Target UPPCS 2021 Economy

Short Notes for Quick Revision

byjusexamprep.com

INDIAN ECONOMY

List of 5 Year Plans of Indian Economy

1. Visvesvaraya Plan

- The era of economic planning in India started with Visvesvaraya's ten-year Plan.
- Sir M. Visvesvaraya published a book titled "Planned Economy in India" in 1934 wherein he presented a draft to double the national income in a decade.
- He proposed to shift the labor from the agrarian set up to the industries thereby advocating for democratic capitalism (similar to the USA) with emphasis on industrialization. However, there was no follow up of this plan in British Government, it successfully stirred an urge for national planning among the educated citizens of the country.

2. National Planning Committee (NPC)

- It was the first attempt to develop a national plan for India emanated in 1938 with the set-up of NPC under the chairmanship of Jawahar Lal Nehru.
- However, because of the commencement of World War II, the reports of the committee could not be prepared. The papers finally came out after independence in 1948-49.

3. Bombay Plan

- Eight leading industrialists and technocrats formulated a draft titled "A Brief Memorandum Outlining a Plan of Economic Development for India" under the editorship of Purushottamdas Thakurdas in 1944.
- This draft is known as the 'Bombay Plan'.
- The basic objectives of the plan were doubling the output of the agricultural sector and a five-fold growth in the industrial sector in 15 years.
- A key principle of the Bombay Plan was that the economy could not grow without government intervention and regulation.
- Officially the plan was never accepted, however, its ideas were replicated in future economic plans.

4. People's Plan

- People's plan was drafted by M. N. Roy, the communist leader, on behalf of the Post- War Reconstruction Committee of the Indian Federation of Lahore in 1944.
- It was based on 'Marxist Socialism' and gave primacy to agriculture. It advocated for the nationalization of agriculture and all production activities.

5. Gandhian Plan

- The Gandhian Plan was drafted by S. N. Aggarwal, the principal of Wardha Commercial College in 1944.
- The plan articulated a 'decentralized economic structure' for India with 'self-contained villages'.
- Unlike the NPC and Bombay Plan, the plan laid more emphasis on agriculture.
- And wherever industrialization was talked about, it stressed upon promoting cottage and village level industries.

6. Sarvodaya Plan

- This plan was drafted by Jai Prakash Narayan in 1950.
- It was inspired by Gandhi Plan and Vinoba Bhave's principles of self-reliance.

- It laid stressed upon agriculture as well as small and cotton industries.
- It advocated self-sufficiency by curtailing the use of foreign technology and implementing land reforms and decentralized participatory planning.

7. Planning Commission

- After independence, the Economic Programme Committee (EPC) was formed by the All India Congress Committee.
- Pandit J.L. Nehru was its chairman.
- In 1948, this committee recommended the formation of the planning commission.
- It was an extra-constitutional body, charged with the responsibility of formulating five-year plans.

8. National Development Council (NDC)

- It was founded on August 6, 1952. It was presided over by the Prime Minister.
- It is the apex body for decision creating and deliberations on development matters in India.
- It gives the final approval to the Five-Year Plan of India.

Summary of First three Five-year plans

Plans	Time frame	Objective and Remarks
First Plan	1951-1956	· Focus: agriculture, price stability, and infrastructure. · It was based on Harrod Domer model (growth rate of the economy depends upon investment rate and productivity of capital in a positive manner).
Second Plan (target growth: 4.5% Actual growth: 4.27%)	1956-1961	· Focus: rapid industrialization · It was also known as Mahalanobis Plan (advocated planning shift from agriculture to industries). · It laid emphasis on heavy and basic industries. · Also advocated import substitution; export pessimism and overvalue exchanges.
Third Plan (Target growth: 5.6% Actual growth: 2.84%)	1961-1966	· Focus: heavy and basic industry which was then shifted to agriculture (PL480). · Due to two wars- war with China, 1962 and war with Pakistan, 1965 and severe drought of 1965-66; it failed on many fronts.

- 1966-67, 1967-68 and 1968-69 were annual plans. Discontinuation of five-year planning for three consecutive years is regarded as plan holiday.
- Due to the prevailing food crisis, annual plans were primarily focused on agriculture.

- During these plans, the foundation of the green revolution was laid down which included widespread use of HYV (high yielding varieties) seeds, chemical fertilizers and extensive exploitation of irrigation potentials. During these years, the shocks of a third-year plan were absorbed and a five-year planning system was resumed from 1969.

Summary of IV to XII FYPS

Plans	**Time Frame**	**Objective and Remarks**
Fourth Plan (Target Growth: 5.7% Actual Growth: 3.30%)	1969-1974	· Focus: Self-sufficiency in food and self-reliance · Objective was to improve domestic food production. · It was aimed at saying no to foreign aid. · First oil shock of 1973, made remittances a major source of foreign exchange reserve.
Fifth Plan (Target Growth: 4.4% Actual Growth: 4.8%)	1974-1979	· Focus: 'removal of poverty' and 'attainment of self-reliance'. · It was drafted and launched by D. D. Dhar. · This plan was terminated in the year 1978. · There were rolling plans for the year 1978-1979 and 1979-1980.
Sixth Plan (Target Growth: 5.2% Actual Growth: 5.4%)	1980-1985	· Focus: poverty eradication and productivity enhancement · Stressed upon modernization of technology. · For the first time, the frontal attack was made on poverty by adopting ambitious poverty eradication programmes (trickle down strategy was discarded).
Seventh Plan (Target Growth: 5.0% Actual Growth: 6.01%)	1985-1990	· Focus: productivity and work i.e. employment generation. · For the first time, the private sector got priority over the public sector. · Due to volatile political situations at the center, two annual plans were commenced for the year 1990-1991 and 1991-1992.
Eighth Plan	1992-1997	· Focus: 'Plan with a human face' i.e. human resource development.

(Target Growth: 5.6% Actual Growth: 6.8%)		· During this plan, new economic policy was launched with LPG (Liberalization, Privatization, and Globalization). · It gave primacy to human capital and the private sector.
Ninth Plan (Target Growth: 7.1% Actual Growth: 6.8%)	1997-2002	· Focus: 'Growth with justice and equity' · It stressed upon four dimensions: quality of life; generation of productive employment; regional balance and self-reliance.
Tenth Plan (Target Growth: 8.1% Actual Growth: 7.7%)	2002-2007	It was aimed to double the per capita income of India in the next 10 years. And to reduce the poverty ratio by 15% by 2012.
Eleventh Plan (Target Growth: 8.1% Actual Growth: 7.9%)	2007-2012	Focus: Faster growth and more inclusive growth.
Twelfth Plan (Target Growth: 8%)	2012-2017	Focus: Faster, more inclusive growth and sustainable growth.

