

# 1. INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

## CONDITION OF INDIAN ECONOMY DURING THE PRE - BRITISH PERIOD

- India had an independent economy before the British rule.
- Agriculture was the main source of livelihood.
- Economy had various kinds of manufacturing activities.
- India was particularly well known for its handicraft industries (cotton and silk textiles, metal and precious stone works etc.)
- These products enjoyed a worldwide market

## INDIAN ECONOMY DURING THE COLONIAL RULE:

- The economic policies followed by the British were concerned more with the protection and promotion of the economic interests of Britain than with the development of the Indian Economy.
- It made our Economy into supplier of raw materials and consumer of finished industrial products from Britain.
- Colonial government never made any sincere attempt to estimate India's national and per capita income.
- Dadabhai Naoroji, William Digby, Findlay Shirras, V.K.R.V. Rao and R.C. Desai were made to measure India's national and per capita income during colonial period.
- The most significant estimate of national income during the British rule was made by V.K.R.V. Rao claim that Indian Economy grew @ 2% per annum. The Per capita income grew @ less than 0.5% per annum. Both these showed Indian Economy was developing at an extremely low rate

## CONDITION OF AGRICULTURE SECTOR

- Indian economy under the British colonial rule was fundamentally agrarian.
- Agriculture during this period was under stagnation.
- Agricultural productivity became low
- Stagnation in the agricultural sector was caused mainly because of the various systems of land and revenue settlement introduced by the colonial government. (e.g.: zamindari system)
- Inadequate technology, lack of irrigation facilities and fertilisers, contributed to the low level of agricultural productivity.
- Commercialisation of agriculture: instead of producing food crops, farmers were producing cash crops which were ultimately used by British for their development.
- Indian agriculture faces low investment, flood-control, drainage etc.

## ZAMINDARI SYSTEM

- Zamindars are middle men appointed by the British to collect taxes from cultivators. Interest of the zamindars was only to collect rent without considering economic condition of the cultivators. The profit accruing out of the agriculture sector went to the zamindars instead of the cultivators.

## CONDITION OF INDUSTRIAL SECTOR

- India failed to develop a strong industrial base under the colonial rule. India's handicraft industries declined.
- The British government systematically de-industrialised India made India a mere exporter of raw materials and turned India into a wide market for their finished products.

- The decline of the indigenous handicraft industries created massive unemployment in India.
- The TATA Iron and Steel Company (TISCO) was the only large scale industry established in 1907.
- There was no capital goods industry to help promote further industrialization in India.
- The growth rate of the new industrial sector and its contribution to the Gross Domestic Product (GDP) remained very small.
- Area of operation of the public sector limited in railways, power generation, communications, ports and some other departmental undertakings.

**CONDITION OF FOREIGN TRADE**

- India is an important trading nation since ancient times. The policies of commodity production, trade and tariff followed by the colonial government adversely affected the structure, composition and volume of India’s foreign trade.
- India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute etc. and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods.
- The opening of the Suez Canal further made more British control over India’s foreign trade.( The Suez Canal is an artificial sea-level waterway in Egypt, connecting the Mediterranean Sea to the Red Sea through the Isthmus of Suez. The Suez Canal greatly reduces the time and cost of transporting goods through water ways.)
- The most important characteristic of India’s foreign trade during the colonial period was the generation of a large export surplus. But this surplus came at the cost of Indian economy. This export surplus did not result in any flow of gold or silver into India.

**CONDITION OF DEMOGRAPHIC CONDITION**

Population of British India was first collected through the census in 1881. Before 1921, India was in the first stage of demographic transition. The second stage of transition began after 1921. The Year 1921 was considered as the year of "Great Divide" in Indian demographic history. Mortality rate was very high and infant mortality rate was quite alarming. Life expectancy was also very low.

<b>Total literacy</b>	<b>16%</b>
<b>Female Literacy</b>	<b>7%</b>
<b>Infant Mortality</b>	<b>238/thousand</b>
<b>Life Expectancy</b>	<b>32 years</b>

**CONDITION OF OCCUPATIONAL STRUCTURE**

The occupational structure means distribution of working persons across different industries and sectors. The Agricultural sector accounted for the largest share of workforce (70-75%). The Manufacturing and the Services Sectors accounted for only 10 and 15-20 per cent respectively.

<b>Agriculture</b>	<b>72.56%</b>
<b>Industry</b>	<b>17.29%</b>
<b>Service</b>	<b>10.15%</b>

**CONDITION OF INFRASTRUCTURE**

- British developed basic infrastructure such as railways, ports, water transport, posts and telegraphs. The real motive behind this development was to meet their colonial interests.
- The roads that they built were for easy transportation of the army within India and raw materials to the nearest railway station or the port.
- The British introduced the railways in India in 1850 and it is considered as one of their most important contributions

- The railways affected the Indian economy in two ways.
  1. It enabled people to undertake long distance travel
  2. It speeds up commercialisation of Indian agriculture.
- Railways increased the volume of India's exports
- Along with the development of railways, British also developed roads, inland and Sea waterways

## NEGATIVE IMPACT OF BRITISH RULE

### Colonial Economy:

- British political dominance led Indian economy a mere British colony.

### Semi Feudal Economy:

- Both capitalism and feudalism were present and made Indian Economy a semi feudal economy

### Backward Economy:

- Over exploitation by the British made Indian Economy backward. Extreme poverty, inadequate and unbalanced diet, low level of income caste and class oppression, unemployment and under employment etc..... were the common features

### Stagnant Economy:

- The colonial and feudal exploitation, oppressive political regime, irrelevant policy of British did not allow the economy to grow and virtually remained stagnant.

### Depleted Economy:

- Indian Industries worked over time to meet the increasing demand. Machines, plants and equipment were subjected to heavy wear and tear and depletion.

### Amputated Economy:

- British followed the policy of divide and rule which divided India on the basis of Caste, Class, religion etc.

## POSITIVE IMPACT OF BRITISH RULE

1. Introduction of railway
2. Commercialisation of agriculture
3. Development of infrastructure
4. Promoted education
5. Brought certain social changes
6. Unification of India
7. Strong and efficient administration

## 2. INDIAN ECONOMY-1950-1990

### Economic System:

- The basic economic systems are Capitalism, Socialism and mixed economy. Every economy has to answer three questions: What goods and services should be produced in the country? How should the goods and services be produced? How the goods and services should be distributed among people.

### Economic System:

- In capitalism (market economy) market forces of supply and demand answer this question.
- In a socialist society the government decides what goods are to be produced in accordance with the needs of society.
- In mixed economies, both the government and the market together answer the three questions of what to produce, how to produce and how to distribute it.

### Economic Planning

- A plan should have some general goals as well as specific objectives which are to be achieved within a specified period of time. In 1950, the Planning Commission was set up with the Prime Minister as its Chairperson. Now it is renamed as NITI Aayog (It was established in 1st January 2015).
- Planning, in the real sense of the term, began with the Second Five Year Plan. This plan was based on the ideas of P.C. Mahalanobis. (Prasanta Chandra Mahalanobis, He established the Indian Statistical Institute (ISI)

### THE GOALS OF FIVE YEAR PLANS

#### GROWTH:

- It refers to increase in the country's capacity to produce the output of goods and services within the country. It implies either a larger stock of productive capital, or a larger size of supporting services like transport and banking. A good indicator of economic growth is steady increase in the Gross Domestic Product (GDP).
- The GDP is the market value of all the goods and services produced in the country during a year. The GDP of a country is derived from the different sectors of the economy, namely the agricultural sector, the industrial sector and the service sector.

#### MODERNISATION:

- To increase the production of goods and services the producers have to adopt new technology.
- Modernisation does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men.
- A modern society makes use of the talents of women in the work place – in banks, factories, schools etc.

#### SELF-RELIANCE:

- A nation can promote economic growth and modernisation by using its own resources or by using resources imported from other nations.
- The first seven five year plans gave importance to self-reliance which means avoiding imports of goods which could be produced in India itself.

#### Equity:

- Every Indian should be able to meet his or her basic needs such as food, a decent house, education and health care.
- Inequality in the distribution of wealth should be reduced.
- It is important to ensure that the benefits of economic prosperity reach to the poor sections of the society

## STATE OF AGRICULTURE, INDUSTRY AND TRADE IN INDEPENDENT INDIA

### AGRICULTURE

- Land ceiling was another policy to promote equity in the agricultural sector. This means fixing the maximum size of land which could be owned by an individual.
- The big landlords challenged the legislation in the courts, delaying its implementation. In some areas the former Zamindars continued to own large areas of land by making use of some loopholes in the legislation.
- Land reforms in Kerala and West Bengal were successful in implementing the policy of land to the tiller.

### THE GREEN REVOLUTION:

- At independence, about 75 per cent of the country's population was dependent on agriculture. Productivity in the agricultural sector was very low because of the use of old technology and the absence of required infrastructure. During this time India's agriculture vitally depends on the monsoon. The stagnation in agriculture during the colonial rule was permanently broken by the green revolution.
- Green revolution refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds, irrigation, fertilizers etc. especially for wheat and rice.
- The spread of green revolution enabled India to achieve self-sufficiency in food grains.
- Due to the effect of green revolution a large portion of agricultural produce is sold in the market by the farmers. It is called marketed surplus.
- The green revolution enabled the government to procure sufficient amount of food grains to build buffer stock which could be used in times of food shortage.

