.
- The tiny country of Manoco has a population density of 16,779 people per sq.km.
- However Monaco has very high density because it is extremely small in size (1.95 . sq.km)
- Bangladesh is considered the most densely populated country, with more than 1,069 people per sq.km.
- Mongolia is the world's least densely populated country with only 1.7 people per sq.km Australia is second with 2.9 people per sq.km.

Physical Factors	High Density	Low Density
A) Physical Factors i) Relief (shape and height of land)	Lowland which is flat. example Ganges Valley in India	High land that is mountainous ; e.g. Himalayas.
ii) Climate	Areas with favourable climate tend to be densely populated as there is enough rain and heat to grow crops , e.g. India.	Areas with extreme climates are sparsely populated ; Eg. the hot deserts such as Sahara and the extremely cold areas like Greenland.
iii) Resources	Areas rich in resources (Eg. Minerals, fuel, forest, fish resources) tend to be densely populated. Eg. Western Europe.	Areas with few resources tend to be sparsely populated e.g. . The Sahel in Africa.
B. Human factors		
i) Political	Countries with stable government tend to have high population density ; example : Singapores	Countries with unstable governments tend to have lower population densities as people move away ; e.g. Afghanistan.
ii) Social	Groups of people prefer to live close to each other for security ; Scandinavians	Other groups of people prefer to be isolated ; e.g .
iii) Economic	Good job opportunities encourage high population densities, particularly in large cities in both the more developed countries (EMDCS) (exaple : Tokyo and less economically developed countries (ELDCs) (example : Mumbai)	Limited job opportunities cause some areas to economically be sparsely populated ; e.g. Amazon Rainforest

Tamil Nadu - Population

- People living in an area together are knwon as population. The study of population is known as demography.

Population of Tamil Nadu

- As per 2011 Census , the population of Tamil Nadu was about 7 , 21, 38, 958 of which 3,61,58,871 was males and 3, 59, 80, 087 was females.
- Tamil Nadu as a whole has 5.96 % of the total national population (India).
- The Census of India, a central governmental organisation, is engaged in collecting, taboulating and publishing all statistics related to population, once in ten years.

Demography Indices

- Birth and death rates for Tamil Nadu for the year 2006 is 15.9 and 7.6 per thousand population, respectively. Infant mortality rate has reached 37 to 1 ,000 live births by 2006.

Distribution of population

- Chennai possesses the larges share of 6.4 % of the total population of Tamil Nadu.
- Perambalur has the least population of (0.078 %).

d. Sex ratio

- It refers to the number of females per 1,000 males.

f. Literacy ratio

- In 1951, only one-fourth of the ,males and one-twelfth of the females were literates. Thus, on an average, only one-sixth of the people of the country were literates.
- Kerala has the highest literacy ratio (92%) followed by Goa (82%), Himachal Pradesh (76%), Maharastra (75%) and Tamil Nadu (74%). Bihar has the lowest literacy ratio (53%) in 2011.

Population and Settlement

The major world Human races are -

- Caucasoid (European)
- Negroid (African)
- Mongoloid (Asiatic)
- Australoid (Australian)

Causasoid

- The Caucasoid is known as European race. This group is the one with fair skin and dark brown eyes, wavy hair and narrow nose. The Caucasoid are also found in Eurasia.

CAUCASOID NEGROID MONGLOID AUSTRALOID

Do you know

- Human geography is the study of Man and his surroundings to the natural environment

Negroid

- Negroid have the dark eyes, Black skin, black wooly hair, wide nose, long head, and thick lips. They are living in different parts of Africa.

Mongoloids

- The mongoloid race is commonly known as the Asian-American race. The mongoloid have the light yellow to brown skin, straight hair, flat face, broad head and medium nose. Such people are found in Asia and Arctic region

Australoids

- Australoids have wide nose, curly hair dark skin, and short in height. They are living in Australia and Asia.

Races of India

- India is said to be one of the cradle lands of human civilization. The ancient Indus valley civilization in India was believed to have been of Dravidian origin in northern India.
- The Dravidian people were pushed south when the Indo-Aryan came in later. South India was dominated by the three Dravidian kingdoms of the chera, the cholas, and the pandyas. The Dravidian languages are Tamil, Telugu, kannada, Malayalam and Tulu.

Religion

- Religion means a particular system of faith and worship, which brings human being with human society.

Classification of Religion

a) **Universalizing Religions**
Christianity, Islam and Buddhism.
b) **Ethnic Religions**
Judaism, Hiduism and Japanese Shintoism.
c) **Tribal or Traditional Religions**
Animism, Shamanism and Shaman.

Religion	Place of worship
Buddhism	Vihara
Christianity	Church
Hinduism	Temple
Islam	Mosque
Jainism	Basadi
Juadism	Synagogue
Zoroqstrianism	Agiyari

Language

- Language is a great force of socialization.

Languages in the world

- Tamil
- Chinese
- Spanish
- Russian
- German
- Hindi
- English
- Portuguese
- Arabic

Languages of India

- The national language is Hindi, 22 major language were spoken by about 97 percent population of the country.
- India follows, kashmiri Urdu Punjabi, Hindi Rajasthani, Gujarati, Bengali and Assamese etc., these language are followed in North India. The main language of the Dravidian family are Tamil, Telugu, Kannada, Malayalam etc., These languages are mainly spoken in southern India.

Date	Event
11th July	World population day
21st February	International mother language day
Third Sunday in January every year	World Religious day
21st May	The World cultural diversity day

Settlement

- Settlement is a place where people live
- A rural settlement is a community, involved predominantly in primary activities such as agriculture, lumbering, fishing and mining.
- An urban settlement engages in predominantly in secondary and tertiary activities, such as industries, trade and banking.

Patterns of Settlements

Compact settlements

- Compact settlement is also known as nucleated settlement.
- In this type large a number of houses are built very close to each other such settlement develop along the river valleys and fertile plains.
- In India compact settlements are found in the northern plains and the coastal plains of peninsular India.

Dispersed Settlements

- Dispersed settlements are generally found in the areas of extreme climate, hilly tracts, thick forests, grasslands, areas of extensive cultivation.
- In India this type of human settlement is found in the northern kosi tract, the Ganga delta ,the Thar Desert of Rajasthan and the foot hills of Himalayas and the Niligris.

Factors Influencing Rural Settlement

- Nature of topography
- Local weather Condition
- Soil and water resources
- Social organisation
- Economic condition

attern of Rural Settlement

In a Linear settlement, houses are arranged along the either side of a road,railway line, river (or) canal,the edge of a valley,etc., e.g. the Himalayas the Alps, the Rockies.

The rectangular settlements are almost straight, meeting each other at right angles. Such a settlement is found in plain areas (or) inter montane plain.

E.g.,Sutlej. Houses built around a central area are known as Circular pattern of settlements. Such settlement develop around lakes and tanks.

