PART - B

Indian Economy on the Eve of Independence

1. **Economy** Economy of a country includes all production, distribution or economic activities that relate with people and determines the standard of living.

2. **Indian Economy on the Eve of Independence** On the eve of independence, Indian economy was in a very bad condition due to the exploitative policies of British colonial rule.

3. **India's National and Per Capita Income Under Colonial Rule** There were no efforts from the part of the colonial government to measure the national and per capita income of India.

   Some individual attempts were made to measure such incomes but produced conflicting and inconsistent results.

   The contributions of VKRV Rao and Dadabhai Naoroji are considered very significant in this context.

4. **State/Features of Agriculture Sector** Agriculture was the main source of livelihood for most of the people of India, and about 75% of the country's population lived mostly in villages and derived livelihood directly or indirectly from agriculture.

   Indian agriculture at the time of independence was marked with the following features

   (i) Low level of productivity
   (ii) High degree of vulnerability

5. **State/Features of Industrial Sector** Britishers followed a policy of systematic de-industrialisation by creating circumstances conducive to the decay of handicraft industry and not taking any steps to promote modern industry and reduced India to a mere exporter of raw material and importer of finished goods.

   The following points bring forward the state of the industrial sector at the eve of independence

   (i) Decay of handicraft industry
   (ii) Slow growth of modern industry

6. **State/Features of Foreign Trade** India has been an important trading nation, since ancient times. But when the restrictive policies of commodity production, trade and tariff were imposed by the colonial government, it adversely affected the structure, composition and volume of India's foreign trade.

   Following were the reasons behind the poor growth of foreign trade

   (i) Exporter of primary products and importer of finished goods.
   (ii) Britain's monopoly control over foreign trade.

7. **State of Occupational Structure** During the colonial period, the occupational structure of India exhibited backwardness.

   The agricultural sector accounted for the largest share of the workforce which remained at a high of 70-75% of the workforce and the manufacturing and service sectors accounted for only 10 and 15-20%, respectively.

8. **State of Infrastructure** Infrastructure comprises of such industries which help in the growth of other industries.

   Under the colonial period, basic infrastructure such as railways, ports, water, air transport, post and telegraphs were developed.

9. **Demographic Condition** Various details about the population of British India were first collected through a census in 1881. Before 1921, India was in the first stage of demographic transition. The second stage began after 1921.

Indian Economy (1950-1990)

1. **Economic System** It is defined as an arrangement by which the central problems of an economy are solved.

   The three basic central problems of an economic system are

   (i) Choice of goods to be produced
   (ii) Choice of technology of production
   (iii) Distribution of goods and services

2. **Types of Economic Systems**

   (i) **Socialist Economy** It is an economic system in which all economic decisions are taken by the government.

In this system, the government decides what goods are to be produced in accordance with the needs of society, how goods are to be produced and how they should be distributed.

Socialist economy promotes equitable distribution of income. However, it also suffers from the drawbacks of a bureaucratic set-up in the form of red-tapism and corruption.

In Cuba and China, most of the economic activities are governed by the socialistic principles.

(ii) **Capitalist Economy** It depends upon the market forces of demand and supply. In this type of economy, only those consumer goods will be produced that have good demand in the market and yield profit to the producers.

In this economy, the goods and services produced are distributed among people not on the basis of what people need but on the basis of purchasing power.

Capitalist economy is also called *laissez faire* or *free market economy*. It exists in North America, Japan, Australia, Western Europe, etc.

(iii) **Mixed Economy** It is an economic system in which public sector and private sector exist side by side.

In this economy, the market will provide whatever goods and services it can produce well and the government will provide essential goods and services which the market fails to provide. India follows this economic system.

3. **Economic Planning** It is a process by which a central authority of a country defines a set of goals to be achieved within a specified period, sets out a plan to achieve those goals, keeping in view the country's resources.

4. **Five Year Plans** In India, planning was launched as a five yearly exercise, therefore it came to be popularly known as 'Five Year Plans'.

5. **Common Goals of Five Year Plans** All the Five Year Plans were formulated keeping the below objectives in mind

(i) Growth (ii) Modernisation
(iii) Self-reliance (iv) Equity

6. **Problems Faced by Agriculture Sector at the Time of Independence**

(i) Low productivity (ii) Disguised unemployment
(iii) Subsistence farming
(iv) Traditional methods of farming
(v) Small holdings
(vi) Lack of organised marketing system

7. **Agricultural Reforms (Land Reforms)** During the planning period the following institutional reforms were initiated in the agricultural sector

(i) Abolition of intermediaries
(ii) Regulation of rent
(iii) Land ceiling
(iv) Consolidation of land holdings
(v) Cooperative farming

8. **Green Revolution** It means a sudden increase in crop production achieved through deliberate and conscious efforts of an authorised body.

It was initiated as a part of new agricultural strategy. Green Revolution in India is marked by two distinct phases

(i) **First phase** Mid 60s-Mid 70s.
(ii) **Second phase** Mid 70s-Mid 80s.

9. **Achievements of Green Revolution**

(i) A sudden increase in crop-productivity.
(ii) Substantial increase in acres under cultivation.
(iii) Shift from subsistence farming to commercial farming.

10. **Failures of Green Revolution**

(i) Confined to food crops (ii) Limited coverage
(iii) Inequality among farmers
(iv) Undesirable social effects

11. **Problems Faced by Industrial Sector at the Time of Independence**

(i) Underutilisation of capacity
(ii) Absence of world class infrastructure
(iii) High cost of industrial economy
(iv) Inadequate employment generation
(v) Sectoral and regional imbalance
(vi) Poor performance of public sector

12. **Industrial Policy Resolution, 1956 (IPR, 1956) and Licensing**

Under IRR, 1956 the private sector was kept under state control through a system of licenses.

