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SCHOOL OF LAW

UNIT 1 – INDIAN ECONOMY – SBA1301

SYLLABUS: UNIT 1 – GENERAL PERSPECTIVES

Features of the Indian Economy – Promotional and Retarding factors – National Income: Sectoral composition – Pattern of income distribution – Inequalities of income –Approaches to liberalization - Privatization - Globalization - Degree of Globalization in India - Sustainability; Institutional factor

INTRODUCTION

The total major countries of the world are 182 out of which only 34 are developed and remaining 148 are under developed. Developing Country (DC) is a nation which, compare to developed nations, lacks industrialization, infrastructure, developed agriculture developed natural resources, and suffers from a low per capita income as a result.

Developed Country: A group of industrialized nations including Australia, Austria, Canada, France, Germany, Italy, Japan, UK and USA. In some contexts such countries are collectively called the North.

According to Kofi Annan, former Secretary General of the UN:"A developed country is one that allows all its citizens to enjoy a free and healthy life in a safe environment."

Developing countries and developed countries are differentiating on the bases of self-esteem, freedom of choice and influence of externals. A country where the average income of the people is much lower than that of developed countries, the economy depends upon a few export crops and where farming is conducted by primary methods is called developing country. Rapid population growth is causing the shortage of food in many developing countries.

Developing Country: Developing countries are also called under-developed nations (UDN) or the South. Most of them are in Africa, Asia and Latin America.

According to **United Nations Experts:** "A developing country is that in which per capita income is low when compared to the per capita incomes of USA, Canada, Australia and Western Europe."

According to **Prof. R. Nurkse**: "Under developed countries are those which when compared with the advanced countries, are under-equipped with capital in relation to their population and natural resources."

According to **Michal P. Tadaro**: “The under developed country, is that which has low levels of living (absolute poverty, poor health, poor education and other social services), low self-esteem (low respect, honour, dignity) and limited freedom (freedom from external influence and dominance, freedom of choice etc.).”

CHARACTERISTICS OR FEATURES OF THE INDIAN ECONOMY

(**i) General Poverty and Low Living Standard:** Poverty cannot be described, it can only be felt. The most of the less developed countries (LDC) are facing the major problem of general as well as absolute poverty and low standard of living. Most of the people in developing nations are ill-fed, ill-housed, ill-clothed and illliterate. In LDCs almost 1/3 population is much poor.

(ii) Burden of Internal and External Debts: Under developed countries (UDC) are loans and grants receiving nations. Most of the developing countries of the world are depending on foreign economic loans. An amount of foreign loans is increasing as the years pass. Their foreign trade and political structure is also dependent on the guidance of foreigners.

(iii) Low Per Capita Income: Due to low national income and huge population growth rate, per capita income in developing countries is very low.

(iv) Over Dependence on Agriculture: Most of population is living in more than 50,000 villages. Backward agriculture is the major occupation of the population. Agriculture sector is backward due to old and traditional methods of cultivation, in-efficient farmers, lack of credit facilities; un-organized agriculture market etc.

(v) Backward Industrial Sector: Backward industrial sector is an additional feature of under developed countries.

(vi) Unemployment: An outstanding problem of developing countries is their high rate of un-employment, under- employment and disguised-unemployment.

(vii) Low level of Productivity: The productivity level is very low in under developed countries as compared to developed countries. Low level of productivity is due to economic backwardness of people, lack of skill, illiteracy and ill-training.

(viii) Deficit Balance of Payment: Third world countries have to import some finished and capital goods to make economic development, on the other hand they have no products to export but raw material.

(ix) Dualistic Economy: Dualistic economy refers to the existence of advanced & modern sectors with traditional & backward sectors. Co-existence of modern and traditional methods of production in urban and rural areas, Co-existence of wealthy, highly educated class with a large number of illiterate poor classes and Co-existence of very high living standard with very low living standard.

(x) Deficiency of Capital: Shortage of capital is another serious problem of poor nations. Lack of capital leads to low per capita income, less saving and short investment.

(xi) In-appropriate Use of Natural Resources: Mostly there is shortage of natural resources in developing nations and this is also a cause of their economic backwardness. Natural resources are available in various poor countries but they remain un-utilized, under-utilized or mis-utilized due to capital shortage, less efficiency of labour, lack of skill and knowledge, backward state of technology, improper government actions and limited home market.

(xii) Market Imperfection: Market is imperfect in accordance with market conditions, rules and regulations in the most of developing nations. There exist monopolies, mis-leading information, immobility of factors; hoarding and smuggling etc. that cause the market to remain imperfect.

(xiii) Limited Foreign Trade: Due to backwardness, developing countries have to export raw material because the quality of their products is not according to international standard ISO etc. Lower developing nations have to import finished and capital goods.

(xiv) Vicious Circle of Poverty: According to vicious circle of poverty, less developed nations are trapped by their own poverty. Vicious circle of poverty is also applied in case of Pakistani economy. Due to poverty, national income is low which causes low saving and low investment. So, rate of capital formation is very low.

(xv) Inflation: High rate of inflation causes economic backwardness in poor nations. Due to high level of price, purchasing power, value of money and saving of the consumers tend to decrease.

INDICATOR/DETERMINANTS OF ECONOMIC DEVELOPMENT

A. Economic Factors:

1. Population and Manpower Resources: Population is considered as an important determinant of economic growth. In this respect population is working both as a stimulant and hurdles to economic growth. Firstly, population provides labour and entrepreneurship as an important factor service.

2. Natural Resources and Its Utilization: Availability of natural resources and its proper utilization are considered as an important determinant of economic development. If the countries are rich in natural resources and adopted modern technology for its utilization, then they can attain higher level of development at a quicker pace. Mere possession of natural resources cannot work as a determinant of economic development.

3. Capital Formation and Capital Accumulation: Capital formation and capital accumulation are playing an important role in the process of economic development of the country. Here capital means the stock of physical reproducible factors required for production. The increase in the volume of capital formation leads to capital accumulation.

4. Capital-Output Ratio: Capital-output ratio is also considered as an important determinant of economic development in n country. By capital-output ratio we mean number of units of capital required to produce per unit of output. It also refers to productivity of capital of different sectors at a definite point of time. But the capital output ratio in a country is also determined by stage of economic development reached and the judicial mix of investment pattern.

5. Favourable Investment Pattern: Favourable investment pattern is an important determinant of economic development in a country. This requires proper selection of industries as per investment priorities and choice of production techniques so as to realize a low capital—output ratio and also for achieving maximum productivity.

6. Occupational Structure: Another determinant of economic development is the occupational structure of the working population of the country. Too much dependence on agricultural sector is not an encouraging situation for economic development.

7. Extent of the Market: Extent of the market is also considered as an important determinant of economic development. Expansion of the scale of production and its diversification depend very much on the size of the market prevailing in the country.

8. Technological Advancement: Technological advancement is considered as an important determinant of economic environment. By technological advancement we mean improved technical know-how and its broad-based applications.

9. Infrastructural Facilities: Development of infrastructural facilities is also an important component of economic environment in a country like India.

10. Suitable Industrial Relations: Suitable industrial relations are also an important determinant economic development in a country like India. Healthy trade union activities and cordial relations between employer and employee promote such economic environment for development.

B. Non-Economic Factors:

1. Urge for Development: It is the mental urge for development of the people in general that is playing an important determinant for initiating and accelerating the process of economic development. In order to attain economic progress, people must be ready to bear both the sufferings and convenience. Experimental outlook, necessary for economic environment must grow with the spread of education.

2. Spread of Education: Economic progress is very much associated with the spread of education. Prof. Krause has observed that, “Education brings revolutions in ideas for economic progress.”

3. Changes in Social and Institutional Factors: Conservative and rigid social and institutional set up like joint family system, caste system, traditional values of life, irrational behaviour etc. put severe obstacle on the path of economic development and also retards its pace.

4. **Proper Maintenance of Law and Order:** Maintenance of law and order in a proper manner also helps the country to attain economic development at a quicker pace. Stability, peace, protection from external aggression and legal protection generally raises morality, initiative and entrepreneurship. Formulation of proper monetary and fiscal policy by an efficient government can provide necessary climate for increased investment and also can stimulate capital formation in the country.

5. **Administrative Efficiency:** Economic development of a country also demands existence of a strong, honest, efficient and competent administrative machinery for the successful implementation of government policies and programmes for development. The existence of a weak, corrupt and inefficient administrative machinery, leads the country into chaos and disorder.

6. **Cultural Set Up:** Sound cultural set up also build up a better non-economic environment which are conducive towards economic development. Cultural activities improve the mental set up of the people in general and develop simultaneously a sense of bond-ness among various sections of people living in the society.

7. **Politico-Legal Environment:** The politico-legal environment of the country is also an important determinant of economic development. Political stability and legal support for developmental activities creates a better environment for development. Reforms in the form of industrial policy reforms, labour reforms etc. should be enacted through proper legislation.

Table 1: DIFFERENCES BETWEEN ECONOMIC DEVELOPMENT AND GROWTH

The basis of Comparison	Economic Development	Economic Growth
Concept	Economic development is a much broader concept than economic growth. Economic development = Economic Growth + Standard of Living	Economic Growth is a narrower concept than economic development.
Scope	Economic Development is considered as a Multidimensional phenomenon because it focuses on the income of the people and on the improvement of the living standards of the people of the country.	Economic Growth is considered as a single dimensional in nature as it only focuses on the income of the people of the country.
Term	Long-term process	Short term process
Measurement	Both Qualitative & Quantitative Terms: HDI (Human Development Index), gender-related index, Human poverty index, infant mortality, literacy rate etc.	Quantitative Terms: Increases in real GDP.
Related To	Economic Development is related to Underdeveloped and developing countries of the world.	Economic Growth is related to developed countries of the world.
Effect	Qualitative and Quantitative Impact on the economy. Improvement in life expectancy rate, infant, literacy rate, poverty rates, and mortality rate.	Brings a quantitative impact on the economy. Increase in the indicators like per capita income and GDP, etc.
Process Tenor	Continuous process	In a certain period

CONCEPT OF NATIONAL INCOME

National income means the value of goods and services produced by a country during a financial year. The National Income is the total amount of income accruing to a country from economic activities in a years time. It includes payments made to all resources either in the form of wages, interest, rent, and profits.

DEFINITION OF NATIONAL INCOME

Traditional Definition: According to Marshall: "The labor and capital of a country acting on its natural resources produce annually a certain net aggregate of commodities, material and immaterial including services of all kinds. This is the true net annual income or revenue of the country or national dividend."

Modern Definition: Simon Kuznets defines national income as "the net output of commodities and services flowing during the year from the country's productive system in the hands of the ultimate consumers."

Basic concepts in National Income

- Gross Domestic Product (GDP)
- Net Domestic Product (NDP)
- Gross National product (GNP)
- Net National Product (NNP)
- Personal Income (PI)
- Disposable Personal Income (DPI)
- Real Income

a) Gross Domestic Product (GDP)

The total value of goods produced and services rendered within a country during a year is its Gross Domestic Product.

GDP is calculated at market price and is defined as GDP at market prices.

Different constituents of GDP are:

1. Wages and salaries
2. Rent
3. Interest
4. Undistributed profits
5. Mixed-income
6. Direct taxes
7. Dividend
8. Depreciation

b) Net Domestic Product (NDP)

While calculating GDP no provision is made for depreciation allowance (also called capital consumption allowance). In such a situation gross domestic product will not reveal complete flow of goods and services through various sectors.

A part of is therefore, set aside in the form of depreciation allowance. When depreciation allowance is subtracted from gross domestic product we get net domestic product.

NDP = GDP – Depreciation

c) Gross National Product (GNP)

Gross national product is defined as the sum of the gross domestic product and net factor incomes from abroad. Thus in order to estimate the gross national product of India we have to add net factor income from abroad – income earned by non-resident in India to form the gross domestic product of India.

GNP = GDP +NFIA

Where,

GDP = Gross Domestic Product

NFIA = Net Factor Income from Abroad

d) Net National Product (NNP)

It can be derived by subtracting depreciation allowance from GNP. It can also be found out by adding the net factor income from abroad to the net domestic product.

NNP = GNP – Depreciation

Or

NNP = NDP + NFIA

e) Personal Income (PI) : It may be defined as the current income of persons or households from all services during a given period. Personal income is not a measure of production.

f) Disposal Income: All personal income is not at the disposal to be spent on consumption. Individuals have to pay personal direct taxes to the government. They are free to spend only after the payment of taxes.

DPI = Personal Income – Personal Direct Taxes.

g) Real Income

- Real income is an economic measure that provides an estimation of an individual's actual purchasing power in the open market after accounting for inflation.
- Since national income does not reveal the real state of the economy, the concept of real income has been used to find out the real income of the country, a base year is selected and the price level of that year is assumed to be =100.

Real income = (Money Income/Price index) x 100

METHODS FOR MEASURING NATIONAL INCOME

1. Product Method: In this method, national income is measured as a flow of goods and services. We calculate money value of all final goods and services produced in an economy during a year. Final goods here refer to those goods which are directly consumed and not used in further production process.

Gross Value Added = Value of Output – Value of intermediate goods

Net Value Added = Gross Value Added - Depreciation

Income Method

- The net income received by all citizens of a country in a particular year, i.e. total of net rents, net wages, net interest and net profits.
- It is the income earned by the factors of production of a country.
- **GNP = Wages/Salaries + Rent + Interest + Dividends + undistributed corporate profits + mixed incomes + Direct taxes + Indirect taxes + Depreciation + Net income from abroad**.

EXPENDITURE METHOD

The total expenditure incurred by the society in a particular year is added together to get that year's national income.

Components of Expenditure are;

- Personal consumption expenditure
- Net domestic Investment
- Government expenditure on goods and services and
- Net foreign Investment

SECTORAL COMPOSITION OF NATIONAL INCOME

The sectoral distribution of income shows the percentage distribution of national income or GDP among different sectors viz., agriculture (primary) industry (secondary) and services (tertiary). For India, approximately 16% of the GDP is from agricultural sector, 23% from industrial sector and 61 % from services sector.

Table 2: Sectoral wise distribution of National Income from 1950 to 2018

(Figure in %)

Years	Agriculture Primary sector	Industries Secondary Sector	Service Tertiary Sector
1950-1951	51.81	14.94	33.25
1960-1961	42.56	19.19	38.25
1970-1971	41.95	20.83	37.22
1980-1981	35.39	24.69	39.92
1990-1991	29.39	25.65	44.96
2000-2001	23.02	26.00	50.98
2010-2011	18.21	27.15	54.64
2017-2018	15.4	23.10	61.5

INEQUALITY OF INCOME IN INDIA

Income inequality is the gap between rich and poor **i.e**. is the differences in the distribution of economic assets (wealth) and income within or between populations or individuals. It is the state of an economy in which the shares of total income earned by the rich and poor are highly unequal.

Economic inequality varies between societies, historical periods, economic structures and systems (for example, capitalism or socialism), ongoing and past wars, and between individuals' abilities to create wealth. It can refer to cross sectional descriptions of the income or wealth at any particular period, and to the lifetime income and wealth over longer periods of time There are various numerical indices for measuring economic inequality.

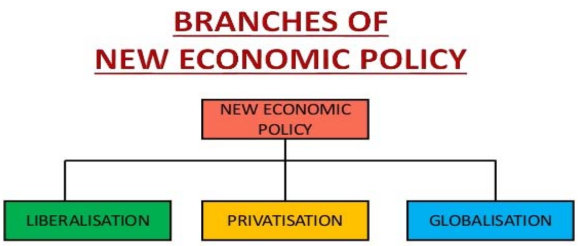
CAUSES OF INCOME INEQUALITY IN INDIA

1. **Growth factor:** As development proceeds, the earnings of different groups rise differently. The incomes of the upper-income and middle-income groups rise more rapidly than those of the poor, during the early stages of growth through which India is passing at present shift of population from agriculture which is a slow growing sector to the modern large industrial sector which grows more rapidly.
2. **Highly unequal assets distribution:** Incomes are derived from two main sources, namely, assets like land, cattle, shares, etc., and labour. In India a few own a large chunk of income – earning assets. Some others, who do not own, or own a part of the assets they operate, organize finances through banks, cooperatives, etc, and acquire/hire productive assets. These inequalities enable the few to get incomes in the form of rent, interest and profit.
3. **Differential Regional Growth:** Of the large many at the bottom rung of incomes, a very great proportion lives in the poor backward states regions, and most of the few at the top live in the high- income states regions. This is the geographical facet of income inequalities for the country as a whole. Within the states also there are inequalities, perhaps larger in the poorer states. Both these aspects are the outcome of the different growth rates of the states, with a few having grown at a fast rate, and many having lagged behind.
4. **Inadequate employment Generation:** People at the bottom could raise their economic status and to an extent reduce the distance separating them from those at the top, if they could get work. In other words, if they did not possess adequate earning assets, they could at least earn from their labour.

LIBERALIZATION, PRIVATIZATION, AND GLOBALIZATION

LPG stands for Liberalization, Privatization, and Globalization. under New Economic Policy 1991, India approached International Banks for development of the country. These agencies asked Indian Government to open its restrictions on trade done by the private sector and between India and other countries.

Fig 1: Branches of New Economic Policy



LIBERALIZATION

The basic aim of liberalization was to put an end to those restrictions which became hindrances in the development and growth of the nation. The loosening of government control in a country and when private sector companies' start working without or with fewer restrictions and government allow private players to expand for the growth of the country depicts liberalization in a country.

Objectives of Liberalization Policy

- To increase competition amongst domestic industries.
- To encourage foreign trade with other countries with regulated imports and exports.
- Enhancement of foreign capital and technology.
- To expand global market frontiers of the country.
- To diminish the debt burden of the country.

Steps were taken under the Liberalization measure

1. **Free determination of interest rate by the commercial Banks:** Under the policy of liberalisation interest rate of the banking system will not be determined by RBI rather all commercial Banks are independent to determine the rate of interest.
2. **Increase in the investment limit for the Small Scale Industries (SSIs):** Investment limit of the small scale industries has been raised to Rs. 1 crore. So these companies can upgrade their machinery and improve their efficiency.

3. **Freedom to import capital goods:** Indian industries will be free to buy machines and raw materials from foreign countries to do their holistic development.
4. **Freedom for expansion and production to Industries:** In this new liberalized era now the Industries are free to diversify their production capacities and reduce the cost of production. Earlier government used to fix the maximum limit of production capacity. No industry could produce beyond that limit. Now the industries are free to decide their production by their own on the basis of the requirement of the markets.
5. **Abolition of Restrictive Trade Practices:** According to **Monopolies and Restrictive Trade Practices (MRTP) Act 1969,** all those companies having assets worth Rs. 100 crore or more were called MRTP firms and were subjected to several restrictions. Now these firms have not to obtain prior approval of the Govt. for taking investment decision. Now MRTP Act is replaced by the competition Act, 2002.

REMOVAL OF INDUSTRIAL LICENSING AND REGISTRATION UNDER LIBERALIZATION

Previously private sector had to obtain license from Govt. for starting a new venture. In this policy private sector has been freed from licensing and other restrictions.

Industries licensing is necessary for following industries:

(i) Liquor
(ii) Cigarette
(iii) Defense equipment
(iv) Industrial explosives
(v) Drugs
(vi) Hazardous chemicals

PRIVATIZATION

This is the second of the three policies of LPG. It is the increment of the dominating role of private sector companies and the reduced role of public sector companies. In other words, it is the reduction of ownership of the management of a government-owned enterprise. Government companies can be converted into private companies in two ways:

- By disinvestment
- By withdrawal of governmental ownership and management of public sector companies.

Objectives of Privatization

- Improve the financial situation of the government.
- Reduce the workload of public sector companies.
- Raise funds from disinvestment.
- Increase the efficiency of government organizations.
- Provide better and improved goods and services to the consumer.
- Create healthy competition in the society.
- Encouraging foreign direct investments (FDI) in India.

Step taken for Privatization

- **Sale of shares of PSUs:** Indian Govt. started selling shares of PSU's to public and financial institution e.g. Govt. sold shares of Maruti Udyog Ltd. Now the private sector will acquire ownership of these PSU's. The share of private sector has increased from 45% to 55%.
- **Disinvestment in PSU's:** The Govt. has started the process of disinvestment in those PSU's which had been running into loss. It means that Govt. has been selling out these industries to private sector. Govt. has sold enterprises worth Rs. 30,000 crores to the private sector.
- **Minimisation of Public Sector:** Previously Public sector was given the importance with a view to help in industralisation and removal of poverty. But these PSU's could not able to achieve this objective and policy of contraction of PSU's was followed under new economic reforms. **Number of industries reserved for public sector was reduces from 17 to 2.**
- **(a)** Railway operations
- **(b)** Atomic energy

- **Globalization:** Literally speaking Globalisation means to make Global or worldwide, otherwise taking into consideration the whole world. Broadly speaking, Globalisation means the interaction of the domestic economy with the rest of the world with regard to foreign investment, trade, production and financial matters.

GLOBALIZATION

- It means to integrate the economy of one country with the global economy. During Globalization the main focus is on foreign trade & private and institutional foreign investment. It is the last policy of LPG to be implemented.
- Globalization as a term has a very complex phenomenon. The main aim is to transform the world towards independence and integration of the world as a whole by setting various strategic policies. Globalization is attempting to create a borderless world, wherein the need of one country can be driven from across the globe and turning into one large economy.

STEPS TAKEN FOR GLOBALIZATION

- **Reduction in tariffs:** Custom duties and tariffs imposed on imports and exports are reduced gradually just to make India economy attractive to the global investors.
- **Long term Trade Policy:** Forcing trade policy was enforced for longer duration
- **Partial Convertibility of Indian currency:** Partial convertibility can be defined as to convert Indian currency (up to specific extent) in the currency of other countries. So that the flow of foreign investment in terms of Foreign Institutional Investment (FII) and foreign Direct Investment (FDI).
- **Increase in Equity Limit of Foreign Investment:** Equity limit of foreign capital investment has been raised from 40% to 100% percent. In 47 high priority industries foreign direct investment (FDI) to the extent of 100% will be allowed without any restriction. In this regard **Foreign Exchange Management Act (FEMA)** will be enforced.

IMPACT OF ECONOMIC REFORM – LPG

Positive Impacts of New Economic Reforms

- Sharp correction in fiscal deficit-GDP ratio and reduced monetization of deficits.
- New industrial policy fostered competitions
- Real GDP growth averaged 5.7 per cent per annum in the 1990s, which accelerated further to 7.3 per cent per annum in 2000s.
- There is gain in the share of services, including construction, from 5 per cent to 65 per cent during the period 1990s to 2010-2011
- Exports and imports of goods and services have more than doubled from 23 per cent of GDP in the 1990s to 50 per cent in the year 2009-11
- Debt-GDP ratio has declined from 29% to 18.6 %. & Debt-service ratio fell to 24.9 % to 4.7 % for the period of 1991 to 2009-11
- The high growth was achieved in an environment of price stability as headline WPI inflation dropped to an annual average of 5.5 per cent in 2008 from 8.1 per cent in 1990s.

Negative Impact of New Economic Reforms

- Agriculture as a percentage of real GDP declined from 3.2 % to .4 %. There is a need to increase agricultural productivity
- Failed to address labour market inflexibility and thereby increasing concentration of labour force in agricultural sector hence high unemployment
- It could not attract sufficient investment in infrastructure
- Credit market has still remain an important issue

INSTITUTIONAL FACTOR

A country needs a good **quality infrastructure** for economic development of the country. This means having a suitable financial, legal and social institutional framework. Important institutional factors are therefore:

- The **banking system** - a good banking system provides the financial infrastructure that enables businesses to flourish and grow. This makes it an important driver of economic growth. Often such a system is lacking in developing countries.
- The **educational system** - this could also be included under the human resources heading above. Growth requires a high quality, well educated workforce. This in turn needs a good educational system to provide for as many people as possible.
- **Health care** - a healthy workforce and population is just as important as a well educated one. This means a good health care system.
- **Infrastructure** - economic activity needs an infrastructure to support it. Roads, ports, telecommunications networks - all these are vital elements to support economic development.
- **Political stability** - without political stability there will not be certainty and businesses require certainty to enable them to plan for the future. A stable political environment is likely to be a key factor in determining whether or not businesses are prepared to undertake major investment projects.