### SHORTCOMINGS OF GREEN REVOLUTION

- The shortcomings of Green revolution were that it would increase the disparities between small and big farmers.
- The HYV crops were more prone to attack by pests and the small farmers who adopted this technology could lose everything in a pest attack.
- The government provided loans at a low interest rate to small farmers. As a result, the green revolution benefited the small as well as rich farmers.

### THE DEBATE OVER SUBSIDIES

- The economic justification of subsidies in agriculture is always debated.
- It is generally agreed that it was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers in general and small farmers in particular.
- Subsidies were, needed to encourage farmers to test the new technology.
- Economists believe that once the technology is found profitable and is widely adopted, subsidies should be avoided.

- Some economists believe that the government should continue agricultural subsidies because farming in India is a risky business. Most farmers are very poor and they will not be able to afford the required inputs without subsidies.
- Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.

#### 👉 **INDUSTRY AND TRADE**

- Industry provides employment which is more stable than the employment in agriculture; it promotes modernisation and overall prosperity.
- It is for this reason that the five year plans place a lot of emphasis on industrial development.

#### 👉 **INDUSTRIAL POLICY RESOLUTION 1956 (IPR 1956):**

- IPR 1956 formed the basis of the Second Five Year Plan. This resolution classified industries into three categories
- The first category comprised industries which would be exclusively owned by the state. (Strategic industries)
- Second category consisted of industries in which the private sector could supplement the efforts of the state sector. (State taking the sole responsibility for starting new units)
- Third category consisted of the remaining industries which were to be in the private sector. (Although there was a category of industries left to the private sector, the sector was kept under state control through a system of licenses. eg: industries producing food, clothes etc.)

#### 👉 **SMALL-SCALE INDUSTRY:**

- In 1955, the Village and Small-Scale Industries Committee, also called the **KARVE COMMITTEE**, noted the possibility of using small-scale industries for promoting rural development.
- A 'small -scale industry' is defined with reference to the maximum investment allowed on the assets of a unit. At present the maximum investment allowed is rupees one crore.
- Small-scale industries are more 'labour intensive as compared to large scale industries. It therefore, generates more employment.
- Small scale industries normally, cannot compete with the big industrial firms therefore production of a number of products was reserved for the small-scale industry.

#### 👉 **TRADE POLICY: IMPORT SUBSTITUTION**

- The industrial policy that we adopted was closely related to the trade policy. In the first seven plans, trade was characterized by inward looking trade strategy.
- This strategy is called import substitution. It means replacing or substituting imports with domestic production.
- In this policy the government protected the domestic industries from foreign competition. Protection from imports took two forms: tariffs and quotas.
- Tariffs are a tax on imported goods. Quotas specify the quantity of goods which can be imported.
- The effect of tariffs and quotas is that they restrict imports and, therefore, protect the domestic firms from foreign competition

### **EFFECT OF POLICIES ON INDUSTRIAL DEVELOPMENT**

- The achievements of India's industrial sector during the first seven plans are impressive. The proportion of GDP contributed by the industrial sector increased. The industrial sector became well diversified by 1990, largely due to the public sector.
- Protection from foreign competition enabled the development of indigenous industries
- In spite of the contribution made by the public sector to the growth of the Indian economy, some economists are critical of the performance of many public sector enterprises.
- Many public sector firms incurred huge losses but continued to function because it is difficult to close a government undertaking.

### **IMPORT SUBSTITUTION**

- Major thrust was given to Import Substitution.
- Domestic industries were given protection from foreign competition and it was done through imposing heavy duty in imports
- Large – scale industry was to be developed with a view to build an infrastructural base in country.

### **INWARD LOOKING TRADE STRATEGY**

- INWARD LOOKING TRADE STRATEGY was adopted as foreign trade policy. This strategy is also called Import Substitution.
- Domestic industry is offered protection from foreign competition through import duties.
- Its main objective was to save foreign exchange by encouraging domestic production of such goods which could be imported from rest of the world.

### **TARIFFS**

- Tariffs are taxes imposed on imported goods
- They will increase the price of the good in the domestic market.
- Domestic producers benefit because they receive higher prices.
- The government benefits by collecting tax revenues.

### **MERITS OF INWARD LOOKING TRADE STRATEGY**

- Rise in Industry's share of GDP
- Diversification of Industrial Sector
- Investment Opportunities
- Increase in Employment Opportunities

### **DEMERITS OF INWARD LOOKING TRADE STRATEGY**

- Inefficient Public Monopolies
- Lack of Modernisation
- Concentration of Power in Public Sectors Hand
- Non-viable Government Enterprises

 **ROLE OF PUBLIC SECTOR IN INDIA**

- Maximizing the Rate of Economic Growth
- Development of Infrastructure Sector
- Development of Agriculture & Industry
- Development of Ancillary Industries
- Increasing Employment Opportunities
- Preventing Concentration of Economic Power
- Export Promotion & Import Substitution
- Establishment of a Socialist Pattern

 **FEATURES OF ECONOMIC PLANNING TILL 1991**

- Dependence on Public sector
- Controlled development of Private Sector
- Inward looking trade strategy
- Protection of small scale industries
- Diversification of industries
- Self-sufficiency in food grains

 **ACHIEVEMENTS OF PLANNING TILL 1991**

- Increase in National Product or National Income
- Increase in Per Capita Income
- Generation of Employment
- Diversification of Industrial sectors
- Development of Economic and Social Infrastructure
- Rise in Capital Formation

 **FAILURE OF PLANNING TILL 1991**

- Increase in Poverty
- Consistent Rise in Prices
- Problem of Unemployment
- Inefficient Public Sector Monopolies
- Concentration of Economic Power
- Increased Corruption



### 3. ECONOMIC REFORMS SINCE 1991

#### LIBERALISATION, PRIVATISATION AND GLOBALISATION:

- The origin of the financial crisis can be traced from the inefficient management of the Indian economy in the 1980s.
- Expenditure is more than income; the government borrows to finance the deficit from banks and also from people within the country and from international financial institutions.
- The government was spending a large share of its income on areas such as the social sector and defence which do not provide immediate returns.
- The income from public sector undertakings was also not very high to meet the growing expenditure.
- Foreign exchange, borrowed from other countries and international financial institutions, was spent on meeting consumption needs.
- In the late 1980s, government expenditure began to exceed its revenue by large margins.
- No country or international funder was willing to lend to India.
- India approached the International Bank for Reconstruction and Development (IBRD), popularly known as World Bank and the International Monetary Fund (IMF), and received \$7 billion as loan to manage the crisis. (The International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) were established by delegates at the Bretton Woods Conference in 1944 and became operational in 1946.)
- New Economic Policy (NEP) consisted of two groups: the stabilisation measures and the structural reform measures.
- Stabilisation measures are short-term measures, intended to correct some of the weaknesses in the balance of payments and to bring inflation under control.
- Structural reform policies are long-term measures, aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the rigidities in various segments of the Indian economy.

#### LIBERALISATION

- Liberalisation was introduced to put an end to the restrictions and open various sectors of the economy. Sectors which received greater attention in and after 1991 are in industrial sector, financial sector, tax reforms, foreign exchange markets and trade and investment.

#### ☞ DEREGULATION OF INDUSTRIAL SECTOR

- In India, regulatory mechanisms were enforced in various ways: Industrial licensing (I) Private sector was not allowed in many industries (II) some goods could be produced only in small-scale industries, and (IV) controls on price fixation and distribution of selected industrial products.
- The reform policies introduced in and after 1991 removed so many restrictions. Industrial licensing was abolished for almost all products. (Except alcohol, cigarettes, hazardous chemicals etc.), the only industries which are now reserved for the public sector are a part of defence equipment, atomic energy generation and railway transport. Many goods produced by small-scale industries have now been de reserved. In many industries, the market has been allowed to determine the prices.

### FINANCIAL SECTOR REFORMS

- Financial sector includes financial institutions, such as commercial banks, investment banks, stock exchange operations and foreign exchange market.
- The financial sector in India is regulated by the Reserve Bank of India (RBI).
- One of the major aims of financial sector reforms is to reduce the role of RBI from regulator to facilitator of financial sector.
- The reform policies led to the establishment of private sector banks, Indian as well as foreign.
- Foreign Institutional Investors (FII), such as merchant bankers, mutual funds and pension funds, are now allowed to invest in Indian financial markets.
- Foreign investment limit in banks was raised to around 50 per cent. Those banks which fulfil certain conditions have been given freedom to set up new branches without the approval of the RBI.

### TAX REFORMS

- Tax reforms are concerned with the reforms in the government's taxation and public expenditure policies, which are collectively known as fiscal policy.
- There are two types of taxes: direct and indirect. Direct taxes consist of taxes on incomes of individuals, as well as, profits of business enterprises. Indirect taxes are taxes levied on commodities.
- The rate of corporation tax, which was very high earlier, has been gradually reduced.
- Recently, the Parliament passed a law, Goods and Services Tax Act 2016, to simplify and introduce a unified indirect tax system in India. This law came into effect from July 2017.
- GST expected to generate additional revenue for the government, reduce tax evasion and create 'one nation, one tax and one market'.