The Star like pattern of settlement develops on the sites and places where several roads converge and houses spread out along the sides of roads in all directions.e.g. The Indo – Ganga plains of Punjab and Haryana.

Pilgrim settlement

- Pilgrim settlement may come up around a place of worship(or) any spot with a religious significance. E.g. Thiruverkadu in Tamil Nadu.

Wet Point Settlement

- A wet point is a site with reliable supply of water from wells, tank, river, spring (or) pond in an area.

Dry Point Settlement

- Such settlements are found in the coastal plains of Kerala and deltas along the east coast of India.

Town

- Town is a general name for an urban place, usually a settlement meeting a prescribed minimum population threshold. Population more than 5000 people.

City

- In India an urban place with more than one lakh population is considered as a city (Population more than 1,00,000).

Mega city

- A mega city is a very large city typically with a population of more than 10 million people. A mega city can be a single metropolitan area. E.g. Canton, Tokyo, Delhi, Mumbai are some of the examplles of megacities.

World Health Organization

- (WHO) suggests that among other things a healthy city must have
- A Clean" and "Safe" environment
- Meets the basic needs of "All" its inhabitants
- Involves the "Community" in local government
- Provides easily accessible "Health service.

Megalopolis

- The word megalopolis is given for a large conurbation, when two or more large cities whose total population exceeds ten million.

- The region made up of cities between Boston and Washington D.C is a well-known megalopolis.
- In India, Kolkata is the largest urban area which is a megalopolis. Gandhinagar, Surat, Vadodara, Rajput in Gujarat are the important megalopolis cities in India.

Conurbation

- A Conurbation is a region comprising of a number of cities, large town, and other urban areas that through population growth and physical expansion have merged to form one continuous urban (or) industrially developed area.
- West Midland in England, the Ruhr in Germany, Randstad in the Netherlands are example of conurbations.
- Mumbai in Maharashtra, Gurgaon, Faridabad in Haryana, Noida in Uttar Pradesh are the conurbation cities of India.

Satellite Town

- A satellite town is a town designed to house the over population of a major city, but is located well beyond the limits of that city. Satellite towns are generally located outside the rural urban fringe.
- Satellite towns occasionally present a look of twin towns such as Dehri and Dalmianager in Rohtas district of Bihar. They may be connected with roads. For e.g. Patna, Barauni, Varanasi and Hajipur.

Smart City

- In an urban region, a city which is very much advanced in terms of infrastructure, real estate, communication and market availability is called a Smart City.
- The first ten smart cities of India are Bhubaneshwar, Pune, Jaipur, Surat, Ludhiana, Kochi, Ahmedabad, Solapur, New Delhi and Udaipur.
- Tamil Nadu has 12 major cities to be transformed as smart cities. They are Chennai, Madurai, Tirunelveli, Tiruchirappalli ,Thanjavur, Tiruppur, Salem, Vellore, Coimbatore, Thoothukudi, Dindugul and Erode.

Rural	Urban
Rural areas have predominantly primary activities (agriculture)	Urban areas have domination of secondary and tertiary activities (industries)
Sparsely populated	Densely populated
Villages and hamlet	Cities and towns
Agriculture works	Non Agricultural works
Simple and relaxed life	Fast and complicated life

Population Growth in Tami Nadu: At a Glance (2011 Census)

Total Population	72138958
Male	36158871
Female	35980087
Crude birth rate (per thousand)	15.7
Crude death rate (per thousand)	7.4
Growth Rate (per thousand)	8.3
Districts with Highest Population	(Chennai, Kancheepuram, Vellore and Thiruvallur)
Districts with Lowest Population	(Perambalur, The Nilgiris, Ariyalur and Theni)
Population Density (per sq km): Maximum Density Minimum Density	555 (2011), 480 (2001) Chennai (26903); Kanyakumari (1106) The Nilgiris (288); Thiruchirappalli (602)
Sex Ratio (per 1000 males)	995 females (2011) 987 females (2001)
District with Highest Sex Ratio	The Nilgiris (1041 females) Thanjavur (1031 females) Nagapattinam (1025 females)
District with Lowest Sex Ratio	Theni (900 females) Dharmapuri (946 females)
Child Sex Ratio (0-6 age group)	946 female children (2011) 942 female children (2001)
District with Highest Child Sex Ratio	The Nilgiris (985), Kanyakumari (964)
District with Lowest Child Sex Ratio	Cuddalore (896); Ariyalur (897)
Literacy Rate	80.33% (2011) 73.45% (2001)
Male Literacy	86.81% (2011) 82.33% (2001)
Female Literacy	73.86% (2011) 64.55% (2001)
District with Highest Literacy	Kanyakumari (92.14%); Chennai 90.33%)
District with Lowest Literacy	Dharmapuri(64.71%; Ariyalur (71.99%)

b) Education

Education

a. Education in India

- Imparting education on an organized basis dates back to the days of 'Gurukul' in India. Since then the Indian education system has flourished and developed with the growing needs of the economy. The Ministry & Human Resource Development (MHRD) in India formulates education policy in India and also undertakes education programs.

b. Education system in India

- Education in India until 1976 was the responsibility of the State governments.
- It was then brought under concurrent list (both Centre and State). The Centre is represented by the Ministry of Human Resource Development decides the India's education budget.

The education system in India consists of primarily six levels:

1. Nursery Class
2. Primary Class
3. Secondary Level
4. Higher Secondary Level
5. Graduation
6. Post-Graduation

c. Education Institutions in India:

- Education in India follows the 10+2 pattern. For higher education, there are various State run as well as private institutions and universities providing a variety of courses and subjects.
- The accreditation of the universities is decided under the University Grant Commission Act.
- The Education Department consists of various schools, colleges and universities imparting education on fair means for all sections of the society.
- The budget share of the education sector is around 3% of GDP, of this largest proportion goes for school education. However, per pupil expenditure is the lowest for school students.

Definition

- One who can read and write some language is 'literate'. UNESCO has defined a literate person as "one who can with understanding both read and write a short simple statement on his every day life". Following UNESCO, the Census commission in India in 1991 also defined 'literate' person as one who can read and write "with understanding" in any Indian language, and not merely read and write. Those who can read but cannot write are not literate. Formal education in a school is not necessary for a person to be considered as literate.

Eradicating literacy policy

- Eudcation was one of the important factor of every stage of human life. Following are the important facts of Eradicating literacy policy

1. National Adult education Programme
2. Rural Functional Literacy Programme
3. National Literacy mission
4. Education for all
5. Samacheer

National Adult Education Programme (NAEP)

- The NAE programme was launched on October 2, 1978 with the aim of providing education and promoting literacy among all illiterate persons, particularly in the age group of 15-35 years. The programme is a joint and collaborative effort of the central government, state governments, union territory administrations, voluntary agencies, universities, colleges and youth centres.