NITI Aayog

- NITI Aayog, the National Institution for Transforming India, is a policy think tank of the Government of India established in 2015.
- It replaced the Planning Commission.
- It has a dual objective of achieving sustainable development goals and to enhance cooperative federalism with 'bottom to top' approach. Its initiatives include
  (a) Action Plan- 3 Years

(b) Strategy Plan- 7 Years
(c) Vision Plan- 15

National Income

About National Income

- National Income is usually defined as the total Value of all final goods and services produced in a country in a particular period (Generally one year).
- Following are the measures of National Income-
  (A) GDP (Gross Domestic Product)
  (B) GNP (Gross National Product)
  (C) NNP (Net National Product)
  (D) PI (Personal Income)
  (E) DPI (Disposable Personal Income)

(A) GDP (Gross Domestic Product)-

- GDP is the total value of all final goods and services produced within the geographical boundary of the country during a particular period (Generally one year).
- In this, we consider all goods/ services, produced by both resident citizens and foreign nationals who reside within the boundary of that country.

(B) GNP (Gross National Product)-

- GNP is defined as the total value of the final goods and services produced by Indians in India as well as abroad during a particular period.
- GNP includes the value of goods produced by resident and non-resident citizens of a country whereas the income of foreigners who reside in India is excluded.

(C) Net National Product (NNP)-

- It is calculated by deducting depreciation from Gross National Product (GNP)
- NNP = GNP – Depreciation
  Note-
  Factor Cost- Cost incurred to produce goods and service
  Market price- For calculating market price we add Indirect taxes and deduct subsidies given by the government in Factor cost.
  Market Price = Factor cost + Indirect Taxes – Subsidy
- NNP at factor cost = NNP at market price – Indirect taxes + subsidy
- Usually, we called NNP at factor cost as National Income.
- Likewise, NNP at factor cost, we can also calculate GDP at factor cost.

(D) Personal income-

- It is the sum of all the income received by the people of the country in one year. Personal Income = National Income + Transfer payments – Undisclosed profits of corporate + Payment for social security provisions
- Transfer Payments are the payments that are not against any productive work. (Example- Old Age Pension, Unemployment compensation etc.)
- Social Security Provisions- Payment made by employees towards PF, Insurance etc.

(E) Disposable Personal Income-

- Income available to individuals after deducting direct taxes.
- Disposable Personal Income = Personal Income – Direct Taxes

Real Income and Nominal Income-

- If we use base year price for calculating National Income, this is called the real income.
- If we use a particular year (current year) price for calculating National Income, this income is called the Nominal income.

GDP Deflator-

- Used to calculate overall price rise.

Estimation of National Income in India

- In 1868, Dadabhai Naoroji wrote a book 'Poverty and Un British Rule in India'. It was the first attempt at the calculation of National Income.
- The first person to estimate National Income scientifically was Dr V. K. R. V. Rao who estimated national income for the period 1925-29.
- After Independence National Income committee was formed in 1949 under the chairmanship of P.C. Mahalanobis.
- After some years the Central Statistical Organisation (CSO) was formed.

Various Price Indices in India

Price Indices in India

Various weighted price indices are calculated in India.
These are-
1. Wholesale Price Index (WPI)
2. Old Consumer Price Index
(a) Consumer Price Index for Industrial Workers (CPI- IW)
(b) Consumer Price Index for Urban Non- Manual Employees (CPI- UNME)
(c) Consumer Price Index for Agriculture Labourers (CPI-AL)
(d) Consumer Price Index for Rural Labourers (CPI- RL)
3. New Consumer Price Index (Introduced in February 2011)
(a) CPI (Rural)
(b) CPI (Urban)
(c) CPI (Combined)
4. Consumer Food Price Index
Till April 2014, the Inflation rate was measured with the help of WPI (Wholesale Price Index).
Currently, in India inflation rate is measured with the help of Consumer Price Index- combined.

1. Wholesale Price Index

- It measures the change in the price of commodities traded in the wholesale market.
- It is also known as headline inflation.
- Current base year- 2011-12.
- The index basket of the current series has a total of 697 items (117 items for Primary Articles, 16 items for Fuel & Power and 564 items for Manufactured Products.)
- Published by- Economic Advisor, Ministry of Commerce & Industry.

2. Old Consumer Price Index

(a) Consumer Price Index for Industrial Workers (CPI- IW)

- It measures the change in the price of commodities consumed by industrial workers.
- Current base year- 2001
- Published by- Labour Bureau

(b) Consumer Price Index for Urban Non- Manual Employees (CPI- UNME)

- It measures the change in the price of commodities consumed by Non- Manual Employees.

- Published by- CSO (Central Statistics Office, Ministry of Statistics)
- It has been discontinued.

(c) Consumer Price Index for Agriculture Labourers (CPI-AL)

- It measures the change in the price of commodities consumed by agriculture labourers.
- It is a subset of CPI-RL.
- Current base year- 1986-87
- Published by- Labour Bureau
- Used for revising minimum wages

(d) Consumer Price Index for Rural Labourers (CPI- RL)

- It measures the change in the price of commodities consumed by rural labourers (include agriculture labourers, labourers of village and cottage industries).
- Current base year- 1986-87
- Published by- Labour Bureau
- Used for revising minimum wages.

3. New Consumer Price Index (Introduced in February 2011)

(a) CPI (Rural)-

- Current base year- 2012
- Published by- CSO (Central Statistics Office, Ministry of Statistics)

(b) CPI (Urban)-

- Current base year- 2012
- Published by- CSO

(c) CPI (Combined)-

- Current base year- 2012
- Published by- CSO
- Currently, in India inflation rate is measured with the help of Consumer Price Index-combined.

4. Consumer Food Price Index-

- It is a measure of change in retail prices of food items consumed by the people.
- Current base year- 2012
- Published by- CSO

GDP Deflator

- Used to calculate overall price rise.
- Known as implicit price deflator.
- GDP Deflator= (Nominal GDP/Real GDP) × 100
- Here Real GDP- GDP calculated at constant Price
- Nominal GDP- GDP calculated at current Price
- The GDP deflator is the most accurate because it covers all goods and services produced in the economy. The other indices (WPI and CPI) derive from price quotations for select commodity baskets.
- The government does not use it because GDP deflator data comes quarterly (not weekly/monthly basis).

RBI and Monetary Policy

RBI (Reserve Bank of India)

- RBI was established in April 1935 under Reserve Bank of India, 1934.
- On the recommendation of Hilton-Young Commission.

- Central Bank of India which was nationalized in 1949.
- Central office initial was established in Calcutta and later moved to Mumbai in 1937.
- Official Directors- Governors and not more than four deputy governors.
- RBI performs his function under the guidance of the Board of financial supervision.

Other facts related to Reserve Bank of India

- The first governor of RBI- Sir Osborne Smith
- The first governor of RBI after nationalization- C. D. Deshmukh
- First women Deputy Governor of RBI -K.J.Udeshi.
- RBI Emblem: Tiger and Palm tree

What is Monetary Policy?

- The policy made by the central bank (Reserve Bank of India) to control the money supply in the economy.

MPC (Monetary Policy Committee)

- The Monetary Policy Committee of India is a committee of the Reserve Bank of India that is responsible for fixing the benchmark interest rate in India.
- Section 45ZB of the amended RBI Act, 1934 provides for an empowered six-member monetary policy committee (MPC) to be constituted by the Central Government to determine the interest rate that is required to achieve the inflation target.
- The MPC is required to meet at least four times in a year.
- Six-membered MPC is headed by RBI governor Urjit Patel.
- The Members of the Monetary Policy Committee appointed by the Central Government shall hold office for a period of four years.