(i) No new industry was allowed unless a license was obtained from the government.
(ii) An existing industry had to obtain license for expanding output.

13. **Objectives of Public Sector**

(i) The public sector worked for promoting social welfare.
(ii) To attain commanding heights of the economy.
(iii) To provide commercial surplus to finance economic development.
(iv) To promote rapid economic development by filling critical gaps in the industrial structure.
(v) To ensure balanced regional development and dispersal of economic activity.
(vi) To reduce sharp disparities of income and prevent concentration of economic power in few hands.

14. Small Scale Industry A Small Scale Industry (SSI) is defined with reference to the maximum investment allowed in the assets of a unit. This limit has changed over a period of time.

Presently, a small scale industry is defined as one whose investment in plant and machinery does not exceed ₹ 5 crore.

15. Characteristics of Small Scale Industry (SSI)

(i) Labour intensive
(ii) Less capital requirements
(iii) SSIs show locational flexibility

16. Problems Faced by Foreign Trade at the Time of Independence

(i) Volume of foreign trade
(ii) Composition of foreign trade
(iii) Direction of foreign trade

17. Inward Looking Trade Strategy/Policy

Upto 1991, Government. follows an inward loo[king] trade strategy which aimed at

(i) Export Promotion (ii) Import Substitution

Liberalisation, Privatisation and Globalisation

1. **Economic Crisis** In 1991, India met with an economic crisis relating to its external debt. The government was unable to make repayments on its borrowings from abroad, foreign exchange reserves were not sufficient to repay the debts, the prices of essential goods were rising and the imports were growing at a very high rate.

2. **Causes of Economic Crisis**
   (i) The continued spending on development programmes of the government did not generate additional revenue.
   (ii) The government was not able to generate sufficient funds from internal sources such as taxation.
   (iii) Expenditure on areas like social sector and defence did not provide immediate returns, so there was a need to utilise the rest of its revenue in a highly effective manner which the government failed to do.
   (iv) The income from public sector undertakings was also not very high to meet the growing expenditures.
   (v) Foreign exchange borrowed from other countries and international financial institutions was spent on meeting consumption needs and to make repayments on other loans.

3. **Effects of Economic Crisis**
   (i) Increasing fiscal deficit
   (ii) Adverse Balance of Payments
   (iii) Rise in prices
   (iv) High rate of deficit financing

4. **Emergence of New Economic Policy** (NEP) The measures adopted in the New Economic Policy can be broadly classified into two groups
   (i) **Stablisation Measures** They are short-term measures which were intended to correct s[ome] weakness that have developed in the Bala[nce of] Payments and to bring inflation under cont[rol].
   (ii) **Structural Reforms** They are long term measures, aimed at improving the efficien[cy of] the economy and increasing its internatio[nal] competiveness by removing the rigidities [in] various segments of the Indian economy. The various structural reforms are categor[ised] as
   (a) Liberalisation (b) Privatisation
   (c) Globalisation

5. **Liberalisation** It is defined as the lossening [of] government regulations in a country to allo[w] private sector companies to operate busine[ss] transactions with fewer restrictions.

   The following are the objectives of liberalis[ation]
   (i) To increase competition among domesti[c] industries.
   (ii) To increase foreign capital formation an[d] technology.
   (iii) To decrease the debt burden of the cou[ntry]
   (iv) To encourage export and import of good[s and] services.
   (v) To expand the size of the market.

6. **Economic Reforms Under Liberalisation** Reforms under liberalisation were introduc[ed in] the following sectors
   (i) **Industrial Sector Reforms** The followin[g steps] were taken to deregulate the industrial s[ector]
   (a) Abolition of industrial licensing
   (b) Contraction of public sector
   (c) De-reservation of production areas

cont.

(4)

(d) Expansion of production capacity
(e) Freedom to import capital goods

(ii) **Financial Sector Reforms** Financial sector includes
(a) Banking and non-banking institutions
(b) Stock exchange market
(c) Foreign exchange market

In this sector, as a part of the reform process, the role of RBI was reduced as a facilitator. The commercial banks were given freedom to decide their interest rates.

Private bankers were allowed to operate in this sector and Foreign Institutional Investors (FII) were encouraged to invest in India.

(iii) **Tax Reforms/Fiscal Reforms** Tax reforms are concerned with the reforms in government's taxation and public expenditure policies which are collectively known as its fiscal policy.

The fiscal reforms simplified the tax structure and lowered the rates of taxation. This reduced tax-evasion and increased government's revenues.

(iv) **Foreign Exchange Reforms/External Sector Reforms** External sector reforms include reforms relating to foreign exchange and foreign trade. The following reforms were initiated in this sector
(a) **Devaluation of Rupee** India rupee was devalued against foreign currencies.
(b) **Other Measures** Import quotas were abolished.
- Policy of import licensing was almost scrapped.
- Import duty was reduced.
- Export duty was completely withdrawn.

7. **Privatisation** It refers to giving greater role to private sector thereby reducing the role of public sector. Government companies (public companies) are converted into private companies in two ways
(i) By withdrawal of the government from ownership and management of the public sector companies.
(ii) By the method of disinvestment.