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UNIT 2 – INDIAN ECONOMY – SBA1301

SYLLABUS - UNIT II: AGRICULTURE AND ECONOMY

Salient features of Indian Agriculture - Land Reforms - Agricultural Marketing - Agricultural Credit - Problems of Agricultural Labour - Food grains, cash crops - Horticulture – Food problem – Food policy of the Government – Agricultural finance – Land Development Banks – Regional Rural Banks – NABARD – Agricultural warehousing and marketing

INTRODUCTION TO AGRICULTURE IN INDIA

Agriculture in India is the means of livelihood of almost two-thirds of the workforce in the country.

It employees nearly 50% of total population and 42% of total geographical area. It is therefore considered to be the most important sector of India Economy.

PRODUCTION: Production is the process of combining units of inputs (natural, man-made and human resources) to create output (goods and services) capable of satisfying human needs and wants.

Production is the act of creating output, goods or services which have values and contributes to the utility of individuals. This may include factors of production other than labour. The factors of production are the inputs to the production process. The finished goods are the output. The input determines the quality of the output product. Input is the starting point and output is the end point of the production process, and such an input-output relationship is called as the production function.

There are three basic factors of production: land, labour and capital. All three are required in combination at a time to produce a commodity. In economics, production means creation or an addition of utility. Factors of production are any commodities or services used to produce goods or services. These factors are specifically referred to as primary factors. Energy and material are referred to as secondary factors. The primary factors facilitate production but neither become part of the product nor become significantly transformed by the production process. Human capital and entrepreneurship are also considered as factors of production.

PRODUCTIVITY: Productivity is the increase of output from each unit in the production process. There are several ways of achieving productivity. These include the training of workers and the introduction of machinery and equipment into the production process.

Productivity is the ratio of output to input in production. It is a measure of the efficiency of production. It is related to the utilization or the use of resources to produce goods. It increases the output. It is the increase of output from each unit in the production process. If inputs remain the same and the production of output increases, then there is a rise in the level of productivity. If the output rises in a greater proportion than the increase in the input, there is still a proportionate rise in the level of productivity. However, if the output rises at a lower rate than the input, then there will be a fall in the productivity, even though there is an increase in production on the whole. Higher productivity results in a lower cost per unit of output resulting in higher levels of profit for a company. Thus, it refers to efficient utilization of resources. High productivity increases the economic well-being. It increases the income and the standard of living of the people. It brings in money for the company.

Productivity has the following advantages:

- It emphasizes the efficient utilization of all the factors of production which are scarce universally. It attempts to eliminate wastage.
- It facilitates the comparison of the performance of a company to its competitors or related firms, in terms of aggregate results and of major components of performance.
- It enables the management to control the performance of the company by identifying the comparative benefits arising out of the use of different inputs.

Table 1: Differences between Production and Productivity

	Production	**Productivity**
Meaning	It is defined as the act of manufacturing goods for their use or sale.	It is defined as the rate at which goods are produced.
Use	It is the actual process of conversion.	It is the utilization of resources to form goods.
Work done	It is the amount of work done or manufactured that is the output.	It is the amount of work one gets for a certain spending cost.
Measurement	It is the measure of produced goods	It is the measure of efficiency.

Yield of Major Food Crops in India Since 1951

Prior to Green revolution, the yield per hectare in India was low for all important crops. The introduction of modern agricultural practices and HYV seeds; there was a jump in the productivity of most food grains. The following table shows the per hectare yield of main food crops since 1950-51:

Table 2: Yield of Major Food crops in India Since 1951

Crop	**1950-51**	**1964-65**	**2010-11**
Rice	7.1	10.8	22.4
Wheat	6.6	9.1	29.4
Coarse Cereals	4.3	5.1	14.18
Pulses	4.0	5.2	6.9

Main Features of Indian Agriculture

(i) Source of livelihood: Agriculture is the main occupation. It provides employment to nearly 61% persons of total population. It contributes around 18 – 20 % to national income.

(ii) Dependence on monsoon: Agriculture in India mainly depends on monsoon. If monsoon is good, the production will be more and if monsoon is less than average then the crops fail. Sometimes floods play havoc with our crops. As irrigation facilities are quite inadequate, the agriculture depends on monsoon.

(iii) Labour intensive cultivation: Due is increase in population the pressure on land holding increased. Land holdings get fragmentated and subdivided and become uneconomical. Machinery and equipment can not be used on such farms.

(iv) Under employment: Due to inadequate irrigation facilities and uncertain rainfall, the production of agriculture is less, farmers find work a few months in the year. Their capacity of work cannot be properly utilised. In agriculture there is under employment as well as disguised unemployment.

(v) Small size of holdings: Due to large scale sub-division and fragmentation of holdings, land holding size is quite small. Average size of land holding was 2.3 hectares in India while in Australia it was 1993 hectares and in USA it was 158 hectares.

(vi) Traditional methods of production: In India methods of production of agriculture along with equipment are traditional. It is due is poverty and illiteracy of people. Traditional technology is the main cause of low production.

(vii) Low Agricultural production: Agricultural production is low in India. India produces 27 Qtls. wheat per hectare. France produces 71.2 Qtls per hectare and Britain 80 Qtls per hectare. Average annual productivity of an agricultural labourer is 162 dollars in India, 973 dollars in Norway and 2408 dollars in USA.

(viii) Dominance of food crops: 75% of the cultivated area is under food crops like Wheat, Rice and Bajra, while 25% of cultivated area is under commercial crops. This pattern is cause of backward agriculture.

ROLE OF AGRICULTURE IN ECONOMIC DEVELOPMENT

1. Contribution to National Income: The lessons drawn from the economic history of many advanced countries tell us that agricultural prosperity contributed considerably in fostering economic advancement. It is correctly observed that, "The leading industrialized countries of today were once predominantly agricultural while the developing economies still have the dominance of agriculture and it largely contributes to the national income. In India, still 28% of national income comes from this sector.

2. Source of Food Supply: Agriculture is the only major source of food supply as it is providing regular supply of food to such a huge size of population of our country. It has been estimated that about 60 per cent of household consumption is met by agricultural products.

3. Pre-Requisite for Raw Material: Agricultural advancement is necessary for improving the supply of raw materials for the agro-based industries especially in developing countries. The shortage of agricultural goods has its impact upon on industrial production and a consequent increase in the general price level. It will impede the growth of the country's economy. The flour mills, rice shellers, oil & dal mills, bread, meat, milk products sugar factories, wineries, jute mills, textile mills and numerous other industries are based on agricultural products.

4. Source of Livelihood: In India over two-thirds of our working population are engaged directly on agriculture and also similarly depend for their livelihood. According to an estimate, about 66 per cent of our working population is engaged in agriculture at present in comparison to that of 2 to 3 per cent in U.K. and U.S.A., 6 per cent in France and 7 per cent in Australia. Thus the employment pattern of our country is very much common to other under-developed countries of the world.

5. Employment Opportunities for rural population: Agriculture sector provides employment to nearly 58.4 per cent of the country's workforce and is the single largest private sector occupation particularly in rural area.

6. Provision of Surplus: The progress in agricultural sector provides surplus for increasing the exports of agricultural products. In the earlier stages of development, an increase in the exports earning is more desirable because of the greater strains on the foreign exchange situation needed for the financing of imports of basic and essential capital goods.

7. Contribution to Capital Formation: Underdeveloped and developing countries need huge amount of capital for its economic development. In the initial stages of economic development, it is agriculture that constitutes a significant source of capital formation.

8. Helpful to Reduce Inequality: In a country which is predominantly agricultural and overpopulated, there is greater inequality of income between the rural and urban areas of the country. To reduce this inequality of income, it is necessary to accord higher priority to agriculture. The prosperity of agriculture would raise the income of the majority of the rural population and thus the disparity in income may be reduced to a certain extent.

9. Creation of Infrastructure: The development of agriculture requires roads, market yards, storage, transportation railways, postal services and many others for an infrastructure creating demand for industrial products and the development of commercial sector.

10. Source of Government Revenue: Agriculture is one of the major sources of revenue to both the Central and State Governments of the country. The Government is getting a substantial income from rising land revenue. Some other sectors like railway, roadways are also deriving a good part of their income from the movement of agricultural goods.

MAJOR AGRICULTURAL PROBLEMS OF INDIA

1. Small and fragmented land-holdings: The seemingly abundance of net sown area of 141.2 million hectares and total cropped area of 189.7 million hectares (1999-2000) pales into insignificance when we see that it is divided into economically unviable small and scattered holdings.

2. Seeds: Seed is a critical and basic input for attaining higher crop yields and sustained growth in agricultural production. Distribution of assured quality seed is as critical as the production of such seeds. Unfortunately, good quality seeds are out of reach of the majority of farmers, especially small and marginal farmers mainly because of exorbitant prices of better seeds.

3. Manures, Fertilizers and Biocides: Indian soils have been used for growing crops over thousands of years without caring much for replenishing. This has led to depletion and exhaustion of soils resulting in their low productivity. The average yields of almost all the crops are among t e lowest in the world. This is a serious problem which can be solved by using more manures and fertilizers.

4. Irrigation: Although India is the second largest irrigated country of the world after China, only one-third of the cropped area is under irrigation. Irrigation is the most important agricultural input in a tropical monsoon country like India where rainfall is uncertain, unreliable and erratic India cannot achieve sustained progress in agriculture unless and until more than half of the cropped area is brought under assured irrigation.

5. Lack of mechanisation: In spite of the large scale mechanisation of agriculture in some parts of the country, most of the agricultural operations in larger parts are carried on by human hand using simple and conventional tools and implements like wooden plough, sickle, etc.

6. Soil erosion: Large tracts of fertile land suffer from soil erosion by wind and water. This area must be properly treated and restored to its original fertility.

7. Agricultural Marketing: Agricultural marketing still continues to be in a bad shape in rural India. In the absence of sound marketing facilities, the farmers have to depend upon local traders and middlemen for the disposal of their farm produce which is sold at throw-away price.

8. Inadequate storage facilities: Storage facilities in the rural areas are either totally absent or grossly inadequate. Under such conditions the farmers are compelled to sell their produce immediately after the harvest at the prevailing market prices which are bound to be low. Such distress sale deprives the farmers of their legitimate income.

9. Inadequate transport: One of the main handicaps with Indian agriculture is the lack of cheap and efficient means of transportation. Even at present there are lakhs of villages which are not well connected with main roads or with market centres.

10. Scarcity of capital: Agriculture is an important industry and like all other industries it also requires capital. The role of capital input is becoming more and more important with the advancement of farm technology. Since the agriculturists' capital is locked up in his lands and stocks, he is obliged to borrow money for stimulating the tempo of agricultural production.

NATIONAL AGRICULTURAL POLICY 2000

The first ever National Agriculture Policy was announced on 28th July, 2000. The formulation of Agriculture Policy had been under consideration of the Government for the last few years as a comprehensive National Agriculture Policy was absolutely essential to build on the inherent strength of the agriculture and allied sectors to address the constraints and to make optimal use of resources and opportunities emerging as a result of advancement in science and technology and emerging of a new economic regime.

National Agriculture Policy seeks to actualize vast untapped growth potential of Indian Agriculture, strengthen rural infrastructure to support faster agricultural development, promote value addition, accelerate the growth of agro-business create employment in rural areas, secure affair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalization and globalization over the next two decades.

NEW AGRICULTURAL STRATEGY

FEATURES OF NEW AGRICULTURAL STRATEGY

1. Consolidation of Land Holdings:

Land ownership rights to the tillers and basic forward outlook Punjab farmers were the basic reason for providing ground to the green revolution in the northern India.

2. Improved Variety of Seeds: Agricultural revolution is primarily due to the miracle of improved varieties of seeds which have increased yields per acre.

3. Greater Intensity of Cropping: The new agricultural strategy is not only concerned with higher yield but also with greater intensity of cropping. Therefore, new crop rotations have been made possible by developing short duration varieties of paddy, jowar, bajra and maize which are suited to different agro-climatic conditions. In the same way, other crops like barley, oilseed, potato and vegetables have also been considered for rotation.

4. Extension of Irrigation: In the areas, where new agricultural strategy is being applied, irrigation facilities are speedily being expanded to assure the adequate water supply. During the last 10-12 years, there has occurred a remarkable growth of tube-wells, pump-sets etc.

5. Modern Farm Machinery: Modern farm machinery like tractors, harvesters, pumping sets, tube-well, etc. are being increasingly used and are replacing the bullocks. Being, time saving, use of modern machinery in agriculture is conducive to multiple cropping. Because of accuracy and timelines of use of inputs by machines, the costs have been reduced.

6. Role of Public Institutions: Several new public institutions like National Seeds Corporation, Agro Industries Corporations, National Co-operative Development Corporation etc. have been set up to promote services to the cultivators at door steps. Moreover, they have been provided with sufficient funds to lend liberal loans to peasants to adopt latest farm technology.

7. Package of Inputs: The main thrust of the new agricultural strategy is the application of the package of improved practices. In other words, it aimed at making the cultivators to adopt simultaneously all the elements needed for augmenting production. The main constituents of the package practices are improved seed, fertilizers, plant protection measures and water use etc.

8. Guaranteed Minimum Prices: The guaranteed minimum prices have been given due recognition as an incentive to agricultural production. Support price policy for food-grains was adopted in 1964 throughout the country. In order to advice the govt. for suitable price policies for agriculture, Agricultural Price Commission was set up in the subsequent years. Similarly, Food Corporation of India was also set up to purchase food-grains.

9. Agricultural Research and Education: A number of measures have been adopted in this direction of facilitate organisation and development of agricultural research. The Indian Council of Agricultural Research was reorganised in 1965. Agricultural Universities have been set up in most of the states which were conceived as combining the function of education, research and extension.

10. Plant Protection Measures: As pests and diseases have been causing severe damage to crops, plant protection has been considered another major component of new agricultural strategy. This programme includes seeds treatment, intensive aerial and ground spraying against insects, weed control and rodent control.

LAND TENURE

At the time of independence, there existed three types of proprietary land tenures in the country. The term land tenure is used to refer to the terms and conditions on which land is held and used.

1. The Zamindari or Landlord Tenure: Lord Cornwallis is considered to be the father of Zamindari system in India. He introduced this system for the first time in 1793 in West Bengal and was later adopted in other states as well. Under this system, the land was held by a person who was responsible for the payment of land revenue. They could acquire the land mostly free of charge from the government during the British rule and it is called estate. Landlords never cultivated the land they owned and rented them out to the cultivators. The amount of land revenue may either be fixed once one for all when it was called ?permanent settlement? or settlement with regard to land revenue may only be temporary and may, therefore, be revised after every 30-40 years, as the practice may be. The Zamindari system is known as absentee landlordism. In this system between the actual state and the tiller there grew an intermediary who was interested in the land only to the extent of extraction of exorbitant rent. The Zamindari tenure covered about 57 percent of the area of the country.

2. Ryotwari System: It took its birth in 1792 in Madras at the hands of Caption Read and Thomas Menro and was later extended to other states. Under this system, the responsibility of paying land revenue to the Government was of the cultivator himself and there was no intermediary between him and the state. The ryot had full right regarding sale, transfer and leasing of land and could not be evicted from the land as long as he pays the land revenue. But the settlement of land revenue under ryotwari system was done on a temporary basis and are periodic, after 20, 30 or 40 years.

3. The Mahalwari or The Joint Village Tenure: This system was introduced by William Bentinck in Agra and Oudh and was later extended to Madhya Pradesh and Punjab. Under this system, the village communities held the village lands commonly and it was joint responsibility of these communities to make payments of the land revenue.

Thus the overall system of collection of revenue was based on exploitation. The British government snatched away whatever surplus above the minimum subsistence the cultivator produced. The latter were forced to lead a wretched life of slavery and deprivation. Under the above-mentioned systems the practice of cultivation by tenants became widely prevalent. These tenants were also exploited in a number of ways. It was basically to stop the exploitation of the actual tillers of the soil and pass on the ownership of the land to them that land reforms introduced in the post-independence period in India.

4. Jagirdari System: This system was found mainly in the former princely states of Rajasthan. Under this system jagirs were granted to certain military commanders, ministers and courtiers who took revenue for their own support or for the military force which they were obliged to maintain.

This system thus created a class of unproductive mass of people by granting them jagir lands. The Rajasthan Jagir Abolition Act was passed in 1952 and implemented in the year 1954. This put an end to Jagirdari Tenancy system in Rajasthan.

LAND REFORM

Meaning:

In a narrow sense, land reforms mean "the redistribution of property rights in land for the benefit of small farmers and agricultural labourers". In the broader sense, land reforms include two types of institutional changes. One relates to agrarian relations and the other to the size of the unit of cultivation.

A United Nations publication has defined land reforms as measures concerning the reform of the land tenure only. All other measures are included in "agricultural reorganisation". According to Lipton, land reforms are only those reforms in land tenure which improve the distribution of income among the persons affected by these measures.

Objectives:

Land reforms are agrarian reforms. These reforms are undertaken to attain some objectives in the field of agriculture. The following are the major objectives of land reforms policy.

1. Increasing productivity: Increase in production constitutes the most important objective of land reforms. In the Indian context land has been used as a 'good' in two ways, one as a major source of making a living and the other as a source of making money. As a source of living, it is essential that almost everyone should possess land. By a source of making money is meant a change in tenure in such a way that the resources are most efficiently utilized in agriculture.

2. Ensuring Social Justice: So far as the Directive Principles of State Policy of our Constitution is concerned, the property or resources of the community should be equally distributed. Since land constitutes the main asset of the society, it should be distributed equally. This would ensure social justice.

3. Attaining a planned growth: A self-sustaining planned growth can be attained through a system of land reforms. Land reforms provide ownership rights to the cultivators. They come in direct contact with the government. All plans and programmes made by the government for the development of agriculture receive direct participation of the owner-peasants. Hence it becomes easier for the planners to formulate and implement suitable policies for agrarian reforms.

4. Providing incentives: If a farmer happens to be a farmer-in-tenancy, he has no incentive to work hard in the field to increase productivity. This requires providing full guarantee to the cultivator to get the full benefits from his labour and investment. The provisions of security of tenancy, rent regulation and conferment of ownership provide a congenial atmosphere in which the farmers feel sure of reaping the fruits of their labour.

5. Creating Employment Opportunities: An important objective of land reforms is to create employment opportunities in the rural sector. Land reforms ultimately lead to redistribution of land holdings. Small farm holdings are made because of such distribution of the existing cultivable lands among large numbers of farmers. Experiments have demonstrated that small holdings create more employment opportunities than large holdings as per hectare basis.

CAUSES OF FAILURE OF LAND REFORMS

1. Deficiency of Reliable Records: The absence of concurrent evaluation and reliable (up-to-date) records is the biggest hurdle for the slow progress of land reforms. After forty five years of land reforms, the reporting system is weak and irregular. There has been no systematic review of progress at periodic intervals. No efforts are being made to make comprehensive concurrent evaluation. Wrong records are maintained with deliberate mala-fide motives. Therefore, it is not possible to identify obstacles in the way of implementation of land reform.

2. Lack of Financial Support: Lack of financial support is still another hindrance in the way of land reforms. No separate allocation of funds was made in the Five Year Plans for financing land reforms. Many- states declined to include even expenditure of such essential items like the preparation of survey, record in their plan budget. Thus, lack of adequate budget support in any form is largely responsible for the poor results of its implementation.

3. Lack of Integrated Approach: Another reason for the failure of land reforms in India was the lack of integrated approach such as abolition of intermediary tenures, tenancy reforms and ceiling of holdings etc. They lack proper co-ordination in the programmes. It means that land reform programmes has been viewed in isolation from the mainstream of economic development programme.

4. Improper Implementation: The responsibility for the implementation of land reforms rests with the revenue administration in almost all the states. To implement land reforms is only one among its many functions. On the other hand, high priority was allotted for the maintenance of public order collection of land revenue and other regulatory functions. Thus, land reforms do not get required attention.

5. Legal Hurdles: Legal problems and constraints also stand in the way of implementation of land reforms in the country. The Task Force has specifically stated that, "Whatever little chance of success was there, has completely incorporated because of the loopholes in the laws and protracted litigation." The land reform laws were defective in many ways; some loopholes were deliberately built in, while others were the results of poor drafting.

6. Lack of Pressure from Below: The Task Force of Planning Commission has observed "except in few scattered and localized pockets, practically all over the country the poor peasants and agricultural workers are passive, un-organized and non co-operative." The fundamental problem lies in the fact that the beneficiaries of land reforms do not constitute a homogeneous social or economic group. In such circumstances, it is little wonder that there has been no pressure from below for its effective implementation of land reforms.

7. Lack of Political Will: The Task Force was of the view that there was lack of political will in the enactment of progressive measures of land reforms and their efficient implementation. Efficient implementation requires far hard political decisions and effective political support, direction and control. The Task Force has correctly pointed out "the task of political will is amply demonstrated by the large gaps between policy and legislation and between law and implementation." Thus, it is admitted fact that political will is not forthcoming due to the existence of democratic political power structure of the country.

8. Indifferent Attitude of the Administration: In all the states, the whole responsibility for the implementation or measures of land reforms is with the revenue administration. But it is a sorry state of affair that the attitudes of the administrative staff is quite indifferent and even their behaviour is cold. Besides the village functionaries like patwaries, Karamcharies, Karnams, Sombogs etc. are largely under the influence of landlords. They have, in fact, proved non-co-operative.

REMEDIAL MEASURES FOR LAND REFORMS IN INDIA

(i) Abolition of intermediaries: Abolition of zamindari and similar intermediary tenures during 1950-55 essentially involved removal of intermediary levels or layers of various amorphous and parasitic groups in land between the State and the actual cultivators. However, such abolition of intermediaries involved compensation to the owners of land.

As a result of this measure, about 2.5 crore farmers were brought into direct relationship with the State. This facilitated distribution of 61 lakh hectares of land to landless farmers.

(ii) Tenancy Reforms:

Tenancy legislations have taken three forms:

a) Regulation of rent,

b) Providing security of tenure, and

c) Conferring rights of ownership for tenants.

Rent payable to the landowners should not exceed one-fifth to one-fourth of the gross produce of land. Tenancy Legislations have made it clear that in no case the tenants can be evicted except only in the situation where landlords themselves want to resume cultivation. Avery important aspect of land reform is the conferment of ownership rights to tenants in respect of non-resumable land.

(iii) Ceiling on Landholdings: To reduce the existing disparities in the pattern of land-ownership and make some land available for distribution to landless agricultural workers, the Second Plan (1956-1961) recommended the imposition of ceilings on agricultural holdings.

(iv) Consolidation of Landholdings: Fragmented and subdivided landholdings as well as small-sized holdings have made Indian agriculture un-remunerative. So consolidation of these lands is necessary to boost efficiency and economy in India’s agriculture. It has been completed in the states of Punjab, Haryana and Uttar Pradesh.

Till December 2001, nearly, 163.3 lakh acres of land or 1 /3rd of the total cultivated area have been consolidated.

AGRICULTURAL MARKETING IN INDIA

Concept of Agricultural Marketing

Agricultural marketing system is an efficient way by which the farmers can dispose their surplus produce at a fair and reasonable price. Improvement in the condition of farmers and their agriculture depends to a large extent on the elaborate arrangements of agricultural marketing.

The term agricultural marketing include all those activities which are mostly related to the procurement, grading, storing, transporting and selling of the agricultural produce.

Thus, Prof. Faruque has rightly observed:

"Agricultural marketing comprises all operations involved in the movement of farm produce from the producer to the ultimate consumer. Thus, agricultural marketing includes the operations like collecting, grading, processing, preserving, transportation and financing."

Present State of Agricultural Marketing in India:

(i) Sale in Villages: The first method open to the farmers in India is to sell away their surplus produce to the village moneylenders and traders at a very low price, The moneylender and traders may buy independently or work as an agent of a bigger merchant of the nearly mandi. In India more than 50 per cent of the agricultural produce are sold in these village markets in the absence of organised markets.