International Literacy

International Literacy Year - 1990

- To give importance to the Education, UNESCO declare 1990 year as Literacy year.
- On January 22, 1990 our prime Minister calls upon all the students to participate and to spread literacy to all.
- The RFLP was launched in May 1986 by involving the NSS and other student volunteers in colleges and universities on the principle of "Each One Teach One". Starting on a modest scale of 2 lakh volunteers, it went up to 4.50 lakh in 1990 covering over 4.20 lakh learners.
- The programme has been designed keeping in view the needs and languages of the learners. The government has selected 40 districts to improve the quality of adult education. It is only after evaluation of the impact that the programme will be taken up in a big way to spread literacy in the minimum possible time.

National Literacy Mission (NLM)

- Total Literacy Campaigns (TLCs) all over the country in a phased manner. The NLM was launched in May 1988 to achieve the goal of imparting 'functional literacy' to 80 million illiterate persons in the 15-35 age group by 1995.
- The Mission, thus, aimed at achieving 80 per cent literacy in 1995 in comparison to 36 per cent in 1981. The NLM aimed at involving the youth and voluntary agencies in the programme. In 1990, there were 513 projects in operation in various states and union territories.

4. Education for all (2001) from 1991

- Government scheme from 1991 eradication of illiteracy have not given deisre result. In Short, we see that the number of illiterate people keep increasing in every census.

5. National Education Policy 1986

- In 1980's Central Government wants to improve education Standard . So new National Education Policy was introduced.
- In 1985, New Education Policy report consists of 119 pages had been submitted inparliament in the month of August.
- Important features of New Education Policy
  1. Education Reform Committee
  2. Quality Education
  3. National Units
  4. Disciplinary action
  5. To improve vocational studies
  6. To improve the standard of Young generation
- Salient features of National Educational Policy
  1. 10 + 2 + 3 introduced all over the country

2. Adult Education Program with vocational Education
3. Enhancing the value of education
4. Increase accountability of teachers
5. Separting degrees
6. Reforms in Examination
7. Importance to sports
8. Equal Opportunities for women, depressed people and others in Education
9. Redesigning Higher Education in Social needs

Eradication of Illiteracy by central Government

- In 1948 - 49, the university Grants commission has said, it would raise the level of literacy through vernacular education.
- Education policy has introduced the same system 10 + 2 + 3 of education throughout the country
- National Education policy made elementary education compulsory.
- The introduction of the informal education system led to the steady stream of students.
- The National Education policy has led to the provision of basic amentities to school through Black Board Program in 1992.
- Elementary school education has grown by Minimum learning level (MLL) introduced by Dhave in 1991.
- Sarva Siksha Abhiyaan (SSA) implemented with the cooperation of the development community.
- According to Sarva Siksha Abhiyaan, all students were should be given elementary education by 2010.

Eradiction of Illiteracy by Tamilnadu Government

- All Children must be admitted to the school. According to Sarva Siksha Abhiyaan, all students should be given elementary education by 2010.
- Male - Female literacy should be reduced.
- Primary Schools should be created in cities with the population of over 300.
- The Government of Tamilnadu has been working on a program to educate everyone.
- According to 2011 census, literacy rate is 80.33%, Men 86.81%, Female 73.86%.

Elementary Education our Basis rights

- The 86th Amendment of the consistituion passed in Parliament in 2002, provides right to Education for all children.
- Right to Education Act was passed in 2009.
- It came into force on April 1, 2010. According to this age 6 - 14 years children to receive free and compulsory education.
- University Grants Committee was setup under the head of Dr. RadhaKrishnan in 1948.
- Secondary Education Committee was setup under Dr. A Lakshmana Mudaliar in 1953.
- National Education Committee was setup under Dr. D.S. Kothari in 1964. This is called as Kothari Education Committee. It introduced 10 + 2 + 3 throughout the country.
- The new education policy, 1986 mark great emphasis on human development.
- National Education Policy, 1992 has led to the provisions of basic amenties through Black Board Program.

Tamil Education System

A) Primary Education

- Kamarajar is the main contributor to the progress of elementary education.
- In Elementary education, all children were given the opportunity to go to school.
- Elementary Schools have been started in all villages.
- Nutritious meal scheme and Bus pass was provided by Tamilnadu government.
- Tamilnadu government follows Sarva Siksha Abhiyaan (SSA) along with central government.

B) Secondary Education

- Secondary Education is the bridge that connects between elementary and higher education.
- Vocational Education were also introduced to provide employment opportunities.
- Rastriya Madhyamic Siksha Abhyan were introduced.

C) Teacher's Education :

- District Institute of Education and Training centre were establishing in all 32 districts of Tamilnadu.

D) Higher Education

- Tamilnadu is leading state in India by providing higher education system.
- It provides rural students to access to college and continuity of their education.
- Government aim to riase 11.72% from 25% in higher education.

Samacheer Education

- Samacheer was introduced in 2010 - 11
- The Government of Tamilnadu has introduced the Symmetric education system in all the Schools by combining the four modes of Education - Matriculation Education system, Anglo Indian Education System, State government system and oriented Education system.
- Committee was headed by Muthukumaran in the year 2007.

Literacy

- The literacy rate of Tamilnadu has introduced three times from 1951 to 2011.
- According to 2011 census, literacy rate of Tamilnadu is 80.33%.
- Lowest Literacy rate - Dharmapuri (64.7%).
- Highest literacy rate - kanyakumari (92.1%)
- 85% literacy rate in Chennai and Thoothukudi.
- 65% literacy rate of depressed people and literacy rate of tribals are literate.
- 868 person out of 1000 were educated in male. But 738 out of 1000 were educated in Female. In Tamilnadu Kanyakumari District. Large number of males and females were literate male 965 and Female 875 out of 1000 were literate.

Measures Adopted for Eradicating Illiteracy

- **Gram Shikshan Mohim** - a movement for literacy in the rural areas started first in Satara distric of Maharashtra in 1959 which was later extended to other parts of the state. The programme aimed at imparting basic literacy skills withing a period of four months.
- **Farmer's Functional Literacy Project (FFLP)** - started in 1967-68 as an inter-ministerial project for farmers' training and functional literacy. The project aimed at popularisation of high yielding varieties of seeds through the process of adult education in 144 districts.
- **Non-formal education (NFE)** - launched in the beginning of fifth five year plan for the age group of 15-25 years.
- **Functional Literacy for Adult Women (FLAW)** - Started in 1975-76 in the experimental Integrated Child Development Scheme (ICDS) project areas. The scheme included a component which enabled illiterate adult women to acquire functional skills along with literacy, to gain better awareness of health, hygiene, child care practices and in the process facilitated attitudinall changes.
- **National Adult Education Programme (NAEP)** - Launched on October, 2 1987. This was the first programme in India taken up at macro level to eradicate illiteracy through project approach. It was a massive programme aimed at educating 100 million non-literate adults in the age-group of 15-35 years within a time frame of five years.
- **Rural Functional Literacy Project (RFLP)** - The objectives of the scheme were: to impart functional literacy to all illiterate persons in 15-35 age group who are living in the rural areas by organising specified number of literacy centres in accordance with the norms and guidelines issued by the Department of Education, Ministry of HRD from time to time.