8. **Objectives of Privatisation**
(i) Improving the financial condition of the government.
(ii) Raising funds through disinvestment.
(iii) Reducing the workload of public sector.
(iv) Increasing the efficiency of the government undertakings and attract Foreign Direct Investment (FDI).
(v) Providing better goods and services to consumers.

9. **Globalisation** It means integration of the economy of the country with the world economy. Globalisation encourages foreign trade and private and institutional foreign investment.

10. **Benefits of LPG Policies**
(i) Service sector witnessed phenomenal growth.
(ii) The opening up of the economy has led to rapid increase in foreign direct investment and foreign exchange reserves.
(iii) There has been an increase in the foreign exchange reserves from about US $ 6 billion in 1990-91 to US $ 304 billion in 2013-14.
(iv) India is seen as a successful exporter of auto parts, engineering goods, IT software and textiles in the reform period. Rising prices have also been kept under control.

11. **Failures of LPG Policies**
(i) Neglect of Agriculture
(ii) Uneven growth in industrial sector
(ii) Less employment opportunities
(iv) Failure of disinvestment policies
(v) Failure of fiscal policies
(vi) Concentration of growth process

12. **World Trade Organisation** (WTO) The WTO was founded in 1995 as the successor organisation to the General Agreement on Trade and Tariff (GATT). It was expected to establish a rule based on trading regime in which nations cannot place arbitrary restrictions on trade.

Its purpose was mainly to expand production and trade in order to have optimum utilisation of world resources and promote globalisation.

The WTO agreements cover trade in goods as well as services to facilitate international trade through removal of tariff as well as non-tariff barriers and provide better market access to all countries.

13. **Concept of Demonetisation** Demonetisation refers to the withdrawal of existing currency and introducing new currency in its place.

India faced its first demonetisation in 1946, the second one in 1978 and the third one in 2016 when PM Narendra Modi banned ₹ 500 and ₹ 1000 notes with immediate effect.

Some of the objectives of demonetisation are as follows
(i) It is done to curb black money.
(ii) It is undertaken to control inflation.
(iii) It is undertaken to stop flow of funds to illegal activity.
(iv) It aims at making a cashless society.

14. **Concept of Goods and Services Tax (GST)** It is a value added tax levied on most goods and services sold for domestic consumption. It is paid by the consumers but is remitted to the government by the businesses selling the goods and services.

According to Article 366 (12A), GST means "any tax on supply of goods or services or both except taxes on supply of alcoholic liquor for human consumption."

Some of the important objectives of levying this tax are as follows
(i) To bring uniformity in tax rates and automate compliances.
(ii) To ensure availability of input tax credit.
(iii) To harmonise tax base, laws and administrative procedures across the country.
(iv) To simplify the tax regime.

Poverty

1. **Meaning of Poverty** It refers to the state of deprivation in which a person is unable to fulfill his basic needs like food, clothes, housing, etc.

2. **Concepts of Poverty**
   (i) **Absolute Poverty** A person is said to be absolutely poor, if he is not able to achieve a minimum level of consumption.
   This concept is prevalent in less- developed countries where a minimum standard of consumption is fixed.
   (ii) **Relative Poverty** This means that even though a person is able to fulfill all his basic needs, he is poor in comparison to another person. This concept is prevalent in developed countries.

3. **Categorisation of Poor**
   (i) **Chronic Poor** They are of two types
      (a) **Always Poor** People who do not usually have sufficient money to fulfill their basic needs are always poor and remain below poverty line.
      (b) **Usually Poor** People who sometimes have little more money but usually are unable to fulfill their basic needs are considered as usually poor. e.g. casual workers and landless workers.
   (ii) **Transient Poor** They are of two types
      (a) **Churning Poor** They regularly move in and out of poverty. e.g. small farmers, seasonal workers, etc.
      (b) **Occasionally Poor** They are rich most of the time but may sometimes have a patch of bad luck. e.g. people who gamble.
   (iii) **Non-Poor or Never Poor** They are those people who live above the poverty line. They are non-poor. e.g. doctors, lawyers, professionals, etc.
   (iv) **Urban Poor** These poor people reside in cities and towns and generally comprise of people who have migrated from the rural areas in search of employment opportunities.
   (v) **Rural Poor** These poor people reside in villages and generally comprise landless agricultural labourers, farmers with small land holdings etc.

4. **Causes of Poverty**
   (i) Rapidly rising population
   (ii) Unemployment
   (iii) Inequalities of wealth and income
   (iv) Indebtness
   (v) Lack of infrastructure
   (vi) Lack of supply and inflationary pressures
   (vii) Colonial exploitation
   (viii) Social factors
   (ix) Low rate of capital formation
   (x) Globalisation

5. **Policies and Programmes towards Poverty Alleviation** The government's approach to poverty reduction comprise of three dimensions which are discussed below
   (i) **Economic Growth Oriented Approach** It is based on the expectation that the effects of economic growth (rapid increase in Gross Domestic Product–(GDP) and per capita income) would spread to all sections of society and will trickle down to the poor section also. But population growth has resulted in a very low growth in per capita income.
   (ii) **Specific Poverty Alleviation Programmes** As an alternative to economic growth oriented approach, policy-makers thought that income and employment for the poor could be raised through specific poverty alleviation programmes.
   Following programmes were initiated in this regard
      (a) Food for work Programme
      (b) Rural Employment generation programme
      (c) Prime Minister Rojgar Yojana.
      (d) Swarna Jayanti Shahaji Rojgar Yojana
      (e) Swarna Jayanti Gram Swarojgar Yojana
      (f) National Rural Livelihood Mission
      (g) National Food for Work Programme
      (h) Sampoorna Grameen Rojgar Yojana
      (i) Mahatma Gandhi National Rural Employment Guarantee Act.
   (iii) **Providing Minimum Basic Amenities** This approach aims at the provision of foodgrains at subsidised rates, education, health, water supply etc to the people so that their living standard could be improved.
   The various schemes under this approach are as follows
      (a) Public Distribution System
      (b) Integrated Child Development Scheme
      (c) Mid-day Meal Scheme
      (d) Pradhan Mantri Gramodya Yojana
      (e) Valmiki Ambedkar Awaas Yojana
      (f) Pradhan Mantri Gram Sadak Yojana
      (g) National Social Assistance Programme