Liquidity Adjustment Facility (LAF)

- Liquidity adjustment facilities (LAF) is also a tool used by RBI to control the short-term money supply.
- Liquidity adjustment facilities (LAF) has two instruments namely Repo rate and Reverse Repo Rate.
- **Repo Rate:** The interest rate at which the Reserve Bank provides loans to commercial banks by mortgaging their dated government securities and treasury bills.
- **Reverse Repo Rate:** The interest rate at which the Reserve Bank borrows from commercial banks by mortgaging its dated government securities and treasury bills.
- While repo rate injects liquidity into the system, the Reverse repo absorbs the liquidity from the system.

Types of Unemployment

1. **Structural Unemployment**

- Caused by structural change.
- Example- technological change, growing population etc.

2. **Frictional Unemployment**

- When people shift from one job to another and remain unemployed during this interval period.

3. **Cyclical Unemployment (Demand Deficient Unemployment)**

- When people are thrown out from the job due to a decrease in demand.
- Example- recession

4. **Disguised Unemployment**

- In this type of employment, people are employed but their marginal productivity is zero.
- Example- One man is engaged in some agriculture work, his friend joins him but the productivity of both remains same. His friends come under disguised unemployment.

5. **Educated Unemployment**

- If one educated person is not able to get a suitable job suited to his qualification.
- Example- Engineering graduate is getting clerk post instead of engineer post.

6. **Open Unemployment**

- A condition in which people do not find any work to do.
- It includes both skilled and unskilled people.

7. **Under Unemployment**

- When people obtain work but their efficiency and capability are not utilized at their optimum and they contribute to the production up-to a limited level.

8. **Voluntary Unemployment**

- In this type of unemployment, jobs are available but individuals want to remain idle.
- Example- lazy people, people who have ancestor property do not want to earn.

9. **Natural Unemployment**

- 2 to 3 % unemployment is considered natural and cannot be eliminated.

10. **Chronic Unemployment**

- Caused due to the long-term unemployment present in the economy.

11. **Seasonal Unemployment**

- In this type of unemployment, people are unemployed for a few months of the year.
- Example- Farmers

Inflation (Types and Effects)

Inflation

- The general rise in the price level of goods and services.
- It is estimated as the percentage rate of change in price index over the reference time period.
- Currently in India inflation rate is measured with the help of the Consumer Price Index-combined (Base year- 2012).
- Till April 2014, the Inflation rate was measured with the help of WPI (Wholesale Price Index).
- Rate of Inflation= (Current period price index-Reference period price index)/(Reference Period Price Index)×100

Type of Inflation

Based on the rate of rising in Inflation

1. Creeping Inflation

- Price rise at the very small rate (< 3 %)
- It is considered safe and essential for the economy.

2. Walking or Trotting Inflation

- Price rise at moderate rate (3 % < Inflation < 10 %)
- Inflation at this rate is a warning signal for the Economy.

3. Running Inflation

- Price rise at high rate (10 % < Inflation < 20 %)
- It affects the economy adversely.

4. Hyperinflation or Galloping Inflation or Runway Inflation
- Price rise at very high rate (20 % < Inflation < 100 %)
- This situation brings the total collapse of the Economy.

Based on the causes
- Demand Pull Inflation: When Inflation arises due to higher demand for goods and services over the limited supply.
- Cost-Push Inflation: When Inflation arises due to higher input cost (Example- raw material, wages etc.) for goods and services over the limited supply.

Other definitions

1. Deflation
- It is opposite to Inflation.
- Reduction of general level of price in an economy.
- In this price index measured is negative.

2. **Stagflation:** When stagnation and inflation coexist in the economy.
3. **Stagnation:** low national income growth and high unemployment.
4. **Disinflation**
- When the rate of Inflation is at a slower rate.
- Example:
  If the Inflation of last month was 4 % and the rate of inflation in the current month is 3 %.

5. **Reflation:**
- Deliberate action of government to increase the rate of inflation to redeem the economy from a deflationary situation.

6. **Core Inflation:**
- It is a measure of price rise in the economy excluding the price rise of some products (whose price is volatile and temporary in nature.

Measures to control Inflation

1. **Credit control**
- It is used by RBI.

2. **Increase in Direct Taxes**
- Due to the increase in direct taxes, people have less money available to them and low demand from them leads to a lower price.

3. **Price Control**
- By fixing the maximum price limit by authorities.

4. **Trade measures**
- Maintain proper supply in the economy by export and import of goods and services.

Poverty in India

Poverty
- A condition in which section of society is unable to fulfil its basic necessities of life.

- It is of two types-
  (a) Absolute Poverty
  (b) Relative Poverty

(a) **Absolute Poverty**

- In this, we calculate an aggregate value (a figure expressing per capita consumer expenditure) of the minimum quantity of commodities which are necessities of life.
- The population whose level of income (or expenditure) is below this aggregate value is Below Poverty Line (BPL).
- In this measure of poverty, we expressed the number of poor as a proportion of the total population. This measure also is known as the headcount ratio. Example: 13 Percent of People are BPL.
- Why we prefer consumption expenditure method instead of income- In per capita income we cannot separate dependent people (children, senior citizens etc.) who are consuming but not earning. So, for correct data calculation, we prefer the consumption expenditure method instead of income.

(b) **Relative Poverty**

- In this type of poverty, a person may be above Below Poverty Line but happens to be poor in comparison with the other person whose income is above his income/consumption.
- In this type of poverty calculation, income/consumption distribution of the population in different percentile groups is estimated and compare them.
- It provides inequality present among the total population.
- Quintile ratio is one of the measures of inequality. Quintile Income Ration= Average income of richest 20 Percent/ Average income of poorest 20 persons

Poverty estimation in Independent India

(A) Dr. V.M. Dandekar and Nilantha Rath (1968-69)

- Fixed desired minimum nutrition = 2250 calories/day
- In Rural, money required to purchase this amount of nutrition- 170 Rs. / year
- In Urban, money required to purchase this amount of nutrition- 271 Rs. / year
- Using this reference, they found that 40 Percent of rural resident and 50 Percent of urban residents were below the below poverty line in 1960-61.

(B) Planning commission expert group

- Poverty line concept was first introduced by the planning commission working group of the planning commission in 1962.

(i) Alagh Committee

- **Chairman-** Y K Alagh
- Till 1979 poverty estimation was done on the basis of lack of income, but in 1979 Y K Alagh Committee adopted a new approach based on household per capita consumption expenditure basis.
- This committee defines the first poverty line in India.
- Daily consumption fixed by the committee in Rural= 2400 calories/day
  Daily consumption fixed by the committee in Urban= 2100 calories/day

Note- In rural India value of consumption was put high because of physical labour they undergo.