### FOREIGN EXCHANGE REFORMS

- The first important reform in the external sector was made in the foreign exchange market. In 1991, as an immediate measure to resolve the balance of payments crisis, the rupee was devalued (decrease in the value of home currency in the international market due to the deliberate action taken by the government) against foreign currencies.
- It also set the tone to free the determination of rupee value in the foreign exchange market from government control.
- It led to an increase in the inflow of foreign exchange.
- Now, more often markets determine exchange rates based on the demand and supply of foreign exchange.

### Trade and Investment Policy Reforms:

- Liberalisation of trade and investment policy was initiated to increase international competitiveness of industrial production and also foreign investments and technology into the economy.
- The aim was also to promote the efficiency of local industries and adoption of modern technologies.
- In order to protect domestic industries, India was following a regime of quantitative restrictions on import.
- The trade policy reforms aimed at (i) dismantling of quantitative restrictions on imports and exports (ii) reduction of tariff rates and (iii) removal of licensing procedures for imports.
- Import licensing was abolished except in case of hazardous and environmentally sensitive industries.

- Quantitative restrictions on imports of manufactured consumer goods and agricultural products were also fully removed from April 2001.
- Export duties have been removed to increase the competitive position of Indian goods in the international markets.

### **PRIVATISATION**

- It implies shedding of the ownership or management of a government owned enterprise.
- Government companies are converted into private companies in two ways (i) by withdrawal of the government from ownership and management of public sector companies and or (ii) by outright sale of public sector companies.
- Privatisation of the public sector enterprises by selling off part of the equity of PSEs to the public is known as disinvestment.
- Some examples of public enterprises with Maharatnas, Navratnas and Miniratnas status are:
  1. Maharatnas – (a) Indian Oil Corporation Limited, and (b) Steel Authority of India Limited,
  2. Navratnas – (a) Hindustan Aeronautics Limited, (b) Mahanagar Telephone Nigam Limited
  3. Miniratnas – (a) Bharat Sanchar Nigam Limited; (b) Airport Authority of India and (c) Indian Railway Catering and Tourism Corporation Limited.

### **GLOBALISATION**

Globalization is generally refers to the integration of the economy of the country with the world economy. It involves creation of networks and activities which eliminates economic, social and geographical boundaries.

#### **☞ OUTSOURCING**

**Outsourcing** is one of the important outcomes of the globalisation process. In outsourcing, a company hires regular service from external sources. As a form of economic activity, outsourcing has widely enlarged. Many of the services such as voice-based business processes (popularly known as BPO or call centres), record keeping, accountancy, banking services, music recording, film editing, book transcription, clinical advice etc. outsourced by companies in developed countries to India. The low wage rates and availability of skilled manpower in India have made it a destination for global outsourcing in the post-reform period.

#### **☞ WORLD TRADE ORGANISATION (WTO):**

- The WTO was founded in 1995 as the successor organization to the General Agreement on Trade and Tariff (GATT).
- GATT was established in 1948.
- WTO is expected to establish a rule-based trading regime in which nations cannot place arbitrary restrictions on trade.
- The purpose of WTO is to enlarge production and trade of services, to ensure optimum utilization of world resources and to protect the environment.
- The WTO agreements cover trade in goods as well as services to facilitate international trade (bilateral and multilateral) through removal of tariff as well as non-tariff barriers between member countries.
- As an important member of WTO, India has been in the forefront of framing fair global rules, regulations and advocating the interests of the developing world.

### **INDIAN ECONOMY DURING REFORMS: AN ASSESSMENT**

- In economics, the growth of an economy is measured by the Gross Domestic Product (GDP)
- The post–1991 India witnessed a rapid growth in GDP on a continual basis for two decades.

- During the reform period, the growth of agriculture has declined. While the industrial sector was in fluctuation, the growth of the service sector has improved.
- The opening of the economy has led to a rapid increase in foreign direct investment and foreign exchange reserves.
- The foreign investment includes foreign direct investment (FDI) and foreign institutional investment (FII)
- India becomes successful in exporting of auto parts, engineering goods, IT software and textiles in the reform period. Rising prices have also been kept under control.
- Reform process has been widely criticized because it does not fully address the areas of employment, agriculture, industry, infrastructure development and fiscal management.

**Growth and Employment:**

- Though the GDP growth rate has increased in the reform period, scholars point out that the reform-led growth has not generated sufficient employment opportunities in the country.

**Reforms in Agriculture:**

- Reforms have not been able to benefit agriculture. Public investment in agriculture sector especially in infrastructure has fallen in the reform period. Removal of fertilizer subsidy has led to increase in the cost of production, which has severely affected the small and marginal farmers. Export oriented policy strategies in agriculture leads to focusing on cash crops. This leads to increasing in the prices of food grains.

**Reforms in Industry:**

- Industrial growth has also recorded a slowdown. This is because of decreasing demand of industrial products due to cheaper imports, inadequate investment in infrastructure etc. The infrastructure facilities, including power supply, have remained inadequate due to lack of investment. Developing country like India still does not have the access to developed countries' markets because of high non-tariff barriers.

**Disinvestment:**

- Every year, the government fixes a target for disinvestment of public sector enterprises. Critics point out that the assets of public sector enterprises have been undervalued and sold to the private sector. Disinvestment is used to offset the shortage of government revenues rather than development of social infrastructure.

**Reforms and Fiscal Policies:**

- The tax reductions in the reform period, aimed at yielding larger revenue and curb tax evasion, but it does not achieve the fruitful result. Reform policies, involving tariff reduction, have curtailed the scope for raising revenue through custom duties.

## 4. 4. POVERTY

### POVERTY

Poverty refers to a state in which an individual is unable to fulfil even the basic necessities of life. The minimum requirement includes food, clothing, shelter & health facilities.

### EXTENT OF POVERTY

#### ☞ RELATIVE POVERTY

Absolute poverty refers to a phenomenon in which a section of society is unable to fulfil even its basic necessities of life concerning food, clothing, housing education and health.

#### ☞ ABSOLUTE POVERTY

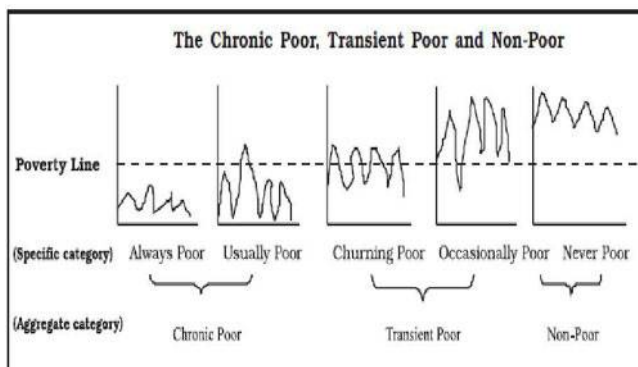
Relative Poverty refers to a phenomenon in which inequalities of income exist and hence one person is poor in relation to other person.

### CONCEPT OF POVERTY LINE

Poverty line is a cut-off point on the line of distribution, which usually divides the population of the country as poor & non poor. People having income below the poverty line are called poor (BPL) and people with income above poverty line are called non poor (APL)

- Y K Alagh Committee (in 1979) has defined poverty line on the basis of recommended nutritional requirement of 2400 calories per person in rural areas and 2100 for a person in urban areas.
- In rupee terms at (2000-2001 prices) the consumption worth of ₹328 per person a month in rural area and for urban area it was ₹454 also considered for poverty line.
- At (2005-2006 prices) the consumption worth of ₹368 per person a month in rural area and for urban area it was ₹558 also considered for poverty line.
- In 2011, Suresh Tendulkar committee adopted the cost of living as the basis for identifying poverty. The panel stipulated a benchmark daily per capita expenditure of ₹ 27 and ₹ 33 in rural and urban areas respectively.
- As per the report submitted by C. Rangarajan committee (2014) to Government of India, those spending over ₹ 32 a day in rural areas and ₹47 in towns and cities should not be considered poor. Rangarajan committee estimates that 3 out of 10 Indians are poor

### CATEGORIZING POVERTY



**Chronic poor:** - It includes people who are always poor and those who are usually poor

**Transient Poor:** - It includes those who are Churning Poor (who regularly move in and out of poverty, like small farmers) and Occasionally Poor (who are rich most of the time & poor Sometimes)

**Non-poor:-** They are never poor

## CHARACTERS OF THE POOR

- Hunger, Starvation and Malnutrition
- Poor Health
- Poor Educational Achievement
- Limited Economic Opportunities
- Debt Trap
- Lack of Facilities of Electricity and Water
- Bigger Family Size

## CRITICISM OF THE POVERTY LINE

- This method does not differentiate between the very poor and the other poor.
- This method ignores factors like accessibility to basic education, health care drinking water etc.
- This method ignores social factors that generate and are responsible for poverty, like illiteracy, ill health, lack of access to resources.
- This method ignores civil & political freedom

## TOOLS TO MEASURE POVERTY

- The simplest method to determine number of poor is the HEAD COUNT RATIO (HCR). Head Count Ratio is calculated by dividing the number of people below the poverty line by the total population.
- Amartya Sen a Noble Laureate developed “Sen Index to measure poverty”.
- Other tools to measure poverty are Gap Index and Squared Poverty Gap.
- Official Data of Poverty is collected by NSSO.