6. **Critical Assessment of Poverty Alleviation, Policies and Programmes**
   (i) The benefits from direct poverty alleviation programmes have been appropriated by the non-poor.
   (ii) The amount of resources allocated for these programmes is not adequate.
   (iii) These programmes depend on corrupt government and bank officials for their implementation.
   (iv) These programmes have failed to address the vast majority of people who are living just above proverty line.

Human Capital Formation in India

1. Human and Physical Capital

Human Capital refers to the stock of skill, ability, expertise, education and knowledge in a nation at a point of time.

Physical Capital refers to the inputs which are required for further production such as machine, tools and implements, factory buildings, etc.

2. Human Capital Formation It is the process of acquiring and increasing the number of people who have the skills, education and experience which are critical for the economic and political development of a country.

3. How Do People Become Resources

(i) Expenditure on education
(ii) Expenditure on health
(iii) On-the-job training
(iv) Migration
(v) Expenditure on information

4. Role of Human Capital in Economic Development

Human capital leads to economic development by

(i) Stimulating innovations and inventions in the country.
(ii) Enabling human resources to understand change in scientific advancements so that they are able to adapt themselves to new technologies.

5. Human Capital and Human Development

Human development is the broader term than human capital. Human capital considers education and health as a means to increase labour productivity.

Human development is based on the idea that education and health are integral to human well-being because when people have the ability to read and write and the ability to lead a long and healthy life, they will be able to make other choices they value.

6. Problems of Human Capital Formation in India

Following are the problems of human capital formation in India

(i) Rising population
(ii) Brain drain
(iii) Inefficient manpower planning
(iv) Long-term process
(v) High poverty levels

7. Human Development Index The Human Development Index (HDI) is a composite statistic of life expectancy, education and income indices.

It was created by economist Mahbub Ul Haq, followed by economist Amartya Sen in 1990, and published by the United Nations Development Programme. India has 130 th position in the World Human Development Index.

8. Education: An Element of Human Capital Formation It implies the process of teaching, training and learning especially in schools or colleges, to improve knowledge and develop skills.

Following points explain the importance of education

(i) It produces good citizens.
(ii) It develops science and technology.
(iii) It facilitates use of natural and human resources of all regions of the country.
(iv) It expands mental horizon of the people.

9. Growth of Education Sector in India The growth of education sector in India is summarised in the given table

Educational Attainment in India

Particulars		1990 (%)	2000 (%)	2005-10 (%)
Adult Literacy Rate	Male	61.9	68.4	76.7
	Female	37.9	45.4	54.9
Primary Completion Rate	Male	78	85	96
	Female	61	69	95
Youth Literacy Rate	Male	76.6	79.7	88
	Female	54.2	64.8	74

Rural Development

1. **Meaning of Rural Development** It is a comprehensive term which essentially focuses on action for the development of areas that are lagging behind in the overall development of the village economy.

   It is a process whereby the standard of living of rural people, especially poor people rise continuously.

2. **Objectives of Rural Development**
   (i) Increasing the productivity of the agricultural sector so that the income of the farmers increases.
   (ii) Generating alternative means of livelihood in the rural areas so that dependency on agriculture sector is reduced.
   (iii) Promoting education and health facilities in the rural areas so that human development is also achieved.

3. **Key Areas in Rural Development** Some of the areas which are challenging and need fresh initiatives for development in rural India are as follows
   (i) Development of the productive resources of each locality.
   (ii) Development of human resources including literacy, (more specifically female literacy) education and skill development.
   (iii) Development of human resources like health; addressing both sanitation and public health.
   (iv) Honest implementation of land reforms.
   (v) Infrastructure development like electricity, irrigation, credit, marketing, transport facilities including construction of village roads and feeder roads to nearby highways, facilities for agricultural research and extension and information dissemination.
   (vi) Special measures for alleviation of poverty and bringing about significant improvement in the living conditions of the weaker sections of the population emphasising access to productive employment opportunities.

4. **Role of Information Technology (IT) in Rural Development** The role of IT in rural development is stated below
   (i) IT can act as a tool for releasing the creative potential and knowledge embedded in our people.
   (ii) Issues like weather forecast, crop treatment, fertilisers, pestisides, storage conditions, etc. can be well administered, if expert opinion is made available to the farmers.
   (iii) The quality and quantity of crops can be increased manifold, if the farmers are made aware of the latest equipments, technologies and resources.
   (iv) It has ushered in a knowledge economy.
   (v) It has potential of employment generation in rural areas.

5. **Rural Credit** Credit is the lifeline of the farming activity. Rural credit means providing credit for the farming community. Farmers need credit because of the reasons stated below
   (i) Most farmers in India are small and marginal landholders who practice subsistence farming. They have no surplus for further production.
   (ii) The gestation period between sowing and harvesting is quite high. So, farmers have to borrow to fulfill their various needs during this period.