(ii) Lakdawala Committee

- Formed in 1989.
- Chairman- D.T. Lakdawala
- Submitted report in 1993.
- Daily consumption fixed by the committee in Rural= 2400 calories/day
Daily consumption fixed by the committee in Urban= 2100 calories/day
- The committee used CPI-IL and CPI-AL for estimation of Poverty
Note- CPI-IL (Consumer Price Index for Industrial Labourers)
CPI-AL (Consumer Price Index for Agriculture Labourers)

(ii) Tendulkar Committee

- Formed in 2005.
- Chairman- Suresh D. Tendulkar
- Submitted its report in 2009.
- Changed calorie based estimation to nutrition, health and other expenditure based
- Introduce a new term Poverty Line Basket (PLB) which is the basket of all goods selected to determine poverty.
- Consumption quantity fixed the same for both rural and urban people but price differs-
Daily per capita expenditure for Rural- Rs. 27
Daily per capita expenditure for Urban- Rs. 33

(iii) Rangarajan Committee

- Formed in June 2012.
- Chairman- Rangarajan
- Submitted its report in June 2014.
- Again, adopted the calorie-based approach which was used in past.
- Daily per capita expenditure for Rural- Rs. 33
Daily per capita expenditure for Urban- Rs. 47

History of Banking in India (Before & After Independence)

Phases of Indian Banking System

The advancement in the Indian banking system is classified into 3 distinct phases:
1. The Pre-Independence Phase i.e. before 1947
2. Second Phase from 1947 to 1991
3. Third Phase 1991 and beyond

1. The Pre-Independence Phase i.e. before 1947

- This phase is characterized by the presence of a large number of banks (more than 600).
- Banking system commenced in India with the foundation of Bank of Hindustan in Calcutta (now Kolkata) in 1770 which ceased to operate in 1832.
- After that many banks came but were not successful like:

(1) General Bank of India (1786-1791)
(2) Oudh Commercial Bank (1881-1958) – the first commercial bank of India.
Whereas some are successful and continue to lead even now like:
(1) Allahabad Bank (est. 1865)

(2) Punjab National Bank (est. 1894, with HQ in Lahore (that time))
(3) Bank of India (est. 1906)
(4) Bank of Baroda (est. 1908)
(5) Central Bank of India (est. 1911)

- While some others like Bank of Bengal (est. 1806), Bank of Bombay (est. 1840), Bank of Madras (est. 1843) merged into a single entity in 1921 which came to be known as Imperial Bank of India.
- Imperial Bank of India was later renamed in 1955 as the State Bank of India.
- In April 1935, Reserve Bank of India was formed based on the recommendation of Hilton Young Commission (set up in 1926).
- In this time period, most of the banks were small in size and suffered from the high rate of failures. As a result, public confidence is low in these banks and deposit mobilization was also very slow. People continued to rely on the unorganized sector (moneylenders and indigenous bankers).

2. The second phase from 1947 to 1991

- Broadly the main characteristic feature of this phase is the Nationalization of the bank.
- With the view of economic planning, nationalization emerged as the effective measure.
- Need for nationalization in India:

(a) The banks mostly catered to the needs of large industries, big business houses.
(b) Sectors such as agriculture, small-scale industries and exports were lagging behind.
(c) The poor masses continued to be exploited by the moneylenders.

- Following this, in the year 1949, 1st January the Reserve Bank of India was nationalized.
- Fourteen commercial banks were nationalized on 19th July 1969. Smt. Indira Gandhi was the Prime Minister of India, during in 1969. The following banks are nationalized:

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

Six more commercial banks were nationalized in April 1980. These are mentioned below:

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

- Meanwhile, on the recommendation of Narasimham committee, Regional Rural Banks (RRBs) were formed on Oct 2, 1975. The objective behind the formation of RRBs was to serve the large unserved population of rural areas and promoting financial inclusion.
- With a view to meet the specific requirement from the different sector (i.e. agriculture, housing, foreign trade, industry) some apex level banking institutions were also setup like:(a) NABARD (est. 1982)

(b) EXIM (est. 1982)
(c) NHB (est. 1988)
(d) SIDBI (est. 1990)

Impact of Nationalization

- Improved efficiency in the Banking system – since the public's confidence got boosted.
- Sectors such as Agriculture, small and medium industries started getting funds which led to economic growth.
- Increased penetration of Bank branches in rural areas.

3. Third phase 1991 and beyond

- This period saw a remarkable growth in the process of development of banks with the liberalization of economic policies.
- Even after nationalization and the subsequent regulations that followed, a large portion of masses is untouched by the banking services.
- Considering this, in 1991, the Narasimham committee gave its recommendation i.e. to allow the entry of private sector players into the banking system.
- Following this, RBI gave license to 10 private entities, out of which few survived the market demands, which are- ICICI, HDFC, Axis Bank, IndusInd Bank, DCB.
- In 1998, the Narsimham committee again recommended entry of more private players. As a result, RBI gave license to the following newbies:

(a) Kotak Mahindra Bank (2001)
(b)Yes Bank (2004)

Points to Note

1. Allahabad Bank, established in 1865 – Allahabad Bank is the oldest Public Sector Bank in India having branches all over India and serving the customers for the last 145 years.
2. Imperial Bank of India was later renamed in 1955 as the State Bank of India.
3. Punjab National Bank is the first bank purely managed by Indians, which was established in Lahore in 1895.
4. First Truly Swadeshi bank – Central Bank of India is called India's First Truly Swadeshi bank, which was established in 1911 and wholly owned and managed by Indians.
5. Union Bank of India was inaugurated by Mahatma Gandhi in 1919.
6. Osborne Smith was the first governor of the Reserve Bank.
7. CD Deshmukh was the first Indian to be the governor of the Reserve Bank.
8. The first Indian bank to open an overseas branch is Bank of India. It established a branch in London in 1946.

9. State Bank of India has the maximum number of overseas branches.

Money Market- Banking System in India

The banking structure is divided into many parts like Capital Market, Money Market etc.

Money Market

- In this, borrowing and lending of funds take place up to 1 year.
- It is used for short-term credit.
- It includes Reserve Bank of India, Commercial Banks, Cooperative Banks, Regional Rural Banks, some NBFC's etc.

Composition of Money Market

Indian Money market consists of organised sector and unorganized sector. But here, we will put a focus on the organised sector.

Organised Sector:

It is divided into two categories:

A. Banking

Classification of Banks based on the schedule of RBI Act 1934

All banks (Commercial Banks, RRB, Cooperative Banks) can be classified into scheduled and non-scheduled banks.

1. Scheduled Banks

- Banks are listed in the second schedule of RBI Act, 1934.
- Eligible for obtaining loans from RB on Bank Rate.

2. Non- Scheduled Banks

- Banks that are not listed in the second schedule of RBI Act, 1934.
- Generally, not eligible for obtaining loans from RBI.
- Keep CRR with itself, not with RBI.

Commercial Banks

- It is divided into two parts i.e. Public and Private Sector Banks.
- Regulated under Banking Regulation act 1949.
- They can accept deposits, can provide loans and other financial services to earn the profit.