## CAUSES OF POVERTY

- Underdevelopment of the Indian Economy
- Population Explosion
- High Level of Unemployment
- Inequalities of Income
- Inflation
- High Illiteracy Rate
- Poor State of Agriculture
- Underutilization of Resource
- Social Factors
- Political Factors

## SOCIAL & POLITICAL FACTORS

### SOCIAL FACTORS

Joint family system, laws of inheritance, strong belief in destiny & fate are some social factors that have prevented individual from taking initiative & risk.

### POLITICAL FACTORS

If Economic policies are formulated to promote the interest of the richer section of the society & poor people are suffers in the process.

## HOW TO REMOVE POVERTY

- Acceleration of Economic Growth
- Reducing Inequalities of Income
- Population Control
- Agricultural Development
- More Employment Opportunities
- Land Reforms

## THREE DIMENSIONAL APPROACHES TO REMOVE POVERTY

### GROWTH ORIENTED APPROACH (Trickle down)

The First approach is based on assumption that rapid increase in GDP & per capital income would help in removal of poverty

### POVERTY ALLEVIATION PROGRAMME

The second approach is that government has introduce a variety of programme for eradication of poverty

### MINIMUM NEEDS PROGRAMMERS

The third approach is to provide minimum basic amenities to the people. For example Food grains at subsidized rates, education, health, water supply & sanitation will improve standard of living people

## POLICIES AND PROGRAMMES TOWARDS POVERTY ALLEVIATIONS

- Acceleration of Economic Growth
- Control over Population
- Create More Employment Opportunity
- Accelerate Land Reforms
- Maintain Need Programs for the Poor
- Reduction in Economic Inequalities
- Rapid Rural Industrialization
- Control over Inflation
- Accelerate Social Security

## POVERTY ALLEVIATION PROGRAMMES IN INDIA

- Annapurna
- Antyodaya
- Integrated Rural Development Program (IRDP)
- Jawahar Gram Samridhi Yojana (JGSY)
- National Family Benefit Scheme (NFBS)

- National Maternity Benefit Scheme
- National Old Age Pension Scheme (NOAPS)
- National Rural Employment Guarantee Act (NREGA)
- Pradhan Mantri Gramin Awaas Yojana.

### **MEASURES TO ACCELERATE RATE OF ECONOMIC GROWTH**

- Fuller and more productive employment for the poor
- Minimum and fair wages for poor
- Increase in self-employment opportunities
- Provision for education, training and health to improve labour productivity
- Establishment of cottage and small scale industries in backward rural regions of the country
- Efficient use of natural, human and capital resources of the country

### **POVERTY ALLEVIATION PROGRAMMES A CRITICAL ASSESSMENT**

- Poverty Alleviation Programme is successful to great extent since independence.
- The percentage of absolute poor in some states is now well below the national average.
- Despite various strategies to alleviate poverty, hunger, malnourishment, illiteracy and lack of basic amenities Unequal distribution of land is still exist
- Resources and fund allocation is still insufficient
- Lack of commitment and corruption prevailing in the bank and government officials
- Lack of information provided to the poor regarding various schemes

### **Self-employment and wage employment programmes**

#### **SELF-EMPLOYMENT PROGRAMMES**

Examples of self-employment programmes are Rural Employment Generation Programme (REGP), Prime Minister's Rozgar Yojana (PMRY) and Swarna Jayanti Shahari Rozgar Yojana (SJSRY) SJSRY mainly aims at creating employment opportunities both self-employment and wage employment in urban areas. Swarna Jayanti Gram Swarozgar Yojana (SGSY) has now been restructured as National Rural Livelihoods Mission (NRLM).

#### **FOOD FOR WORK PROGRAMME**

The government has a variety of programmes to generate wage employment for the poor unskilled people living in rural areas. In August 2005, the Parliament passed a new Act to provide guaranteed wage employment to every rural household. It is known as Mahatma Gandhi National Rural Employment Guarantee Act

#### **MINIMUM BASIC AMENITIES TO THE PEOPLE**

Programmes under this approach are expected to supplement the consumption of the poor, create employment opportunities and bring about improvements in health and education. Three major programmes aim at improving the food and nutritional status of the poor are Public Distribution System, Integrated Child Development Scheme and Midday Meal Scheme. Pradhan Mantri Gram Sadak Yojana, Pradhan Mantri Gramodaya Yojana, Valmiki Ambedkar Awas Yojana are started in developing infrastructure and housing conditions. The government also has a variety of other social security programmes to help a certain specific groups. eg: National Social Assistance Programme . The government has also introduced a few schemes to provide health insurance to poor people.eg: Pradhan Mantri Jan-Dhan Yojana (2014)



## 5. 5. HUMAN CAPITAL FORMATION IN INDIA

### CAPITAL

Capital resources are goods made and used to produce other goods and services. Examples include buildings, machinery, tools and equipment. Capital resources help improve productivity. Capital resources are also called capital goods or simply just capital or Physical capital

### PHYSICAL CAPITAL

Physical capital refers to all those inputs which are required for further production, like plant and machinery, factory, buildings, raw materials, etc.

### HUMAN CAPITAL FORMATION

Human capital formation means the development of abilities and skills among the population of the country.

PHYSICAL CAPITAL	HUMAN CAPITAL
Physical capital is tangible (touchable)	Human capital is intangible (untouchable)
It can be easily sold in the market	It cannot be sold in the market.
It depreciates with the passage of time	Depreciation in human capital can be reduced by making continuous investment in education & health
It is more mobile between countries Physical capital (like machinery) separated from its owners.	Human capital is less mobile between countries as compared to physical capital.
Physical capital is the outcome of the conscious decision of the owner and is mainly an economic and technical process.	Formation of human capital is partly a social process by partly a conscious decision of the possessor of the human capital.

### IMPORTANCE OF HUMAN CAPITAL FORMATION

- Effective Use of Physical Capital
- Effective Use of Human Capital
- Increases Life Expectancy
- Improves Quality of Life
- Control of Population Growth

### HUMAN CAPITAL AND ECONOMIC GROWTH:

- Economic growth means the increase in real national income of a country; naturally, the contribution of the educated person to economic growth is more than that of an illiterate person. A healthy person could provide labour supply for a longer period of time therefore health is also an important factor for economic growth. Education and health, job training, job market information and migration, increase in the income generating capacity of an individual.
- Education provides knowledge to understand changes in society and scientific advancements which helps invention and innovations. Thus economic growth in each sector has reinforced the growth of every other sector.
- Reports on the Indian economy, in recent times, have identified that India would grow faster due to its strength in human capital formation. Human capital treats human beings as a means to an end; the end being the increase in productivity. Human welfare should be increased through investments in education and health.

### Sources of Human Capital

1. Investment in Education
2. Investment in health

**SOURCES OF HUMAN CAPITAL FORMATION**

**EXPENDITURE ON EDUCATION:**

- It is one of the most important sources of human capital formation.
- Proper utility of man power depends on the system of education, training and industrial experience of the people.
- Investment in education is not only highly productive but also accelerates economic growth of all the resources.

**EXPENDITURE ON HEALTH:**

○ Health is an important input for a development of a nation. Health expenditure directly increases the physical capacity of human being and it raises the supply of healthy labour force. Expenditure on health is needed in the following areas.

1. Preventive medicine as curative medicines,
2. Medical intervention during the time of illness
3. Provision of clean drinking water and good sanitation is very important for improvement of health.

**ON THE JOB TRAINING:**

- Expenditure on the job training is the source of human capital formation because it increases labour productivity.
- On the job training involves a worker learning how to perform a task by actually doing it, while receiving guidance from an experienced co-worker, supervisor or manager. This method can be advantageous because it allows a worker to learn by performing the actual tasks that his job.

**EXPENDITURE ON MIGRATION:**

People migrate from one place to another which gives them higher salaries. Unemployed people from rural migrate to urban areas. Technically qualified people migrate from one country to other country for higher salaries. Though it results in increased cost of migration and higher cost of living, it enhances earning than their cost of migration. Hence it is a source of human capital formation.

**EXPENDITURE ON INFORMATION:**

Expenditure is incurred to acquire information relating to labour market and other market. It involves amount spent on seeking information about educational institutions. This information is necessary to make decisions regarding investment in human capital as well as for efficient utilization of the acquired human capital stock

**REASONS FOR POOR HUMAN CAPITAL FORMATIONS**

**INSUFFICIENT RESOURCES**

The resources allocated to the formation of human capital have been much less than the resources required for meeting the educational & health needs of the country.

**SERIOUS INEFFICIENCIES**

Massive literacy, non-education of many children, poor health facilities are other inefficiencies, which have not been attended to adequately & properly

HUMAN CAPITAL	HUMAN DEVELOPMENT
Human capital is a narrow concept	Human development is a broad concept
It states education and health as a means to increase labour productivity	It states that education and health are integral to human well-being because only when people have the ability to read and write, they have ability to make healthy life
It treats human beings as a means to increase in productivity.	It is an end in themselves

## GROWTH OF EDUCATION SECTOR IN INDIA

### Pre-School Education

Pre-school education requires crèches for children up to the age of 3 years and nurseries for children in the age group of 3-6. A very large number of pre-school centres have been working in Private sector. In order to meet the increasing demand the Government has also established Anganawadies and Balwadies. These institutions facilitated Pre-schooling for the middle as well as weaker section of society

### Elementary Education

It concerns the age group of 6 to 14 years and I to VIII Standard. Though our Constitution maintained that free and compulsory education will be provided to all children up to 14 years of age, but this decision has not been fulfilled yet.