Computer Literacy Programme (CLP)

- The Computer Literacy Programme was initiated in 2000-2001 by the Government of Tamil Nadu in all the Government Colleges to make all the Under Graduate non computer students Computer Literacy.

Financial literacy programme

- The National Stock Exchange (NSE) of India Limited in association with the school education department, government of Tamil Nadu, launched financial literacy programme for school students in the state.

Education Schemes

1. Moon meal scheme	1995	Nutritious shceme for the students from class 1 to 8
2. Sarva siksha Abhiyaan	2001	Elementary education for the students age 6-14 in 2007
3. Kasthuriba Gandhi Balika	2004	Establishing hostage schools for SC / ST /OBC Students vidyalaya (KGBVS)
4. National Programme for	2003	Encouraging and confirmed the enrollment of girls in Education of Girls at Elementary in Primary Schools Education
5. Physically challenged Children	2009 - 10	To provide 100% central government Helping scheme to Physically challenged students studying from 9 - 12th Standard
6. Rashtriya Madhyamik Shiksha Abhiyan	March 2009	Increasing the student enrollment rate in secondary Education
7. Saakshar Bharat	September 8, 2009	Promote and strengthen adult education, specially of women in the age group of above 15

c) Health

a. Health in India

- Health in India is a state government responsibility. The Central Council Of Health and Welfare formulates the various health care projects and health department reform policies.
- The administration of health industry in India as well as the technical needs of the health sector are the responsibility of the Ministry Of Health And Welfare.
- Health care in India has many forms. These are the ayurvedic medicine practice, unani or galenic herbal care, homeopathy, allopathy, yoga, and many more. Each different healthcare form has its own treatment system and practice patterns.
- The medical practicing in India needs a proper licensing from the Ministry of Health. All medical systems are now under one ministry viz AYUSH.

b. Health Care Services in India:

- The health care services in India are mainly the responsibility of the Ministry of Health.
- State wise, health status is better in Kerala as compared to other States. Compared to other developed countries, India's health status is not satisfactory.
- India's health status is poor compared to Sri Lanka.

National Immunization Programs

1. National Malaria Eradication Program (1958)
2. National Elephantiasis Disease prevention program (1955)
3. National Tuberculosis control Program (1952)
4. National Drinking water and Sanitation Program (1924)
5. National Family welfare program (1953)

6. National Vision control program (1963)
7. National Smallpox control program (1962)

Important Nutrition and Health Schemes of the Government of India

1. Integrated Child Development
2. Kishori Sakthi Yojana
3. National Rural Health Mission
4. AHSA - (Accredited Health Social Activists)
5. Total Sanitation Campaign
6. Nirmal Bharat Abiyan
7. Janani Surksha Yojana
8. Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (RGSEAG) (Sabla)
9. National Urban Health Mission
10. Janani Shishu Suraksha Karyakaram (JSSK)
11. National Vector borne diseased Control Programme:
12. Revised National TB Control Programme
13. National Leprosy Eradication Programme
14. National Productivity Council
15. Pradhan Mantri Swasthya Suraksha Yojana
16. Swach Bharat
17. Ayush
18. Indradhanush
19. Srikanth Committee
20. Jan Aushadi

New Health Policy 2017

1. Health for all
2. To increase cleanliness in GDP from 1.2% to 2.5%
3. To ensure beds for 1000 persons
4. National Cleanliness Policy Mission
5. AYUSH
6. Provide Medicines at lower cost through Jan Avushadhi

Health Schemes

1.	National Rural Health Mission (MRHM)	April 12, 2005	To provide accessible, affordable and quality health care to the rural population and to control child birth rate (MMR) and Mortality Maternity rate (MMR)
2.	Janani Suraksha Yojana (JSY)	April 1, 2005	Ensure delivery only in hospital and in primary centres
3.	Pradhan mantri Swasthiya Suraksha	2010	To upgrade medical education grade by ensuring medical security to country people

d) Employment

- Both classical economists and J.M.Keynes have explained the relationship between employment and income. The classical economists had great faith in the law of markets articulated by J.B. Say, the French economist.
- J. M. Keynes is one of the greatest and most influential economists of the mid 20th century.

Meaning of Full Employment

- Full employment refers to a situation in which every able bodied person who is willing to work at the prevailing wage rate, is employed.
- In other words full employment means that persons who are willing to work and able to work must have employment or a job.
- Keynes defines full employment as the absence of involuntary unemployment.
- Lerner defines full employment as "that level of employment at which any further increase in spending would result in an inflationary spiral of wages and prices".

Unemployment and its types

- Unemployment is problem faced when there are people, who are willing to work and able to work but cannot find suitable jobs.
- We need to distinguish between the nature of unemployment in rural in urban areas. Due to urbanization, a large number of people move from rural areas to urban areas.

1. Cyclical Unemployment

- This unemployment exists during the downturn phase of trade cycle in the economy.
- In a business cycle during the period of recession and depression, income and output fall leading to widespread unemployment.
- It is caused by deficiency of effective demand. Cyclical unemployment can be cured by public investment or expansionary monetary policy.

2. Seasonal Unemployment

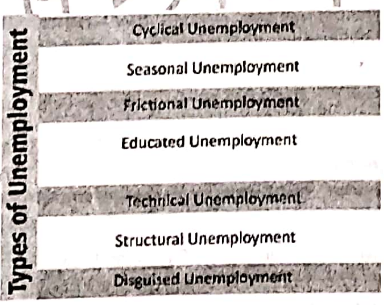
- This type of unemployment occurs during certain seasons of the year.
- In agriculture and agro based industries like sugar, production activities are carried out only in some seasons. These industries offer employment only during that season in a year.
- Therefore people may remain unemployed during the off season. Seasonal unemployment happens from demand side also; for example ice cream industry, holiday resorts etc.

3. Frictional Unemployment (Temporary Unemployment)

- Frictional unemployment arises due to imbalance between supply of labour and demand for labour. This is because of immobility of labour, lack of necessary skills, break down of machinery, shortage of raw materials etc.
- The persons who lose jobs and in search of jobs are also included under frictional unemployment.

4. Educated Unemployment

- Sometimes educated people are underemployed or unemployed when qualification does not match the job.
- Faulty education system, lack of employable skills, mass student turnout and preference for white collar jobs are highly responsible for educated unemployment in India.



5. Technical Unemployment

- Modern technology being capital intensive requires less labourers and contributes to technological unemployment.
- Now a days, invention and innovations lead to the adoption of new techniques there by the existing workers are retrenched. Labour saving devices are responsible for technological unemployment.