6. **Types of Rural Credit**
   (i) **Long-Term Credit** These loans are required to acquire permanent assets like tractors, land, costly equipments, tube-wells, etc. These loans are for a period of 5 to 20 years.
   (ii) **Medium-Term Credit** These loans are required for purchasing machinery, constructing fences and digging wells. Such loans generally stretch over a period of 12 months to 5 years.

(iii) Short-Term Credit These loans are required for buying seeds, tools, manure and fertilisers, etc. This credit is given to the needy borrowers by cooperatives, moneylenders and banks. These loans are for a period of 6 to 12 months.

7. Sources of Rural Credit

(i) Non-Institutional Sources of Rural Credit The major non-institutional sources of rural credit are moneylenders, friends, relatives, landlords, shopkeepers and commission agents.

(ii) Institutional Sources of Rural Credit The major institutional sources of rural credit are as follows

(a) **National Bank for Agriculture and Rural Development** (NABARD) It was set-up in 1982 as an apex body to coordinate the activities of all institutions involved in the rural financing system.

It has an authorised share capital of ₹ 500 crore. The RBI has contributed half of the share capital while the other half has been contributed by Government of India.

(b) **Self Help Groups** (SHGs) There have emerged to fill the gap created by formal credit system.

Self Help Groups (SHGs) promote thrift in small proportions by a minimum contribution from each member.

Such credit provisions are generally referred to as micro-credit programmes.

(c) **Regional Rural Banks** (RRBs) As a supplement to commercial banks, the regional rural banks have also been opened.

These have been set-up under the Regional Rural Banks Act of 1976. Their banking services are meant for small and marginal farmers, artisans, etc.

(d) **Commercial Banks** They were inducted into the field of agricultural credit under the Banking Reforms Act, 1972.

The share of commercial banks in the supply of agricultural credit has considerably improved.

(e) **Cooperative Credit Societies** The cooperative credit societies are actively engaged in addressing credit needs of the farmers, besides offering a host of related services.

Notably, these societies provide guidance in diverse agricultural operations with a view to raise crop productivity. Currently, cooperatives account for 16-17% of rural credit flow.

The main function of cooperative credit society is to provide timely and increased flow of credit to the farmers.

8. **Purpose of Borrowings**

(i) **Productive Borrowings** These borrowings include loans to buy seeds, fertilisers and agricultural equipments and implements.

(ii) **Unproductive Borrowings** These borrowings include loans for social purposes such as marriage and festive occassions.

9. **Agricultural Marketing** It is the process that involves functions of assembling, storage, processing, packaging, transportation, grading and distribution of agricultural commodities throughout the country.

10. **Need of Agricultural Marketing** Need of agricultural marketing originates due to the problems faced by farmers which are given below

(i) Farmers while selling their produce to traders suffered from faulty weighing and manipulation of accounts.

(ii) Due to lack of knowledge about the prices prevailing in the markets, farmers are often forced to sell their produce at low prices.

(iii) Farmers did not have proper storage facilities to keep back their produce for selling later at better price. Approximately 10% of goods produced in farms is wasted due to lack of storage.

11. **Measures by Government to Improve Agricultural Marketing**

(i) Regulation of markets
(ii) Improvement in physical infrastructure
(iii) Cooperative marketing
(iv) Supporting policies
(v) Maintenance of buffer stocks of wheat and rice

12. **Diversification of Crops** This implies a shift from single cropping system to multiple-cropping system. In India, where subsistence farming is still dominant, it may also mean a shift from subsistence farming to commercial farming.

Significance of diversification of crops are as follows

(i) Minimise the risk occurring due to failure of monsoon.

(ii) Minimise the market risk arising due to price fluctuations.

13. **Segments of Non-farm Activities** Non-farm economy has several segments in it; some possess healthy growth while others are in subsistence, low productivity propositions.

The growth sectors include agro-processing industries, food processing industries, leather industry, tourism, etc.

Various segments of non-farm activities are enumerated below

(i) Animal husbandry (ii) Fisheries
(iii) Horticulture
(iv) Other alternate livelihood options

14. **Organic Farming** It is such technology which restores, maintains and enhances the ecological balance. There is an increasing demand for organically grown food to enhance food safety throughout the world.

Organic farming requires awareness and willingness of the farmers to adapt new technology.

Inadequate infrastructure and the problem of marketing the products are major concerns which need to be addressed and it is advisable that India should adopt organic farming as it will be advantageous because India has abundant labour force and organic farming is a labour intensive process.