### Formal Education

Formal education is classroom-based, provided by trained teachers.

### Operation Blackboard

Operation Blackboard is a centrally sponsored programme which was started in 1987 immediately after the Rajiv Gandhi NPE of 1986 was released to supply the bare minimum crucial facilities to all primary schools in the country.

- The purpose of Operation Blackboard is to ensure provision of minimum essential facilities in primary schools - material facilities as well as learning equipment.
- Operation Blackboard envisages (i) two reasonably large rooms that are usable in all weather; (ii) necessary toys and games material; (iii) blackboards; (iv) Maps; (v) charts; and (vi) other learning materials

### Non Formal Education (6-14)

- In order to achieve universal education, non-formal education was introduced for boys and girls who could not attend the full time school. Now non formal education was made available in all states, rural, tribal, desert, hilly, remote areas and urban slums.

### Adult Education

- The Adult Literacy rate (15+ Age Group) is the percentage of population 15-24 years old who can both read and write with understanding a short simple statement on everyday life. The adult literacy rate has shown an upward trend for females as well as males.

### Secondary Education

- Secondary Education, which starts with classes IX and X leads to senior secondary classes Senior Secondary Classes XI and XII aim to in developing basic skills & analytical abilities. It provides a stepping stone to higher professional and technical education.

### Higher Education

- The Higher Education System comprises both general and technical education. The higher education has undergone a manifold expansion since Independence. The number of universities in the country has increased from 27 in 1950-51 to 760 in 2014-15.

University Grants Commission (**UGC**) takes measures for promotion and coordination of university education and determination and maintenance of standards in teaching, examination and research in universities and allocation and disbursement of grants to them.

### **Technical Education**

- Technical Education plays a vital role in human resources development of the country by creating skilled manpower, enhancing Industrial productivity and improving the quality of life. Since independence, there has been a phenomenal expansion of Technical Education Sector in the country. All India Council for Technical Education (**AICTE**) is the apex body in the field of Technical Education.

### **INDIRA GANDHI NATIONAL OPEN UNIVERSITY (IGNOU)**

- The Indira Gandhi National Open University (IGNOU), established by an Act of Parliament in 1985, has continuously striven to build an inclusive knowledge society through inclusive education. It has tried to increase the Gross Enrolment Ratio (GER) by offering high-quality teaching through the Open and Distance Learning (ODL) mode.
- Today, it serves the educational aspirations of over 3 million students in India and other countries through 21 Schools of Studies and a network of 67 regional centres, around 2,667 learner support centres and 29 overseas partner institutions. The University offers about 228 certificate, diploma, degree and doctoral programmes.

### **VOCATIONAL EDUCATION**

The greatest challenge in Indian education system today is to provide skill based education to the youth to reduce the mismatch in demand and supply for the skilled workforce and provides an alternative for those pursuing higher education. The Centrally Sponsored Scheme of Vocationalisation of Secondary Education at + 2 level is being implemented since 1988. The Scheme provides for financial assistance to the States to set up administrative structure, area vocational surveys, preparation of curriculum, text book, work book curriculum guides, training manual, teacher training programme, strengthening technical support system for research and development, training and evaluation etc.

### **JAWAHAR NAVODAYA VIDYALAYAS**

As per the policy of the Government, one Jawahar Navodaya Vidyalaya is to be set up in each district. Accordingly, Navodaya Vidyalaya has been set up in 576 districts. Apart from that additional 22 Navodaya Vidyalaya were established in places where large number of SC Population is concentrated

1. To provide good quality modern education to the talented children from the rural areas, without considering their socio-economic condition
2. To ensure that all students attain a reasonable level of competence in three languages
3. To serve as focal points for improvements in quality of school education in general through sharing of experiences and facilities

### **KENDRIYA VIDYALAYA**

The Kendriya Vidyalaya has a four - fold mission, viz.

1. To pursue excellence and set the pace in the field of school education
2. To initiate and promote experimentation and innovations in education in collaboration with other bodies like Central Board of Secondary Education (CBSE) and National Council of Educational Research and Training (NCERT) etc.
3. To develop the spirit of national integration and create a sense of "Indian-ness" among children
4. To cater to the educational needs of children of transferable Central Government including Defence and Para-military personnel by providing a common programme of education

### **GENDER EQUITY**

- The differences in literacy rates between males and females are narrowing which is a positive development in gender equity.

- Still we need to promote education for women in India because for improving economic independence and social status of women.
- Women education makes a favourable impact on fertility rate and health care of women and children.

#### 👉 GROSS ENROLMENT RATIO (GER)

- Gross Enrolment Ratio (GER) or Gross Enrolment Index (GEI) is a statistical measure used in the education sector and by the UN in its Education Index to determine the number of students enrolled in school at several different grade levels (like elementary, middle school and high school)

$$GER = \frac{\text{number of actual students enrolled}}{\text{number of potential students enrolled}}$$

#### 👉 NEED TO PROMOTE WOMEN'S EDUCATION

1. Women education is essential for providing them economic independence and empowering them to save them from exploitation and domestic violence.
2. It is essential in order to raise the social status of women so that the quality of life of women can be improved.
3. Educating women help in promoting family welfare programmes and thus in population control.
4. Educated women are aware of the importance of health care and thus take proper care of their family members contributing in human capital formation
5. Educating a woman means educating a family. An educated woman can inculcate moral values in her children and can facilitate their education

#### 👉 WEAKNESS OF THE EDUCATION SECTOR

##### **Inadequate Facilities:**

Education still covers a limited population of the country. The country still has 46 per cent illiterate females and 24 per cent illiterate males.

##### **Unequal Accessibility:**

Opportunities and benefits of education are highly unequal. For example, education of females is far less than that of the males.

##### **Irrelevant and Poor in Quality:**

The quality of education in terms of its contents is low. There is too much emphasis on general education as compared to technical and vocational education

## 6. RURAL DEVELOPMENT

Rural development focuses on action for the development of areas that are lagging behind in overall development of the village economy. Rural development covers agricultural development

#### 👉 KEY ISSUES OF RURAL DEVELOPMENT

Rural Development attempts to improve all aspects of rural life. Some of the areas which are challenging and need attentions for development in rural India

1. Development of Human Resources
2. Land Reform
3. Development of Infrastructure

4. Alleviation of Poverty
5. Development of Productive Resources

 **DEVELOPMENT OF HUMANRESOURCES**

1. **Literacy:** especially female literacy, education and skill development
2. **Health:** addressing sanitation and public health

 **LAND REFORM**

1. Improvement of agricultural productivity
2. Abolition of intermediaries
3. Protect the rights of tiller of the soil
4. Elimination exploitation of cultivators

 **DEVELOPMENT OF INFRASTRUCTURE**

1. Development of Electricity, Irrigation ,Transport facilities
2. Agricultural Credit , Marketing Financial Assistance
3. Construction of village roads and feeder roads to nearby highways
4. Facilities for agricultural research and extension

 **ALLEVIATION OF POVERTY**

1. Special measures for poverty alleviation
2. Improvement in the living condition of weaker section of population
3. Develop productive employment opportunities.

 **DEVELOPMENT OF PRODUCTIVE RESOURCES**

1. Fuller Utilisation of resources
2. Enhanced Investment in farm areas and non-farm areas

**RURAL CREDIT**

Rural Credit means provision of loans especially in production for agriculture and non-agricultural sectors. Credit facilities in the rural areas have contributed a large increase in agricultural productivity and employment facilities in non-agricultural sectors.

 **SOURCES OF RURAL CREDIT**

Rural Credit availability can be broadly classified into 2 categories:

- **NON-INSTITUTION SOURCES:** - These are the traditional sources of agricultural credit in India. They include money lenders, relatives, traders, commission agents and land lords.
- **INSTITUTIONAL SOURCES:** - They are Cooperative Credit, Land Development Banks, Commercial Banks, Regional Rural Banks, Govt., and National Bank for Agricultural and Rural Development (NABARD) and also self-help groups.

- **COOPERATIVE CREDIT SOCIETIES**

These societies advance credit to the farmers at reasonable rates of interest. These contribute nearly 30 % of the rural credit.

1. To free the farmers from the clutches of money lenders
2. To advance credit facilities all over the country.
3. To spread credit facilities all over the country
4. To ensure timely and continuous flow of credit to the rural areas

- **LAND DEVELOPMENT BANKS**

Land development bank provides long term credit against mortgage of land. The main objectives are

1. To provide long term credit
2. To provide credit for purchasing agricultural inputs, constructing permanent structure of land etc.

- **COMMERCIAL BANKS**

After nationalisation in 1969 and 1980 commercial bank plays a major role in advancing credit. The objectives of commercial banks are

1. Directly help the farmers of rural area
2. To provide assistance to secure small, medium and long term loan
3. To help farmers for agricultural marketing

- **REGIONAL RURAL BANKS**

Regional Rural Banks have been set up to fill the gap in credit structure in rural areas

1. To open branches in those areas where there is no banking facilities available
2. To provide credit facilities to small and marginal framers

- **NATIONAL BANK FOR AGRICULTURAL AND RURAL DEVELOPMENT (NABARD)**

The Committee formed under the Chairmanship of Shri. B. Sivaraman, former member of Planning Commission, Government of India in 1979 recommended the need for a new organisational device for providing undivided attention, forceful direction and pointed focus to credit related issues linked with rural development. National Bank for Agriculture and Rural Development (NABARD) was approved by the Parliament through Act 61 of 1981 considering the recommendations

NABARD discharge its duty by undertaking the following roles:

1. Serves as an apex financing agency for promoting the various developmental activities in rural areas
2. Takes measures towards institution building, monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, training of personnel, etc.
3. Co-ordinates the rural financing activities of all institutions engaged in developmental work at the field level
4. NABARD Maintains liaison with Government of India, state governments, RBI and other national level institutions concerned with policy formulation
5. It refines the financial institutions which finances the rural sector.
6. It also keeps a check on its client institutes.