(a) Public Sector Banks

- In these banks, the majority of shares (more than 50%) are held by the Government.
- Currently, in India, there are 21 Public sector banks after the merger of SBI with their associate banks and Bhartiya Mahila Bank (BMB).
- The Nationalisation of banks was done by government in two stages: The first stage of nationalization took place in July 1969, in which fourteen banks were nationalized.
  The second stage of nationalization of Banks took place in April 1980, in which six banks were nationalized.
  Objectives of Nationalization of Banks:
  1. Reducing Private Monopolies
  2. Social Welfare
  3. Expansion of Banking Facilities
  4.Focus on Priority Sector Lending

(b) Private Sector Banks

- In these banks, the majority parts of shares are not held by the government.
- Private sector banks consist of both Indian Banks as well as foreign banks.

- Private banks which were set up before 1990 (liberalisation of the economy) are categorised as Old Banks.
- Private banks which were set up after 1990 (liberalisation of the economy) are categorised as New Banks.
- Local Area Banks- Private Banks which are allowed to operate in the limited area called local area banks and registered under the companies act, 1956. The minimum capital required for these banks is Rs. 5 crores.

Regional Rural Banks

- Established under RRB Act, 1976.
- Regional Rural Banks are set up by public sector banks.
- The objective of RRBs is to increase credit flow to rural areas.
- After the Kelkar committee's recommendations in April 1987, no new RRBs have been opened.

Cooperative Banks

- Established with the aim of funding agriculture, cottage industries etc.
- Can perform both deposits and lending activities.
- NABARD (National Bank for Agriculture and Rural development) is the apex body of the cooperative sector in India.

Composition of Cooperative Banks

1. Rural Cooperative Credit Institutions

(a) Short Term Structure

- Lend up to one year.
- It is further divided into a three-tiered setup.

(i) State Cooperative Bank: Apex body for cooperative banks in the state.
(ii) Central or District Cooperative Banks: Operate at the district level.
(iii) Primary Agriculture Credit Societies: Operate at the village level.

(b) Long-Term Structure

- Lend for more than one year to twenty-five years.
- It is divided into two-tiered setup:
  (i) State Cooperative Agriculture and Rural Development Banks and
  (ii) Primary Cooperative Agriculture and Rural Developments Banks

2. Urban Cooperative Credit Institutions

- Set up in urban and semi-urban areas.
- Lend to small businesses and borrowers.

B. Sub Markets

- Sub Market, market to generate resources for investment and to meet the shortage of money for regular activities.
- The government, Financial Institutions and Industries take part in the submarket.

The composition of the Sub Market-

(i) Call Money Market

- Known as Short Notice Market.
- Generally used for inter-bank borrowing and lending.
- Loans for a range from one to fourteen Days.

- It is also divided into two categories- A. Call market or Overnight Market (Within one Day)
    - B. Short Notice market (up to fourteen days)

(ii) Bill Market or Discount Market

(a) Treasury Bills

- Issued by Government treasury.
- Used for short-term credit.
- Non-interest bearing (Zero Coupon bonds), issued at discount price.

(b) Commercial Bill Market

- Bills other than treasury bills.
- Issued by traders and industries.

(iii) Dated Government Securities

- Used for long-term maturity.

(iv) Certificates of Deposits

- Issued by commercial banks and financial Institution

(v) Commercial Paper

- Issued by corporate, Primary dealers and financial institutions.

Capital Market

Financial Market is the market where borrowing and lending of funds of all individual, institutions, companies and of the government take place. In India, Financial Market can be divided into two main categories-(A) Money Market (B) Capital Market. In this article, we will read the "Basics of Capital market, Stock market, their types, and features"

Money Market

- It is used for short-term credit.
- Generally, we use it for borrowing and lending of money up to 1 year.
- It includes Reserve Bank of India, Commercial Banks, Cooperative Banks, Regional Rural Banks, Some NBFC's etc.

Capital Market

- It is used for long-term credit.
- Generally, we use it for borrowing and lending of money above 1 year.
- It includes Stock exchanges, Housing finance companies, Insurance companies etc.
- All the institutions listed in the capital market are called Non-banking financial companies (NBFC's). But it is not Necessary that all NBFCs are part of the capital market.

  NBFCs

  NBFCs is a company registered under the companies act, 1956. It differs from banks in the following aspects-

  (i) It cannot accept demand deposits.

  (ii) They do not have insurance coverage on their deposits however bank deposits have insurance cover of Deposit Insurance and Credit Guarantee Corporation.

Balance Of Payments

Introduction

- International Monetary Fund (IMF) defines the Balance of Payments (BoP) as a statistical statement that summarizes economic transactions between residents and non-residents during a specific time period.
- The BoP, thus, includes all transactions showing:
  (a) Transactions in goods, services and income between an economy and the rest of the world,
  (b) Change of ownership and other changes in that economy's monetary gold, special drawing rights (SDRs), and financial claims on and liabilities to the rest of the world
  (c) Unrequited transfers- transfer of money in which nothing is expected in return. Example- Foreign aid, debt forgiveness etc.
- These transactions are categorized into
  (i) Current Account
  (ii) Capital Account and Financial Account (capital account is redesignated as capital and financial account)
- The balance of payments is, basically, the record of all international financial transactions made by a country's residents.
- The balance of payments tells us whether the country has a surplus or deficit. It also reveals whether the country produces enough economic output to pay for its growth.

When BoP is deficit it implies

- A balance of payments deficit means the country imports more goods, services and capital than it exports.
- The country must borrow from other countries to pay for its imports.
- In the short-term, that fuels the economic growth. But, in the long-term, the country becomes a net consumer, not a producer, of the world's economic output.
- The country goes into debt to pay for consumption instead of investing in future growth. If the deficit continues for long, the country gets into the debt trap and might end up selling its assets to pay off its debt.

When BoP is surplus it implies

- A balance of payments surplus means the country exports more than it imports.
- The country basically saves more than it earns. This boosts the capital formation with its additional income. They might even lend outside the country.
- A surplus boosts economic growth in the short term.
- In the long run, the country becomes too dependent on export-driven growth. It must encourage its residents to spend more. A larger domestic market will protect the country from exchange rate fluctuations

BOP Components

- The BoP can be broadly divided into two accounts namely-
  (a) Current Account
  (b) Capital and financial account.

Current Account

- The current account measures the transfer of real resources (goods, services, income and transfers) between an economy and the rest of the world.
- The current account is further subdivided into a merchandise account and invisible account.

- The merchandise account consists of transactions relating to exports and imports of goods.
- In the invisible account, there are three broad categories namely- (a) non-factor services such as travel, transportation, insurance and miscellaneous services; (b) transfers which do not involve any value in exchange, and (c) income which includes compensation for employees and investment income.

Current Account Deficit (CAD)

- Current Account Deficit (CAD) = Trade Deficit + Net Income From Abroad + Net transfers Note: Here Trade Deficit= Export-Import So we can see here that Trade Deficit and Current Account Deficit both are different and the Trade Deficit is one component of Current Account Deficit.