(ii) Sale in Markets: The second method of disposing surplus of the Indian farmers is to sell their produce in the weekly village markets popularly known as 'hat' or in annual fairs.

(iii) Sale in Mandis: The third form of agricultural marketing in India is to sell the surplus produce though mandis located in various small and large towns. There are nearly 1700 mandis which are spread all over the country. As these mandis are located in a distant place, thus the farmers will have to carry their produce to the mandi and sell those produce to the wholesalers with the help of brokers or 'dalals'.

These wholesalers of mahajans again sell those farm produce to the mills and factories and to the retailers who in turn sell these goods to the consumers directly in the retail markets.

(iv) Co-Operative Marketing: The fourth form of marketing is the co-operative marketing where marketing societies are formed by farmers to sell the output collectively to take the advantage of collective bargaining for obtaining a better price.

(v) Regulated Markets: Organised marketing of agricultural commodities has been promoted throughout the country through a network of regulated markets, whose basic objective is to ensure reasonable prices to both farmers and consumers by creating a conducive market environment for fair play of supply and demand.

PROBLEMS/ISSUES OF AGRICULTURAL MARKETING IN INDIA

1. Lack of Storage Facility: There is no proper storage or warehousing facilities for farmers in the villages where they can store their agriculture produce. Every year 15 to 30 per cent of the agricultural produce are damaged either by rats or rains due to the absence of proper storage facilities. Thus, the farmers are forced to sell their surplus produce just after harvests at a very low and un-remunerative price.

2. Distress Sale: Most of the Indian farmers are very poor and thus have no capacity to wait for better price of his produce in the absence of proper credit facilities. Farmers often have to go for even distress sale of their output to the village moneylenders-cum-traders at a very poor price.

3. Lack of Transportation: In the absence of proper road transportation facilities in the rural areas, Indian farmers cannot reach nearby mandis to sell their produce at a fair price. Thus, they prefer to sell their produce at the village markets itself.

4. Unfavourable Mandis: The condition of the mandis are also not at all favourable to the farmers. In the mandis, the farmers have to wait for disposing their produce for which there is no storage facilities. Thus, the farmers will have to lake help of the middleman or dalal who lake away a major share of the profit, and finalizes the deal either in his favour or in favour of arhatiya or wholesalers. A study made by D.S. Sidhu revealed that the share of middlemen in case of rice was 31 per cent, in case of vegetable was 29.5 per cent and in case of fruits was 46.5 per cent.

5. Intermediaries: A large number of intermediaries exist between the cultivator and the consumer. All these middlemen and dalals claim a good amount of margin and thus reduce the returns of the cultivators.

6. Unregulated Market's: There are huge number of unregulated markets which adopt various malpractices. Prevalence of false weights and measures and lack of grading and standardization of products in village markets in India are always going against the interest of ignorant, small and poor farmers.

7. Lack of Market Intelligence: There is absence of market intelligence or information system in India. Indian farmers are not aware of the ruling prices of their produce prevailing in big markets. Thus, they have to accept any un-remunerative price for their produce as offered by traders or middlemen.

8. Lack of Organization: There is lack of collective organization on the part of Indian farmers. A very small amount of marketable surplus is being brought to the markets by a huge number of small farmers leading to a high transportation cost. Accordingly, the Royal Commission on Agriculture has rightly observed, "So long as the farmer does not learn the system of marketing himself or in cooperation with others, he can never bargain better with the buyers of his produce who are very shrewd and well informed."

9. Lack of Grading: Indian farmers do not give importance to grading of their produce. They hesitate to separate the qualitatively good crops from bad crops. Therefore, they fail to fetch a good price of their quality product.

10. Lack of Institutional Finance: In the absence of adequate institutional finance, Indian farmers have to come under the clutches of traders and moneylenders for taking loan. After harvest they have to sell their produce to those moneylenders at unfavorable terms.

11. Unfavorable Conditions: Farmers are marketing their product under advice circumstances. A huge number of small and marginal farmers are forced by the rich farmers, traders and moneylenders to fall into their trap to go for distress sale of their produce by involving them into a vicious circle of indebtedness. All these worsen the income distribution pattern of the village economy of the country.

REMEDIAL MEASURES FOR IMPROVEMENT OF AGRICULTURAL MARKETING

(i) Eliminating Middlemen: In order to ensure a fair and satisfactory market for agricultural produce, elimination of middlemen is very much required. Such middlemen between the farmers and the ultimate consumers usually disturb the normal functioning of the market.

(ii) Freedom from Moneylenders: Easy finance facility should be developed so as to set free the farmers from the clutches of moneylenders who often force them to go for distress sale of their output.

(iii) Storage Facility: Suitable agricultural marketing structure needs an improved and adequate storage capacity in the form of modern warehouses and cold storages. Such facilities can raise the holding capacity of farmers for getting a remunerative price of their product.

(iv) Bargaining Capacity: The poor bargaining capacity of the farmers arising out of poor holding capacity should he improved for getting price of their produce in the market.

(v) Regulated Markets: A good number of regulated markets should be set up throughout the country for removing the practice of exploitation of farmers by the middlemen. Weights and measures are also to be modernized.

(vi) Adequate Transport Facility: For developing satisfactory agricultural marketing cheaper and adequate means of transport must be developed so that farmer can take their produce in urban market or mandis.

(vii) Agricultural Marketing Societies: Agricultural marketing co-operative societies should be formed throughout the country for developing a better marketing structure.

(viii) Market Intelligence: Proper arrangement should be made through mass media coverage to pass correct and updated information to the farmers about ruling prices and marketing operations.

AGRICULTURAL CREDIT IN INDIA

Agricultural credit is considered as one of the most basic inputs for conducting all agricultural development programmes. In India, there is an immense need for proper agricultural credit as Indian farmers are very poor. From the very beginning, the prime source of agricultural credit in India was moneylenders.

After independence, the Government adopted the institutional credit approach through various agencies like co-operatives, commercial banks, regional rural banks etc. to provide adequate credit to farmers, at a cheaper rate of interest. Moreover, with growing modernisation of agriculture during the post-green revolution period, the requirement of agricultural credit has increased further in recent years.

TYPES OF AGRICULTURAL CREDIT

Considering the period and purpose of the credit requirement of the farmers of the country, agricultural credit in India can be classified into three major types

- **Short term credit:** The Indian farmers require credit to meet their short term needs viz., purchasing seeds, fertilizers, paying wages to hired workers etc. for a period of less than 15 months. Such loans are generally repaid after harvest.
- **Medium-term credit:** This type of credit includes credit requirement of farmers for a medium period ranging between 15 months and 5 years and it is required for purchasing cattle, pumping sets, other agricultural implements etc. Medium-term credits are normally larger in size than short term credit.
- **Long term credit:** Farmers also require finance for a long period of more than 5 years just for the purpose of buying additional land or for making any permanent improvement on land like the sinking of wells, reclamation of land, horticulture etc. Thus, the long term credit requires sufficient time for the repayment of such loan.

SOURCES OF AGRICULTURAL CREDIT IN INDIA

I. Non-Institutional Sources:

(i) Moneylenders: From the very beginning moneylenders have been advancing a major share of farm credit.

Moneylenders are of two different types:

(a) Professional moneylenders

(b) Agriculturist moneylenders.

(ii) Traders and Commission agents: Traders and commission agents are also advancing loan to the agriculturist for productive purposes before the maturity of crops and then force the farmers to sell their crops at very low prices and charge heavy commission. This type of loans is mostly advanced for cash crops.

(iii) Relatives: Cultivators are also normally borrowing fund from their own relatives in times of their crisis both in terms of cash or kind. These loans are a kind of informal loans and carry no interest and are normally returned after harvest.

(iv) Landlords: In India, small as well as marginal farmers and tenants are also taking loan from the landlords for meeting their financial requirements. This source has been following all the ill-practices followed by money-lenders, traders etc.

II. Institutional Sources:

(i) Co-operative Credit Societies: The cheapest and the best source of rural credit in India is definitely the co-operative finance. In India the active primary agricultural credit societies (PACS) cover nearly 86 per cent of the Indian villages and account for nearly 36 per cent of the total rural population of the country. The share of co-operatives in the total agricultural credit increased to nearly 40 per cent in 1996 as compared with only 3 per cent in 1951-52.

(ii) Land Development Banks: Land development banks are advancing long term co-operative credit for 15-20 years to the farmers against the mortgage of their lands for its permanent improvement, purchasing agricultural implements and for repaying old debts. The number of state land development banks (SLDBs) increased from 5 in 1950-51 to 19 as on June 1986 which again consisted of 2447 Primary Land Development Banks (PLDBs) branches.

(iii) Commercial Banks: In the initial period, the commercial banks of our country have played a marginal role in advancing rural credit. In 1950-51, only 1 per cent of the agricultural credit was advanced by the commercial banks. But after the nationalisation of commercial banks in 1969, the commercial banks started to extend financial support both directly and indirectly and also for both short and medium periods.

(iv) Regional Rural Banks: As per the recommendations of working Group on Rural Banks the Regional Rural Banks (RRBs) were established in 1975 for supplementing the commercial banks and co-operatives in supplying rural credit. Since 1975 these Regional Rural Banks are advancing direct loans to small and marginal farmers, agricultural labourers and rural artisans etc. for productive purposes.

(v) Government: Another important source of agricultural credit is the Government of our country. These loans are known as taccavi loans and are lend by the Government during emergency or distress like famine, flood etc. The rate of interest charged against such loan is as low as 6 per cent.

PROBLEMS REGARDING AGRICULTURAL CREDIT IN INDIA

1. **Insufficiency**: In spite of the expansion of rural credit structure, the volume of rural credit in the country is still insufficient as compared to its growing requirement arising out of the increase in prices of agricultural inputs.

2. **Inadequate amount of sanction**: The amount of loan sanctioned to the farmers by the agencies is also very much inadequate for meeting their different aspects of agricultural operations. Considering the amount of loan sanctioned as inadequate and insignificant, the farmers often divert such loan for unproductive purposes and thereby dilute the very purpose of such loan.

3. **Lesser attention of poor farmers**: Rural credit agencies and its schemes have failed to meet the needs of the small and marginal farmers. Thus, lesser attention has been given on the credit needs of the needy farmers whereas the comparatively well-to-do farmers are getting more attention from the credit agencies for their better creditworthiness.

4. **Inadequate institutional coverage**: In India, the institutional credit arrangement continues to be inadequate as compared to its growing needs. The development of co-operative credit institutions like Primary agricultural credit societies, land development

banks, commercial banks and regional rural banks, have failed to cover the entire rural farmers of the country.

5. **Red tapism**: Institutional agricultural-credit is subjected to red-tapism. Credit institutions are still adopting cumbersome rules and formalities for advancing loan to farmers which ultimately force the farmers to depend more on costly non-institutional sources of credit.

SOLUTIONS

i. To monitor the taccavi loan offered by the Government in a serious manner.

ii. Co-operative credit societies should be organised to make it efficient and purposeful for delivering the best in terms of rural credit. Moreover, these societies may be transformed into a multi-purpose society with sufficient funding capacity.

iii. Middlemen existing between credit agencies and borrowers should be eliminated.

iv. Reserve Bank of India should arrange sufficient fund so that long term loans can be advanced to the farmers.

v. Power and activities of the Mahajans and moneylenders should be checked so as to declare an end to the exploitation of farmers.

vi. The banks should adopt procedural simplification for credit delivery through rationalisation of its working pattern.

vii. In order to check the fraud practices adopted by the farmer, for getting loans from different agencies by showing same tangible security, a credit card should be issued against each farmer which will show the details about the loans taken by them from different agencies.

viii. Credit should also monitor the actual utilisation of loans by developing an effective supervisory mechanism.

AGRICULTURAL LABOR

Agricultural labor is that person who works on another land, does not participate in farm management and its maintenance, and receives money or a portion of the harvest in consideration for his service. He neither has any rights regarding the land, nor does he have to bear any risk regarding the farm. Briefly by agricultural labor we mean' such laborers who ***"earn their livelihood by working on agricultural farms."***

DEFINITION

According to Second Agricultural Labor Investigation society

Agricultural labor refers to that person who receives more than half of the income from agriculture. The agricultural labor family refers to that family, whose more than half of the income from agriculture.

Problems of Agricultural Labor in India

1. Excess Working Hours: The working hours of these laborer are not only irregular but also excessive. They have to work since morning to late night. His working hours change with harvest, season and work.

2. Seasonal Employment: The agricultural labor does not get work for the whole year. According to the Second Agricultural Labor Investigation Society, a Seasonal labor gets an average of 197 days of work in a year. Similarly, child labor gets 204 days and women get 141 days of employment. Thus, their average annual income is very lower.

3. Low Wages: The wage level of agricultural labors very low as compared to that of industrial labor. It has two reasons

- increase in landless laborers
- lack of non-agricultural areas of work in rural areas.

4. Agricultural Slavery: Majority of agricultural laborers are landless and of backward classes. Due to their lower social status they are treated as animals. Big land owners make them work as slaves. They are used as laborers and in return given minimum wages.

5. Indebtedness: Due to lower income, the indebtedness of agricultural farmers is increasing. They hesitate in negotiating their wages with the land owners in the fear that their services would be terminated. The laborers remain indebted even after working with the land owners for their whole life.

6. Not United: Since the agricultural laborers are spread in millions of village all over the country they lack unity. Thus, they are unable to negotiate their wages etc. with the land owners by uniting themselves.

7. Exploitation of Child and Women Laborers: Due to lower income the children and women of agricultural laborers are also forced to work for their livelihood. The child and women laborers are made to work more for livelihood. Thus, exploitation of child labor and woman labor is a major problem in the field of agriculture.

8. Lower Social Status: Most of the agricultural laborers are of backward classes who have been exploited since centuries. Due to this reason also their social status is lower.

9. Shortage of Other Jobs: There is shortage of other jobs in villages. Thus, if the crop is destroyed by floods, famines etc., it becomes difficult for the agricultural labor to survive.

10. Housing Problem: The landless laborers have no private house. They live in cottages, made on the useless land of the landowners with their permission and in its return they have to work without payment, for the landowners. When a number of people live under the same root, the physical, social, moral and religious problem arises.

11. Unemployment due to mechanization: At the present times, due to increase in the use of machines, unemployment rate among the illiterate agricultural farmers is increasing, which is a serious problem for them.

FOOD GRAINS

India is the second largest producer of food grains globally. India houses numerous varieties of cereals and pulses that are largely consumed domestically. However, especially rice like basmati have made a mark in the global markets as well. As per 3 rd Advance Estimates, the estimated production of major crops during 2016-17 is as under:

Table 3: Major Cash crop production in India during 2016-17

Sl. No	Horticulture crops	Production Quantity in Million Tonnes
1	*Sugarcane*	*4.38*
2	*Oil Seeds (*groundnut, mustard, coconut, sesame, soybean, castor seeds, cotton seeds, linseed and sunflower)	26.20
3	*Cotton*	*10.84*
4	*Jute*	*0.76*
5	*Tea*	*1.2*
6	*Coffee*	*0.3*
7	Tobacco	0.7
8	*Rubber*	0.69

Table 4: Major Horticulture crop production in India during 2016-17

Sl. No	**Horticulture crops**	**Production Quantity in Million Tonnes**
1	Banana	30.275
2	Citrus	12.053
3	Grapes	2.784
4	Guava	3.615
5	Jack fruit	1.722
6	Mango	20.295
7	Pineapple	1.969
8	Sapota	1.252
9	Watermelon	2.169
10	Total Vegetables	176.177
11	Total Plantation crops (Arecanut, Cashew, Coconut, etc)	18.353
12	Total Spices (Cardamom, Chillies, Clove, Pepper, Turmeric, etc)	8.202

Table 5: Major Food grain production in India during 2016-17

Sl. No	Food Grain	Production Quantity in Million Tonnes
1	Rice	109.15
2	Wheat	97.44
3	Coarse Cereals	44.39
4	Maize	26.14
5	Pulses	22.40
	Total Major Food grains	**273.38**

FOOD PROBLEMS IN INDIA

India has been facing food problems since long period. During Second World War India experienced a severe food crisis leading to a phenomenal increase in the prices of foodgrains. Again in 1943, Bengal faced a serious Agriculture and its Development in India famine where nearly 3.5 million people died out of starvation.

Factors Responsible for Food Problem in India:

(i) High Rate of Population Growth: The population of India is increasing at a very high rate. The annual average growth rate of population in India has declined slightly from -2.5 per cent during the decade 1961-71 and 1971-81 to 2.1 percent in 1981-91 and then to 1.9 per cent in 1991-2001.

The size of population has become more than double during the post-independence period which has raised the aggregate demand for foodgrains significantly. Thus, this ever increasing size of population is responsible for the persisting food problem in the country.

(ii) High Marginal Propensity to Consume: Due to acute poverty the marginal propensity to consume of the people of India is very high. This is mainly due to high income elasticity of demand for food articles. With the increase in money income, the demand for food articles of average Indian is increasing rapidly leading to a huge pressure in the food market.

(iii) Inadequate Increase in the Production of Foodgrains: In the pre-green revolution period, the production of foodgrains in India was totally inadequate. It is only due to adoption of new agricultural strategy the production of foodgrains has reached the level of 233.9

million tonnes in 2008-09. But considering the high rate of growth of population to (2.5 per cent per annum) this rate of increase in foodgrains production is totally inadequate.

Thus, the per capita net availability of foodgrains has failed to increase substantially as it has increased marginally from 494.4 grams per day in 1965 to 509.9 grams per day in 1991.

(iv) Hoarding of Foodgrains: There is a continuous tendency on the part of traders in India to hoard foodgrains and to accentuate the shortage of foodgrains in order to push up the prices for reaping extraordinary profit. Thus, this speculation and hoarding has created artificial crisis of foodgrains in the country.

(v) Increase in Farm Consumption: In India the farm consumption of foodgrains is increasing with the increase in agricultural output. Thus, due to this increasing home consumption the marketable surplus of foodgrains could not increase substantially.

(vi) Corrupt Administrative Practices: To improve the food situation in the country, the Government has imposed various measures like price controls, rationing, zoning, surprise checks etc. But as the administrative machinery in India is totally corrupt, these measures failed to provide any benefit to the general masses of the country.

FOOD POLICY OF GOVERNMENT OF INDIA

Food policy of Government of India Soon after independence, the government took the problem of shortage of food grains seriously. Several important measures have been taken by government to solve this problem. These measures may be enumerated as follows:

1. Increase in Production of Food grains by Green Revolution: Agricultural development has been accorded top priority in almost all the Five Year Plans. Several programmes have been launched to increase agricultural production and productivity such as intensive farming, multi - crop programme, development of high yielding varieties of seeds, intensive use of fertilizers. As a result of these efforts, production of food grains has increased from 50.8 million tones in 1950-51 to 291.95 million tones in 2019-2020.

2. Import of Food grains : To meet the shortage of food grains, the government has been importing food grains from time to time. 48 lakh tonnes of food grains were imported in 1951 which increased to 103 lakh tonnes in 1966. Since 1996, the imports have been almost nil.

3. Procurement of food grains: Government adopted the system of procurement of food grains. Under the system, government procures food grains from market every year. For this purpose, procurement prices or minimum support prices are announced by government every year for all the important food grains and all the government purchases are made at these prices. It helps in protecting farmers against the malpractices of traders and commission agents.

4. Public Distribution of Food grains : Government adopted public distribution system to ensure fair distribution of food grains at controlled prices. Under the system, fair price shops are opened. Each such shop is envisaged to serve a population of about 2000. As of now (2018-19), there were about 5.00 lakh fair price shops (Ration shops) in the country. These shops supply rice, wheat, sugar, edible oils and kerosene to people in certain quantity at controlled prices.

5. Buffer Stock Scheme: Government started a scheme of maintaining buffer stock of important food grains to ensure their regular supply throughout the year. Whenever there is a rise in their prices, government releases them from buffer stock to stabilize prices. Buffer stock operations are normal these days and they have become a normal part of the food policy of Government of India.

Establishment of Specific Institutions: A number of specific institutions have been established by government to promote agricultural production and productivity and to ensure regular supply and fair distribution of food grains. Important institutions are: National Seeds Corporation, Agro-industries Corporation, Agricultural Prices Commission, Food Corporation of India, Fertilizer Corporation of India, etc.

Agricultural Research & Development: Government is taking serious steps to promote agricultural research and development. A number of agricultural universities and Indian Council of Agricultural Research (ICAR) have been established to undertake research activities.

NATIONAL FOOD SECURITY ACT 2013

- The National Food Security Act, 2013 (NFSA 2013) converts into legal entitlements for existing food security programmes of the Government of India.
- It includes the Midday Meal Scheme, Integrated Child Development Services scheme and the Public Distribution System.
- The Midday Meal Scheme and the Integrated Child Development Services Scheme are universal in nature whereas the PDS will reach about two-thirds of the population (75% in rural areas and 50% in urban areas).
- Under the provisions of the bill, beneficiaries of the Public Distribution System (or, PDS) are entitled to 5 kilograms (11 lb) per person per month of cereals at the following prices:
  - Rice at Rs. 3.00 /per kg
  - Wheat at Rs. 2.00 per kg
  - Coarse grains (millet) at Rs. 1.00 per kg.

AGRICULTURAL FINANCE

1. Land Development Banks (LDBs)
2. Regional Rural Banks (RRBs)
3. National Bank for Agriculture and Rural Development (NABARD)

LAND DEVELOPMENT BANKS

Land Development Banks in India are of quasi-commercial type. Although they are all registered under the Co-operative Societies Act, they are associations of borrowers as well as non-borrowers organized on the principle of limited liability.

The working capitals of LDBs are raised from share capital, deposits and debentures, and borrowings from the State Bank of India, commercial banks and the State Co-operative Banks. However, a large part of their funds are raised through long-term debentures. The debentures can be issued only by the Central Land Development Banks and not by the Primary Land Development Banks.

Under its federal structure, the LDB consists of two-tier institutions: (i) the Central Land Development Bank at the State level, and (ii) the Primary Land Development Bank at the district or Taluka level.

1. Primary Land Development Bank at district level with branches at taluk level: These banks were originally organized to cover one or a few taluks in the district. At present they are eligible to cover one development block. All land owners are eligible to become members and borrow funds by mortgaging their land.

2. Central Land Development Bank: These members of the CLDBs are the PLDBs and a few individual promoters. It grants long-term loans to agriculturists through the PLDBs and branches of CLDBs. It raises funds through floating debentures, which are guaranteed by the State Government. When PLDB obtains loan from the CLDB, it assigns the mortgage deeds obtained from the borrowers to the CLDB. The CLDB floats debentures and raises funds against the security of these properties. The NABARD and LIC subscribe for the debentures in large amounts and the former also extends refinance assistance to LDBs.

All primary Land Development Banks are federated into Central Land Development Bank at the State Level. In some States, there is " Unitary structure" wherein, there is only one State Land Development Bank at the state level operating through its branches and sub-branches at district and below levels.

Several defects have been noticed on the operational side of the LDBs.

1. They charge very high rates of interest.

2. On account of red-tapism, there are the usual delays up to more than a year in granting loans.

3. No second loans are given until the first one is repaid.

4. They give loans only up to 50 per cent of the value of the land mortgaged. Thus, a very high margin is kept.

5. They adopt complicated procedures which ultimately force the illiterate farmers to resort to moneylenders to meet their financial requirements.

ROLE OF RRB's IN RURAL CREDIT

The Regional Rural Banks (RRBs) aimed at providing credit and other facilities to the small and marginal farmers, agricultural labourers, artisans and small entrepreneurs in rural areas.

The RRB Act, 1986, empowers the Central Government to establish in a State or Union Territory one or more RRBs when any sponsor bank makes such a request. The sponsor bank assists the RRB in many ways by subscribing to its share capital, by helping in its establishment, by assisting in recruitment and training of its cadre, and in general providing such managerial and financial assistance sought by the RRB.

The RRB functions within the local limits as specified by government notification. It can have its branches at any place as notified by the government.