Employment and Unemployment in India

1. **Worker** All those who are engaged in production activities, in whatever capacity high or low, are workers.
2. **Types of Workers**
   (i) **Self-Employed** The workers who own and operate an enterprise to earn their livelihood are known as self-employed. e.g. a farmer working on his own farm. This category accounts for more than 50% of the workforce.
   (ii) **Hired Workers** Those people who are hired by others and are paid wages or salaries as a reward for their services are called hired workers.
   Hired workers can be of two types
   (a) **Casual Workers** Those people who are not hired by their employers on a regular/permanent basis and do not get social security benefits are said to be casual workers. e.g. construction workers.
   (b) **Regular Salaried Workers** When a worker is engaged by someone or by an enterprise and paid his or her wages on a regular basis, they are known as regular salaried employees or regular workers. e.g. teachers, chartered accountants, etc.
3. **Employment** It is a relationship between two parties, i.e. the employer and the employee who are binded in a contract of doing something valuable or it is an act of employing or state of being employed.
4. **Important Terms** Terms associated with workers and employment are stated below
   (i) **Productive Activities** Those activities which contribute to the gross national product are called productive activities.
   (ii) **Workforce** Persons who are engaged in productive activities are termed as workers and they constitute the workforce. It is the total number of persons actually working.
   (iii) **Workforce Participation Rate** (Ratio) It is measured as the ratio between total workforce and total population of a country.
   Workforce participation ratio
   $$= \frac{\text{Total workforce}}{\text{Total population}} \times 100$$
   (iv) **Labour Supply** It refers to the amount of worker that are willing to work, corresponding to a particular wage rate.
   (v) **Labour Force** It refers to the number of workers actually working or who are able to work. It is nc related to wage rate.
   (vi) **Rate of Unemployment**
   Rate of unemployment
   $$= \frac{\text{Number of persons unemployed}}{\text{Size of labour force}} \times 10$$
5. **Jobless Growth** It refers to the situation in which growth in employment opportunities do not correspond with economic growth.
6. **Formal Sector** All the public sector establishmen and those private sector establishments which employ 10 hired workers or more are called forma sector establishments and those who work in suc establishments are formal sector workers.
   Those who are working in the formal sector enjo social security benefits. They earn more than those in the informal sector.
   Workers and enterprises in the informal sector do not get regular income and they do not have any protection or regulation from the government. Workers are dismissed without any compensation.
7. **Informal Sector** All other enterprises and worker working in these enterprises form the informal sector.

Cont.

Informal sector includes millions of farmers, agricultural labourers, owners of small enterprises and people working in these enterprises as also the self-employed who do not employ any hired workers.

8. **Unemployment** It refers to the situation in which a person is willing and able to work at the existing wage but he is not getting employment.

9. **Types of Unemployment in India**
   (i) **Rural Unemployment** Unemployment found in rural areas is referred to as rural unemployment.
   Rural unemployment can be of the following three types
   (a) **Open Unemployment** It refers to that situation wherein the worker is willing to work and has the necessary ability to work yet he does not get work and remains unemployed for full time.
   (b) **Seasonal Unemployment** It refers to a situation where number of persons are not able to find a job in a particular season. It occurs in case of agriculture, ice-cream factories, woollen factories, etc.
   (c) **Disguised Unemployment** It exists when marginal physical productivity of labour is zero or sometimes it becomes negative.
   (ii) **Urban Unemployment** Unemployment found in urban areas is referred to as urban unemployment. Urban unemployment is of three types
   (a) **Industrial Unemployment** It includes those illiterate persons who are willing to work in industries, mining, transport, trade and construction activities, etc.
   Problem of unemployment in industrial sector has become acute because of increasing migration of rural people to urban industrial areas in search of employment.
   (b) **Educated Unemployment** In India, the problem of unemployment among the educated people is also quite grave.
   It is a problem spread across all parts of the country because the massive expansion of the education facilities have contributed to the growth of educated persons who are on the look out for white collar jobs.
   (c) **Technological Unemployment** Technological upgradation is taking place in all spheres of activity.
   People who have not updated their skills in the latest technology become technologically unemployed.

9. **Causes of Unemployment in India**
   (i) Slow economic growth
   (ii) Rapid growth of population
   (iii) Faulty employment planning
   (iv) Excessive use of foreign technology
   (v) Lack of financial resources
   (vi) Increase in labour force

10. **Efforts of Government in Generating Employment** Since independence, the Union and State Government have played an important role in generating employment or creating opportunities for employment generation.
   Their efforts can be broadly categorised into two groups
   (i) **Direct Employment** In this, government employs people in various departments for administrative purposes. It also runs industries, hotels and transport companies and hence provides employment directly to workers.
   (ii) **Indirect Employment** It can be understood as when output of goods and services from government enterprises increases, then private enterprises also receive more materials from government.
   Because of this, private enterprises will also raise their output and hence increase the number of employment opportunities in the economy.
   This is the indirect generation of employment opportunities by the government initiatives in the economy.

Infrastructure

1. **Meaning of Infrastructure** It is basic physical and organisational structure needed for the operation of a society or enterprise.

   It provides supporting services in the main areas of industrial and agricultural production, domestic and foreign trade and commerce.

2. **Types of Infrastructure** Infrastructure is broadly categorised as social and economic infrastructure.

   They are discussed below

   (i) **Social Infrastructure** It refers to the core elements of social change which serve as a foundation for the process of social development of a country.

   It contributes to economic processes indirectly and from outside the system of production and distribution.

   e.g. educational institutions, hospitals, sanitary conditions and housing facilities, etc.

   (ii) **Economic Infrastructure**

   It refers to all such elements of economic change which serve as a foundation for the process of economic growth.

   These help in the process of production directly. e.g. transportation, communication, energy/ power, etc.

3. **Importance of Infrastructure in Development**

   (i) Impact on productivity (ii) Induces investment
   (iii) Generates linkages in production
   (iv) Enhances size of the market
   (v) Enhances ability to work

4. **Energy Sector: Component of Economic Infrastructure** It is a critical aspect of development process of a nation. It is essential for industries, agriculture and related areas like production and transportation of fertilisers, pesticides and farm equipments.

   It is also required in house for cooking, household lighting and heating, etc.

5. **Sources of Energy**

   (i) **Conventional Sources of Energy** There are two types of conventional sources of energy

   (a) **Commercial Sources** Coal, petroleum and electricity are commercial sources of energy as they are bought and sold in the market.