6. Structural Unemployment

- Structural unemployment is due to drastic change in the structure of the society.
- Lack of demand for the product or shift in demand to other products cause this type of unemployment.
- For example rise in demand for mobile phones has adversely affected the demand for cameras, tape recorders etc.
- So this kind of unemployment results from massive and deep rooted changes in economic structure.

7. Disguised Unemployment

- Disguised unemployment occurs when more people are there than what is actually required.
- Even if some workers are withdrawn, production does not suffer. This type of unemployment is found in agriculture.
- A person is said to be disguisedly by unemployed if his contribution to output is less than what he can produce by working for normal
- Adam smith wrote the book "An Enquiry into the Nature and Causes of the Wealth of Nations' in 1776. Since the publication of this book, classical theory was developed by David Ricardo, J.S.Mill, J.B.Say and A.C.Pigou.

e) Poverty

- Poverty is a social phenomenon where few section of society is unable to ful fil even basic necessities of life.
- Planning Commission (Now, NITI Aayog) is the authority, which publishes the poverty estimates based on various rounds of estimates based on various rounds of National Sample Survey Organisation (NSSO) on monthly per capital consumption expenditure. In India, the poverty line is defined on the basis of calorie intake.
- According to this, 2100 calories a day has been fixed for urban areas and 2400 calories in rural areas.
- Alternatives, in monthly per capital consumption expenditure terms, the poverty line is fixed at Rs.454 for rural areas and Rs. 540 for urban are as in 2004 - 05.

Causes of Rural Poverty

- Rapid Population growth
- Lack of capital
- Lack of alternate employment opportunites other than agriculture
- Excessive population pressure on agriculture
- Illiteracy
- Regional disparities
- Joint family system
- Child marriage
- Lack of proper implementation of PDS (Public Distribution System)

Causes of Urban Poverty

- Migration from rural areas
- Lack of skilled labour
- lack of housing facilities
- Limited job opportunities in cities
- Lack of vocational education / training.

Dandekar and Rath's Study of Poverty in India

- Dr VM Dandekar and Mr Nilkantha Rath estimated the value of the diet with 2250 calories as the desired minimum level of nutrition
- They estimated that in 1968 - 69 about 40% of the rural population and a little more than 50% of the urban population lived below the poverty line.

Montek Singh Ahluwalia's Study of Rural Poverty (1977)

- MS Ahluwalia studied the trends in incidence of rural poverty in India for the period 1956 - 57 to 1973 - 74.
- He used the concept of poverty line, i.e an expenditure level of ₹ 15 in 1960 - 61 for rural areas and ₹ 20 per person for urban areas.

Estimate of Poverty by the Seventh Finance Commission (1978)

- The Seventh Finance Commission made an attempt to have a more inclusive of poverty line.
- Since, the NSS data cover only household consumer

expenditure, thus, to get a more inclusive measure of welfare or deprivation, an estimate of the benefit of public expenditure was added to private consumer expenditure norm for calculating the augmented poverty line.

Tendulkar Committee Report

- This committee moved away from just calorie criterion definition to a broader definition of poverty that also includes expenditure on health, education, clothing in addition to food.
- According to this report 41.8% population in rural areas and 25.7% population in urban areas was living below poverty line.

Rangarajan Report on Poverty

- The expert group under the chairmanship of Dr. C. Rangarajan to review the Methodology for measurement of poverty in the country constituted by the Planning Commission in June, 2014.
- The report retained consumption expenditure estimates of NSSO as the basis for determining poverty.
- On the basis of this, it pegged the total number of poor in India at 363 million or 29.6% of the population.

Highlights of the Report

- The daily per capita expenditure is pegged at ₹ 32 for the rural poor and at ₹ 47 for the urban poor.
- Poverty line based on the average monthly per capita expenditure is pegged at ₹ 972 for rural areas and ₹ 1407 for urban areas.

Types of Poverty

Absolute Poverty	When people do not have adequate food, clothing and shelter
Relative Poverty	Differences in income among different classes of people within the same group
Temporary (or) chronic poverty	When there is poor rainfall, the crops fail and the farmers temporarily enter into a poverty sample. When they are poor for long, then we call it chronic or structural poverty
Primary Poverty	Families whose total earnings are insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency
Secondary Poverty	A condition in which earnings would be sufficient for the maintenance.
Rural Poverty	People do not own assets like land and they work as agricultural labourers and their wages are low.
Urban Poverty (or) Sub employed	• The urban poor work for long hours but they get low income. • Most of them are employed in unorganised or informal sector. • You know the basic needs of every human being are food, clothes and shelter.

Employment Structure in India

- The economy is classified into three sectors: primary or agriculture sector, secondary or industrial sector and tertiary or service sector.

Primary sector

- Agriculture, forestry animal husbandry, poultry, dairy farming, fishing etc.

Secondary sector

- Manufacturing, small and large-scale industries and constructional activities.

Tertiary sector

- Transport, insurance, banking, trade, communication, real estate, government and non-government services.

Organised Sector

- The organised sector is one that is incorporated with the appropriate authority or government and follows its rules and regulations. In India employees of central and state governments, banks, railways, insurance, industry and so on can be called as organised sector.
- This sector works according to certain rules and regulations given in the law.
- Organised sector has some formal processes and procedures.
- The employees in this sector are provided with job security and receive higher wages than those of the unorganised sectors.

Unorganised Sector

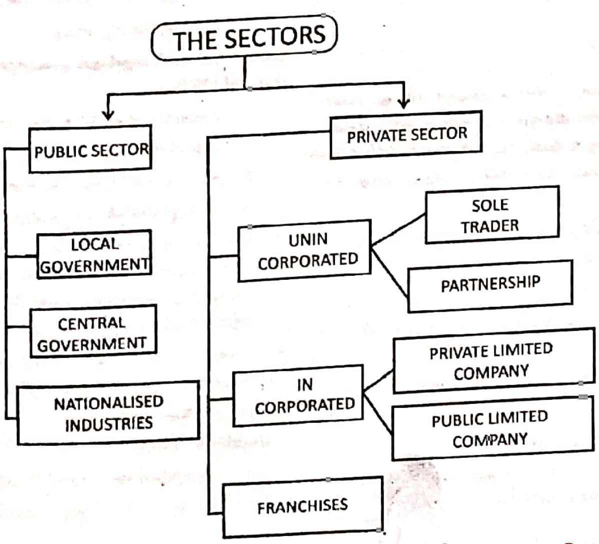
- The unorganised sector of the economy characterised by the household manufacturing activity and small-scale industry.

Public Sector	Private Sector
NLC	TVS Motors
SAIL	Ashok Leyland
BSNL	TATA Steel

- Agriculture, despite a sharp decline in gross domestic product, continues to be the largest employer in Tamil Nadu.

Differences between the Public Sector and Private Sector

S. No.	Public Sector	Private Sector
1.	Service motive	Profit motive
2.	Government owns the assets	Private individuals own the assets
3.	Wages are paid by the	Wages are paid by the owner of government private enterprises.