Structure and Organization of the RRB:

The authorized capital of an RRB is fixed at Rs. 1 crore and its issued capital at Rs. 2 lakhs. Of the issued capital, 50 per cent is to be subscribed by the Central Government, 15 per cent by the concerned State Government and the rest 35 per cent by the sponsoring bank.

The working and affairs of the RRB are directed and managed by a Board of Directors consists of a Chairman, three directors to be nominated by the Central Government, and not more than two directors to be nominated by the State Government concerned, and not more than 3 directors to be nominated by the sponsoring bank. The chairman is appointed by the Central Government and his term of office does not exceed five years.

The following is the decision making hierarchy of officials in a Regional Rural Bank.

- Board of Directors
- Chairman & Managing Director
- General Manager
- Assistant General Manager
- Regional Manager/Chief Manager
- Senior Manager
- Manager
- Officer
- Office Assistant
- Office Attendant

Regional Rural Banks were established with the following objectives in mind:

1. Taking the banking services to the doorstep of rural masses, particularly in hitherto unbanked rural areas. Identify the financial need specifically in rural areas.
2. Making available institutional credit to the weaker section of the society who had by far little or no access to cheaper loans and had perforce been depending on the private money lenders. To enhance banking & financing facilities in backward or unbanked areas.
3. Mobilise rural savings and channelize them for supporting productive activities in rural areas.
4. To provide finance to the weaker sections of society like small farmers, rural artisans, small producer, rural labourers etc.
5. To create a supplementary channel for the flow the central money market to the rural areas through refinances.
6. To provide finance to co-operative societies, Primary Credit societies, Agricultural marketing societies.
7. To provide finance to co-operative societies, Primary Credit societies, Agricultural marketing societies.
8. Enhance & improve banking facilities to semi urban, rural & other untapped market. With these objectives in mind, knowledge of the local language by the staff is an important qualification.

Functions of the RRB:

a. Granting of loans and advances to small and marginal farmers and agricultural labourers, whether individually or in groups, and to co-operative societies, agricultural processing societies, co-operative farming societies, primarily for agricultural purposes or for agricultural operations and other related purposes;
b. Granting of loans and advances to artisans, small entrepreneurs and persons of small means engaged in trade, commerce and industry or other productive activities within its area of co-operation; and
c. Accepting deposits.

Table 6: State wise list of Regional Rural Banks

Presently there are 45 RRBs in India. On 1 April 2020 the Bank Reduced from 45 to 36

Name of State	Name of RRB	Name of State	Name of RRB
Andhra Pradesh	• Andhra Pragathi Grameena Bank (i) Chaitanya Godavari Grameena Bank (ii) Saptagiri Grameena Bank	Jharkhand	• Jharkhand Rajya Gramin Bank
Arunachal Pradesh	• Arunachal Pradesh Rural Bank	Karnataka	• Karnataka Gramin Bank • Karnataka Vikas Grameena Bank
Assam	• Assam Gramin Vikash Bank	Kerala	• Kerala Gramin Bank
Bihar	• Dakshin Bihar Gramin Bank • Uttar Bihar Gramin Bank	Madhya Pradesh	• Madhyanchal Gramin Bank • Madhya Pradesh Gramin Bank
Chhattisgarh	• Chhattisgarh Rajya Gramin Bank	Maharashtra	• Maharashtra Gramin Bank • Vidharbha Konkan Gramin Bank • Wainganga Krishna Gramin Bank
Gujarat	• Baroda Gujarat Gramin Bank • (i) Saurashtra Gramin Bank	Manipur	• Manipur Rural Bank
Haryana	• Sarva Haryana Gramin Bank	Meghalaya	• Meghalaya Rural Bank
Himachal Pradesh	• Himachal Pradesh Gramin Bank	Mizoram	• Mizoram Rural Bank
Nagaland	• Nagaland Rural Bank	Odisha	• Odisha Gramya Bank • Utkal Grameen Bank
Puducherry	• Puduvai Bharathiar Grama Bank	Punjab	• Punjab Gramin Bank
Rajasthan	• Baroda Rajasthan Kshetriya Gramin Bank • Rajasthan Marudhara Gramin Bank	Tamil Nadu	• Tamil Nadu Grama Bank
Telangana	• Telangana Grameena Bank • (i) Andhra Pradesh Grameena Vikas Bank	Tripura	• Tripura Gramin Bank •
Uttar Pradesh	• Aryavart Bank • Prathama UP Gramin Bank • Baroda UP Bank • (i) Purvanchal Bank • (ii) Baroda UP Gramin Bank • (iii) Kashi Gomti Samyut Gramin Bank	Uttarakhand	• Uttarakhand Gramin Bank
West Bengal	• Bangiya Gramin Vikash Bank • (i) Paschim Banga Gramin Bank • (ii) Uttarbanga Kshetriya Gramin Bank	Jammu and Kashmir	• J&K Grameen Bank • (i) Ellaquai Dehati Bank

ROLE OF NABARD IN RURAL CREDIT

The National Bank for Agriculture and Rural Development is popularly referred to as NABARD.

NABARD is designated as an apex development bank in the country. This national bank was established in 1982 by a Special Act of the Parliament, with a mandate to uplift rural India by facilitating credit flow in agriculture, cottage and village industries, handicrafts and small-scale industries. It is also required to support non-farm sector while promoting other allied economic activities in rural areas. NABARD functions to promote sustainable rural development for attaining prosperity of rural areas in India.

It is basically concerned with "matters concerning policy, as well as planning and operations in the field of credit for agriculture and other economic activities in rural areas in India". It is worth noting with reference to NABARD that RBI has sold its own stake to the Government of India. Therefore, Government of India holds 99% stake in NABARD.

Role of NABARD:

- It is an apex institution which has power to deal with all matters concerning policy, planning as well as operations in giving credit for agriculture and other economic
- it is a refinancing agency for those institutions that provide investment and production activities in the rural areas. Credit for promoting the several developmental programs for rural development.
- It is improving the absorptive capacity of the credit delivery system in India, including monitoring, formulation of rehabilitation schemes, restructuring of credit institutions, and training of personnel.
- It co-ordinates the rural credit financing activities of all sorts of institutions engaged in developmental work at the field level while maintaining liaison with Government of India, and State Governments, and also RBI and other national level institutions that are concerned with policy formulation
- It prepares rural credit plans, annually, for all districts in the country.
- It also promotes research in rural banking, and the field of agriculture and rural development.

med under IRDP.

- It provides refinance for IRDP accounts in order to give highest share for the support for poverty alleviation programs run by IRDP.
- Other than the activities included under IRDP, it also makes the service area plan, to provide backward and forward linkages and also infrastructural support.
- NABARD also prepares guidelines for promotion of group activities under its programs and provides 100% refinance support for them.
- It is making efforts to establish linkages between Self-Help Group (SHG) that are organized by voluntary agencies for poor and needy in rural areas and other official credit agencies.
- It refinances to the complete extent for those projects that are taken under the ‘National Watershed Development Programme’ and the ‘National Mission of Wasteland Development’.
- It also has a system of District Oriented Monitoring Studies, under which, study is conducted for a cross section of schemes that are sanctioned in a district to various banks, to ascertain their performance and to identify the constraints in their implementation, it also initiates appropriate action to remedy them.
- It also supports Vikas volunteer Vahini programs which offer credit and development activities to poor farmers.
- It also inspects and supervises the cooperative banks and RRBs to periodically ensure the development of the rural financing and farmers’ welfare.
- NABARAD also recommends about licensing for RRBs and Cooperative banks to RBI.
- NABARD also provides assistance and support for the training and development of the staff of various other credit institutions that are engaged in credit distributions.
- It also runs programs for agriculture and rural development.
- It is engaged in regulations of the cooperative banks and the RRB’s, and manages their talent acquisition through IBPS CWE conducted across the country.

SOME OF THE MILESTONES IN NABARD'S ACTIVITIES ARE:

A. Business Operations:

a. **Production Credit:** NABARD sanctioned aggregating of 66,418 crore short term loans to Cooperative Banks and Regional Rural Banks (RRBs) during 2012-13, against which, the maximum outstanding was 65,176 crore.

b. **Investment Credit :** Investment Credit for capital formation in agriculture & allied sectors, non-farm sector activities and services sector to commercial banks, RRBs and co-operative banks reached a level of 17,674.29 crore as on 31 March 2013 registering an increase of 14.6 per cent, over the previous year.

c. **Rural Infrastructure Development Fund (RIDF):** Through the Rural Infrastructure Development Fund (RIDF) 16,292.26 crore was disbursed during 2012-13. A cumulative amount of 1,62,083 crore has been sanctioned for 5.08 lakh projects as on 31 March 2013 covering irrigation, rural roads and bridges, health and education, soil conservation, drinking water schemes, flood protection, forest management etc.

B. New Business Initiatives:

a. **NABARD Infrastructure Development Assistance (NIDA):** NABARD has set up NIDA, a new line of credit support for funding of rural infrastructure projects. The sanctions under NIDA during the year 2012-13 was 2,818.46 crore and disbursement was 859.70 crore.

b. **Producers Organisations Development Fund (PODF):** In its endeavour to support Producer’s Organizations in a comprehensive manner, NABARD sanctioned as assistance of 55.95 crore out of Producer Organization Development Fund (PODF) to 34 PO’s during 2012-13. The disbursement amounted to 29.18 crore covering major activities like dairy, fishery, marketing infrastructure and agro processing infrastructure.

c. **Direct refinance assistance to CCBs for short term multipurpose credit:** Direct refinance assistance to CCBs was conceived and additional line of finance for CCBs in the light of recommendations of the “Task Force on Revival of Short Term Rural Cooperative Credit Structutre, which enables the latter to raise financial resources other than from StCBs. During 2012-13, refinance assistance aggregating 3,385 crore was sanctioned to 42 CCBs and three StCBs and disbursement stood at 2,363.45 crore.

d. **Support to develop PACS as Multi Service Centres:** Keeping in mind the wide coverage of PACS at the ground level and the limited products at their disposal, NABARD extended financial support to StCBs/CCBs/PACS to develop PACS as Multi Service Centre (MSCs) so as to serve as “one Stop Shop”unit for meeting the various requirements of the farmers. During 212-13,747 PACS were supported with sanction of 141.17 crore and the disbursements there against stood at 48.84 core, assistance for establishment of agro service, processing, storage and information centres, etc.

e. **NABARD Initiated Project on Core Banking Solutions (CBS) in Co-operatives :** Through Core Banking Solution (CBS), Co-operatives are being brought to a higher technology platform so as to compete with other banks for business and growth. The programme made rapid strides with 5,543 branches of 163 banks across 10 States joining the platform in the first phase and 42 banks joining in the second phase, a total of 7,088 branches of 205 StCBs and CCBs across 16 States and three UTs came into the umbrella of the programme as on 31 March 2013.

C. Development Initiatives:

a. **Watershed Development Fund (WDF):** The cumulative number of watershed projects sanctioned under Watershed Development Fund (WDF) stood at 586 in 16 States covering an area of 5.40 lakh ha with total commitment (loan and grant component) of 306.36 crore as on 31 March 2013.

b. **Farm Innovation and Promotion Fund (FIPF) and Farmers’ Technology Transfer Fund (FTTF):** The funds were created out of the operating profits of NABARD to support innovative ventures and to support technology transfer in farm sector and its corpus stood at 50.00 crore and 61.21 crore respectively as on 31 March 2013. Grant assistance of 9.90 croreand 39.79 crore, respectively, were disbursed for various interventions under the programme during 2012-13.

c. **Farmers’ Clubs:** With the launching of 24,802 new Farmers’ Clubs during the year, the number of clubs reached 1.27 lakh as on 31 March 2013.

d. **Umbrella Programme on Natural Resource Management (UPNRM):** UPNRM aims to boost rural livelihoods by supporting community-managed sustainable natural resource management projects. Assistance of 174.30 crore was sanctioned during 2012-13 taking the cumulative sanction to 386.92 crore as at the end of March 2013.

The cumulative disbursement under the programme amounted to 217.57 crore, including 207.23 crore as loan and 10.34 crore as grant.

e. **Tribal Development Fund (TDF):** During the year 2012-13, financial assistance of 224.26 crore was sanctioned for 69 projects benefiting 53,700 tribal families in 14 States. The cumulative sanction as on 31 March 2013 was 1,432 crore, covering 3.80 lakh families in 484 projects across 26 States/UTs.

f. **Financial Inclusion Fund (FIF) and the Financial Inclusion Technology Fund (FITF) :** As on 31 March 2013, the cumulative sanctions under FIF and FITF were 181.64 crore and 365.49 crore, respectively againstwhich disbursements were 69.77 crore and 201.30 crore, respectively.

g. **SHG-Bank Linkage Programme:** As on 31 March 2013, there were more than 73.18 lakh savings linked Self Help Groups (SHG) and more than 44.51 lakh credit-linked SHGs covering over 10.3 crore poor households under the micro-finance programme. NABARD carried forward its guiding role in the microfinance programme during 2012-13 by taking a host of new initiatives and consolidating some of the already operational interventions.

AGRICULTURAL WAREHOUSING AND MARKETING

STORAGE AND WAREHOUSING

Storage is an important marketing function, which involves holding and preserving goods from the time they are produced until they are needed for consumption.

- The storage of goods, therefore, from the time of production to the time of consumption, ensures a continuous flow of goods in the market.
- Storage protects the quality of perishable and semi-perishable products from deterioration;
- Some of the goods e.g., woolen garments, have a seasonal demand. To cope with this demand, production on a continuous basis and storage become necessary;
- It helps in the stabilization of prices by adjusting demand and supply;
- Storage is necessary for some period for performance of other marketing functions.
- Storage provides employment and income through price advantages.

Types of Warehouse

Underground Storage Structures

Underground storage structures are dugout structures similar to a well with sides plastered with cowdung. They may also be lined with stones or sand and cement. They may be circular or rectangular in shape. The capacity varies with the size of the structure.

Advantages

- Underground storage structures are safer from threats from various external sources of damage, such as theft, rain or wind.
- The underground storage space can temporarily be utilized for some other purposes with minor adjustments; and
- The underground storage structures are easier to fill up owing to the factor of gravity.

Surface storage structures

Food grains in a ground surface structure can be stored in two ways - bag storage or bulk storage.

Bag storage

- Each bag contains a definite quantity, which can be bought, sold or dispatched without difficulty;
- Bags are easier to load or unload.
- It is easier to keep separate lots with identification marks on the bags.
- The bags which are identified as infested on inspection can be removed and treated easily; and
- The problem of the sweating of grains does not arise because the surface of the bag is exposed to the atmospheres.

Bulk or loose storage

Advantages

- The exposed peripheral surface area per unit weight of grain is less. Consequently, the danger of damage from external sources is reduced; and
- Pest infestation is less because of almost airtight conditions in the deeper layers.
- The government of India has made efforts to promote improved storage facilities at the farm level.

WAREHOUSING IN INDIA

Central warehousing corporation (CWC)

This corporation was established as a statutory body in New Delhi on 2nd March 1957. The Central Warehousing Corporation provides safe and reliable storage facilities for about 120 agricultural and industrial commodities.

Functions

- To acquire and build godowns and warehouses at suitable places in India.
- To run warehouses for the storage of agricultural produce, seeds, fertilizers and notified commodities for individuals, co-operatives and other institutions,
- To act as an agent of the govt. for the purchase, sale, storage and distribution of the above commodities.
- To arrange facilities for the transport of above commodities.
- To subscribe to the share capital of state Warehousing corporations and
- To carry out such other functions as may be prescribed under the Act.
- The Central Warehousing Corporation is running air-conditioned godowns at Calcutta, Bombay and Delhi, and provides cold storage facilities at Hyderabad.
- Special storage facilities have been provided by the Central Warehousing Corporation for the preservation of hygroscopic and fragile commodities.
- The corporation has also evolved techniques for the storage of spices, coffee, seeds and other commodities.

State Warehousing Corporations (SWCs)

Separate warehousing corporations were also set up in different States of the Indian Union. The areas of operation of the State Warehousing Corporations are centres of district importance. The total share capital of the State Warehousing Corporations is contributed equally by the concerned State Govt. and the Central Warehousing Corporation.

Food corporation of India (FCI)

Apart from CWC and SWCs, the Food Corporation of India has also created storage facilities. The Food Corporation of India is the single largest agency which ahs a capacity of 26.62 million tones.

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UNIT 3 – INDIAN ECONOMY – SBA1301

SYLLABUS: UNIT 3 – INDUSTRY

Role of Industry in economic development - Industrial Policy of the Government of India since Independence –Small scale and cottage industries: role and Government policy - Industrial Labour – Relations and Labour Legislations – Trade Unions and Social Security Schemes.

INTRODUCTION TO INDUSTRIES IN INDIA

The industrial sector is one of the main sectors that contribute to the Indian GDP. The country ranks fourteenth in the factory output in the world. The industrial sector is made up of manufacturing, mining and quarrying, and electricity, water supply, and gas sectors. This is also known as the **secondary sector of the economy.** The industrial sector accounts for around 29.6% of the India GDP and it employs over 17% of the total workforce in the country. **(at current prices) in 2018-19.**

GROWTH OF MODERN INDUSTRY

The processing and manufacturing of secondary products were earlier done with the help of simple tools. It used manual and muscle or animal power. Such activities were generally confined to individual's home. Gradually simple tools were replaced by more and more sophisticated powerful machines. They run with the help of energy derived from water, coal or mineral oil. These machines required big space and large workplace. Thus, mills or factories were established. Goods could be produced faster and there is uniformity in quality. The use of machine called for specialization and division of labour. The entire process was divided into a number of small steps following a definite sequence. Each worker was responsible for only a small part of the job which he could do more quickly and efficiently.

CLASSIFICATION OF INDUSTRIES

Industries are classified in different ways- on the basis of:

- The raw materials
- Size of the industrial unit
- Ownership

1. Industries on the basis of raw materials

Industries are grouped under two broad categories on the basis of the raw materials they use. Industries obtaining raw materials from agriculture are called agro-based industries, for example, Food-processing, sugar and cotton industries. The other groups of industries, using minerals as their raw materials, are called mineral-based industries such as iron and steel, aluminium, cement and copper industry.

2. Industries on the basis of size of the industrial unit

Industries may also be classified on the basis of the size of industrial units both in terms of the member of employees and the amount invested in setting up the plant and the running cost. Accordingly there are large, medium and small-scale industries. Iron and steel, cotton textiles and oil refining are examples of large scale industries.

Most of the industrial units in India come under the category of medium and small-scale industries. If the industrial unit is small, having very few people employed and the amount of money invested is also not very high, it is called a small-scale industry. A wide variety of goods such as carving on woods, making of cane furniture and other items, weaving of cloth or handlooms, making pickles etc. are produced in very small units mostly in homes with the help of family members only. These industries are known as cottage industries.

3. Industries on the basis of Ownership

Depending upon the nature of ownership, the industries may be classified as private, co-operative, public and joint-sector industries. An industry owned and managed by an individual or a group of individuals is called a private sector industry.

If the ownership of an industry belongs to co-operatives, it is called a cooperative Sector (formed by a group of people) industry. If the Government- Central or the State- is the owner of an industry, it is called a public sector industry. Industries set up, owned and managed in co-operation between the government and the private initiatives are called joint sector industries. In recent years, a number of industries have been set up in collaboration with foreign investors. They are called multinational companies (MNCs).

MAJOR INDUSTRIES

a. Textiles Industry: Cotton, jute, silk, wool and synthetic are different varieties of natural fibres providing raw material for the textile industry. The first modern cotton textile industry was set up in India in Mumbai in 1854. It shares about 1/3rd of the total export earnings.Rayon, nylon and terrene are examples of synthetic fibres. There are over 1, 500 cotton man-made fibre mills. Most of them are in private sector. The cotton and the man-made fiber industry are concentrated mainly in Gujarat, Maharashtra and Tamil Nadu. A substantial production is also obtained from the handloom sector.

b. The Jute Industry: This is traditionally export-oriented. This industry is located mostly in West Bengal on both sides of the river Hugli.

c. The Wool and Silk Industries: These industries have comparatively small percentage of share in the total output of fabrics. The wool textile mills are located in Amritsar, Dhariwal Srinagar, Mumbai, Jamnagar, Kanpur and Bangalore. The silk industry is located in Mysore, Kanchipuram, Murshidabad, Varanasi and Srinagar.

d. Sugar Industry: The sugarcane is the raw material for this industry. Maharashtra is an important producer of sugarcane. Here the cultivation of sugarcane and the sugar industry are under co-operative sector. India is one of the major sugar producers of the world.

e. Iron and Steel Industry: The modern iron and steel industry was set up in Kulti, West Bengal in 1870. However the first large scale plant got underway with the establishment of Tata Iron and Steel Company (TISCO) in 1907 at Jamshedpur. Iron and steel industries are also established at Burnpur, Bhadravati, Vijainagar, Durgapur, Bhilai, Bokaro Rourkela, and Vishakhapatnam. Besides, there is an alloy steel plant at Durgapur and stainless steel plant at Salem. Except for TISCO, all other steel plants are owned and managed by the government.

f. Engineering Industries: The HMT(Hindustan Machine Tools Limited) produces a large variety of big and small machines. Its plants are located in Bangalore, Pinjore, Hyderabad, Kalamassery (Kerala) and Srinagar (Jammu and Kashmir).

g. Oil refining: India imports crude oil from a number of West Asian countries. In order to refine crude oil, several oil refineries have been set up in different parts of the country. The oldest refinery is Digboi in Assam. Others are at Noonmati, Haldia, Bongaigaon, Barauni, Mathura, Vishakhapatnam, Chennai, Cochin, Mumbai and Koyali (Vadodara).

h. Chemical industry: India produces a wide variety of chemicals such as sulphuric acid, soda ash, caustic soda, phenol and dyes. It contributes about 12% of the total export from India.

ROLE OF INDUSTRIES IN ECONOMIC DEVELOPMENT

1. Modernisation of Industry: Industrial development is necessary for modernisation of agriculture. In India, agriculture is traditional and backward. The cost of production is high and productivity is low. We need tractors, threshers, pump sets and harvesters to modernise agriculture. To increase productivity, we need chemical fertilizers, pesticides and weedicides etc. These are all industrial products. Without industrial development, these goods cannot be produced. Agricultural products like jute, cotton, sugarcane etc. are raw materials. To prepare finished products like flex, textiles and sugar etc. we need industrialisation. So industrial development is necessary for modernisation of agriculture.

2. Development of Science and Technology: Industrial development encourages the development of science and technology. The industrial enterprises conduct research and develop new products. Ethanol in the form of biofuel is an example of industrial development. Industry conducts research on its wastes and develops byproducts like biodiesel from Jatropha seeds. Due to industrialisation, we have made progress in atomic science, satellite communication and missiles etc.

3. Capital Formation: Acute deficiency of capital is the main problem of Indian economy. In agricultural sector, the surplus is small. Its mobilisation is also very difficult. In large scale industries, the surplus is very high. By using external and internal economies, industry can get higher profit. These profits can be reinvested for expansion and development. So industrialisation helps in capital formation.

4. Industrialisation and Urbanisation: Urbanisation succeeds industrialisation. Industrialisation in a particular region brings growth of transport and communication. Schools, colleges, technical institutions, banking and health facilities are established near industrial base. Rourkela was dense forest but now is ultra modern town in Orissa. Many ancillary units have been established after setting up of big industry.

5. Self-reliance in Defence Production: To achieve self-reliance in defence production, industrialisation is necessary. During war and emergency dependence on foreign countries for war weapons may prove fatal. Self-reliance in capital goods and industrial infra-structure is also necessary. Atomic explosion at Pokhran (Rajasthan) and Agni Missile are examples of industrial growth.

6. Importance in International Trade: Industrialisation plays an important role in the promotion of trade. The advanced nations gain in trade than countries who are industrially backward. The underdeveloped countries export primary products and import industrial products. Agricultural products command lower prices and their demand is generally elastic. While industrial products command higher values & their demand is inelastic. This causes trade gap. To meet the deficit in balance of payments we have to produce import substitute products or go for export promotion through industrial development.