Capital Account and Financial Account

- The capital and financial account reflect the net changes in financial claims on the rest of the world. Note- The former balance of payments capital account has been redesigned as the capital and financial account as per the fifth edition of Balance of Payments Manual (IMF).
- The capital account can be broadly broken up into two categories namely- (a) Non-debt flows such as direct and portfolio investments (b) Debt flows such as external assistance, commercial borrowings, non-resident deposits, etc.
- The financial account records an economy's transaction in external financial assets and liabilities.
- All components are classified according to type of investment or by functional subdivision
  (a) Direct investment
  (b) Portfolio investment
  (c) Other investment
  (d) Reserve assets
- The sum of the current account and capital account indicates the overall balance, which could either be in surplus or in deficit. The movement in overall balance is reflected in changes in the international reserves of the country.

Sr. No.	Articles	Opportunity cost
1.	Free goods like clean air, abundant fresh water, etc.	No
2.	Common goods (in abundant)	No
3.	Common goods (scarce)	Yes
4.	Government expenditure in defence	Yes
5.	Government freebies to citizens	Yes
6.	Public goods like roads, railways, infrastructure, etc.	Yes

- The opportunity cost is considered to be zero for naturally occurring abundant resources like free unpolluted air, water etc. and also for common goods like grazing land, oceans etc.
- For government expenditures, the Opportunity cost is never zero because the authorities always have choices to make.
- So, whatever is chosen, there would exist something forgone as well. Like if the government decides to build a bridge, the government could have spent that price onto increasing more personnel to ensure safety.
- In the case of freebies, for consumers/ citizens, there is no opportunity cost because it is transferred from them to the government.

PRODUCTION POSSIBILITY CURVE:

- With the available amount of resources and technology, the various alternative combinations of production of a set of two goods are plotted to give a production possibility curve.
- It is also known as the Production Possibility Frontier or Transformation curve.
- The curve helps in deciding "what to produce".
- Thus, the curve provides all the production possibilities available, out of which the most economically or physically viable one could be chosen to maximize profit and minimize the losses attached.

Different points on a curve

Point X represents underutilization of resources;

point Y represents infeasible option i.e. non-feasibility of the chosen combination (beyond the capacity);

while points A, B and C represent the full utilization of resources.

If the resources and technology available increases, the curve shifts towards the right and if resources and technology fall short, the curve shifts towards the left.

SUPPLY-DEMAND CURVE:

Supply curve:

- It represents the relationship between the price and quantity of a product produced which the seller is ready to supply in the market, keeping other variables to be constant.
- Herein quantity of the product is plotted horizontally on x-axis and price of the same product on the y-axis.
- It is generally a straight line sloping upward from left to right as shown in the graph. This is so because price and quantity of a product are directly related, i.e. if the price of a product is increasing in the market, its quantity in the market will also increase in the same manner (increase in price acts as an incentive for the suppliers to produce more).
- With the change in variables, the supply curve can shift in either direction. If it shifts towards the left, it implies a decrease in the quantity of product supplies in the market and rightward shift implies an increase in quantity supplies with respect to the price of the product.

Demand curve:

- It represents the relationship between the price and quantity of the product demanded by the consumers, keeping all other variables to be constant.
- It generally represents a downward sloping straight line from left to right as shown in the graph below.

- This is so because price and quantity of the product demanded are inversely related to each other, i.e. if the price of a commodity falls, its demand rises.
- Conforming to the supply curve, if it shifts leftwards, it implies a decrease in demand and if rightwards, it implies an increase in demand of a product.

Keynesian Theory

Keynesian Economics

- It was developed by the British economist John Maynard Keynes during the 1930s. It was an attempt to understand the Great Depression.
- It suggested increasing government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression.

Keynesian Theory of Employment

- This theory rejected the notion of full employment and instead suggested full employment as a special case and not a general case.
- It said if there is an increase in national income, there would be an increase in level of employment and vice versa.
- According to this theory, the level of employment is dependent on national income and output and factors of production remain unchanged while determining the level of employment.

Laissez-faire Theory

- This theory opposed any government intervention in business affairs.

World Trade Organisation: Structure, Objectives, Agreements, Subsidies

Introduction

- WTO is an international organization set up in 1995 by replacing the General Agreement on Trade and Tariffs (GATT) under the Marrakesh Agreement.
- It is the only global international organization dealing with the international Trade between nations.
- Its HQ is located in Geneva, Switzerland.
- Currently, WTO has 164 members and India is a founding member of WTO.
- Currently, the head (Director-General) of WTO is Roberto Azevedo.

Evolution of WTO

- After the end of World War-II, various international organizations were formed to facilitate collaboration between countries in dealing with economic, social, and technical problems.
- For the development of the world economy and seamless trade among all the countries, a dire need was felt for an international organization for regulating international trade.
- In 1945 a conference known as the Bretton Woods Conference (by two Bretton wood institutions- IMF and World Bank) was held for the creation of international trade organization (ITO) which finally could not be ratified due to lack of approval by the US and many other major countries.
- As the US was an emerging world power after World War-II, hence the creation of ITO without the US was meaningless.
- Meanwhile, through negotiations, a multilateral agreement was concluded in 1947 known as the General Agreement on Tariffs and Trade (GATT).
- Various conferences of GATT were held on periodic intervals for negotiations on trade.

-
- Finally, during the Uruguay round of conference held from 1986-1994, agreement on the creation of WTO was finally ratified through the Marrakesh Agreement.
- India has been a member of GATT since 1948 and a founding member of WTO. China joined WTO only in 2001 and Russia in 2012.

Objectives of WTO

- To formulate and implement rules for international trade.
- To provide a platform for negotiating and monitoring further trade liberalization.
- To provide a platform for the settlement of disputes.
- Providing assistance to the developing, least-developed and low-income countries in transition to adjust to WTO rules and disciplines through technical cooperation and training.
- To cooperate with the other major economic institutions (like UN, World Bank, IMF etc) involved in global economic management.

Structure of WTO

The basic structure of WTO is as appended below:-

- Ministerial Conference – It is the topmost decision-making body of the WTO. Usually, it meets after every two years. It brings together all WTO participants.
- The General Council – It is composed of representatives of all the member states. It is responsible for the day-to-day business and management of the WTO.
- Other councils/bodies - There are many other bodies like Goods Council, Services Council, Trade Policy Review Body, Dispute Settlement Body etc. which deals with other specific issues.

Principles of WTO

The WTO Agreements are based on the following simple and fundamental principles:-

- Non Discrimination
- Most Favored Nation - All nations should be treated equally. No one country can grant any other member country any special favour. For example, if one country lower tariff to one country then it has to be lowered to all other member countries.
- National Treatment- Same treatment to all products, either local or foreigners. Fair and equal treatment is given to local as well as the products imported from other countries.
- Reciprocity - Lowering of import duties and other trade barriers in return for similar concessions from another country.
- Predictability through Binding and enforceable commitments - To make the business environment stable and predictable.
- Transparency - The WTO members need to publish their trade regulations and to notify changes in trade policies to the WTO.
- Encouraging Development and Economic Reforms - All efforts are made by the WTO system to contribute to development.

Important Trades Agreements of WTO

The important trade agreements concluded under WTO are -

- Agreement on Agriculture (AoA),
- Agreement on TRIPS (Trade-Related Aspects of Intellectual Property Rights),

- Agreement on the Application of Sanitary and Phytosanitary Measures (SPS),
- Agreement on Technical Barriers to Trade (TBT),
- Agreement on Trade-Related Investment Measures (TRIMS),
- General Agreement on Trade in Services (GATS) etc.