   They account for over 74% of total energy consumed in India. Commercial sources of energy are generally exhaustible in nature.

   (b) **Non-commercial Sources** Firewood, agricultural waste and dried dung are non-commercial sources of energy. They are found in nature free of cost.

   Non-commercial sources are generally renewable in nature. More than 60% of Indian households depend on the traditional sources of energy, in meeting their regular cooking and heating needs.

   (ii) **Non-Conventional Sources of Energy** Solar energy, wind energy and tidal power are non-conventional sources.

   India has almost unlimited potential for producing these three types of energy if some appropriate cost effective technologies (that are already available) are used.

6. **Some Challenges in the Power Sector**

   (i) India's installed capacity to generate electricity is not sufficient to feed an annual economic growth of 7-8%.

   At present, India is able to add only 20,000 MW a year. Even the installed capacity is under utilised.

   (ii) State Electricity Boards (SEBs) which distribute electricity, incur losses which exceed ₹ 500 billion due to transmission and loss in distribution, wrong pricing of electricity and other inefficiencies.

   (iii) Private sector power generators are yet to play their role in a major way, same is the case with foreign investors.

   (iv) There is general public unrest due to high power tariffs and prolonged power cuts in different parts of the country.

   (v) Thermal power plants which are the main stay of India's power sector, are facing shortage of raw material and coal supplies.

7. **Health Sector: Component of Social Infrastructure** A person's ability to work depends largely on his health. Good health enhances the quality of life.

   Health is not only absence of disease but also the ability to realise one's potential. It is a yardstick of one's well being.

8. **Health System in India** India's health infrastructure and healthcare is made up of a three-tier system

   (i) **Primary Healthcare** Primary healthcare system in India includes

   (a) Education concerning prevailing health problems and methods of identifying, preventing and controlling them.
   (b) Promotion of food supply and proper nutrition and adequate supply of water and basic sanitation.
   (c) Maternal and child healthcare.
   (d) Immunisation against major infectious diseases and injuries.
   (e) Promotion of health and provision of essential drugs.

   (ii) **Secondary Healthcare** When condition of a patient is not managed by PHCs, they are referred to secondary or tertiary hospitals. Healthcare institutes having better facilities for surgery, X-ray, ECG (Electro Cardio Graph) are called secondary healthcare institutes.

   (iii) **Tertiary Healthcare** In tertiary sector, there are the hospitals which have advanced level equipments and medicines and undertake all the complicated health problems, which could not be managed by primary and secondary hospitals.

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e.g. All India Institute of Medical Sciences (AIIMSs), Post Graduate Institute (PGI), Chandigarh, Jawaharlal Institute of Postgraduate Medical Education and Research (JIPMER), Pondicherry, National Institute of Mental Health and Neuro Sciences (NIMHNSs), Bangalore and All India Institute of Hygiene and Public Health, Kolkata.

9. **Some Challenges in Health Sector**
   (i) The Infant Mortality Rate is quite high in India.
   (ii) The Under-5 mortality rate is also high.
   (iii) Only 72% of the population is fully immunised.
   (iv) India bears 20% of the global burden of diseases.
   (v) Every year around five lakh children die of water borne diseases.

10. **Indian Systems of Medicine (ISM)** It includes six systems, Ayurveda, Yoga, Unani, Siddha, Naturopathy and Homeopathy (AYUSNH). At present, there are 3167 ISM hospitals, 26,000 dispensaries and 7 lakhs registered practitioners in India.

Environment and Sustainable Development

1. **Environment** It is defined as the total planetary inheritance and the totality of all natural resources. It includes all the biotic (e.g. Birds, animals, plants, forests, etc) and abiotic (e.g. Water, sun, land, mountains, etc) factors that influence each other.

2. **Functions of Environment**
   (i) Supply resources for production
   (ii) Assimilates waste
   (iii) Sustains life
   (iv) Enhances quality of life

3. **Environmental Crisis** The environment is performing its functions without any interruption as long as the demand of these functions is within its carrying capacity.

   This means that if the rate of extraction of resources will be above the rate of their regeneration, the environment will not be able to sustain life and this results an environmental crisis.

   Resources are becoming extinct and wastes are generated beyond the absorptive capacity of the environment. All this has lead to the environmental crisis.

   It refers to ecological crisis that occurs when the environment of a species or a population changes and destablises its survival.

4. **Consequences of Environmental Crisis**
   (i) Development has polluted and dried up rivers and other aquifiers making water an economic good.
   (ii) Intensive and extensive excavation of both renewable and non-renewable resources has exhausted some of the vital resources, compelling to spend a huge amount of money on technology and research to explore new resources.
   (iii) Decline in air and water quality have resulted in increased number of respiratory and water borne diseases, with the consequence that expenditure of healthcare is also rising.

5. **Global Environmental Issues** The environmental issues which affect the whole world are called global environmental issues such as global warming and ozone depletion.

   These issues are discussed below

   (i) **Global Warming** The gradual increase in the average temperature of Earth's lower atmosphere is called global warming.

   It occurs due to greenhouse gases, (carbon dioxide, methane and other gases which have the capacity to absorb heat) through burning of fossil fuels (coal and petroleum) and deforestation (increases the carbon dioxide level in atmosphere).

   Much of the recent observed and projected global warming is human induced.

   (ii) **Ozone Depletion** It refers to the phenomenon of reductions in the amount of ozone layer in the stratosphere. It is caused by high levels of chlorine and bromine compounds in the stratosphere.