CAA :

- The citizenship act 1955, has been amended to grant Citizenship to Hindus, Christians, Jains, Budhists, parisis and sikhs who have been subjected to religious persecution in Pakistan, Afghanistan and Bangladesh.

New Amendments

- The above sections of Immigrants in India will not be considered illegal immigrants
- Conditions to get Citizenship through the CAA,
  1. Must be a resident of India on or before Dec 31, 2014
  2. They can get citizenship by staying in India for 6 yhears continuously.

Excluded Areas

- Tribal areas in Assam, Tripura, Mizoram and protected under schedule 6 of the Constitution of India
- Arunachal Pradesh, Mizoram, Manipur are protected under Innerline Permit.

National Population Register (NPR)

- The NPR is a register of usual residents of the country
- A usual resident is defined for the purpose of NPR as a person who has resided in local area for the past 6 months or more a person who intends to reside in that area for the next 6 months or more
- Government of India Amended citizenship act 1955 to create NPR.

New Guideliness

- Nationwide every household resident details and Biometric details should be recorded every ten years.
- People of country should participate without fail
- These details registered as NPR. This act also denotes the government can provide ID card for the citizens of the country.

First NPR in 2010

- Congress led UPA government - 2010
- Collected the basic details of the people of the country. No documentation was received.
- NRC was not created using this registry and no ID card issued.
- In 2015, the biometric details of people was recorded and presented Aadhar card.

NRC : The National Register of Citizens

- The Act states that NRC can be created, based on the details of NPR.
- Accordingly, the village level census registrar will ensure the citizenship of the people in village level.
- Excluded persons can appeal to Taluk level registrar within 30 days.
- He must decided within 90 days on appeals . This will be followed by a National Citizen register.

Census in 2020

- The Central Government has been entrusted with the task of updating the NPR in all states except Assam.
- The Announcement was made on July 31, 2019
- Accordingly, the census will be conducted from April to september 2020.

XI International Economic Organisation

- John Maynard Keynes (right) and Harry Dexter White, the "founding fathers" of both the World Bank and the International Monetary Fund (IMF).

Institution	Headquarters	Year of Establishment
International Monetary Fund	Washington D.C	1945
World Bank	Washington D.C	1945
World Trade Organisation	Geneva	1995

International Monetary Fund

- The purpose of International Monetary Fund is to secure and promote economic and financial cooperation among member countries.
- At present, the IMF has 189 member countries with Republic of Nauru joined in 2016.

Objectives Of IMF

i) To promote international monetary cooperation among the member nations.

ii) To facilitate faster and balanced growth of international trade

iii) To ensure exchange rate stability by curbing competitive exchange depreciations.

iv) To eliminate or reduce exchange controls imposed by member nations.

v) To establish multilateral trade and payment system in respect of current transactions instead of bilateral trade agreements.

vi) To promote the flow of capital from developed to developing nations.

vii) To solve the problem of international liquidity.

Functions Of IMF

i) Bringing stability in exchange rate

- The IMF is maintaining exchange rate stability and emphasising devaluation.

ii) Correcting BOP Disequilibrium

- The IMF is helping the member countries in eliminating or minimizing the short-period disequilibrium in their balance of payments either by selling or lending foreign currencies to the member nation.

iii) Determining par values

- IMF enforces the system of determination of par values of the currencies of the member countries.

iv) Balancing demand and supply of currencies

- IMF is entrusted with the important function of maintaining balance between demand and supply of various currencies.

v) Reducing trade restrictions

- The Fund also aims at reducing tariffs and other trade barriers imposed by the member countries with the purpose of removing restrictions on remittance of funds or to avoid discriminating practices.

vi) Providing credit facilities

- IMF is providing different borrowing and credit facilities with the objective of helping the member countries.

Facilities offered by IMF

Basic Credit Facility:

- A member nation can purchase from the Fund other currencies or SDRs, in exchange for its own currency, to finance payment deficits. The loan is repaid when the member repurchases its own currency with other currencies or SDRs.
- A member can unconditionally borrow from the Fund in a year equal to 25% of its quota.
- This unconditional borrowing right is called the reserve tranche.

Special Drawing Rights (SDRs)

- The Fund has succeeded in establishing a scheme of Special Drawing Rights (SDRs) which is otherwise called 'Paper Gold'.
- They are a form of international reserves created by the IMF in 1969 to solve the problem of international liquidity.
- They are allocated to the IMF members in proportion to their Fund quotas. SDRs are used as a means of payment by Fund members to meet balance of payments deficits and their total reserve position with the Fund.
- Thus SDRs act both as an international unit of account and a means of payment.
- The achievements of the fund can be summed up in the words of Haien that 'Fund is like an International Reserve Bank.'

Extended Fund Facility

- Under this arrangement, the IMFprovides additional borrowing facilityup to 140% of the member's quota, overand above the basic credit facility.

Compensatory Financing Facility

- In 1963, IMF established compensatory financing facility to provide additional financial assistance to the member countries, particularly primary producing countries facing shortfall in export earnings.

Buffer Stock Facility

- The buffer stock financing facility was started in 1969. The purpose of this scheme was to help the primary goods (food grains) producing countries to finance contributions to buffer stock arrangements for the stabilisation of primary product prices.

Structural Adjustment Facility

- The IMF established Structural Adjustment Facility (SAF) in March 1986 to provide additional balance of payments assistance on concessional terms to the poorer member countries. In December 1987, the Enhanced Structural Adjustment Facility (ESAF) was set up to augment the availability of concessional resources to low income countries. The purpose of SAF and ESAF is to force the poor countries to undertake strong macroeconomic and structural programmes to improvetheir balance of payments positions and promote economic growth.

India and IMF

- Till 1970, India stood fifth in the Fund and it had the power to appoint a permanent Executive Director.
- India's current quota in the IMF is SDRs (Special Drawing Rights) 5,821.5 million, making it the 13th largest quota holding country at IMF with shareholdings of 2.44%.

SDR

What is SDR?

- Fiat Money of the IMF
- A Potential Claim on Underlying Currency Basket

What Does SDR Stand For?

- Special Drawing Rights (SDR)

Why Was the SDR Created?

- To be "The" World Reserve Currency
- Create Global Liquidity

How is the SDR Valued?

- Original 1969 Creation "The value of the SDR was initially defined as equivalent to 0.888671 grams of fine gold - which, at the time, was also equivalent to one U.S. dollar."

International Bank For Reconstruction And Development (IBRD) or World Bank

- The International Bank for Reconstruction and Development (IBRD), otherwise called the World Bank(WB)
- It was established in 1945 under the Bretton Woods Conference in 1944.
- The purpose is to bring about a smooth transition from a war-time to peace-time economy.
- The membership in International Monetary Fund is a prerequisite to become a member of IBRD.
- The IBRD was established to provide long term financial assistance to member countries.