Agreement on Agriculture (AoA)

- It was negotiated during the Uruguay Round of the GATT and was concluded with the establishment of the WTO in 1995.
- Through AoA, WTO aims at reforming trade in agriculture with a fair and market-driven system.
- The Agreement allows governments to support their rural economies, but only allows those policies that cause less trade "distortions".
- This agreement has fixed commitments from all member states on the following three agricultural supply chain system:-

1. **Improving Market access**– This can be done by removing various trade barriers by the member states. By fixing the tariffs and progressively promoting free trade among member states which will ultimately lead to an increase in market access.

2. **Domestic Subsidies-** It basically motivates for the reduction in domestic subsidies that distorts free trade and fair prices. This is based on the premise that not all subsidies distort trade to the same extent. Under this agreement, Subsidies can be categorized into the following three boxes –

   (a) Green Box – All those subsidies that do not distort trade or cause minimal distortion, come under the green box.
   Ex-All government services such as research, disease control, and infrastructure and food security. Also, all those subsidies given to the farmers that directly do not affect international trade also comes under the green box.

   (b) Amber Box - All kinds of domestic subsidies or support that can distort production and trade (with some exceptions) fall into the Amber Box. The measures to support prices come under this box. The exception is the provision that accepts subsidies upto 5% of agricultural production for developed countries, 10% for developing countries.

   (c) Blue Box – All those Amber Box subsidies which tend to limit the production comes under Blue Box. This can be increased without limit as long as subsidies are linked to production-limiting programs.

3. Export subsidies – All those subsidies that make the export of agricultural products cheaper are called export subsidies. These are basically presumed to have trade-distorting effects. This agreement prohibits the use of export subsidies by the member states for agriculture products.

India's trade concerns and WTO

Appended below please find India's concerns related to trade in WTO:-

- Tariff on steel and aluminium – Recently the USA govt imposed 10% tariff on aluminium and 25% tariff on steel against various trade partners. India wants that it should be removed or it will raise the issue in WTO.

- Export Subsidy Issue – Recently USA dragged India to WTO and raised concern on the export subsidy regime provided to the Indian companies in the form of SEZ, MEIS, EPCG, etc. USA argues that as India's Per Capita Income has increased from $ 1000, India can't use the export subsidy regime as per the ACSM.

- Agricultural subsidies - The present quota of subsidies is based on the price levels of 1986-88. Presently the minimum support price (MSP) concept which provides subsidies to the farmers in India falls under the Amber box. It can directly affect India's food security program. India wants that it should be at the current price level and the amber box concept should be done away with. However, a 'peace clause' agreed to during the Bali conference allows India to carry on with its PDS program as of now. But the developed member states are not taking any steps for a permanent solution of this problem.

- Special and differential treatment (SDT) - During Doha round, member states agreed to provide favourable treatment to developing nations. However, developed countries are denying the emerging economies such as India and China as unworthy of this provision.

- Issues related to intellectual property rights – The issues of compulsory licensing of medicines have been resolved through TRIPS. However, the developed nations are trying to push for TRIPS commitments.

NITI Aayog

- NITI Aayog is created for the financial planning at pan-India and the important reports it releases for the development assessing various parameters.
- The Planning Commission was established in March 1950 by a resolution of the Government of India.
- It was made responsible for assessing national resources and drafting five-year plans for the effective use of the resources.
- The objective was to the proper and effective utilization of resources. With changing times, and growing needs of the people and effectively address them, a new version of planning body i.e. NITI Aayog was established by a resolution of the Union Cabinet on January 1, 2015, replacing the Planning Commission.
- NITI Aayog is regarded as the premier policy 'Think Tank' of the Government of India. It provides both directional and policy inputs.
- Besides designing the strategic and long-term policies and programmes for the Government of India, the Aayog also provides relevant technical advice to the Centre as well as the States.

Role of International Labour Organization (ILO) in Social Security

- It was created as part of the "Treaty of Versailles" that ended World War I to ensure social justice for people of work.
- It became a specialized agency of newly formed united nations after the second world war and today has a membership of 186 states that continues to grow. The tripartite structure is unique to the ILO where representatives from the government, employers and employees openly debate and create labour standards.

- The ILO received the Nobel Peace prize in 19 69 and today is recognized as the world's authority on the world of work.
- Its impact has seen key moments in history. Headquartered in Geneva with over 40 new offices around the globe, the ILO is unique amongst international organizations, where not only governments but employers and workers as well have equal voices.
- They work together to create Labour standards and qualities that impact today's global economy.
- In 2008, the ILO adopted a Declaration on Social Justice for fair globalization to respond to our world faced with the economic crisis. It made decent work the core of ILO policy and with the decent work agenda into practice. The Decent Work Agenda has forced to teach objectives:
- Promote decent employment opportunities
- Enhance social protection
- Strengthen tripartism and social dialogue
- Guarantee Fundamental principles and rights at work

Pradhan Mantri Garib Kalyan Yojana

About Pradhan Mantri Garib Kalyan Yojana

- The Pradhan Mantri Garib Kalyan Yojana (PMGKY) was originally launched by PM Narendra Modi in 2015 as a scheme built with the objective of addressing poverty.
- However, with the recent demonetization drive launched by the government to curb the spread of black money, an amendment has been made to the existing Income Tax Bill and the PMGKY has been made a part of the Taxation Laws (Second Amendment) Act, 2016.

Quick Glance at the announced highlights:

- Insurance cover of Rs 50 Lakh per health worker fighting COVID-19 to be provided under Insurance Scheme
- 80 crore poor people will get 5 kg of wheat or rice and 1 kg of preferred pulses for free every month for the next three months
- 20 crore women Jan Dhan account holders to get Rs 500 per month for next three months
- Increase in MNREGA wage to Rs 202 a day from Rs 182 to benefit 13.62 crore families
- Ex-gratia of Rs 1,000 to 3 crore poor senior citizen, poor widows and poor disabled
- Government to front-load Rs 2,000 paid to farmers in the first week of April under existing PM Kisan Yojana to benefit 8.7 crore farmers
- Central Government has given orders to State Governments to use Building and Construction Workers Welfare Fund to provide relief to Construction Workers

MGNREGA: The Contribution to Strengthening the Rural Economy

What is MGNREGA?

- The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) is a law whereby any adult who applies for employment has to be given a guarantee of 100 days of work on local public works within fifteen days of registration. If employment is not given, then the unemployment allowance has to be paid.
- The Act enacted in 2005 is regarded as the largest work guarantee program in the world, guarantees 100 days of wage employment per year to rural households. Roughly one-third of the stipulated workforce must be women.

Note: Previously, this social security scheme was called 'National Rural Employment Guarantee Act, but after April 2008, it was renamed as Mahatma Gandhi National Rural Employment Guarantee Act. Presently, the minimum number of days of work have been increased up to 150 days.