   Origin of these compounds are Chloroflurocarbons (CFCs), used as cooling substances in air conditioners and refrigerators or as aerosol propellants and bromofluro-carbons (halons) used in fire extinguishers.

6. **State of India's Environment** India is rich in natural resources. It is clear from the following points

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(i) India has rich quality of soil, hundreds of rivers and tributaries, lush green forests, plenty of mineral deposits beneath the land surface, vast stretch of the Indian ocean, ranges of mountains, etc.

(ii) The black soil of the Deccan Plateau is particularly suitable for cultivation of cotton. It has lead to concentration of textile industries in this region.

(iii) The Indo Gangetic plains spread from Arabian Sea to the Bay of Bengal are one of the most fertile, intensively cultivated and densely populated regions in the world.

(iv) India's forests though unevenly distributed, provide green cover for majority of its population and natural cover for its wildlife.

(v) Large deposits of iron-ore, coal and natural gas are found in the country. India alone accounts for nearly 20% of the world' total iron-ore reserves.

(vi) Bauxite, copper, chromate, diamonds, gold, lead, lignite, manganese, zinc, uranium etc are also available in different parts of the country.

7. **Threat to India's Environment** Threat to India's environment is poverty, pollution, and rapidly growing industrial sector.

Air pollution, water contamination, soil erosion, deforestation and wildlife extinction are some of the most pressing environmental concerns of India.

The developmental activities in India have resulted in pressure on its finite natural resources, besides creating impacts on human health and well-being.

Out of them, the priority issues are

(i) Land degradation and solid waste management

(ii) Biodiversity loss

(iii) Air pollution with special reference to vehic[illegible] pollution in urban cities

(iv) Management of fresh water

8. **Measures to Save Environment**

(i) Social awareness (ii) Population cor[illegible]

(iii) Enforcement of Environment Conservation [illegible]

(iv) Afforestation campaign

(v) Water management

(vi) Management of solid waste

9. **Sustainable Development** According to the United Nations Conference on Environment a[illegible] Development (UNCED), sustainable develop[illegible] can be defined as "development strategy tha[illegible] meets the need of present generation withou[illegible] compromising the ability of future generation [illegible] meet their own needs."

10. **Features of Sustainable Development**

(i) Sustained rise in real per capita income an[illegible] economic welfare.

(ii) Rational use of natural resources.

(iii) No reduction in the ability of future generati[illegible] to meet their own needs.

(iv) Check on pollution.

11. **Strategies for Sustainable Development**

(i) Use of non-conventional sources of energy

(ii) LPG, gobar gas in rural areas

(iii) CNG in urban areas

(iv) Wind power

(v) Solar power through photovoltaic cells

(vi) Bio composting

(vii) Mini-hydel plants

(viii) Traditional knowledge and practices

(ix) Biopest control

Comparative Development Experience of India and its Neighbours

1. **India and its Neighbours** The process of globalisation has made the whole world a global village. Because of this, there is an increasing eagerness in various nations to try and understand the developmental strategies pursued by their neighbouring nations as it helps them to comprehend their own strengths and weaknesses. Therefore, it is necessary for India to understand the developmental strategies pursued by two of its most important neighbours *viz.* Pakistan and China.
2. **Development Strategies of China** People's Republic of China was established in 1949. The following development strategies were pursued by China
   (i) Great Leap Forward Compaign
   (ii) Great Proletarian Cultural Revolution
   (iii) 1978 Reforms
3. **Development Strategies of Pakistan** Pakistan had gained independence in 1947. The following development strategies were pursued by Pakistan
   (i) Adoption of Mixed Economy
   (ii) Import Substitution
   (iii) Green Revolution
   (iv) Nationalisation of Capital Goods Industries
4. **Selected Demographic Indicators, 2013** The following table gives the selected demographic indicators of India, China and Pakistan

Country	Estimated Population (in million)	Annual Growth of Population (2001–2013)	Density (per sq km)	Sex Ratio (out of 1000 persons)	Fertility Rate	Urbanisation
India	1252	1.24	421	934	2.6	32
China	1357	0.49	145	929	1.6	53
Pakistan	182	1.65	236	947	3.3	38

5. **Sectoral Share of Employment and GDP (%) 2013** The sectoral share of employment and GDP of India, China and Pakistan is given below

	Contribution to GDP			Distribution of Workforce		
Sector	India	China	Pakistan	India	China	Pakistan
Agriculture	18	10	25	47	31	44
Industry	25	44	21	25	30	14
Service	57	46	54	28	39	42
Total	100	100	100	100	100	100

6. **Some Selected Indicators of Human Development, 2012–13** Some indicators of human development of India, China and Pakistan are as follows

Items	India	China	Pakistan
Human Development Index (Value)	0.586	0.719	0.537
Rank (Based on HDI)	135	91	146
Life expectancy at birth (Years)	66.2	75.2	66.4
Adult literacy rate (%) (aged 15 and above)	62.8	95.1	54.7
GDP per capita (PPP US $)	5238	11524	4549
People below poverty line (%) (at $ 2 a day PPP)	61	19	51
Infant mortality rate (Per 1000 live births)	41	11	69
Maternal mortality rate (Per 1 lakh births)	190	32	170
Population with sustainable access to improved sanitation (%)	36	65	48
Population with sustainable access to improved water source (%)	93	92	91
Percentage of children malnourished (<5)	43.5	3.4	31

Source Human Development Report 2014 and World Development Indicators (www.worldbank.org)