7. It regulates the institutions which provide financial help to the rural economy.
8. It provides training facilities to the institutions working in the field of rural uplifting
9. It regulates the cooperative banks and the RRB's.

○ **SELF-HELP GROUPS (SGHS)**

A self-help group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men. A mixed group is generally not preferred. Most self-help groups are located in India. Members also make small regular savings contributions over a few months until there is enough money in the group for lending. Funds may then be lent back to the members or to others in the village for any purpose. In India, many SHGs are 'linked' to banks for the delivery of Micro-Credit

○ **AGRICULTURAL MARKETING**

Agricultural marketing is a process which involves assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country. After Independent government has adopted various measures to improve of the system of agricultural marketing in the country. The following measures are adopted in order to regulate the markets:-

- **Regulated Markets:** - The first measure was regulation of markets, to create orderly and transparent marketing condition. This is organized in order to protect farmers from malpractices of sellers and brokers.
- **Cooperative Marketing:** - Marketing societies are formed by farmers to sell the output collectively and to take advantages of collective bargaining, for obtaining a better price.
- **Infrastructural Facilities:** - Govt. had also provided infrastructural facilities like roads, railways, warehousing, old storage and processing units.
- **Standardization and Grading:** - Grading and quality control helps farmers to get good price for quality products produced by them
- **Minimum Support Price:-** To safeguard the Interest of the farmers government fixes the minimum support price for agricultural products like wheat, rice, maize, cotton, sugar cane, pulses etc. the government willingly will buy any amount of grains from the farmers at a price higher than the market price in order to help them recover their loss..

**DEFECTS OF AGRICULTURAL MARKET IN INDIA**

1. **Lack of storage facility** for food grain and crops has damaged the products either by rats or insects or due to rain.
2. **Distress Sale:** Most Indian farmers are poor and they have no capacity to wait for better price due to of lack of storage facility
3. **Lack of Transportation** as a result farmer cannot reach nearly mandis to sell their produce at a fair price.
4. **Long Chain of Middleman** or Intermediaries between the cultivator and the consumer will also reduce the profit of the producer.
5. **Lack of Institutional Finance,** lack of guiding etc... This makes Indian marketing system disorganized.

**MEASURES FOR IMPROVEMENT OF AGRICULTURAL MARKETING**

1. Improvement in storage facilities at the farm level
2. Establishments of regulated markets.
3. Improvement of transport facilities
4. Establishment of cooperation marketing societies.



5. Provision of cheap credit
6. Provision for grading of the produce to ensure good quality
7. Prompt supply of marketing information

### **DIVERSIFICATION OF AGRICULTURAL ACTIVITY**

This means giving gainful employment in some other allied activities in agriculture and non-farm activities to the excess of people in agriculture. This is done in order to overcome poverty, improve employment and make rural agricultural people fully employed

Diversification includes 2 aspects.

1. Diversification of crop production
2. Diversification of Productive Activities.

### **NON- FARM ACTIVITIES OR ALTERNATIVE EMPLOYMENT OPPORTUNITY**

1. Animal husbandry
2. Dairy farming,
3. Fishers
4. Horticulture
5. Poultry Farming
6. Agro Processing industries
7. Food processing industries
8. Leather industry,
9. Tourism etc.

### **SUSTAINABLE DEVELOPMENT**

It is the development which aims to develop the present generation without affecting the quality of life of future generation. Sustainable development does not prohibit the use of any resources, but aims to restrict their use in such a way it is left for the future generation

### **ORGANIC FARMING**

Organic farming is the process of producing food naturally. This method avoids the use of synthetic chemical fertilizers and genetically modified organisms. It is very eco-friendly and very essential for sustainable development. It has a zero impact on environment.

### **ADVANTAGES OF ORGANIC FARMING**

1. It removes the use of costlier agricultural inputs such as HYV seed, Chemical fertilizers, pesticides etc.
2. It generates income through export as the demand, for organically grown crops are on the raise.
3. It provides healthy food as organically grown food has more nutritional value than food grown through chemical farming.
4. It can provide more employment opportunities in India as it requires more labourers for production than chemically produced goods.
5. Organic food is a pesticide free and is produced in an environmentally sustainable way.

### **DISADVANTAGES OF ORGANIC FARMING**

1. At most care should be taken in agricultural production

2. Organic farming needs to be popularized by creating awareness and willingness on the part of the farmers for adoption of new methods.
3. There is no proper infrastructure and marketing facilities for these products alone. An appropriate agricultural policy should be brought in for organic farming.
4. The yields from organic farming are less than modern agricultural farming in the initial years. Therefore small and marginal farmers may find it difficult to adapt to large scale production

## 7. EMPLOYMENT: GROWTH, INFORMALISATION & OTHER ISSUES

### WORKERS AND EMPLOYMENT

Activities which contribute to the gross national product are called economic activities. All those who are engaged in economic activities are called workers. The nature of employment in India is multifaceted. Some get employment throughout the year; some others get employed for only a few months in a year. Many workers do not get fair wages for their work. At the same time all those who are engaged in economic activities are included as *employed*.

#### ○ WORKER

A worker is an individual, who is involved in some productive activity, to earn a living. People work for earning a living which helps them and their families to survive.

#### ○ CASUAL WAGE LABOURER

Workers who are not hired by their Employers on a regular or permanent basis are termed as casual wage labour. They do not get social security benefits like regular employees.

#### ○ REGULAR WORKERS

Workers who are hired by their employers on a permanent basis and also get social security benefits such as pension, provident fund, etc. are known as regular workers.

#### ○ CASUALISATION OF WORK FORCE

The process of moving from Self- Employment and regular salaried employment to casual wage work is known as casualization of workforce.

### KINDS OF URBAN UNEMPLOYMENT

#### ○ INDUSTRIAL UNEMPLOYMENT

It refers to the unemployment among the people who wish to work in industrial establishment

#### ○ EDUCATED UNEMPLOYMENT

When a person is educated but he is unable to find a suitable job or work for himself because of lack of employment opportunity, then it is called as educated unemployment

### KINDS OF RURAL UNEMPLOYMENT

#### ○ SEASONAL UNEMPLOYMENT

Unemployment that occurs at certain seasons of the year is known as Seasonal unemployment eg: agriculture, fishing, etc.

#### ○ DISGUISED UNEMPLOYMENT

Disguised unemployment refers to a state in which more people are engaged in work than are really needed.

## FORMAL SECTOR & INFORMAL SECTOR

### ○ FORMAL SECTOR

All the public enterprises and private establishments, which employ 10 or more hired workers are called formal

### ○ INFORMAL SECTOR

All those private enterprises which hire less than 10 workers are called Informal sectors. Eg: Workers who work in farms, owners of Small Enterprises, Agriculture labourers. Here they do not get regular income. No protection or regulation by government can be dismissed at any time. They live in slums, use out-dated technology, and do not maintain accounts.

### ○ FRICTIONAL UNEMPLOYMENT

Temporary unemployment, which exists during the period, wherein. Workers leave one role and join some other, are called frictional unemployment.

### ○ LABOUR FORCE

**Labour force = Persons working + Persons seeking & available for work.**

(Age above 66 years & below 15 years not included labour force. A handicapped person not included. People those who are not interested to work are not included.)

### ○ WORK FORCES

The number persons who are actually employed at a particular time are known as work force.

### ○ LABOUR FORCE PARTICIPATION RATE

The ratio of labour force to total population is called labour force participation rate.

$$\text{Labour Force Participation Rate} = \frac{\text{Labour Force}}{\text{Total Population}}$$

### ○ NUMBER OF UNEMPLOYED PEOPLE

$$\text{Unemployed People} = \text{Labour Force} - \text{Work Force.}$$

## WORKER POPULATION RATIO

WPR refers to participation of people in the employment. It helps in knowing the proportion of population that is actively contributing to the production of goods and services of a country.

$$\text{WPR} = \frac{\text{Total number of workers in India}}{\text{No. of work population In India}} \times 100$$

○ **FULL EMPLOYMENT**

Full employment is a situation in which all the workers who are capable of working and willing to work get an employment at a prevailing wage rate.

**EMPLOYMENT IN FIRMS, FACTORIES AND OFFICES**

<b>SECTORS OF ECONOMY</b>	
Primary	Extraction of Raw Materials
	Farming & Fishing
Secondary	Manufacturing
	Electricity, Gas ...
	Construction
Tertiary	Retail
	Financial Service
	Health , Education , transportation Communication
	Hospitality and leisure
	Real Estate
	Information Technology

**GROWTH AND CHANGING STRUCTURE OF EMPLOYMENT**

During the period 1950–2010, Gross Domestic Product (GDP) of India grew positively and was higher than the employment growth. Developmental strategies in many countries, including India, have aimed at reducing the proportion of people depending on agriculture In Indian economy, without generating employment; we have been able to produce more goods and services. Economists refer this phenomenon as **jobless growth**.