7. Use of Natural Resources: It is a common saying that India is a rich country inhabited by the poor. It implies that India is rich in natural resources but due to lack of capital and technology, these resources have not been tapped. Resources should be properly utilized to transform them into finished industrial products. The British people took India's cheap raw-materials for producing industrial goods in their country. India was used as a market for their industrial products. So India fought with poverty and England gained during industrial revolution. Hence industrialisation plays important role for proper utilisation of resources.

8. Alleviation of Poverty and Unemployment: Poverty and unemployment can be eradicated quickly through rapid industrialisation. It has occurred in industrially advanced countries like Japan. The slow growth of industrial sector is responsible for widespread poverty and mass unemployment. So with fast growth of industrial sector, surplus labour from villages can be put into use in industry.

9. Main Sector of Economic Development: Industry is viewed as leading sector to economic development. We can have economies of scale by applying advanced technology and division of labour and scientific management. So production and employment will increase rapidly. This will bring economic growth and capital formation.

10. Fast Growth of National and Per Capita Income: Industrial development helps in the rapid growth of national and per capita income. The history of economic development of advanced countries shows that there is a close relation between the level of industrial development and the level of national and per capita income. For instance, the share of industrial sector to national income was 26% and the per capita income in year 2000 was 36,240 dollar in USA.

11. Sign of Higher Standard of Living and Social Change: A country cannot produce goods and services of high quality in order to attain decent living standard without the progress of industrial sector.

PROBLEM IN INDUSTRIAL DEVELOPMENT

1. Poor Capital Formation: Poor rate of capital formation is considered as one of the major constraint which has been responsible for slow rate of industrial growth in India.

2. Political Factors: During the pre-independence period, industrial policy followed by the British rulers was not at all favourable for the interest of the country. Thus, India remained a primary producing country during 200 years of British rule which ultimately retarded the industrial development of the country in its early period.

3. Lack of Infrastructural Facilities: India is still backward in respect of its infrastructural facilities and it is an important impediment towards the industrialization of the country. Thus in the absence of proper transportation (rail and road) and communication facilities in many parts of the country, industrial development could not be attained in those regions in-spite of having huge development potentialities in those areas.

4. Poor Performance of the Agricultural Sector: Industrial development in India is very dependent on the performance of the agricultural sector. Thus, the poor performance of the agricultural sector resulting from natural factors is also another important factor responsible for industrial stagnation in the country.

5. Gaps between Targets and Achievements: In the entire period of planning excepting 1980s, industrial sector could not achieve its overall targets. During the first Three Plans, against the target of 7, 10.5 and 10.7 per cent industrial growth rate, the actual achievements were 6, 7.2, 9 per cent respectively. Since the Third Plan onwards, the gap between the targets and achievements widened.

6. Lack of Skilled and Efficient Personnel: The country has been facing the problem of dearth of technical and efficient personnel required for the industrial development of the country. In the absence of properly trained and skilled personnel, it has become very difficult to handle such highly sophisticated computerized machineries necessary for industrial development of the country.

7. Concentration of Wealth: The pattern of industrialisation in the country has been resulting in concentration of economic power in the hands of few large industrial houses and thus flailed to achieve the objective of planning in reducing concentration of wealth and economic power. As for example, Tatas with 38 companies substantially increased their assets from Rs. 375 crore in 1963- 64 to Rs. 14,676 crore in 1991-92.

8. Poor Performance of the Public Sector: In-spite of attaining a substantial expansion during the planning period, the performance of public sector enterprises remained all along very poor. A good number of such enterprises are incurring huge losses regularly due to its faulty pricing policy and lack of proper management necessitating huge budgetary provision every year. Thus, the public sector investment failed to generate required surpluses necessary for further investment in industrial sector of the country.

9. Regional Imbalances: Concentration of industrial development into some few states has raised another problem of imbalances in industrial development of the country. Western region comprising Maharashtra and Gujarat attained maximum industrial development whereas the plight, of the poor states are continuously being neglected in the process of industrialisation of the country in-spite of having a huge development potential of their own.

10. Industrial Sickness: Another peculiar problem faced by the industrial sector of the country is its growing sickness due to bad and inefficient management. As per the RBI estimate, a total number of sick industrial units in India were 1,71,316 as on 31st March, 2003 and these sick industrial units had involved an outstanding bank credit to the extent of Rs. 34,815 crore.

11. Regime of State Controls: Lastly, industrial inefficiencies resulting in perpetuation of regional state controls and regulatory mechanism are standing in the path of industrialisation of the country. In recent years, the Government has undertaken some serious measures to make necessary economic reforms in the industrial structure of both the public as well as private sectors of the country.

SUGGESTIONS FOR RAPID INDUSTRIAL GROWTH IN INDIA

1. Development of Research and Technology: In developed countries, continuous research is done on industrial problems and production processes etc. New avenues of development are explored through research on scientific and technical subjects. Now.work has been started on this subject here also.

2. Increase in Power Resources: India has insufficient power resources. Thus, expansion of power resources and establishment of new units should be done. The government should pay attention to this side to encourage industrial development. Power cuts have to be done from time to time which adversely affects production. Thus, solution of this problem is necessary.

3. Proper Use of Natural Resources: India has sufficient natural resources but due to their improper use industrial development has not been done. Thus, for industrial development proper use of natural resources is necessary. Those areas should be explored where possibilities of industrial development are more.

4. Establishment of Specialized Institutions: Much importance has been paid to establishment of specialized organizations and institutions to provide steadiness to industrial development. Various institutions are established in several states for the development of special Industries, but various other organisations are required in relation to this.

5. Efficient System of Industrial Management: Educated and skilled managers are required to run the industrial organizations properly, who are able to understand the complicated problems of industrialization and solve them quickly.

6. Encourage Capital Formation: For industrial development funds are very necessary, though India completely lacks it. Thus, savings should be encouraged more for capital formation.

7. Encouragement to Private Sector: The government should provide more and more facilities to the private sector so that the entrepreneurs come forward to invest more and new industries can be established and old industries are modernized.

8. Earnings in Foreign Exchange: India lacks funds completely. Thus, to establish Industries in India, foreign investors should be attracted. For this, government should provide them better facilities. In this way, new industries would be established, unemployment would be eliminated and foreign exchange be earned.

9. Rational Taxation Policy: A proper taxation policy also has an important place in industrial development. Inappropriate taxation, causes problems for industrial organisations, in their development. It is necessary that the needed areas have a liberal taxation policy to motivate them.

INDIAN INDUSTRIAL POLICIES

At the time of Independence, the Indian economy was facing severe problems of illiteracy, poverty, low per capita income, industrial backwardness, and unemployment. After India attained its Independence in 1947, a sincere effort was made to begin an era of industrial development. The government adopted rules and regulations for the various industries. This industrial policy introduction proved to be the turning point in Indian Industrial history.

INDUSTRIAL POLICY

Industrial policy is a document that sets the tone in implementing, promoting the regulatory roles of the government. It was an effort to expand the industrialization and uplift the economy to its deserved heights. It signified the involvement of the Indian government in the development of the industrial sector.

Objectives

The main objectives of the Industrial Policy of the Government in India are:

- to maintain a sustained growth in productivity;
- to enhance gainful employment;
- to achieve optimal utilisation of human resources;
- to attain international competitiveness; and
- to transform India into a major partner and player in the global arena.

LIST OF INDUSTRIAL POLICIES IN INDIA

I. Industrial Policy Resolution of 1948
II. Industrial Policy Statement of 1956
III. Indian Policy Statement, 1973
IV. Industrial Policy Statement, 1977
V. Industrial Policy of 1980
VI. New Industrial Policy, 1991

I. Industrial Policy of 1948

The first industrial policy after independence was announced on 6th April 1948. It was presented by Dr. Shyama Prasad Mukherjee then Industry Minister. The main goal of this policy was to accelerate the industrial development by introducing a mixed economy where the private and public sector was accepted as important in the development of the economy. It saw the Indian economy in socialistic patterns. The large industries were classified into four categories:

- **Industries with exclusive State Monopoly/Strategic industries:** It included industries engaged in the activity of atomic energy, railways and arms, and ammunition.
- **Industries with Government control:** This category included industries of national importance. 18 such categories were mentioned in this category such as fertilizers, heavy machinery, defense equipment, heavy chemicals, etc.
- **Industries with Mixed sector:** This category included industries that were allowed to operate independently in the private or public sector. The government was allowed to review the situation to acquire any existing private undertaking.
- **Industry in the Private sector:** Industries which were not mentioned in the above categories fall into this category. High importance was granted to small businesses and small industries, leading to the utilization of local resources and creating employment.

II. Industrial Policy Statement of 1956 :

Government revised its first Industrial Policy (i.e.the policy of 1948) through the Industrial Policy of 1956.

- It was regarded as the **"Economic Constitution of India" or "The Bible of State Capitalism".**
- The 1956 Policy emphasised the need to expand the public sector, to build up a large and growing cooperative sector and to encourage the separation of ownership and management in private industries and, above all, prevent the rise of private monopolies.
- It provided the basic framework for the government's policy in regard to industries till June 1991.

IPR, 1956 classified industries into three categories

- **Schedule A** consisting of 17 industries was the exclusive responsibility of the State. Out of these 17 industries, four industries, namely arms and ammunition, atomic energy, railways and air transport had Central Government monopolies; new units in the remaining industries were developed by the State Governments.
- **Schedule B,** consisting of 12 industries, was open to both the private and public sectors; however, such industries were progressively State-owned.
- **Schedule C-** All the other industries not included in these two Schedules constituted the third category which was left open to the private sector. However, the State reserved the right to undertake any type of industrial production.

III. Indian Policy Statement, 1973

Indian Policy Statement of 1973 identified high priority industries with investment from large industrial houses and foreign companies were permitted. Large industries were permitted to start operations in rural and backward areas with a view to developing those areas and enabling the growth of small industries around. And so the basic features of Indian Policy Statement were:

- The policy was directed towards removing the distortions, it provided for closer interaction between agriculture and industrial sector.
- Priority was given towards generation and transmission of power.

- The list of industries reserved for the small-scale sector was expanded.
- Special legislation was made to protect cottage and household industries were introduced.

IV. Industrial Policy Statement, 1977

In December 1977, the Janata Government announced its New Industrial Policy through a statement in the Parliament. Indian Policy Statement was announced by George Fernandes

- The main thrust of this policy was the effective **promotion of cottage and small industries** widely dispersed in rural areas and small towns.
- In this policy the **small sector was classified into three groups—**cottage and household sector, tiny sector and small scale industries.
- The 1977 Industrial Policy prescribed **different areas for large scale industrial sector-** Basic industries,Capital goods industries, High technology industries and Other industries outside the list of reserved items for the small scale sector.
- The 1977 Industrial Policy restricted the scope of large business houses so that no unit of the same business group acquired a dominant and monopolistic position in the market.
- It put emphasis on reducing the occurrence of labour unrest. The Government **encouraged the worker's participation in management** from shop floor level to board level.
- **Criticism:** The industrial Policy 1977, was subjected to serious criticism as there was an absence of effective measures to curb the dominant position of large scale units and the policy **did not envisage any socioeconomic transformation of the economy** for curbing the role of big business houses and multinationals.

V. Industrial Policy, 1980

The Congress government announced this policy on July 23rd, 1980. The features of this policy are:

- Promotion of balanced growth.
- Extension and simplification of automatic expansion.
- Taking over industrial sick units.

- Regulation and control of unauthorized excess production capabilities installed for industrial houses.
- Redefining the role of small-scale units.
- Improving the performance of the public sector.

VI. New Industrial Policy, 1991

The long-awaited liberalised industrial policy was announced by the Government of India in 1991 in the midst of severe economic instability in the country.

the main objective of providing facilities to market forces and to increase efficiency.

Larger roles were provided by

- L – Liberalization (Reduction of government control)
- P – Privatization (Increasing the role & scope of the private sector)
- G – Globalisation (Integration of the Indian economy with the world economy)

FEATURES OF NEW INDUSTRIAL POLICY

- **De-reservation of Public sector:** Sectors that were earlier exclusively reserved for public sector were reduced. However, pre-eminent place of public sector in 5 core areas like arms and ammunition, atomic energy, mineral oils, rail transport and mining was continued.

  Presently, only two sectors- Atomic Energy and Railway operations- are reserved exclusively for the public sector.
- **De-licensing:** Abolition of Industrial Licensing for all projects except for a short list of industries. There are only 4 industries at present related to security, strategic and environmental concerns, where an industrial license is currently required-
  - Electronic aerospace and defence equipment
  - Specified hazardous chemicals
  - Industrial explosives
  - Cigars and cigarettes of tobacco and manufactured tobacco substitutes

- **Disinvestment of Public Sector:** Government stakes in Public Sector Enterprises were reduced to enhance their efficiency and competitiveness.
- **Liberalisation of Foreign Investment:** This was the first Industrial policy in which foreign companies were allowed to have majority stake in India. In 47 high priority industries, upto 51% FDI was allowed. For export trading houses, FDI up to 74% was allowed.
    - Today, there are numerous sectors in the economy where government allows 100% FDI.
- **Foreign Technology Agreement:** Automatic approvals for technology related agreements.
- **MRTP Act** was amended to remove the threshold limits of assets in respect of MRTP companies and dominant undertakings. MRTP Act was replaced by the Competition Act 2002

SMALL SCALE AND COTTAGE INDUSTRIES IN INDIA

Small Scale Industries are industries in which the investment limit is up to a certain limit which was 1 crore initially and now has been increased to 5 crores. Cottage Industries are usually very small and are established in cottages or dwelling places.

In Small scale industry outside labour is used whereas in cottage industries family labour is used. SSI uses both modern and traditional techniques. Cottage industries depend on traditional techniques of production.

ROLE OF COTTAGE AND SMALL SCALE INDUSTRIES

1. Employment opportunities: Cottage and small industries provide employment to every sort to skilled people (skilled, semi-skilled and unskilled). It provides alternative job opportunities.

2. Utilization of local resources: Cottage and small scale industries are established in rural area by some local people. So, this type of industry uses the local resource available in that area.

3. Source of foreign currency: Cottage and small scale industry produce handicrafts, painting etc which attracts tourist. About 37% of total export is enveloped by the product of these industries. So, it is the source of foreign currency.

4. Government revenue: Since, 37% of total export is enveloped by cottage and small scale industries, government can even revenue through scales tax, income tax, export tax, vat etc. So, there is the ultimate increase in Government revenue.

5. Living standard: Cottage and small scale industries are simple and are operated with limited capital but also increases/upgrades living standard people can earn sufficient amount to sustain their life and fulfillment of their needs.

6. Cheaper Production : The small scale industry is labor-intensive while labor is cheap in subcontinental, so the production of small scale industry is cheaper. Due to low prices people purchase more goods and market expands.

7. Proper Distribution of Wealth: The small scale industry increases the income of the people and reduces the gap between rich and poor. We can reduce the poverty by expanding the small scale industry.

8. Establishment with Small Capital: We can establish these industries with small capital. In sub continental most of the people are poor, so they can start the production with small capital.

9. Development of Backward Areas: We can develop backward areas by establishing the small scale industry in these areas. It will remove poverty from backward areas.

PROBLEM OF COTTAGE AND SMALL SCALE INDUSTRY

1. Lack of rural infrastructure: Rural area is sympathies and have no infrastructure life is extremely difficult and hard to earn livelihood. To run an industry, infrastructure is essential but our country still lacks infrastructure.

2. Lack of skilled manpower: Our country does not have sufficient manpower basically skilled one Brain drain is the main problem. All skilled manpower moves abroad which is the major problem.

3. Lack of modern technology: Farmers in our country use traditional method of farming. They do not know about modern technology. They totally depend upon tradition. They depend upon monsoon rain and use low quality seed.

4. Lack of credit facilities: Farmers are poor and there is no proper banking facility in Nepal which lends money in low interest. So, farmers depend upon money- lender, traders etc and charge very high rate interest.

5. Limited market: Due to lack of infrastructure (communication and transportation) farmers do not get opportunity to sell their product in reasonable price.

6. Intermediary Exploitation: Intermediary or middlemen are the price maker of Nepalese economy. They exploit the entire economy. They charge very amount to farmers and sell/supply to market in very huge amount. They are the profit maker and exploiter.

GOVERNMENT POLICIES FOR SMALL AND COTTAGE INDUSTRIES INDIA

(a) Industrial Policy Resolution of 1948:

The IPR of 1948 stated that "Cottage and small scale industries have a very important role in the national economy. Offering as they do scope for individual, village or cooperative enterprise, and means for the rehabilitation of displaced persons. These industries are particularly suited for the better utilization of local resources and for the achievement of the local self-sufficiency in respect of certain types of essential consumer goods like food, cloth and agricultural implements". The IPR of 1948 reflected the emergence of a dualistic approach in government policy i.e. emphasis on both traditional and modern small scale sector. This approach has continued to form the basis of industrial policy towards the small scale sector ever since. The industrial Development and Regulation Act, 1951 which was promulgated in order to provide the organizational support to IPR of 1948 provide scope for a coordinated development of cottage and small scale industries within the general framework of large scale development programmes.

(b) Industrial Policy Resolution of 1956:

In 1955, Planning Commission setup a Committee on village and small scale industries popularly known as Karve Committee. The Committee recommended some important measures like:

(i) Reservation of certain items only for village and small scale industries;

(ii) Restriction of capacity expansion of large industry;

(iii) Management of supply of raw materials; and

(iv) A scheme of concessions and benefits to small producers.

(c) Industrial Policy Resolution of 1977:

The important features of the IPR were:

(i) 504 items were reserved for exclusive production in the small-scale industries.

(ii) The concept of District Industries Centres (DICs) was introduced so that in each district a single agency could meet all the requirements of SSIs under one roof.

(iii) Technological upgradation was emphasized in traditional sector.

(iv) Special marketing arrangements through the provision of services, such as, product standardization, quality control, market survey, were laid down.

(d) Industrial Policy Resolution of 1980"

Following measures were specified in the policy:

(i) Investment limit was raised for tiny, small, and ancillary units to Rs. 2 lakh, Rs. 20 lakh, and Rs. 25 lakh respectively.

(ii) "Nucleus plants" in each industrially backward district replaced the "district industries centers." These were to concentrate on assembling the products of SSIs and to produce inputs needed by large number of small units.

(iii) Reservation of items and marketing support for small industries was to continue.

(iv) Availability of credit to growing SSI units was continued.

(v) Buffer stocks of critical inputs were to continue.

(vi) Agricultural base was to strengthen by providing preferential treatment to agro based industries.

(vii) An early warning system was to establish to avoid sickness and take appropriate remedial measures.

(e) Industrial Policy Resolution of 1991:

Its incredible features are:

(i) SSIs were exempted from licensing for all articles of manufacture.

(ii) The investment limit for tiny enterprises was raised to Rs. 5 lakh irrespective of location.

(iii) Equity participation by other industrial undertakings was permitted up to a limit of 24 percent of shareholding in SSIs.

(iv) Factoring services were to launch to solve the problem of delayed payments to SSIs.

(v) Priority was accorded to small and tiny units in allocation of indigenous and raw materials.

(vi) Market promotion of products was emphasized through co-operatives, public institutions and other marketing agencies and corporations.

RECENT POLICY MEASURES FOR SMALL SCALE AND COTTAGE INDUSTRIES

(a) Comprehensive Policy Package for small scale and tiny sector, 2000

The Government of India announced a comprehensive policy package for the development and promotion of small scale and tiny sector which aims to improve the competitiveness of the sector.

The main focus of the policy package was:

(i) The exemption for excise duty limit raised from Rs.50 lakh to Rs. 1 crore.

(ii) The limit of investment was increased in industry related service and business enterprises from Rs. 5 lakh to Rs. 10 lakh.

(iii) The coverage of ongoing Integrated Infrastructure Development (IID) was enhanced to cover all areas in the country with 50 percent reservation for rural areas and 50 percent earmarking of plots for tiny sector.

(iv) The family income eligibility limit of Rs. 24000 was enhanced to Rs. 40000 per annum under the Prime Minister Rozgar Yojana (PMRY)

v) The scheme of granting Rs. 75000 to each small scale enterprise for obtaining ISO 9000 certification was continued till the end of 10th plan.

(b) Industrial Policy Packages for small scale industries, 2001-02

This policy emphasizes the following:

(i) The investment limit was enhanced from Rs. 1 crore to Rs. 5 crore for units in hosiery and hand tool sub sectors.

(ii) The corpus fund set up under the Credit Guarantee Fund Scheme was increased from Rs.125 crore to Rs.200 crore.

(iii) Credit Guarantee cover was provided against an aggregate credit of Rs. 23 crore till December 2001.

(iv) Fourteen items were de-reserved in June 2001 related to leather goods, shoes and toys.

(v) Market Development Assistant Scheme was launched exclusively for SSI sector.

(vi) Four UNIDO assisted projects were commissioned during the year under the Cluster Development Programme.

(c) Policy Package for small and medium enterprises, 2005-06

During the year 2005-06 the Government announced a policy package for small and medium enterprises.

The main features of this policy package were:

(i) The Ministry of Small Scale Industries has identified 180 items for dereservation.

(ii) Small and Medium Enterprises were recognized in the services sector, and were treated at par with SSIs in the manufacturing sector.

(iii) Insurance cover was extended to approximately 30,000 borrowers, identified as chief promoters in the small scale sector.

(iv) Emphasis was laid on Cluster Development model not only to promote manufacturing but also to renew industrial towns and build new industrial townships. The model is now being implemented, in nine sectors including khadi and village industries, handlooms, handicrafts, textiles, agricultural products and medicinal plants.

(d) Enactment of Micro, Small and Medium Enterprises Development Act, 2006

In May’ 2006, the President has amended the Government of India (Allocation of Business) Rules, 1961; Ministry of Agro and Rural Industries and Ministry of Small Scale Industries have been merged into a single Ministry, namely, “Ministry of Micro, Small and Medium Enterprises.Consequently the Micro, Small and Medium enterprises Development (MSMED) Act was enacted, which provides the first ever legal framework for recognition of the concept ‘enterprises’ against ‘industries’ and integrating the three tiers of these enterprises viz. micro, small and medium and clearly fixed the investment limits for both manufacturing and service enterprises. It also provides for a statutory consultative mechanism at the national level with wide representation of all sections of stakeholders, particularly the three classes of enterprises. The Act also makes provisions for establishment of specific funds for the promotion, development and enhancement of competitiveness of these enterprises, progressive credit policies and practices, preference in Government procurements to products and services of the micro and small enterprises, more effective mechanism for mitigating the problems of delayed payments and simplification of the process of closure of business by all three categories of enterprises.

INDUSTRIAL LABOUR IN INDIA

Labour in India refers to employment in the economy of India. In 2012, there were around 487 million workers in India, the second largest after China. Of these over 94 percent work in unincorporated, unorganised enterprises ranging from pushcart vendors to home-based diamond and gem polishing operations.The organised sector includes workers employed by the government, state-owned enterprises and private sector enterprises. In 2008, the organised sector employed 27.5 million workers, of which 17.3 million worked for government or government owned entities.

INDUSTRIAL RELATIONS AND LABOUR LEGISLATION

Industrial relations are the relationships between employees and employers within the organizational settings. The field of industrial relations looks at the relationship between management and workers, particularly groups of workers represented by a union. Industrial relations are basically the interactions between employers, employees and the government, and the institutions and associations through which such interactions are mediated.

Scope of IR

1. Labour relations, i.e., relations between labour union and management.

2. Employer-employee relations i.e. relations between management and employees.

3. The role of various parties' viz., employers, employees, and state in maintaining industrial relations.

4. The mechanism of handling conflicts between employers and employees, in case conflicts arise.

OBJECTIVES OF INDUSTRIAL RELATIONS

- To promote and develop congenial labour management relations
- To enhance the economic status of the worker by improving wages, benefits and by helping the worker in evolving sound budget
- To regulate the production by minimizing industrial conflicts through state control
- To socialize industries by making the government as an employer
- To provide an opportunity to the workers to have a say in the management and decision making
- To encourage and develop trade unions in order to improve the workers strength
- To avoid industrial conflicts and their consequences
- To extend and maintain industrial democracy

INDUSTRIAL RELATIONS VERSUS EMPLOYEE RELATIONS

Industrial relations generally refer to the laws, duties and employer and labor union obligations in a union work environment.