Objectives of IBRD

Objectives of the World Bank

1. Reconstruction and Development
2. Encouragement to Capital Investment
3. Encouragement to International Trade
4. Establishment of Peace-time Economy
5. Environmental Protection

World Bank's Lending Procedure:

i) Loans out of its own fund,

ii) Loans out of borrowed capital and

iii) Loans through Bank's guarantee.

- The Bank(WB) has changed its development loan strategy and lays more emphasis on financing schemes which directly influence the well being of poor masses of the member countries, especially the developing countries.

Functions of IBRD

1. Investment for productive purposes
2. Balanced growth of international trade
3. Provision of loans and guarantees
4. Promotion of foreign private investment
5. Technical services

India and World Bank:

- The name "International Bank for Reconstruction and Development" was first suggested by India to the drafting committee.

INDIA & IBRD : A Sustainable Relationship

- India is a member of four of the five constituents of the World Bank Group.

- International Bank for Reconstruction and Development(IBRD, 1945)
- International Development Association (IDA, 1960)
  International Finance Corporation (IFC, 1956)
- Multilateral Investment Guarantee Agency (MIGA, 1958)
  International Centre for Settlement of Investment Disputes (ICSID, 1966) [India is not its member]
- India is one of the founder members of IBRD, IDA and IFC. World Bank assistance in India started from 1948 when a funding for Agricultural Machinery Project was approved.
- First investment of IFC in India took place in 1959 with US$ 1.5 million.
- India became a member of MIGA in January 1994.
  India has an Executive Director, in the Board of Directors of IBRD / IFC / IDA/ MIGA.

World Trade Organization

- The WTO was established in 1995 as a successor to the GATT.
- It is a new international organization set up as a permanent body and is designed to play the role of watch dog in the spheres of trade in goods and services, foreign investment and intellectual property rights.
- The Dunkel Draft, formulated by Arthur Dunkel, its Secretary General became the base for WTO.
- Every two years, the member countries' Commerce Ministers Conference are being organized to discuss and settle the important souls and trade related matters.
- The first WTO conference was held at Singapore in 1996.
- It was planned to organize 12th ministerial conference at Kazakhstan in 2020.
- WTC headquarters located at New York, USA. It featured the landmark Twin Towers which was established on 4th April 1973. Later it was destroyed on 11th September 2001 by the craft attack. It brings together businesses involved in international trade from around the globe.

Objectives of WTO

i) To ensure reduction of tariff and other barriers.
ii) To eliminate discrimination in trade.
iii) To facilitate higher standard of living.
iv) To facilitate optimal use of world's resources.
v) To enable the LDCs to secure fair share in the growth of international trade.
vi) To ensure linkages between trade policies, environmental policies and sustainable development.

WTO Agreements

Agreement on Trade Related Intellectual Property Rights (TRIPs)

- Intellectual Property Rights include copy right, trade marks, patents, geographical indications, trade secrets, industrial designs, etc. TRIPS Agreement provides for granting product patents instead of process patents.
- The period of protection will be 20 years for patents, 50 years for copy rights, 7 years for trade marks and 10 years for layout designs.

Agreement on Trade Related Investment Measures (TRIMs)

- TRIMs are related to conditions or restrictions in respect of foreign investment in the country.
- It calls for introducing equal treatment for foreign companies on par with national companies. TRIMs were widely employed by developing countries. Restrictions on foreign investment on following grounds are to be removed.
- No restriction on area of investment.
- No binding on use of local material.
- No mandatory exports.
- No restriction on repatriation of royalty, dividend and interest.
- No trade balancing requirement, i.e. imports not exceeding exports.

General Agreement on Trade In Services (GATS)

- GATS is the first multilateral set of rules covering trade in services like banking, insurance, transportation, communication, etc.,
- All member countries are supposed to extend MFN (Most Favoured Nation) status to all other countries without any discrimination.
- Transparency should be maintained by publishing all relevant laws and regulations over services.

Phasing out of Multi Fibre Agreement (MFA)

- The multi fibre agreement governed the world trade in textiles and garments since 1974. It imposed quotas on export of textiles by developing nations to the developed countries. This quota system was to be phased out over a period of ten years. This was beneficial to India.

Agreement on Agriculture (AoA)

- Agriculture was included for the first time under GATT.
- The important aspects of the agreement are Tariffication, Tariff cuts and Subsidy reduction.

Dispute Settlement Body

- The Disputes Settlement Body puts an end to procedural delays. It is mandatory to settle any dispute within 18 months.

Major WTO Functions

- Administering WTO trade agreements
- Forum for trade negotiations
  Handling trade disputes
- Monitoring national trade policies
- Technical assistance and training for developing countries
- Cooperation with other international organizations.

WTO Ministerial Conferences

World Trade Organization

1. Kazakhstan - 2020
2. Buenos Aires, 10-13 December 2017
3. Nairobi, 15-18 December 2015
4. Bali, 3-6 December 2013
5. Geneva, 15-17 December 2011
6. Geneva, 30 November - 2 December 2009
7. Hong Kong, 13-18 December 2005
8. Cancún, 10-14 September 2003
9. Doha, 9-13 November 2001
10. Seattle, November 30 – December 3 1999
11. Geneva, 18-20 May 1998
12. Singapore, 9-13 December 1996

WTO and India

- India is the founding member of the WTO.

1. By reducing tariff rates on raw materials, components and capital goods, it was able to import more for meeting her developmental requirements. India's imports go on increasing.
2. India gets market access in several countries without any bilateral trade agreements.
3. Advanced technology has been obtained at cheaper cost.
4. India is in a better position to get quick redressal from the trade disputes.
5. The Indian exporters benefited from wider market information

Institution	Headquarters	Year of Establishment
South Asian Association for Regional Cooperation (SAARC)	Kathmandu	1985
ASEAN	Bangkok	1967
BRICS	Shangai	2001

South Asian Association For Regional Co-Operation (SAARC)

- Established on 8 December 1985 for the promotion of economic and social progress, cultural development within the South Asia region and also for friendship and co-operation with other developing countries.
- The SAARC Group (SAARC) comprises of Bangaladesh, Bhutan, India, The Maldives, Nepal, Pakistan and Sri Lanka. In April 2007
- The SAARC Secretariat was established in Kathmandu (Nepal) on 16th January 1987.
- The first SAARC summit was held at Dhaka in the year 1985.
- SAARC meets once in two years. Recently, the 20th SAARC summit was hosted by Srilanka in 2018.

Objectives of SAARC

- To promote the welfare of the people of South Asia and improve their quality of life;
- To accelerate economic growth, social progress and cultural development in the region;
- To promote and strengthen collective self-reliance among the countries of South Asia;
- To contribute to mutual trust, understanding and appreciation of one another's problems;
- To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields;
- To strengthen co-operation with other developing countries;
- To cooperate with international and regional organisations with similar aims and purposes.