**8. INFRASTRUCTURE**

Infrastructure provides supporting services in the main areas of industrial and agricultural production, domestic as well as foreign trade and commerce. These services include roads, railways, ports, airports, dams, power stations, oil and gas pipelines, telecommunication facilities, schools and colleges, health system including hospitals, sanitary system including clean drinking water facilities and the monetary system including banks, insurance and other financial institutions.

Infrastructure can be classified in to two categories: **Economic Infrastructure and Social Infrastructure**.

Energy, Transportation and Communication are included in the Economic Infrastructure whereas Social infrastructure includes Education, Health, and Housing.

**RELEVANCE OF INFRASTRUCTURE**

The efficient working of a modern industrial economy depends on Infrastructure.

Modern agriculture also largely depends on it for speedy and large-scale transport of seeds, pesticides, fertilisers and the produce using modern roadways, railways and shipping facilities. Agriculture production also depends on insurance and banking facilities.

Infrastructure contributes to economic development of a country both by increasing the productivity of the factors of production and improving the quality of life of its people.

Inadequate infrastructure can have multiple adverse effects on health.

**THE STATE OF INFRASTRUCTURE IN INDIA**

Traditionally, the government has been solely responsible for developing the country's infrastructure. But it was found that the government's investment in infrastructure was inadequate.

The private sector also in joint partnership with the public sector has started playing a very important role in infrastructure development.

Some economists have projected that India will become the third biggest economy in the world a few decades from now. For that to happen, India will have to boost its infrastructure investment. Development of infrastructure and economic development go hand in hand.

## **ENERGY**

Energy is a critical aspect of the development process of a nation. It is, of course, essential for industries.

SOURCES OF ENERGY:

### **CONVENTIONAL SOURCES OF ENERGY:**

There are commercial and non-commercial sources of energy.

Commercial sources are coal, petroleum and electricity as they are bought and sold. Commercial sources of energy are generally exhaustible

Non-commercial sources of energy are firewood, agricultural waste and dried dung. These are non-commercial as they are found in nature. Non-commercial sources are generally renewable.

Both commercial and non-commercial sources of energy are known as conventional sources of energy

### **NON-CONVENTIONAL SOURCES OF ENERGY:**

There are three other sources of energy sources — solar energy, wind energy and tidal power

## **POWER/ELECTRICITY**

The most visible form of energy, which is often identified with progress in modern civilization, is power, commonly called electricity. It is a critical component of infrastructure that determines the economic development of a country.

In India, in 2016, thermal sources accounted for 67 per cent of the power generation capacity. Hydel power accounted for 14 per cent, while nuclear power accounted for only 2 per cent. India's energy policy encourages two energy sources — Hydel and wind.

## **SOME CHALLENGES IN THE POWER SECTOR:**

Some of the challenges that India's power sector faces today are:

1. India's installed capacity to generate electricity is not sufficient to feed an annual economic growth of 7–8 per cent.
2. State Electricity Boards (SEBs), which distribute electricity, incur losses. This is due to transmission and distribution losses, wrong pricing of electricity and other inefficiencies.
3. Private sector power generators are yet to play their role in a major way.
4. There is general public unrest due to high power tariffs and prolonged power cuts in different parts of the country.
5. Thermal power plants, which are the mainstay of India's power sector, are facing shortage of raw material and coal supplies.

## **HEALTH AND STATE OF HEALTH INFRASTRUCTURE:**

1. Health is a vital public good and a basic human right.
2. Health is not only absence of disease but also the ability to realise one's potential.
3. Health is the holistic process related to the overall growth and development of the nation.

4. Development of health infrastructure ensures a country of healthy manpower for the production of goods and services.
5. Health infrastructure includes hospitals, doctors, nurses and other Para-medical professionals, beds, equipment required in hospitals and a well-developed pharmaceutical industry.
6. The government has the constitutional obligation to guide and regulate all health-related issues, such as medical education, adulteration of food, drugs and poisons, medical profession, vital statistics, mental deficiency and lunacy.
7. The Union Government evolves broad policies and plans through the Central Council of Health and Family Welfare.
8. At the village level, a variety of hospitals, technically known as Primary Health Centres (PHCs) have been set up by the government.
9. In India large number of hospitals run by voluntary agencies and the private sector.
10. In recent times, private sector has been playing a dominant role in medical education and training, medical technology and diagnostics, manufacture and sale of pharmaceuticals etc.
11. Owing to the liberalisation measures, many non-resident Indians and industrial and pharmaceutical companies have set up super-specialty hospitals to attract India's rich and medical tourists.

#### **INDIAN SYSTEMS OF MEDICINE (ISM):**

It includes six systems: Ayurveda, Yoga, Unani, Siddha, Naturopathy and Homeopathy (AYUSH). ISMs have huge potential and can solve a large part of our healthcare problems because they are effective, safe and inexpensive.

#### **INDICATORS OF HEALTH AND HEALTH INFRASTRUCTURE—A CRITICAL APPRAISAL:**

1. The health status of a country can be accessed through indicators, such as infant mortality and maternal mortality rates, life expectancy and nutrition levels, along with the incidence of communicable and non-communicable diseases.
2. One study points out that India has about 17 per cent of the world's population but it bears a frightening 20 per cent of the global burden of diseases (**GBD**).

***GBD is an indicator used by experts to gauge the number of people dying prematurely due to a particular disease, as well as, the number of years spent by them in a state of 'disability' owing to the disease.***

3. In India, more than half of GBD is accounted for by communicable diseases such as diarrhoea, malaria and tuberculosis.
4. Every year around five lakh children die of water-borne diseases. The danger of AIDS is also looming large.
5. Though 70 per cent of India's population lives in rural areas, only one-fifth of its hospitals are located in rural areas. Rural India has only about half the number of dispensaries.
6. The PHCs located in rural areas do not even offer X-ray or blood testing facilities.
7. Villagers have no access to any specialised medical care, like paediatrics, gynaecology, anaesthesia and obstetrics.
8. The shortage of doctors in rural areas still persists. While one-fifth of these doctor graduates leave the country for better monetary prospects, many others opt for private hospitals, which are mostly located in urban areas.

#### **WOMEN'S HEALTH**

1. Women constitute about half of the total population in India.
2. They suffer many disadvantages as compared to men in the areas of education, participation in economic activities and healthcare.

3. The deterioration in the child sex ratio in the country from 927 in 2001 to 914 in 2011 points to the growing incidence of female foeticide
4. More than 50 per cent of married women in the age group of 15–49 years have anaemia and nutritional anaemia caused by iron deficiency which has contributed to 19 per cent of maternal deaths.
5. Abortions are also a major cause of maternal morbidity and mortality in India.
6. All citizens can get better health facilities if public health services are decentralised.
7. Success in the long-term battle against diseases depends on education and efficient health infrastructure.
8. The role of telecom and IT sectors played a vital part for creating efficient health infrastructure in our country.
9. The effectiveness of healthcare programmes rests on primary healthcare.

## 9. . ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

### ENVIRONMENT — DEFINITION AND FUNCTIONS

Environment is defined as the total planetary inheritance and the totality of all resources. It includes all the biotic and abiotic factors that influence each other. *Living elements*: the birds, animals and plants, forests, fisheries etc. are biotic elements; *abiotic elements* include air, water, land etc. Rocks and sunlight are all examples of abiotic elements of the environment.

### FUNCTIONS OF THE ENVIRONMENT

The environment performs four vital functions:

- **It supplies resources**

(Resources include both renewable and non-renewable resources. Renewable resources are those which can be used without the possibility of the resource becoming depleted or exhausted. That is, a continuous supply of the resource remains available. Examples of renewable resources are the trees in the forests and the fishes in the ocean. Non-renewable resources, on the other hand, are those which get exhausted with extraction and use, for example, fossil fuel.)

- **It assimilates waste**

- **It sustains life by providing genetic and bio diversity**

- **It also provides aesthetic services like scenery etc.**

### ENVIRONMENT HAD GENERALLY TWO CAPACITIES: Carrying capacity and Absorptive capacity

- **CARRYING CAPACITY**

It means resource extraction is not above the rate of regeneration of the resource and the wastes generated are within the assimilating capacity of the environment.

- **ABSORPTIVE CAPACITY**

It means the ability of the environment to absorb degradation.

### GLOBAL WARMING

Global warming is a gradual increase in the average temperature of the earth's lower atmosphere as a result of the increase in greenhouse gases since the Industrial Revolution. Global warming is human-induced. It is caused by man-made increases in carbon dioxide and other greenhouse gases through the burning of fossil fuels and deforestation. Some of the longer-term results of global warming are melting of polar ice with a resulting rise in sea level and coastal flooding, extinction of species, frequent tropical storms; and an increased incidence of tropical diseases. A UN

Conference on Climate Change, held in **Kyoto**, Japan, in 1997, resulted in an international agreement to fight global warming.

### OZONE DEPLETION

Ozone depletion refers to the phenomenon of reductions in the amount of ozone in the stratosphere. The problem of ozone depletion is caused by high levels of chlorine and bromine compounds in the stratosphere. The origins of these compounds are chlorofluorocarbons (CFC), used as cooling substances in air conditioners and refrigerators. As a result of depletion of the ozone layer, more ultraviolet (UV) radiation comes to Earth and causes damage to living organisms. UV radiation seems responsible for skin cancer in human beings.