Employee relations typically refer to laws, duties and employer obligations in a nonunion work environment. Industrial relations commonly involve three parties: the employee, employer and the union. With employee relations, just the employee and employer are parties to the working relationship.

FACTORS OF INDUSTRIAL RELATIONS

1. Institutional factors: These factors include government policy, labour legislations, voluntary courts, collective agreement, employee courts, employers federations, social institutions like community, caste, joint family, creed, system of beliefs, attitudes of works, systems of power status.

2. Economic factors: These factors include economic organization, like capitalist, communist mixed etc, the structure of labour force, demand for and supply of labour force.

3. Technological factors: These factors include mechanization, automation, rationalization, computerization

4. Social and cultural factors: These factors include population, religion, customs and traditions of people , ethnic groups, cultures of various groups of people

5. Political factors: These factors include political system in the country , political parties and their ideologies, their growth, mode of achievement of their policies, involvement in trade unions.

6. Governmental factors: These factors include governmental policies like industrial policy, economic policy, labour policy, export policy

ROLE OF TRADE UNION IN INDIA

Trade unions are a major component of the system of modern industrial relations in any nation, each having their own set of objectives or goals to achieve according to their constitution and each having its own strategy to reach those goals.

Union of workers plays an important role in industrial system. Right to form Trade Union in a fundamental right under Article 19 (1) (c) of the Indian Constitution. Role of Trade Unions in India.

The First World War there was a need for the coordination among individual unions which leads towards the trade union movement in India. Gradually this movement becomes an essential part of industrial progress in India. Apart from economic, social and political are dimensions of Trade Unions in India.

TYPES OF TRADE UNION:

There are four main types of trade unions.

i. Craft unions: These represent workers with particular skills e.g. plumbers and weavers. These workers may be employed in a number of industries.

ii. General unions: These unions include workers with a range of skills and from a range of industries.

iii. Industrial unions: These seek to represent all the workers in a particular industry, for instance, those in the rail industry.

iv. White collar unions: These unions represent particular professions, including pilots and teachers. Unions in a country, often belong to a national union organization.

OBJECTIVES AND NEED OF TRADE UNION

1. Wages and salaries: Wages and salaries and the most important subjects of Trade Unions. In the organized industry, wages and benefits are determined through processes such as collective bargaining, wage boards, conciliation, and adjudication. Working of all these processes deserves systematic inquiry. Union power and objective facts hopefully influence the wage scene through these forums.

2. Working conditions: Another major objective of the Trade Unions is to insure the safety of workers. While working every worker must be provided with basic facilities like. Drinking water, minimum working hours, paid holidays, social security, safety equipments, lights and others.

3. Personnel policies: Any personal policy of the employer with respect to promotion, transfer and training may be challenge by Trade Unions if arbitrary.

4. Discipline: Trade Unions also protect the workers from arbitrary discipline action taken by management against any worker. No worker should be victimized by management in the form of arbitrary transfer or suspension.

5.Welfare: The main objective of the Trade Union is to work for the welfare of the workers. This includes welfare of the family members or children of the worker.

6. Employee and Employer Relations: for an industrial peace there must be harmony between employer and employee. But due to superior power of the management sometimes conflict arises in this situation Trade Union represent the whole group of workers and continue negotiations with management.

7. Negotiating Machinery: Trade Unions may also put proposals before management, as this policy is based on the principle of “Give and Take” Trade Unions protect the interest of workers through collective bargaining.

8. Safeguarding Organisational Health and the Interest of the Industry: Trade Unions also help in achieving employee satisfaction. Trade unions also help in better industrial relation by creating procedure to resolve the industrial dispute.

9. Alone workers feel weak. Trade Union provides him a platform to join others to achieve social objectives.

FUNCTIONS OF TRADE UNIONS IN INDIA

1. Collective Bargaining- “the technique by which dispute as to conditions of employment is resolved amicably by agreement rather than coercion”in this process negotiations and discussions take place between employer and employee in respect to working conditions.

Refusing to bargain collectively is an illegal trade practice. Collective bargaining helps to resolve the issues of workers.

Collective Bargaining is the foundation of the movement and it is in the interest of labour that statutory recognition has been accorded to Trade Union and their capacity to represent workmen.

2. Job Security: Trade Unions protect the worker from wages hike, provides job security through peaceful measures.

3. Financial and Non-Financial Assistance: Trade Unions also help in providing financial and non- financial aid to the workers during lock out or strike or in medical need.

4. It has also to be borne in mind while making an agreement that the interest of the workers who are not the members of Trade Union are also protected and the workers who are the members of the Trade Union are also protected and the workers are not discriminated.

PROBLEM FACED BY TRADE UNIONS IN INDIA

(A) Uneven Growth: Trade union activities are concentrated in large scale industries and that too in regard of manual labor only and mainly in bigger industrial centre, there are hardly any trade union activities in small scale enterprises, domestic and agricultural labour. The degree of unionism varies a lot from industry to industry, thus touching only a portion of the working class in India.

(B) Low Membership: Even though, the number of trade unions has increased considerably in India but this has been followed by the declining membership per union.

The average number of members per union was about 3,500 in 1927-28. It reduced to about 1,400 in 1946-47 and again to as low as a figure of 675 in 1985-86 and 659 in 2000-01. This indicates the emergence of small scale trade unions.

(C) Inter Union competition: Unions try to play down each other in a bid to gain greater influence among workers. In the process they do more harm than good to the cause of unionism as a whole. Employers are given an opportunity to play unions against each other.

They can refuse to bargain on the contention that there is not true representative union. Besides this, the workers' own solidarity is lost. Employers are able to take advantage of in fighting between workers groups.

(D) Multiplicity of Unions: Another problem faced by the growth of trade unions is that of multiplicity of unions. There may exist many trade unions in the same establishment. The existence of large number of trade unions can be attributed to the fact that The Trade Unions Act, 1926 permits any association of seven workers to be registered as a union, and confers upon it certain rights. Many a time, it is contended that multiplicity of unions is because of outside leaders, but more pertinent point is that they are able to work because law permits and gives sanctity to the small unions.

(E) Weak Financial Position: The financial position is very low as their average yearly income is very low and inadequate. The subscription rates are very low due to multiplicity of unions, unions interested in increasing their membership keep the subscription rates very low resulting inadequacy of funds with the unions. Another important reason for the weak financial position of unions is that large amounts of subscription dues remain unpaid by the workers. The name of constant defaulters continuously appears on the registers on most of the unions. They are neither expelled nor cease to be members ipso facto according to the union rules.

(F) Lack of Public Support: The trade unions frequently resort to strike and protest in order to make their demands meet. As a result, inconvenience is caused to public. Thus the public support or sympathy is almost negligible.

SOCIAL SECURITY SCHEMES IN INDIA

Social security is the security that society furnishes through appropriate organizations against certain risks to which its members are exposed. Broadly speaking the idea of social security is that “The state shall make itself responsible for ensuring a minimum standard of material welfare to all its citizen on a basis wide enough to cover all contingencies of life from womb to the tomb.

According to ILO “Social security is the protection which society provides for its members through a series of public measures against the economic and social distress resulting from sickness, maternity, employment injury, unemployment, invalidity, old age and death. These measures are also of a great importance to a country which is on the way of large scale industrialization as they improve employee’s morale by providing sense of security to them again various industrial hazards.”

Definitions: “Social Security is a program of protection provided by society against the contingencies of modern life like-sickness, unemployment, old age, industrial accident against which the individual cannot be expected to protect himself and his family by his own ability and foresightedness.” --Fridlander

“By social security we undertake a programme of protection provided by society against those contingencies against which the individual of small means cannot effectively provided by his own ability and foresight.” --International Labour Organization

SCOPE OF SOCIAL SECURITY IN INDIA

(i) Medical care: social security under medical care covers pregnancy confinement and its consequences and disease which lead to a morbid condition. “The need for pre-natal and postnatal care was emphasized. It may include practitioner care, specialist care, provision of essential pharmaceutical and hospitalization.”

(ii) Sickness Benefit: Sickness includes incapability to work resulting a loss of earning. Under this benefit worker need not be paid for three days of suspension of earnings and the payment of benefits may be limited to 26 weeks in a year.

(iii) Unemployment Benefit: Under the social security benefit cover the loss of earning during a worker's unemployed period when he is capable and available for work but remains unemployed because of lack of suitable employment. As per Act this benefit may be limited to 13 weeks payment in year.

(iv) Employment Injury Benefit: Under Employment Injury benefit proper medical care and periodical payment are made to injured employee as per the legal provisions of Worker's compensation Act. In these days industrial work is subject to different kind of contingencies mishaps and occupational diseases which are covered under employment injury benefit of social security.

(v) Old Age Benefit: Old age benefits is applicable in India only in few states. Under this benefit the quantum of payment depends upon on individuals working capacity during the period before retirement.It further includes a certain amount beyond a prescribed age and continues till one's death.

(vi) Maternity Benefit: There is complex maternity benefit Act 1961 which covers benefit due to pregnancy. Confinement and their consequences resulting in the suspension of earnings. There is legal provision for medical including pre-natal confident, post-natal care and also hospitalization if required. Fixed periodical payment of three month before birth of the child and three month after that.

(vii) Family Benefit: In case of death of the bread earner this cover responsibility for maintenance of children during the entire period of children is provided.

(viii) Survivor's benefit: It refers to the benefits to the affected family in form of periodical payments to a family following the death of its bread earner and should continue during the entire period of contingency.

VARIOUS LABOR LAWS RELATING TO THE SOCIAL SECURITY

(i) "Employee's provident fund and Miscellaneous provision 1952: It emphasis on employee's pension and family pension.

(ii) Payment of gratuity Act 1972: It provides reward for providing a decent and long service of an employee towards his organization.

(iii) Workmen's Compensation Act 1923: It aims to provide medical care. Periodical payment during sickness and industrial accident/ occupational diseases to which a worker is expected to while on the job.

(iv) Employee's State Insurance Act: The Act provides insurance to employee's at a highly economical premium and providing all types of insurance coverage for meeting different contingencies during his life and giving a handsome amounts after death to the family members.

(v) Maturity Benefit Act: It covers pregnancy, confinement their consequences and medical care before and after delivery of the child.

(vi) Group Insurance: Employees are given life insurance policies at very nominal premium as compared to individual insurance.

(vii) Payment of Wages Act 1936: Ensures timely right salary after permissible deduction to the employees.

(viii) The Minimum wages Act 1948: It safeguards the workers to get minimum wages from their respective employers at the prevailing price index.

(ix) The Factories Act 1948: It is wide act which provide security to workers against health, cleanliness, safety good working condition and employment of women and children.

Besides these important Acts social security is being provided to different segment of employees by these sub acts like.

(i) Coal Mines Provident and Bonus scheme Act 1948.

(ii) The plantation labour Act 1951.

(iii) Assam Tea Plantation Provident Act 1955.

(iv) Personnel Injuries (Compensation Insurance) Act , 1963

(v) Seamen's Provident Act 1968.

VARIOUS SOCIAL SECURITY SCHEMES PREVAILING IN INDIA

- Aam Admi Bima Yojana
- Sampoorna Grameen Rozgar Yojna
- Swarna Jayanti Sahari rozgaar Yojna
- Sarva Shikyan Abhiyan
- MGNREGA(Mahatma Gandhi National Rural Employment Guarantee Act):
- Mid Day Meal Facility
- National Social Assistance programme
- Annapurna Scheme
- Pradhan Mantri Suraksha Bima Yojana (PMSBY
- Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY)
- The Atal Pension Yojana (APY)
- Pradhan Mantri Jan Dhan Yojana

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UNIT 4 – INDIAN ECONOMY – SBA1301

SYLLABUS: UNIT 4 – FACTORS AFFECTING ECONOMY

Population – Over population – Quality of population – Problems due to over population – Population Policy - Poverty: concepts – Measurement – Poverty eradication programme - Unemployment: concept – Employment generation schemes

POPULATION-SIZE, GROWTH RATE & SEX COMPOSITION

Population size

a) The population of India is estimated at 1,291,167,420 as of January 11th2016.

b) India's population is equivalent to 17.5% of the total world population.

c) India ranks number 2 in the list of countries by population.

d) The population density in India is 386 people per Km2.

e) 32% of the population is urban (410,404,773 people in 2014).

f) The median age in India is 26.6 years.

Table 1: Details of population growth rate in India

Census Years	Population	Change in Population Between Censuses	Percent Change Between Censuses	Annual Growth Rate (percent)
1901	238,396,327	—	—	—
1911	252,093,390	13,697,063	5.8	0.6
1921	251,321,213	-772,177	-0.03	0
1931	278,977,238	27,656,025	11.0	1.0
1941	318,660,580	39,683,342	14.2	1.3
1951	361,088,090	42,427,510	13.3	1.3
1961	439,234,771	78,146,681	21.6	2.0
1971	548,159,652	108,924,881	24.8	2.2
1981	683,329,097	135,169,445	24.7	2.2
1991	846,421,039	163,091,942	23.9	2.2
2001	1,028,737,436	182,316,397	21.5	2.0
2011	1,210,193,422	181,455,986	17.6	1.6

Source: Registrar General of India, Census 2011, Provisional Population Totals.

Table 2: Life expectancy

Period	**Life expectancy in Years**
1950–1955	36.6
1955–1960	39.7
1960–1965	42.7
1965–1970	46.0
1970–1975	49.4
1975–1980	52.5
1980–1985	54.9
1985–1990	56.7
1990–1995	59.1
1995–2000	61.5
2000–2005	63.5
2005–2010	65.6
2010–2015	67.6

Source: *UN World Population Prospects*

OVER POPULATION

Overpopulation refers to a population which exceeds its sustainable size within a particular environment or habitat. Overpopulation results from an increased birth rate, decreased death rate, the immigration to a new ecological niche with fewer predators, or the sudden decline in available resources.

Therefore, overpopulation describes a situation in which a population in a given ecosystem limit the resources available for survival. *Human overpopulation* occurs when the number of humans in a specific geographical location exceeds the carrying capacity of the place occupied by that group.

Overpopulation can further be viewed, in a long term perspective, as existing when a population cannot be maintained given the rapid depletion of non-renewable resources or given the degradation of the capacity of the environment to give support to the population.

The term *human overpopulation* also refers to the relationship between the entire human population and its environment

REASONS/CAUSES FOR POPULATION GROWTH (EXPLOSION)

1. Child Marriage and Multi Marriage System: In India the tradition of child marriage and multi-marriage system is prevalent. Marriage of around 80% girls of the country is took place at their young age of between 15 to 20 years. Thus, the result of long married life comes in the farm of excessive childbirth. Tradition of multi-marriage system increases the rotation of childbirth. Apart from it, the increasing tendency of widow marriage, due to the social reforms is also increasing childbirth up to some extent.

2. Religious Superstitions: Our religious Gurus say that if a Hindu person does not has son, then who will perform the religious ritual in its absence. Due to this, person remains engage in the continuous process of giving birth, one by one, in search of male baby. In the same manner, in Muslims both male and female child is a boon (gift) sent by Allah, prevention of their birth by using any means of family planning is a sin. Due to these reasons, population is continuously increasing.

3. Illiteracy and Unawareness: In India around 36% males and 61% females are illiterate. Neither they have full knowledge of family planning nor they know about the consequences of excessive childbirth. This is one of the reasons of rising population and the situation of Population Explosion' is emerged.

4. Poverty: Due to poverty, population is increased of the poor families of our country. People lives in slum, uses their children as a tool, to earn money, hence they always try to increase the number of children in their families.

5. Rise in the Birth Rate Birth Rate: In India the average age for marriage is very low, comparatively other nations of the world. This is also a reason for population explosion.

6. Decline in the Death Rate Death Rate: In India the death rate from the year 1900 to 1910 was around 35 to 50 persons per thousand, which is now reduced to only 7 to 8 persons per thousand. This become ‘possible in the country by good and hygienic food, pure drinking water, facilities of hospitals, good cleanness, medical facilities at affordable rates and control over Malnutrition, Pneumonia, Cholera, Epidemic etc. Along with, child death rate has reduced to 69 per thousand, comparatively around 218 per thousand in between the years 1916 to 1920. Due to this also, the position of Population Explosion occurred.

7. Indifferent towards Family Planning: Illiterate persons and people living in rural areas are indifferent towards family planning. They feel fear even by the name of ‘Operation’. They are not interested even in the use of simplest and cheapest means of family planning.

8. Lack of Social Security: Due to lack of social security system in India, every parent seeks. shelter at the time of crises and for their old age, in childbirth. Whether this would be son or daughter. In the fear of death of their child at childhood, they give birth too many children, so that any of them would be support of their old age.

9. Migration: Immigration is a problem in some parts of the world. If the inhabitants of various countries migrate to a particular part of the world and settle over there, the area is bound to suffer from the ill effects of overpopulation. If the rates of emigration from a certain nation do not match the rates of immigration to that country, overpopulation makes its way. The country becomes overly populated. Crowding of immigrants in certain parts of the world, results in an imbalance in the density of population.

MAIN EFFECTS OF POPULATION EXPLOSION IN INDIA

1. Problem of Investment Requirement: Indian population is growing at a rate of 1.8 percent per annum. In order to achieve a given rate of increase in per capita income, larger investment is needed. This adversely affects the growth rate of the economy. In India, annual growth rate of population is 1.8 percent and capital output ratio is 4:1. It means that in order to stabilize the existing economic growth rate (4 X 1.8) = 7.2 percent of national income must be invested.

2. Problem of Capital Formation: Composition of population in India hampers the increase in capital formation. High birth rate and low expectancy of life means large number of dependents in the total population. In India 35 percent of population is composed of persons less than 14 years of age. Most of these people depend on others for subsistence. They are unproductive consumers. The burden of dependents reduces the capacity of the people to save. So the rate of capital formation falls.

3. Effect on per Capita Income: Large size of population in India and its rapid rate of growth results into low per capita availability of capital. From 1950-51 to 1980-81. India's national income grew at an average annual rate of 3.6 percent per annum. But per capita income had risen around one percent. It is due the fact that population growth has increased by 2.5 percent.

4. Effect on Food Problem: Rapid rate of growth of population has been the root cause of food problem. **Shortage of food grains hampers economic development in two ways:** (a) People do not get sufficient quantity of food due low availability of food which affects their health and productivity. (b) Shortage of food-grains obliges the under-developed countries to import food grains from abroad.

5. Problem of Unemployment: Large size of population results in large army of labour force. But due to shortage of capital resources it becomes difficult to provide gainful employment to the entire working population. Disguised unemployment in rural areas and open unemployment in urban areas are the normal features of an under developed country like India.

6. Low Standard of Living: Rapid growth of population accounts for low standard of living in India. Even the bare necessities of life are not available adequately. According to Dr. Chander Shekhar population in India increases by about 1.60 crore. It requires 121 lakh tonnes of food grains, 1.9 lakh metres of cloth and 2.6 lakh houses and 52 lakh additional jobs.

7. Poverty: Rising population increases poverty in India. People have to spend a large portion of their resources for bringing up of their wards. It results into less saving and low rate of capital formation. Hence improvement in production technique becomes impossible. It means low productivity of labour.

8. Burden of Unproductive Consumers: In India, a large number of children are dependent. Old persons above the age of 60 and many more in the age group of 15-59 do not find employment. In 2001, working population was 39.2 percent while 60.8 percent are unproductive workers. This high degree of dependency is due to high rate of dependent children. This dependency adversely affects effective saving.

9. Population and Social Problems: Unemployment and poverty lead to frustration and anger among the educated youth. This leads to robbery, beggary, prostitution and murder etc. The terrorist activities that we find today in various parts of the country are the reflection of frustration among educated unemployed youth. Overcrowding, traffic congestions, frequent accidents and pollution in big cities are the direct result of over-population.

10. More Pressure on Land: Rising rate of population growth exerts pressure on land. On the one hand, per capita availability of land goes on diminishing and on the other, the problem of sub-division and fragmentation of holdings goes on increasing. It adversely affects the economic development of the country.

11. Impact on Maternity Welfare: In India, population explosion is the result of high birth rate. High birth rate reduces health and welfare of women. Frequent pregnancy without having a gap is hazardous to the health of the mother and the child. This leads to high death rate among women in the reproductive age due to early marriage. Hence to improve the welfare and status of women in our society, we have to reduce the birth rate.

12. Pressure on Environment: Population explosion leads to environmental degradation. Higher birth rate brings more pollution, more toxic wastes and damage to biosphere. Briefly speaking, population explosion hinders the economic development. It should be controlled effectively.

REMEDIAL MEASURES FOR POPULATION GROWTH

A. SOCIAL MEASURE:

Population explosion is a social problem and it is deeply rooted in the society. So efforts must be done to remove the social evils in the country.

1. Minimum age of Marriage: As fertility depends on the age of marriage. So the minimum age of marriage should be raised. In India minimum age for marriage is 21 years for men and 18 years for women has be fixed by law. This law should be firmly implemented and people should also be made aware of this through publicity.

2. Raising the Status of Women: There is still discrimination to the women. They are confined to four walls of house. They are still confined to rearing and bearing of children. So women should be given opportunities to develop socially and economically. Free education should be given to them.

3. Spread of Education: The spread of education changes the outlook of people. The educated men prefer to delay marriage and adopt small family norms. Educated women are health conscious and avoid frequent pregnancies and thus help in lowering birth rate.

4. Adoption: Some parents do not have any child, despite costly medical treatment. It is advisable that they should adopt orphan children. It will be beneficial to orphan children and children couples.

5. Change in Social Outlook: Social outlook of the people should undergo a change. Marriage should no longer be considered a social binding. Issueless women should not be looked down upon.

6. Social Security: More and more people should be covered under-social security schemes. So that they do not depend upon others in the event of old age, sickness, unemployment etc. with these facilities they will have no desire for more children.

B. ECONOMIC MEASURES:

The following are the economic measures:

1. More employment opportunities: The first and foremost measure is to raise, the employment avenues in rural as well as urban areas. Generally in rural areas there is disguised unemployment. So efforts should be made to migrate unemployed persons from rural side to urban side. This step can check the population growth.

2. Development of Agriculture and Industry: If agriculture and industry are properly developed, large number of people will get employment. When their income is increased they would improve their standard of living and adopt small family norms.

3. Standard of Living: Improved standard of living acts as a deterrent to large family norm. In order to maintain their higher standard of living people prefer to have a small family. According to A.K. Das Gupta those who earn less than Rs. 100 per month have on the average a reproduction rate of 3.4 children and those who earn more than Rs. 300 per month have a reproduction rate of 2.8 children.

4. Urbanization: It is on record that people in urban areas have low birth rate than those living in rural areas. Urbanization should therefore be encouraged.

C. OTHER MEASURES:

The following are the other measures:

1. Late Marriage: As far as possible, marriage should be solemnized at the age of 30 years. This will reduce the period of reproduction among the females bringing down the birth rate. The govt. has fixed the minimum marriage age at 21 yrs. for males and 18 yrs. for females.

2. Family Planning: This method implies family by choice and not by chance. By applying preventive measures, people can regulate birth rate. This method is being used extensively; success of this method depends on the availability of cheap contraceptive devices for birth control. According to Chander Shekher, “Hurry for the first child, Delay the second child and avoid the third.”

3. Recreational Facilities: Birth rate will likely to fall if there are different recreational facilities like cinema; theatre, sports and dance etc. are available to the people.

4. Publicity: The communication media like T.V., radio and newspaper are the good means to propagate the benefits of the planned family to the uneducated and illiterate persons especially in the rural and backward areas of country.

5. Incentives: The govt. can give various types of incentives to the people to adopt birth control measures. Monetary incentives and other facilities like leave and promotion can be extended to the working class which adopts small family norms.