Association of South East Asian Nations (ASEAN)

- ASEAN was established on 8 August 1967 in Bangkok by the five original member countries: Indonesia, Malaysia, Philippines, Singapore and Thailand.
- Later Brunei Darussalam, Vietnam, Laos and Myanmar and Cambodia joined.
- Besides ten members of the ASEAN, there are six "dialogue partners" which have been participating in its deliberations.
- The ASEAN Summit of the Heads of Governments of member countries is the highest forum for ASEAN cooperation. Its meetings are held once in three years.
- India's relationship with ASEAN started in 1992 when India became a "sectoral dialogue partner" of ASEAN.

Objectives of ASEAN

- The ASEAN Declaration states the aims and purposes of the Association as:
- To accelerate the economic growth, social progress and cultural development in the region;
- To promote regional peace and stability and adherence to the principles of the United Nations Charter;

- To promote cooperation among the members of ASEAN through the exchange of knowledge and experience in the field of public sector auditing.
- To provide a conducive environmentand facilities for research, training,and education among the members
- To serve as a centre of informationand as an ASEAN link with otherinternational organizations.

BRICS

- BRICS is the acronym for an association of five major emerging national economies: Brazil, Russia, India, China and South Africa.
- Originally the first four were grouped as "BRIC" before the induction of South Africa in 2010.
- The term 'BRIC' was coined in 2001.
- Since 2009, the BRICS nations have met annually at formal summits. South Africa hosted the 10th BRICS summit in July 2018.

Few Facts About The BRICS

- The BRICS countries make up 21 percent of global GDP. They have increased their share of global GDP threefold in the past 15 years.

  The BRICS are home to 43 percent of the world's population.

  The BRICS countries have combined foreign reserves of an estimated $4.4 trillion.
- It's headquarters is at Shanghai, China.
- The New Development Bank (NDB) formerly referred to as the BRICS Development Bank was established by BRICS States.
- The first BRICS summit was held at Moscow and South Africa hosted the Tenth Conference at Johanesberg in July 2018.

Objectives of BRICS

1. To increase trade co-operation by making an exclusive trade block.
2. To use currency other than US Dollar. Since Dollar is a dominant currency and US can control the flow of dollar, BRICS helps in the countries operating with alternative currencies. How far have they succeeded in this respect? Not much.
3. To increase regional co-operation.
4. To create a separate trade block made for developing countries for trade co-operation.

Fair Trade Practices and World Trade Organization

- Raising and stabilizing the incomes of small-Scale farmers, farm workers and artisans.
- More equitably distributing the economic gains, opportunities and risks associated with the production and sale of these goods.
- Increasing the organizational and commercial capacities of producer groups.
- Promoting labour rights and the right workers to organize.
- Promoting safe and sustainable farming Methods and working conditions.Principles of Fair trade Organization.
- Creating Opportunities for Economically Disadvantaged producers.
- Transparency and Accountability .
- Fair Trading Practices and Payment of a Fair Price.
- Ensuring no child Labour and Forced Labour.
- Commitment to Non Discrimination, Gender Equity and freedom of association.
- Providing Capacity Building and Promoting Fair Building.
- Respect for the Environment.

GATT: (General Agreement of Trade and Tariffs)

- GATT was signed by 23 countries in 1947. India was one of the founder members of GATT.In the seventh Round 99 countries participated. In the Eighth Round of 1986, (Uruguay Round), 117 countries participated. The Director General of GATT Arthur Dunkel came up with a Drafft Final Act, known as Dunked Draft and on April 15, 1994 the Final Act was ultimately approved and signed. GATT's primary purpose was to increase International Trade by reducing various tariffs, quotas and subsidies while maintaining meaningful regulations.

Rounds of GATT

- First in Geneva (Switzerland) (1947)
- Second in Annecy (France) in 1949
- Third in Torquay (UK) in 1950 – 51
- Fourth, fifth, and Sixth in Geneva (Switzerland) in 1956, 1960-61, 1964 -67.
- Seventh in Tokyo (Japan) in 1973 – 79
- Eighth and final round at Punta del Este (Uruguay) in 1986 – 1994, known as 'Uruguay Round'

World Trade Organization(WTO)

- The signing of the Final Act of the Uruguay Round by member nations of GATT in April 1994 paved the way for setting up of the WTO. An agreement to this effect was signed by 104 members. The WTO Agreement came into force from January 1, 1995 (the present membership of WTO is 164 countries)

World Trade Organization(WTO):

Head Quarter: Geneva, Switzerland

Purpose: Regulation, International trade Members of WTO: Director General, Four Deputy Director General, and other 600 Official Staff from around 80 member countries.

The WTO mentions five types of subsidies:

- Cash subsidies, such as the grants mentioned above.
- Tax concessions, such as exemptions, credits, or deferrals.
- Assumption of risk, such as loan guarantees.
- Government procurement policies that pay more than the free-market price.
- Stock purchases that keep a company's stock price higher than market levels.
- These are all considered subsidies because they reduce the cost of doing business.

G7 Countries

1. Canada
2. France
3. Germany
4. Italy
5. Japan
6. United Kingdom
7. United States

Objectives of W.T.O

- To set and enforce rules for international trade.
- To provide a forum for negotiating and monitoring further trade liberalization.
- To resolve trade disputes.
- Introduction the sustainable development and environment can go together.
- To ensure that developing countries, secure a better share of growth in world Trade.
- To resolve trade disputes.
- To increase the transparency of decision making processes.
- Introduction sustainable development the development and environment can go together.
- To ensure full employment and broad increase in effective demand.

Trade Related aspects of Intellectual Property Rights (TRIPs)

- Intellectual Property Right may be defined as "Information with a commercial Value" Under TRIPs Patent shall be available for any invention whether product or process in all fields of industrial technologies. Trips agreement covers seven areas of intellectual's property rights i.e. Copy rights, Trade Market, Trade Secrets, Industrial Design, Geographical appellations Integrated circuits and Patents.

Trade Related Investment Measures (TRIMs)

- The Uruguay Round Agreement on TRIMs refers to certain conditions (or) restrictions imposed by a government in respect of foreign investment in the country in order to give adequate provisions for the home industries to develop

World Nation in G - 20

1. Argentina
2. Australia
3. Brazil
4. Canada
5. China
6. European Union
7. France
8. Germany
9. India
10. Indonesia
11. Italy
12. Japan
13. Mexico
14. Russia
15. Saudi Arabia
16. South Africa
17. South Korea
18. Turkey
19. United Kingdom
20. United States

Recent G-20 Summits

1. 2018 - Bueno Aries (Argentina)
2. 2019 - Osaka (Japan)
3. 2020 - Riyadh (South Arabia)

Recent ASEAN Summits

1. Singapore (2018)
2. Bangkok (2019)
3. Vietnam (2020)