### STATE OF INDIA'S ENVIRONMENT

1. India has abundant natural resources in terms of 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.
2. The Indo-Gangetic plains spread from the Arabian Sea to the Bay of Bengal are one of the most fertile, intensively cultivated and densely populated regions in the world.
3. Large deposits of iron-ore, coal and natural gas are found in the country.
4. Air pollution, water contamination, soil erosion, deforestation and wildlife extinction are some of the most pressing environmental concerns of India.
5. *The priority issues identified are* (i) land degradation (ii) biodiversity loss (iii) air pollution with special reference to vehicular pollution in urban cities (iv) management of fresh water and (v) solid waste management.

### FACTORS RESPONSIBLE FOR LAND DEGRADATION

1. Loss of vegetation occurring due to deforestation
2. Unsustainable fuel wood and fodder extraction
3. Shifting cultivation
4. Encroachment into forest lands
5. Forest fires and over grazing
6. Non-adoption of adequate soil conservation measures
7. Improper crop rotation
8. Indiscriminate use of agro-chemicals such as fertilisers and pesticides
9. Improper planning and management of irrigation systems
10. Extraction of ground water in the competing uses of land for forestry, agriculture, pastures, human settlements and industries etc.

### SUSTAINABLE DEVELOPMENT

***Sustainable development aims at promoting the kind of development that minimises environmental problems and meets the needs of the present generation without compromising the ability of the future generation to meet their own needs.***

1. The concept of sustainable development was emphasised by the United Nations Conference on Environment and Development (UNCED), which defined it as: 'Development that meets the need of the present generation without compromising the ability of the future generation to meet their own needs'.
2. Sustainable development aims at decreasing the absolute poverty of the poor by providing lasting and secure livelihoods that minimise resource depletion, environmental degradation, cultural disruption and social instability.
3. Sustainable development is a development that meets the basic needs of all, particularly the poor majority, for employment, food, energy, water, housing, and ensures growth of agriculture, manufacturing, power and services to meet these needs.

**The Brundtland Commission** emphasises on protecting the future generation. The present generation can promote development that emphasis on (i) conservation of natural assets (ii) preservation of the regenerative capacity of the world's natural ecological system (iii) avoiding the imposition of added costs or risks on future generations.

**According to Herman Daly**, a leading environmental economist, to achieve sustainable development, the following needs to be done



1. Limiting the human population to a level within the carrying capacity of the environment
2. Renewable resources should be extracted on a sustainable basis, that is, rate of extraction should not exceed rate of regeneration
3. For non-renewable resources rate of depletion should not exceed the rate of creation of renewable substitutes
4. Inefficiencies arising from pollution should be corrected.

#### STRATEGIES FOR SUSTAINABLE DEVELOPMENT

- **Use of Non-conventional Sources of Energy:** India hugely dependent on thermal and hydro power plants to meet its power needs. Both of these have adverse environmental impacts. Wind power and solar rays are good examples of non-conventional energy sources and they are more eco-friendly.
- **LPG, Gobar Gas in Rural Areas:** Households in rural areas generally use wood, dung cake or other biomass as fuel. This practice has several adverse implications like deforestation, reduction in green cover, wastage of cattle dung and air pollution. To rectify the situation, LPG, Gobar gas plant is being provided through easy loans and subsidy. It reduces household pollution to a large extent. Also, energy wastage is minimised.
- **CNG in Urban Areas:** In Delhi, the use of Compressed Natural Gas (CNG) as fuel in public transport system has significantly lowered air pollution.
- **Wind Power:** In areas where speed of wind is usually high, wind mills can provide electricity without any adverse impact on the environment.
- **Solar Power through Photovoltaic Cells:** India is naturally endowed with a large quantity of solar energy in the form of sunlight. Now, with the help of photovoltaic cells, solar energy can be converted into electricity. These cells use special kind of materials to capture solar energy and then convert the energy into electricity. This technique is also totally free from pollution.
- **Mini-Hydel Plants:** In mountainous regions, streams can be found almost everywhere. By using these streams we can construct Mini-Hydel power Plants. Such power plants are environment-friendly as they do not change the land use pattern in areas where they are located more over they generate enough power to meet local demands.
- **Traditional Knowledge and Practices:** Traditionally, Indian people have been close to their environment. They practiced environment friendly agriculture system, healthcare system, housing, transport etc.
- **Bio composting:** In our quest to increase agricultural production during the last five decades we almost totally neglected the use of compost and completely switched over to chemical fertilisers. It adversely affected, our land, health, water bodies due to chemical contamination. Now Farmers, in large numbers all over the country, have started using compost made from organic wastes of different types. Earthworms can convert organic matter into compost faster than the normal composting process. This process is now being widely used.
- **Bio pest Control:** With the advent of green revolution our farmers use more and more chemical pesticides for higher yield. As a result, food products, soil, water bodies and even ground water were polluted with pesticides. Even milk, meat and fishes were also contaminated. To meet these challenge now better methods of eco-friendly pest control measures were used. One such step is the use of pesticides based on plant products. Mixed cropping and growing different crops in consecutive years on the same land have also helped farmers.

## 10. DEV'T EXPERIENCES OF INDIA & ITS NEIGHBOURS

Nations have been primarily trying to adopt various means which will strengthen their own domestic economies. To this effect, they are forming regional and global economic groupings such as the SAARC, European Union, ASEAN, G-8, G-20, BRICS etc.

### DEVELOPMENTAL PATH-INDIA, CHINA AND PAKISTAN

- All the three nations- India, Pakistan and China have started towards their developmental path at the same time.
- **India** and **Pakistan** became independent nations in **1947**.
- People's Republic of **China** was established in **1949**.
- The three countries had started their **planning** strategies in similar ways.
- **India** announced its first **Five Year Plan** for **1951–56**,
- **Pakistan** announced its first five year plan, now called the *Medium Term Development Plan*, in **1956**.
- **China** announced its First **Five Year Plan** in **1953**.
- India and Pakistan adopted similar strategies, such as creating a large public sector and raising public expenditure on social development.
- **All the three countries had similar growth rates and per capita incomes till 1980s.**

### DEMOGRAPHIC INDICATORS

1. Growth Indicators
2. Human development Indicators
3. Appraisal of Development Strategies (China and Pakistan)

### ONE CHILD NORM IN CHINA

One child norm in China was introduced in 1970 to reduce the growth of population. China has successfully reduced the growth rate of population. But after few decades china there was more elderly people in proportion to young people. This forced China to take steps to provide social security measures ( pension scheme, old age home etc.) with fewer work Force

### DEMOGRAPHIC PROFILE OF INDIA, CHINA, AND PAKISTAN - A COMPARISON

**Birth rate**

Country	Birth Rate (2017)
India	18.08
China	12.43
Pakistan	28.60

**Death Rate**

Country	Death rate (2017)
India	7.21 per1000
China	7.11 per1000
Pakistan	6.99 per1000

**Density of Population**

Country	Density of Population (2017)
India	450/ KM <sup>2</sup>
China	148/ KM <sup>2</sup>
Pakistan	270/ KM <sup>2</sup>

**Growth Rate of Population**

Country	Growth rate of population (2017)
India	1.06%
China	0.56%
Pakistan	2.07%

**SEX RATIO**

Country	Sex ratio (2017)
India	1100 Male/ 1000 Female
China	1130 Male/ 1000 Female
Pakistan	1090 Male/ 1000 Female

**Infant Mortality Rate**

Country	Infant Mortality Rate(2017)
India	31.50/ 1000 live births
China	7.90/ 1000 live births
Pakistan	58.80/ 1000 live births

**Maternal Mortality Rate**

Country	Maternal Mortality Rate ( 2017)
India	145 deaths per 100,000 live births
China	29 deaths per 100,000 live births
Pakistan	140 deaths per 100,000 live births

**HDI Ranking**

Country	HDI Ranking ( 2017)
India	130
China	86
Pakistan	150

**Below Poverty Line**


Country	Below Poverty Line
India	23%
China	24.3%
Pakistan	3.1%

**Literacy Rate**

Country	Literacy Rate (2017)
India	74.04%.
China	96.8 %
Pakistan	58%

 **Common success story of India & Pakistan**

1. A substantial rise in GDP per capita
2. Self-sufficiency in food production
3. Dualistic nature of the economy is gradually declining.
4. Considerable decline in the incidence of poverty

 **Common failures of India and Pakistan**

1. Relatively slow pace of GDP growth rate as Compared to China
2. Poor performance in HDI ranking
3. Poor fiscal management
4. Lack of political interest for social prosperity

 **Areas where India has an edge over Pakistan**

1. Skilled manpower
2. Investment in Education
3. Health facilities

 **Areas where Pakistan has an edge over India**

1. Increased Urbanization
2. Less percentage of population below poverty line
3. More percentage of population having access to improved Sanitation Facilities

 **Areas where China has an edge over India**

1. China has successfully focused on Pro-poor reforms.
2. Agrarian reforms have been effectively carried out
3. Export driven manufacturing has significantly grown, adding to the pace of GDP growth.
4. SEZ policy has proved to be a boon for FDI flow in China.