6. Employment to Woman: Another method to check the population is to provide employment to women. Women should be given incentive to give services in different fields. Women are taking active part in competitive examinations. As a result their number in teaching, medical and banking etc. is increasing rapidly. In brief by taking, all there measures we can control the growth of population.

QUALITY OF POPULATION

Quality of population is measured by health standards, educational levels and technology. Health facilities affects the life expectancy, strength and vitality of the people, on-the-job training enhances the skill of the labour force and education facilities at primary, secondary and higher levels. So people who are educated, healthy and possess stock of skills and technical knowledge are known as the quality population.

Education, healthcare and training make a population an asset to a country and are the three factors to determine the quality of a nation’s population. Uneducated, untrained and unhealthy people are termed as nation’s liability, whereas literate and healthy population is an asset..

Education helps unlock the doors of new aspirations and opportunities and allows having a good life. Education inculcates good values and helps find good employment to let contribute to the national income.

The health of a population is indicated by parameters like its life expectancy, infant mortality rate, and birth and death rates.

NATIONAL POPULATION POLICY OF INDIA 2000

Just a few months before the attainment of independence in 1946, the Bhore Committee submitted its Report, which became the basis for developing a national population policy and this was followed by the launch of the Family Planning Programme in 1952

In 1976, the government issued its first statement regarding the National Population Policy, which was followed by the 1977 Policy Statement on the Family Welfare Programme. It was in 1983 that the government adopted the National Health Policy, which emphasized the need for ‘securing the small family norm through voluntary efforts and moving towards the goal of population stabilization’.

National Development Council appointed a Committee on Population in 1991 under the chairmanship of Karunakaran, which submitted its report in 1993. Subsequently, an Expert Group headed by M.S. Swaminathan was appointed to prepare the draft of a national population policy.

The National Population Policy (NPP) finally came into force in 2000.

Significant features/Aims/Objectives of the National Population Policy 2000

a) Imparting free and compulsory school education up to 14 years of age.

b) Reducing infant mortality rate to below 30 per 1000 live births.

c) The 'total fertility rate' to be reduced to 2.1 per women

d) Achieving universal immunization of children against all vaccine preventable diseases (*Polio, Influenza (flu), Rotavirus (RV), Diphtheria, tetanus, etc..).*

e) Promoting delayed marriage for girls, not earlier than age 18 and preferably after 20 years of age

f) Achieve 100 per cent registration of births, deaths, marriages, and pregnancy

g) Prevent and control communicable diseases (*Malaria, Typhoid, Diarrhea, Tuberculosis, etc.,)*

h) Making family welfare a people centered programme.

i) Protection of adolescent girls from unwanted pregnancies.

j) Protection of adolescents from Sexually Transmitted Diseases (STD) and educating them about the risks of unprotected sex.

k) Making contraceptive services accessible, and affordable. (*intentional prevention of conception*).

l) Providing food supplement and nutritional services *(ICDS, Midday meal etc.,)*

m) Strengthening legal measures to prevent child marriage.

n) Integrate Indian Systems of Medicine (ISM) in the provision of reproductive and child health services, and in reaching out to households

POVERTY

Poverty: According to the World Bank**,** Poverty is pronounced deprivation in well-being and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity.

Absolute poverty is when household income is below a certain level, which makes it impossible for the person or family to meet basic needs of life including food, shelter, safe drinking water, education, healthcare, etc.

In this state of poverty, even if the country is growing economically it has no effect on people living below the poverty line. Absolute poverty compares households based on a set income level and this level varies from country to country depending on its overall economic conditions.

Relative poverty is when households receive 50% less than average household incomes, so they do have some money but still not enough money to afford anything above the basics. This type of poverty is, on the other hand, changeable depending on the economic growth of the country.

Relative poverty is sometimes described as "relative deprivation" because the people falling under this category are not living in total poverty, but they are not enjoying the same standard of life as everyone else in the country. It can be TV, internet, clean clothes, a safe home (a healthy environment, free from abuse or neglect), or even education.

Poverty Line: The conventional approach to measuring poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs and this minimum expenditure is called the poverty line.

Poverty Line Basket: The basket of goods and services necessary to satisfy basic human needs is the Poverty Line Basket (PLB).

Poverty Ratio: The proportion of the population below the poverty line is called the poverty ratio or **headcount ratio (HCR).**

Poor can be classified into four sub-groups:

(i) The destitute (who spent less than Rs. 137 a month at 1993-94 prices),

(ii) Extremely poor (who spent less than Rs. 161 a month),

(iii) Very poor (who spent less than Rs. 201 a month), and

(iv) The poor (who spent less than Rs. 246 a month).

MAIN CAUSES/REASONS FOR POVERTY IN INDIA

1. Increase rate of rising population: In the last 45 years, the population has increased at the whopping rate of 2.2% per annum. Averages of approx. 17 million people are added every year to the population which raises the demand for consumption goods considerably.

2. Less productivity in agriculture: In agriculture, the productivity level is very low due to subdivided and fragmented holdings, lack of capital, use of traditional methods of cultivation, illiteracy etc. The very reason for poverty in the country is this factor only.

3. Less utilization of resources: Underemployment and veiled unemployment of human resources and less utilization of resources have resulted in low production in the agricultural sector. This brought a downfall in their standard of living.

4. A short rate of economic development: In India, the rate of economic development is very low what is required for a good level. Therefore, there persists a gap between the level of availability and requirements of goods and services. The net result is poverty.

5. Increasing price rise: Poor is becoming poorer because of continuous and steep price rise. It has benefited a few people in the society and the persons in lower income group find it difficult to get their minimum needs.

6. Unemployment: One of the mail causes of poverty is the continuous expanding army of unemployed in our country. The job seeker is increasing in number at a higher rate than the expansion in employment opportunities.

7. Shortage of capital and able entrepreneurship: The much-required capital and sustainable entrepreneurship play a very important role in accelerating the growth. But these are in short supply making it difficult to increase production significantly.

8. Social factors: Our country's social set up is very much backward with the rest of the world and not at all beneficial for faster development. The caste system, inheritance law, rigid traditions and customs are putting hindrances in the way of faster development and have aggravated the problem of poverty.

9. Political factors: We all know that the East India Company started lopsided development in India and had reduced our economy to a colonial state. They exploited the natural resources to suit their interests and weaken the industrial base of Indian economy. The development plans have been guided by political interests from the very beginning of our independence.

10. Unequal distribution of income: If you simply increase the production or do a checking on population cannot help poverty in our country. We need to understand that inequality in the distribution of income and concentration of wealth should be checked. The government can reduce inequality of income and check the concentration of wealth by pursuing suitable monetary and price policies.

POVERTY ESTIMATION IN INDIA

I. Planning Commission Expert Committee (1962): In 1962, the Planning Commission constituted a working group to estimate poverty nationally, and it formulated separate poverty lines for rural and urban areas – of Rs 20 and Rs 25 per capita per year respectively.

II. VM Dandekar and N Rath Committee (1971): VM Dandekar and N Rath made the first systematic assessment of poverty in India in 1971, based on National Sample Survey (NSS) data from 1960-61. They argued that the poverty line must be derived from the expenditure that was adequate to provide 2250 calories per day in both rural and urban areas.

III. Alagh Committee (1979): In 1979, a task force constituted by the Planning Commission for the purpose of poverty estimation, chaired by YK Alagh, constructed a poverty line for rural and urban areas on the basis of nutritional requirements.

Table 3: Minimum calorie consumption and per capita consumption expenditure as per the 1979 Planning Commission task force on poverty estimation

Area	Calories	Minimum consumption expenditure (Rs per capita per month)
Rural	2400	49.1
Urban	2100	56.7

Source: Report of the Expert Group on Estimation of Proportion and Number of Poor, 1993, Perspective Planning Division, Planning Commission; PRS

IV. Lakdawala **Committee (1993)**: In 1993, an expert group constituted to review methodology for poverty estimation, chaired by DT Lakdawala, made the following suggestions:

(i) consumption expenditure should be calculated based on calorie consumption as earlier;

(ii) state specific poverty lines should be constructed and these should be updated using the **Consumer Price Index of Industrial Workers (CPI-IW)** in urban areas and **Consumer Price Index of Agricultural Labour (CPI-AL)** in rural areas; and

(iii) discontinuation of ‘scaling’ of poverty estimates based on National Accounts Statistics.

V. Tendulkar Committee (2009): In 2005, another expert group to review methodology for poverty estimation, chaired by Suresh Tendulkar, was constituted by the Planning Commission to address the following three shortcomings of the previous methods:

(i) Consumption patterns were linked to the 1973-74 poverty line baskets (PLBs) of goods and services, whereas there were significant changes in the consumption patterns of the poor since that time, which were not reflected in the poverty estimates;

(ii)There were issues with the adjustment of prices for inflation, both spatially (across regions) and temporally (across time); and

(iii) Earlier poverty lines assumed that health and education would be provided by the State and formulated poverty lines accordingly.

It recommended four major changes:

(i) A shift away from calorie consumption based poverty estimation;

(ii) A uniform poverty line basket (PLB) across rural and urban India;

(iii) A change in the price adjustment procedure to correct spatial and temporal issues with price adjustment; and

(iv) Incorporation of private expenditure on health and education while estimating poverty.

It concluded that the all India poverty line was Rs 446.68 per capita per month in rural areas and Rs 578.80 per capita per month in urban areas in 2004-05.

VI. Rangarajan Committee (2014): In 2012, the Planning Commission constituted a new expert panel on poverty estimation, chaired by C Rangarajan with the following key objectives:

(i) To provide an alternate method to estimate poverty levels and examine whether poverty lines should be fixed solely in terms of a consumption basket or if other criteria are also relevant;

(ii) To examine divergence between the consumption estimates based on the NSSO methodology and those emerging from the National Accounts aggregates;

(iii) To review international poverty estimation methods and indicate whether based on these, a particular method for empirical poverty estimation can be developed in India, and

(iv) To recommend how these estimates of poverty can be linked to eligibility and entitlements under the various schemes of the Government of India.

Recommendations

a) Methodology Used: The Rangarajan committee estimation is based on an independent large survey of households by Center for Monitoring Indian Economy (CMIE)

b) Normative and Behavioral level: Poverty line should be based on Normative level of adequate nutrition (Ideal and desirable level of nutrition) and Behavioral determination of non-food expenses (What people use or consume as per general behavior).

c) Nutritional Requirement:

- Calories: 2090 kcal in urban areas and 2155 Kcal in rural areas.
- Protein: For rural areas 48 gm and for urban areas 50 gm.
- Fat: For urban areas 28 gm and for rural areas 26 gm.

d) Poverty Threshold: Persons spending below Rs. 47 a day in cities and Rs.32 in villages be considered poor. Based on this methodology, Rangarajan committee estimated that the number of poor were 19% higher in rural areas and 41% more in urban areas than what was estimated using Tendulkar committee formula.

e) Modified Mixed reference period: Instead of Mixed reference Period (MRP) it recommended Modified Mixed Reference Period (MMRP) in which reference periods for different items were taken as:

- 365-days for clothing, footwear, education, institutional medical care, and durable goods.
- 7-days for edible oil, egg, fish and meat, vegetables, fruits, spices, beverages, refreshments, processed food, pan, tobacco and intoxicants
- 30-days for the remaining food items, fuel and light, miscellaneous goods and services including non-institutional medical; rents and taxes.

Table 4: SOME IMPORTANT RURAL POVERTY ALLEVIATION PROGRAMMES IN INDIA.

Name of Programme	Purpose	Date of coming into force
Integrated Rural Development Programme (IRDP)	Helping micro-enterprises by extending loans to beneficiaries for the purchase of assets and by subsidizing asset costs.	1979
Public Distribution System (PDS)	Distribution of subsidized food and non-food items to India's poor.	1992
Mid-Day Meal Scheme (MDMS)	Providing meals to school children and improving their nutritional status.	1995
National Family Benefit Scheme (NFBS)	Financial compensation provided to kin in case of the natural death of a below poverty line primary breadwinner.	1995
National Old Age Pension Scheme (NOAPS)	A pension scheme for people of old age.	1995
Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA)	Help in providing livelihood security by guaranteeing minimum days of work for rural labour.	2006
Pradhan Mantri Jan Dhan Yojana (PMJDY)	To ensure financial inclusion by ensuring access to financial services in an affordable manner.	2014
Pradhan Mantri GraminAwaas Yojana	A housing scheme for the rural poor.	2017

1. Integrated Rural Development Programme (IRDP) (1979):

- The Integrated Rural Development Program (IRDP) was launched by the Government of India during the financial year of 1978 and implemented during 1980.
- The main motto of the program was to provide employment opportunities to the poor community as well as opportunities to develop their skill sets so as to improve their living conditions.
- The program is recognized as one of the best yojanas (Program) to deal with poverty-related issues in the country by offering to those who fall below the poverty line and the necessary subsidies in tandem with employment opportunities.

Public Distribution System (PDS) (1997)

Public distribution system (PDS) is a government-sponsored chain of shops (ration/fair price shops) entrusted with the work of distributing basic food and non-food commodities to the needy sections of the society at very cheap prices. These ration shops are established in several states across the country.

Objectives of PDS

- To protect the low-income groups by guaranteeing the supply of certain minimum quantities of food grains at affordable price.
- To help in avoiding hunger and famine by supplying food from surplus regions of the country to deficient regions.
- To put an indirect check on the open market prices of various items.
- To attempt socialization in the matter of distribution of essential commodities
- Ensuring equitable distribution.

2. Mid-Day Meal Scheme (MDMS) (1995)

- The government of India initiated the National Programme of Nutritional Support to Primary Education (NP-NSPE) on 15 August 1995.
- The objective of the scheme is to help improve the effectiveness of primary education by improving the nutritional status of primary school children. Initially, the scheme was implemented in 2,408 blocks of the country to provide food to students in classes one through five of government, government-aided and local body run schools.
- By 1997–98, the scheme had been implemented across the country. Under this programme, a cooked mid day meal with 300 calories and 12 grams of protein is provided to all children enrolled in classes one to five.

3. National Family Benefit Scheme (NFBS) (1995)

- NFBS is a social assistance scheme that is meant for the spouse of a deceased person who is the only earning member in the family. It was launched on August 15, 1995, as one of the components of National Social Assistance Scheme.
- The major objective of National Family Benefit Scheme is to provide financial and social assistance to the families below poverty lines in case of the demise of the primary family member.
- The scheme also aims to assure the minimum living standards along with the other social protection to the nominee in every state of India without interruption.
- NFBS is implemented by the States/UTs as per the general and specific conditions applicable.
- NFBS Schemes are implemented by Social Welfare departments and are extended to rural and urban areas of the state.

4. National Old Age Pension Scheme (NOAPS) 1995:

- This scheme came into effect on 15 August 1995.
- The scheme provides pension to all old people who were above the age of 65 (now 60) who could not fund for themselves and did not have any means of subsistence.
- The pension that was given was Rs. 200 a month (now it is 2000 per month).
- This pension is given by the central government. The job of implementation of this scheme in states and union territories is given to panchayats and municipalities.
- The states contribution may vary depending on the state.

5. Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) 2006:

- The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), also known as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is Indian legislation enacted on August 25, 2005.
- The MGNREGA provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage.
- The Ministry of Rural Development (MRD), Govt of India is monitoring the entire implementation of this scheme in association with state governments
- The objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

6. Pradhan Mantri Jan-Dhan Yojana (PMJDY) 2014:

- "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" under the National Mission for Financial Inclusion was launched initially for a period of 4 years (in two phases) on 28th August 2014.
- It envisages universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension.
- PMJDY has provided a platform for the three social security schemes viz. Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) (The premium is Rs. 330 per annum and the life cover of Rs. 2 lakhs), Pradhan Mantri Suraksha Bima Yojana (PMSBY) (The premium of Rs. 12 per annum and it covers Rs.2 lakh for accidental death and full disability and Rs. 1 lakh for partial disability) and Atal Pension Yojana (APY).

7. Pradhan Mantri Gramin Awaas Yojana (PMGAY), 2017

- Pradhan Mantri Gramin Awaas Yojana (PMGAY), previously Indira Awaas Yojana (IAY), is a social welfare programme, created by the Indian Government, to provide housing for the rural poor in India.
- A similar scheme for urban poor was launched in 2015 as Housing for All by 2022.
- Indira Awaas Yojana was launched in 1985 by Rajiv Gandhi, the then Prime Minister of India, as one of the major flagship programs of the Ministry of Rural Development to construct houses for BPL population in the villages.
- Under the PMGAY scheme, financial assistance worth Rs.120,000 (US$1,700) in plain areas and Rs.130,000 (US$1,800) in difficult areas (high land area) is provided for construction of houses.
- These houses are equipped with facilities such as toilet, LPG connection, electricity connection, and drinking water [convergence with other schemes e.g. Swachh Bharat Abhiyan toilets, Ujjwala Yojana LPG gas connection, Saubhagya Yojana electricity connection, etc.].

UNEMPLOYMENT

Unemployment occurs when a person who is actively searching for employment is unable to find work.

Unemployment may be defined as "a situation in which the person is capable of working both physically and mentally at the existing wage rate, but does not get a job to work".

Unemployment is often used as a measure of the health of the economy. The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labor force.

CAUSES OF UNEMPLOYMENT

(i) Slow Economic Growth: Indian economy is underdeveloped and role of economic growth is very slow. This slow growth fails to provide enough unemployment opportunities to the increasing population.

(ii) Increase in Population: Constant increase in population has been a big problem in India. It is one of the main causes of unemployment. The rate of unemployment is 11.1% in 10th Plan.

(iii) Backwardness of agriculture: Heavy pressure of population on land and the primitive methods of agricultural occupations are responsible for colossal rural unemployment and underemployment in the country.

(iv) Fall of Cottage and Small industries: The industrial development had adverse effect on cottage and small industries. The production of cottage industries began to fall and many artisans became unemployed.

(v) Slow Growth of Industrialization: The rate of industrial growth is slow. Though emphasis is laid on industrialisation yet the avenues of employment created by industrialisation are very few.

(vi) Less Savings and Investment: There is inadequate capital in India. Above all, this capital has been judiciously invested. Investment depends on savings. Savings are inadequate. Due to shortage of savings and investment, opportunities of employment have not been created.

(vii) Defective Planning: Defective planning is the one of the cause of unemployment. There is wide gap between supply and demand for labour. No Plan had formulated any long term scheme for removal of unemployment.

viii) Expansion of Universities: Every year huge number of matriculates, undergraduates and postgraduates are produced, leading to an increasing gap between job opportunities and job seekers among the educated middle class.

(ix) Lack of financial resources: Because of this, the expansion and diversification programme of agriculture and small scale industries have suffered. This has accompanied by increasing government control of economic activities.

(x) Excessive use of foreign Technology: This has led to technical unemployment, since, lack of scientific and technical research at home due to its high cost has resulted in excessive use of foreign technology.

(xi) Immobility of labour: Mobility of labour in India is low. Due to attachment to the family, people do not go to far off areas for jobs. Factors like language, religion, and climate are also responsible for low mobility. Immobility of labour adds to unemployment.

(xii) Lack of Infrastructure: Especially in rural areas, there is no adequate facility of transport and communication. Due to this, village people who are not engaged in agricultural work are remained unemployed. The modern means of transport and communication are the only way of trade and commerce.

TYPES OF UNEMPLOYMENT

1. Disguised unemployment: This is the condition wherein the labour force is more than needed for the completion of work. This is mostly found in the agricultural sector and unorganised sectors like handlooms sector. For example, the whole family is involved in the cultivation process of small agricultural land.

2. Seasonal unemployment: This is more prominent in the rural area where the farm labourers are required to do work only seasonally. Eg: harvest season, ploughing season etc. during the rest of the year, they mostly remain unemployed.

3. Frictional unemployment: This occurs when the individuals who had to leave the previous job in search of a new one and haven't found it yet. This also happens to fresh graduates in search of jobs and mothers seeking to return to the workforce.

4. **Structural unemployment:** This occurs when there is a mismatch between the availability and needs of the skills within the economy. Sometimes some skills are not required but are abundant within the economy. This causes structural unemployment.

5. Cyclical unemployment: This occurs when the demand for certain goods and services fall abruptly. Therefore the manufacturing organisations, to cut down the labour costs, lay off a large number of employees. This reduces demand and hurts the economy.

6. **Long term unemployment:** This occurs to those who are looking for jobs continuously for 27 weeks. This demands high costs and time consumption. Many employers won't consider employing these individuals as they were not in demand for 27 weeks.

7. **Underemployment:** This occurs to many engineering graduates in India, as they, in the current situation, are not in demand and are forced to seek other low paying jobs for their survival. They are not able to make use of their skills as there is no demand for them in the market.

8. Technological unemployment: Technological unemployment is the result of certain change in the technique of production. This ay not warrant much of labour i.e., due to the introduction of better machinery, improvement in methods of production, etc., some workers tend to be replaced by machines.

9. Voluntary unemployment: It refers to that situation where some people are unwilling to work at the prevailing wage rate. The individuals are offered with employment opportunities which are not acceptable to him. If a person has permanent sources of unearned income and bad relationship between employer and employee also voluntary unemployment may arise.

IMPACT OF UNEMPLOYMENT

1. Increase in poverty: Due to unemployment, there will be an increase in the poverty rate within the population. This will result in economic slowdown and recession.

2. Social tensions: The younger generation may face the plight within society. This results in them losing their confidence level. They might also indulge in illegal and harmful activities which is harmful to society.

3. A decrease in the demand: When people can't afford to buy goods and services, demand and supply fall as the consequence. This, in turn, hinders economic growth of the country.

4. Increasing dependence on working population: Those who are unemployed must rely on those who are employed for their survival. Therefore the employed people too can't contribute to increasing in the demand for the goods and services as they too can't afford them.

5. Wastage of human capital: Human resource is a valuable asset to our country. Many countries like Japan are suffering due to lack of population. Due to the high unemployment rate, this valuable asset goes waste.

6. Labour exploitation: Due to the increasing demand for work, many employers are exploiting their labour force by paying them very little wage to increase the profit.

EMPLOYMENT GENERATION SCHEMES

1. Integrated Rural Development Programme (IRDP) (1979)

2. Jawahar Rozgar Yojana(JRY)/Jawahar Gram Samriddhi Yojana (JGSY) (1999)

3. Swarnajayanti Gram Swarozgar Yojana (SGSY) (1999)

4. Sampoorna Gramin Rozgar Yojana (SGRY) 2001)

5. National Food for Work Programme (2004)

6. Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) 2006

7. National Rural Livelihood Mission (NRLM): Ajeevika (2011)

8. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) (2015)

9. Pradhan Mantri Mudra Yojana (2015)

1. Integrated Rural Development Programme (IRDP) (1979):

The Integrated Rural Development Program (IRDP) was launched by the Government of India during the financial year of 1978 and implemented during 1980. The main motto of the program was to provide employment opportunities to the poor community as well as opportunities to develop their skill sets so as to improve their living conditions. It has two sub programmes;

a)Training for Rural Youth for Self-employment (TRYSEM): It provides training in technical skills to poor rural youth to enable them to take up self-employment or wage-employment.

b) Development of Women and Children in Rural Areas (DWCRA): It attempts to promote economic activities among groups of poor rural women.

2. Jawahar Rozgar Yojana(JRY)/Jawahar Gram Samriddhi Yojana (JGSY) (1999):

Under the Wage Employment Programmes, the National Rural Employment Programme (NREP) and Rural Landless Employment Guarantee Programme (RLEGP) were started in Sixth and Seventh Plans. The NREP and RLEGP were merged in April 1989 under Jawahar Rozgar Yojana (JRY). The JRY was meant to generate meaningful employment opportunities for the unemployed and underemployed in rural areas through the creation of economic infrastructure and community and social assets. The JRY was revamped from 1st April, 1999, as Jawahar Gram Samriddhi Yojana (JGSY). It now became a programme for the creation of rural economic infrastructure with employment generation as the secondary objective.

3. Swarnajayanti Gram Swarozgar Yojana (SGSY) (1999):

On 1st April, 1999, the IRDP and allied programmes were merged into a single programme known as Swarnajayanti Gram Swarozgar Yojana (SGSY). The SGSY emphasizes on organizing the rural poor into self-help groups, capacity-building, planning of activity clusters, infrastructure support, technology, credit and marketing linkages.

4. Sampoorna Gramin Rozgar Yojana (SGRY) 2001):

The JGSY (Jawahar Gram Samridhi Yojana), EAS (Employment Assurance Scheme) and Food for Work Programme were revamped and merged under the new Sampoorna Gramin Rozgar Yojana (SGRY) Scheme from 1st September, 2001. The main objective of the scheme continues to be the generation of wage employment, creation of durable economic infrastructure in rural areas and provision of food and nutrition security for the poor.

5. National Food for Work Programme (2004):

It was launched on November 14, 2004 in 150 most backward districts of the country. The objective of the programme was to provide additional resources available under Sampoorna Grameen Rojgar Yojna. This was 100% centrally funded programme. Now this programme has been subsumed in the MGNREGA from Feb....... 2, 2006.

6. Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) 2006:

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), also known as Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) is Indian legislation enacted on August 25, 2005. The MGNREGA provides a legal guarantee for one hundred days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work at the statutory minimum wage. The Ministry of Rural Development (MRD), Govt of India is monitoring the entire implementation of this scheme in association with state governments.

The objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

7. National Rural Livelihood Mission (NRLM): Ajeevika (2011)

It is the skill and placement initiative of Ministry of Rural development. The mission for poverty reduction is called Ajeevika (2011). It evolves out the need to diversify the needs of the rural poor and provide them jobs with regular income on monthly basis. Self Help groups are formed at the village level to help the needy.

8. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) (2015):

It is the flagship scheme of the Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this Skill Certification Scheme is to enable a large number of Indian youth to take up industry-relevant skill training that will help them in securing a better livelihood. Individuals with prior learning experience or skills will also be assessed and certified under Recognition of Prior Learning (RPL). Under this Scheme, Training and Assessment fees are completely paid by the Government.

9. Pradhan Mantri Mudra Yojana (2015):

This scheme provides loan for those who have planned to start non-farm businesses like trading, manufacturing etc. This promotes the development of the non-farming sector in rural areas. This scheme gives loan to micro and unorganised sectors to bring them into the mainstream economy.

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UNIT 5 – INDIAN ECONOMY – SBA1301

SYLLABUS: UNIT 5 – RECENT DEVELOPMENTS IN INDIAN ECONOMY

State of the Indian Economy and Prospects; Fiscal Development and Public Finance; Prices and Monetary Management; Financial Intermediation and Markets; Human Development Poverty and Public Programmes. Eleventh Five Year Plan - Objectives.

STATE OF THE INDIAN ECONOMY AND PROSPECTS

Introduction

India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships.

until 1991, successive governments promoted protectionist economic policies with extensive state intervention and regulation which is characterized as Dirigism. The end of the Cold War and an acute balance of payments crisis in 1991 led to the adoption of a broad program of economic liberalization.

MARKET SIZE

India is the world's sixth-largest economy by nominal GDP and the third-largest by purchasing power parity (PPP). According to the IMF, on a per capita income basis, India ranked 142nd by GDP (nominal) and 124th by GDP (PPP) in 2020

India retained its position as the third largest start-up base in the world with over 8,900-9,300 start-ups as 1,300 new start-ups got incorporated in 2019 according to a report by NASSCOM (National Association of Software and Service Companies). India also witnessed the addition of 7 unicorns in 2019 (till August 2019), taking the total tally to 24.

India's labour force is expected to touch 160-170 million by 2020 based on the rate of population growth, increased labour force participation and higher education enrolment among other factors according to a study by ASSOCHAM (The Associated Chambers of Commerce and Industry of India) and Thought Arbitrage Research Institute.

India's foreign exchange reserves reached Rs 37.31 lakh crore (US$ 493.48 billion) in the week up to May 29, 2020 according to the data from RBI.

RECENT DEVELOPMENTS

With an improvement in the economic scenario, there have been investments across various sectors of the economy. The mergers and acquisition (M&A) activity in India stood at US$ 28 billion in 2019, while private equity (PE) deals reached US$ 48 billion. Some of the important recent developments in Indian economy are as follows:

- Gross tax revenue stood at Rs 15.04 lakh crore (US$ 215.28 billion) in 2019-20 – income tax collection contributed Rs 4.80 lakh crore (US$ 68.14 billion) to it..
- In 2019, companies in India raised around US$ 2.5 billion through 17 initial public offers (IPO).
- India's Foreign Direct Investment (FDI) equity inflow reached US$ 469.99 billion between April 2000 to March 2020, with maximum contribution from services, computer software and hardware, telecommunications, construction, trading, and automobiles.
- India’s Index of Industrial Production (IIP) for 2019-20 stood at 129.2.
- The combined index of eight core industries stood at 137 in March 2020. Its cumulative growth was 0.6 per cent in 2019-20.
- Consumer Price Index (CPI) – Combined inflation was 5.9 per cent in March 2020 as compared to 6.6 per cent in February 2020. The annual consumer price inflation increased to 4.8 per cent in 2019-20 from 3.4 per cent in 2018-19.
- Around 12 million jobs in a year were created in India during 2015-19.
- India improved its ranking in World Bank's Doing Business Report by 14 spots over last year and was ranked 63 among 190 countries in the 2020 edition of the report.
- India is expected to have 100,000 start-ups by 2025, which will create employment for 3.25 million people and generate US$ 500 billion in value as per Mr T V Mohan Das Pai, Chairman, Manipal Global Education.

GOVERNMENT INITIATIVES

The first Union Budget of the third decade of 21st century was presented by Minister for Finance & Corporate Affairs, Ms Nirmala Sitharaman in the Parliament on February 1, 2020. The budget aimed at stimulating the Indian economy through a combination of short-term, medium-term, and long-term measures.

Total expenditure for 2020-21 is budgeted at Rs 37.14 lakh crore (US$ 531.53 billion), an increase of 13 per cent from 2019-20 (revised budget estimates).

Numerous foreign companies are setting up their facilities in India on account of various Government initiatives like Make in India and Digital India. The Government of India, under its Make in India initiative, is trying to boost the contribution made by the manufacturing sector with an aims to take it to 25 per cent of the GDP from the current 17 per cent. Besides, the Government has also come up with Digital India initiative, which focuses on three core components: creation of digital infrastructure, delivering services digitally and to increase the digital literacy.

Some of the recent initiatives and developments undertaken by the Government are listed below:

- The Prime Minister of India, Mr Narendra Modi announced various economic packages, having a cumulative worth of around Rs 20 lakh crore (US$ 283.73 billion) and being almost 10 per cent of India's GDP.
- Pradhan Mantri Garib Kalyan Package (PMGK) was introduced in April 2020 to provide relief to underprivileged and help them fight the battle against COVID-19. The budget allocated to the scheme was Rs 1.70 lakh crore (US$ 24.12 billion).
- India is expected to attract investment of around US$ 100 billion in developing the oil and gas infrastructure during 2019-23.
- The Government of India is going to increase public health spending to 2.5 per cent of the GDP by 2025.
- For implementation of Agriculture Export Policy, Government approved an outlay Rs 206.8 crore (US$ 29.59 million) for 2019, aimed at doubling farmers income by 2022.

- Under the Pradhan Mantri Awas Yojana (Urban), Government has sanctioned more than 96.50 lakh houses under PMAY(U) and approved 606 proposals for the construction of 3,31,075 houses with an overall investment of Rs 15,125 crore (US$ 2.16 billion).
- The Cabinet Committee on Economic Affairs has approved to increase the authorized capital of Food Corporation of India (FCI) from the existing Rs 3,500 crore (US$ 500.79 million) to Rs 10,000 crore (US$ 1.43 billion).
- India has registered a 26.9 per cent reduction in Maternal Mortality Ratio (MMR) since 2013: Sample Registration System Bulletin-2016.
- Around 26.02 million households were electrified by 31st March 2019 under Pradhan Mantri Sahaj Bijli Har Ghar Yojana (SAUBHAGYA).
- In the mid-term review of Foreign Trade Policy (FTP) 2015-20, the Ministry of Commerce and Industry enhanced the scope of Merchandise Exports from India Scheme (MEIS) and Service Exports from India Scheme (SEIS), increased MEIS incentive for ready-made garments and made-ups by 2 per cent, SEIS incentive by 2 per cent and increased the validity of Duty Credit Scrips from 18 months to 24 months. In April 2020, Government extended FTP for one more year (up to March 31, 2021).

FISCAL POLICY

“It refers to a policy concerning the use of state treasury or the government finances to achieve the macro-economic goals”.

“Government policy of changing its taxation and public expenditure programs intended to achieve its objective”.

“Government uses its expenditure and revenue program to produce desirable effects on National Income production and employment”.

Fiscal policy deals with the taxation and expenditure decisions of the government. These include, tax policy, expenditure policy, investment or disinvestment strategies and debt or surplus management. - Kaushik Basu (Former Chief Economic Adviser)

OBJECTIVES OF FISCAL POLICY

1. Increase in capital formation
2. Degree of Growth
3. To achieve desirable price level
4. To achieve desirable consumption level
5. To achieve desirable employment level
6. To achieve desirable income distribution

INSTRUMENTS OF FISCAL POLICY

1. Deficit Policy: Deficit Financing refers to financing the budgetary deficit. Budgetary deficit here means excess of government expenditure over government income. It means "Taking loans from reserve bank of India by the government to meet the budgetary deficit". Reserve bank gives loans buy issuing new currency notes. Increase in money supply leads to fall in value of money. Fall in value of money in turn leads to increase in price level. So deficit financing should be kept low as it leads to price rise in economy. Thus due to deficit financing necessary funds are made available for economic Growth and on the other inflation of country increases.

2. Public Expenditure: Public expenditure influences the economic activities of country very much. Public expenditure may be of two kinds i.e. developmental and non developmental. Expenditure on developmental activities requires huge amount of capital. So much capital cannot be made available by private sector alone. It requires substantial increase in public expenditure. Public expenditure may be made in many ways:- (1) Development of state enterprises, (2) Support to private sector, (3) Development of infrastructure & (4) Social Welfare.

3. Taxation Policy: Taxes are the main source of revenue of government. Government levies both direct and indirect taxes in India. Direct taxes are those which are directly paid by the assesses to the government i.e. income tax, wealth tax etc. Indirect tax are paid indirectly by the public to the government i.e. excise duty, custom duty, VAT etc. Direct tax are progressive in nature. Indirect tax are not progressive. These change from all the segments of society at same rate. The main objectives of taxation policy are: (1) Mobilization of resources, (2) To promote saving, (3) To promote saving & (4) To bring Equality of income and wealth.

4. Public Debt: Government needs lot of funds for economic development of the country. No government can mobilize so much funds by way of tax alone. It is therefore , becomes inevitable for the government to mobilize resources for economic development by resorting the public debt. Public debt is obtained from two kinds:- (1) Internal Debt (2) External Debt.

ROLE OF FISCAL POLICY IN ECONOMIC DEVELOPMENT

1. To Mobilize Resources: The foremost aim of fiscal policy in underdeveloped countries is to mobilize resources in the private and public sectors. It also undertakes the policy of planned investment in the public sector. Private investments have the favourable effect of increasing investment

2. To Accelerate the Rate of Growth: Fiscal policy helps to accelerate the rate of economic growth by raising the rate of investment in public as well as private sectors. Therefore, various tools of fiscal policy as taxation, public borrowing, deficit financing and surpluses of public enterprises should be used in a combined manner so that they may not adversely affect the consumption, production and distribution of wealth.

3. **To Encourage Socially Optimal Investment:** In underdeveloped countries, fiscal policy encourages the investment into those productive channels which are considered socially and economically desirable. This means optimal investment which promotes economic development and avoids wasteful and unproductive investment.

4. Inducement to Investment and Capital Formation: Economic development is a most dynamic process which involves changes in the size and quality of population, tastes, knowledge and social institutions. Fiscal policy plays crucial role in underdeveloped countries by making investment in strategic industries and services of public utility on one side and induces investment in private sector by giving assistance to new industries and introduces modern techniques of production.

5. To Provide more Employment Opportunities: Since in less developed countries, population grows at a very fast rate, the aim of fiscal policy in such countries is to make high doses of expenditures which are helpful to raise employment opportunities. Generally under developed economies suffer from unemployment.

6. Promotion of Economic Stability: It must aim at the diversification of all sectors of the economy. For bringing balanced growth and reducing the effects of cyclical fluctuations, a contra-cyclical fiscal policy of deficit budgeting in depression and surplus budgeting in inflation are most suitable measures.

7. To Check Inflationary Tendencies: Inflationary tendencies are one of the main problems of developing countries as these countries make heavy doses of investment for their development activities. Thus, there is always an imbalance between the demand for and the supply of real resources.

8. National Income and Proper Distribution: The existence of extreme inequalities in income and wealth create social cleavages, lead to economic and political instability and the biggest hindrance in the way of economic development of an economy.

MONETARY POLICY

Monetary policy refers to the use of instruments under the control of the central bank (RBI) to regulate the availability, cost and use of money and credit.

According to **Johnson**, "Monetary policy is defined as policy employing central bank's control of the supply of money as an instrument for achieving the objectives of general economic policy."

OBJECTIVES OF MONETARY POLICY

1. Maintaining price stability
2. Ensuring adequate flow of credit to the productive Sectors of the economy to support economic growth
3. Rapid economic growth
4. Balance of payment equilibrium
5. Full employment
6. Equal income distribution

INSTRUMENTS OF MONETARY POLICY

1. Bank Rate: Bank Rate is also known as discount rate. It is the rate at which RBI lends to the commercial banks or rediscounts their bills. If bank rate is increased ,then commercial banks also charge higher rate of interest on loans given by banks to public because now commercial banks get funds from RBI at higher rate of interest. Higher rate of interest will contract credit in the economy i.e. public will take lesser loans because of higher rate of interest. The current bank rate is 6.75%.

2. Cash Reserve Ratio (CRR): Cash Reserve Ratio is a certain percentage of bank deposits which banks are required to keep with RBI in the form of reserves or balances . Higher the CRR with the RBI lower will be the liquidity in the system and vice-versa. RBI is empowered to vary CRR between 15 percent and 3 percent. But as per the suggestion by the Narshimam committee Report the CRR was reduced from 15% in the 1990 to 5 percent in 2002. The current CRR is 4.00 %.

3. Statutory Liquidity Ratio (SLR): It means a certain percentage of deposits is to be kept by banks in form of liquid assets. This is kept by bank itself the liquid assets here include government securities, treasury bills and other securities notified by RBI. If SLR is more then banks have to keep more part of deposits in specified securities and banks will have less surplus funds for granting loans. It will contract credit. SLR is fixed by RBI and usually it has been ranging between 25% to 40%. By an amendment of the Banking regulation Act (1949) in January 2007, the floor rate of 25% for SLR was removed. The current SLR is 20.75 %.

4. Repo Rate & Reserve Repo Rate: Repo rate is the rate at which RBI lends to commercial banks generally against government securities. Reverse Repo rate is the rate at which RBI borrows money from the commercial banks. Reduction in Repo rate helps the commercial banks to get money at a cheaper rate and increase in Repo rate discourages the commercial banks to get money as the rate increases and becomes expensive. As the rates are high the availability of credit and demand decreases resulting to decrease in inflation. This increase in Repo Rate and Reverse Repo Rate is a symbol of tightening of the policy. The current repo rate is 6.25 % and reserve repo rate is 5.75 %.

5. Open Market Operations: It means that the bank controls the flow of credit through the sale and purchase of securities in the open market. When securities are purchased by central bank, then RBI makes payment to commercial banks and public. So, the public and commercial banks now have more money with them. It increases money supply with commercial banks and public. This will expand credit in the economy. In year 2012-13 RBI Purchases securities 8,000 crore.

FINANCIAL INTERMEDIARIES

Definition: Financial intermediary is the organization which acts as a link between the investor and the borrower, to meet the financial objectives of both the parties. These can be seen as business entities which accept deposits from the depositors or investors (lenders) by allowing them low interest on their sum. Further, these organizations, lend this amount to the individuals and firms (borrowers) at a comparatively high rate of interest to make their margin.

TYPES OF FINANCIAL INTERMEDIARIES

1. Banks: The central and commercial banks are the most well known financial intermediaries simplifying the lending and borrowing process, along with providing various other services to its customers on a large scale.

2. Credit Unions: These are the cooperative financial units which facilitate lending and borrowing of funds to provide financial assistance to its members.

3. Non-Banking Finance Companies: A NBFC is a financial company engaged in activities such as advancing loans to its clients at a very high rate of interest.

4. Stock Exchanges: The stock exchange facilitate the trading of securities and stocks, and in every trading activity, it charges the brokerage from each party which is its profit.

5. Mutual Fund Companies: The mutual fund organizations club the amount collected from various investors. These investors have identical investment objectives and risk-taking ability. The funds are then collectively invested in the securities, bonds, and other investment options, to ensure a capital gain in the long run.

6. Insurance Companies: These companies provide insurance policies to the individuals and business entities to secure them against accident, death, risk, uncertainties and default. For this purpose, they accept deposits in the form of premium, which is pooled into profitable investments to gain returns. The insured person can claim the money in case of any mishap as per the agreement.

7. Financial Advisers or Brokers: The investment brokers also collect the funds from various investors to invest it in the securities, bonds, equities, etc. The financial advisers even provide guidance and expert opinions to the investors.

8. Investment Bankers: These banks specialize in services like initial public offerings (IPO), other equity offerings, proving for mergers and acquisitions, institutional client's broker services, underwriting debts, etc. As a result of constant mediation, between the investor or public and the companies issuing securities.

9. Pension Funds: The government entities initiate a pension fund. A certain amount is deducted from the salary of the employees each month. This collected sum is then invested in different schemes to gain profits. The investor's fund is returned with interest after their retirement.

10. Building Societies: These financial intermediaries are similar to the credit unions, owned and facilitating mortgage loans and demand deposits to its members.

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ADVANTAGES OF FINANCIAL INTERMEDIARIES

1. Low Risk: The involvement of intermediaries reduces the risk of fraudulent, default and even capital loss for the lender.

2. Convenience: Exchange becomes suitable for the investor as well as the borrower. Since both, the parties do not need to invest time and money in searching for each other. Instead, they have to approach the intermediary for the purpose.

3. Economies of Scale: The cost involved in the lending and borrowing of funds like analyzing credit position, operational expenses and cost of paperwork decreases to a large extent. The financial intermediaries perform such activities on a massive scale.

4. Financial Specialization: These organizations or companies specialize in fund management and investing activities providing better returns to the investors and easy loans to the borrowers.

5. Greater Liquidity: The financial intermediaries like banks allow investors or depositors to withdraw their amount at any point of time, as per their requirement.

6. Safe Investment: For the investor's point of view, financial intermediaries are considered to be more trustworthy and reliable than lending money directly to an individual to yield interest.

DRAWBACKS OF FINANCIAL INTERMEDIARIES

1. Low Returns on Investment: The ultimate aim of the financial intermediaries is to earn a profit and therefore, they usually provide a low rate of interest on the investment made by the depositors.

2. Opposing Goals: The goals of the investors and the financial intermediaries may not complement each other, and therefore the objective of one may not be achieved.

3. Fees and Commissions: These intermediaries impose charges, expenses and commission on the financial assistance they provide to their customers.

4. False Opportunities: Sometimes, the financial intermediaries come up with the investment opportunities which guarantee high potential returns with the hidden risk involved in it. Even some these, may not yield the promised returns and turn out to be a failure for the investor.

5. High Interest on Loans: These financial intermediaries charge a high rate of interest on the loan provided to the borrowers to earn a profit.

HUMAN DEVELOPMENT

The term ‘human development’ may be defined as an expansion of human capabilities, a widening of choices, ‘an enhancement of freedom, and a fulfilment of human rights.

The first UNDP Human Development Report published in 1990 stated that: **“The basic objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives.”** It also defined human development as “a process of enlarging people’s choices”, “and strengthen human capabilities” in a way which enables them to lead longer, healthier and fuller lives.

COMPONENTS OF HUMAN DEVELOPMENT:

1. Equality: If development is viewed in terms of enhancing people’s basic capabilities, people must enjoy equitable access to opportunities. Such may be called equality-related capabilities. To ensure equality-related capabilities or access to opportunities what is essential is that the societal institutional structure needs to be more favourable or progressive.

2. Sustainability: Another important facet of human development is that development should ‘keep going’, should ‘last long’. The concept of sustainable development focuses on the need to maintain the long term protective capacity of the biosphere. This then suggests that growth cannot go on indefinitely; there are, of course, ‘limits to growth.’

3. Productivity: Another component of human development is productivity which requires investment in people. This is commonly called investment in human capital. Investment in human capital—in addition to physical capital—can add more productivity.

4. Empowerment: The empowerment of people—particularly women—is another component of human development. In other words, genuine human development requires empowerment in all aspects of life. Empowerment implies a political democracy in which people themselves make the decisions about their lives. Under it, people enjoy greater political and civil liberties and remain free from excessive controls and regulations. Empowerment refers to decentralisation of power so that the benefits of governance are reaped by all peoples.

Table 1: FIVE YEAR PLAN PERIODS

Sl. No	Five year Plan	Duration
1	First Five Year Plan	1951-1956
2	Second Five Year Plan	1956-1961
3	Third Five Year Plan	1961-1966
4	Three annual plan or plan holiday	1966-1969
5	Fourth Five Year Plan	1969-1974
6	Fifth Five Year Plan	1974-1978
7	Rolling Plan	1978-1980
8	Sixth Five Year Plan	1980-1985
9	Seventh Five Year Plan	1985-1990
10	Annual Plans	1990-1992
11	Eighth Five Year Plan	1992-1997
12	Ninth Five Year Plan	1997-2002
13	Tenth Five Year Plan	2002-2007
14	Eleventh Five Year Plan	2007-2012
15	Twelfth Five Year Plan	2012-2017

ELEVENTH FIVE YEAR PLAN

The National Development Council (NDC) has approved the Eleventh Plan on 19th December 2007 to raise the average economic growth rate to 9 percent from 7.6 percent recorded during the Tenth Plan.

The total outlay of the Eleventh Plan has been placed at Rs.3644718 crore which is more than double of the total outlay of the previous Tenth Plan.

In this proposed outlay, the contribution of Central Government and State governments will be Rs.2156571 crore and Rs. 1488147 crore respectively.

The Eleventh Plan proposes to increase the agriculture sector growth rate to 4 percent from 2.13 percent in the Tenth Plan.

Objectives of Eleventh Five year Plan

- To achieve an overall growth rate of 7.6%. This is envisaged to be achieved through 5% growth in agriculture and allied sectors, 10% growth in industry and 8% growth in service sector.
- To reduce poverty levels from 38% to 25%
- To achieve the literacy rate of 84% by the end of the Plan and reduce gender gap in literacy to 14%.
- To achieve reduction in drop out rate from 46.8% in 2003-04 to 20% by 2011-12 and eliminate gender disparity in elementary education.
- To bring down population growth rate to 1.62% by 2012.
- To improve health parameters-reduce Maternal Mortality Ratio (MMR) to 125, IMR to 40 and TFR to 2.4 so as to bring them near the all India level.
- To improve the sex ratio (0–6 years) to 950 females per 1000 males.
- To reduce malnutrition to 30% and anemia to 30%.
- To provide sustainable access to safe potable drinking water to all independent habitations.
- To empower women through their socio-economic development and increased participation in decision making on matters that directly affect them.
- To strengthen social, economic and political empowerment of weaker sections of the society through welfare of SCs/STs, OBCs, minorities and poor.

- To expand present irrigation facilities at least by 10.61 lakh hectares through conservation, efficient utilization and development of water resources.
- To develop strong infrastructure of power to provide adequate and improved quality of power to all the villages and meet the peak demand.
- To provide a minimum single connectivity by all weather BT roads to all villages with population over 1000 in general and 500 in tribal areas.
- To encourage use of information and communication technologies to bridge digital divide, generate employment, have e-governance and prepare the state to be a knowledge economy.

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