The objective of the MGNREGA Scheme

- It aims at addressing the causes of chronic poverty through the works that are undertaken and ensuring sustainable development.
- The Act was introduced with the aim of improving the purchasing power of the rural people, primarily semi or unskilled work to people living below the poverty line in rural India.
- It also aims to strengthen the process of decentralization and empowers Panchayati Raj Institutions (PRIs) for the planning and implementation of these works.Operation flood

In 1970, the National Dairy Development Board (NDDB) launched "Operation Flood," which became India the world's largest milk producer. This programme was dubbed "The White Revolution" because of its enormous success. Dr. Verghese Kurien, commonly known as the "Father of the White Revolution," was the principal architect of this successful endeavour.

Mr. Kurien voluntarily left a government post as a dairy engineer in 1949 to join the Kaira District Co-operative Milk Producers' Union (KDCMPUL), today known as Amul.

Since then, Kurien has grown this organisation into one of India's largest and most successful institutions. The Amul cooperative model was so successful that in 1965, then-Indian Prime Minister Shri Lal Bahadur Shastri established the National Dairy Development Board (NDDB) to replicate it across the country, praising Kurien for his "exceptional and vigorous leadership."

Operation Flood:

The Operation Flood was completed in three phases:

Phase I (1970-79):- During this phase, consumers in the four metros of Mumbai, Delhi, Chennai, and Kolkata were connected to 18 of the country's primary milk sheds. This phase cost a total of Rs.116 crores. The main goals were to gain control of the milk market and to accelerate the growth of dairy animals in rural areas.

Phase II (1981–1985):- Milk sheds were increased from 18 to 136, and milk outlets were expanded to 290 metropolitan marketplaces. By the end of 1985, 43,000 village cooperatives with 42.5 lakh milk producers had been covered, resulting in a self-sustaining system. By 1989, domestic milk powder production had risen from 22,000 to 140,000 tonnes.

Phase III (1985–1996):- Dairy cooperatives were able to grow and develop the infrastructure needed to buy and market rising milk volumes. Cooperative members now have access to veterinary first-aid health care, feed, and artificial insemination services, as well as increased member education. During Phase II, it was decided to add 30,000 new dairy cooperatives to the 42,000 already existing societies. In 1988-89, the number of milk sheds reached a high of 173, with the number of women members and Women's Dairy Cooperative Societies expanding dramatically.

Amul:

("priceless"). The dairy cooperative "Amul," derived from the Sanskrit "Amoolya," was founded in 1946. It is a brand name controlled by Gujarat Co-operative Milk Marketing Federation Ltd. (GCMMF), an apex cooperative organisation controlled by 2.8 million milk farmers in Gujarat, India. Amul was the model dairy board for the White Revolution. The NDDB's entire programme was built on the success of this dairy board. The three-tiered 'Amul Model' was crucial in bringing about the country's White Revolution.

Achievements of the White Revolution

- It has enabled India's unprecedented development in milk output, which has gone from 20 million MT to 100 million MT in just 40 years. As a result, India has risen to become the world's greatest milk producer today.
- The dairy cooperative movement has also pushed Indian dairy producers to retain more animals, resulting in the world's largest cattle and buffalo population of 500 million.
- More than 125,000 communities in 180 districts across 22 states have joined the dairy cooperative movement.
- Because of a well-developed procurement system and supported federal structures at the District and State levels, the movement has been effective.

DEVELOPMENT OF MIXED ECONOMY: PUBLIC AND PRIVATE

India's progress is inextricably linked to its decision to opt for a mixed economy at the outset of the planning process. There has never been a consensus among social scientists on whether the mixed economy model is the best option for India, and this lack of consensus continues to this day.

In a mixed economy, the public and private sectors must work together. It prevents the market mechanism from running freely, and the government intervenes in or regulates the private sector in such a way that the two sectors mutually reinforce one another. Individual initiative and social interests can be reconciled in a mixed economy.

Capitalism:

Capitalism is defined as an economic system that emphasises individual initiative with a central role for a market economy, the profit motive, and private individual and corporate ownership of means of production. All means of production, including as farms, factories, mines, and transportation, are owned and controlled by private individuals and businesses under capitalism. Owners of these industrial assets are free to use them as they see fit in order to generate private profit. The state or government plays the smallest role in people's economic activity. The government looks after only such matters as defence, foreign affairs, currency and coinage and some important civil works such as the construction of roads and bridges because private individuals may not find it profitable to undertake such works. Adam Smith was of the opinion that interests of individuals and those of the society coincide.

Features of Capitalism

1) The Right of Private Property

2) Freedom of Enterprise: no restriction in any business or enterprise

3) Profit Motive

4) Competition

5) Consumers Sovereignty

6) Price System

7) Unequal distribution of incomes

Socialism

"Socialism is an economic organisation in which the material means of production are owned by the entire community according to a general economic plan, with all members entitled to benefit from such socialised planned production on the basis of equal rights; democratic socialism, on the other hand, is defined by public ownership of at least the "strategically important material means of production."

Salient Features of Mixed Economy :

Between the two extremes of capitalism and socialism, let's define a mixed economy in functional terms.

- It is a balance between the market economy and the planning mechanism;
- It has clear demarcation of the boundaries of public sector and private sector so that 'the core sector and strategic sectors are invariably in the Public sector;
- While profit motive influences decision-making in the private sector, the economic viability criteria for investment decisions in the public sector is based on social cost-benefit analysis;
- The ownership of means of production as between public sector, private sector, joint sector and cooperative sector is so decided that there is a balance between personal and social incentives and sectional and general interests;
- There is occupational freedom and freedom of consumers' choice;
- The government intervenes to prevent undue concentration of economic power, and monopolistic and restrictive trade practices;
- The government endeavors to take care of the consumption levels and objectives of the weaker sections of the society through public distribution system, poverty alleviation programs etc.;
- Social objectives of equity, employment, balanced regional development, family welfare are emphasized;

The doctrinaire rigidities of socialism are avoided and a pragmatic approach to decision-making for promoting economic growth is usually adopted, mixed economy is not merely an economic concept and the rights of the individual are respected and protected subject only to the requirements of public law and order and morality.

As early as the First Five Year Plan, the Indian policy makers decided that the State must not only assume the responsibility of providing the infrastructure facilities and the social overheads, but should also undertake direct promotional work. It was recognised that the government should intervene in the industrial field and accordingly the development of basic and strategic industries was earmarked to the public sector. It was also recognised that the task of economic development of the country was so large that the initiative of both the private and public sectors had to be harnessed for optimal growth.

With the announcement of the Industrial Policy Resolution, 1956, the concept of mixed economy was given a definite shape and policy direction. Even before that, the Industrial Policy Resolution of 1948 had sought to establish mixed economy, with both private and public sectors, increasing controls in government hands for regulating all industries.

The two main instruments of industrial policy were the Industries (Development and Regulation) Act of 1951 and the Companies Act of 1956. These two Acts conferred un the government, through licensing procedure, the power of regulating location, production and expansion of major industries in the country.

Industrial Policy Resolution, 1956 - The Avadi Resolution of the Indian National Congress declared the establishment of a socialistic pattern of society as the aim of economic and industrial policy of the government.

Schedule A : Those industries which were to be the sole responsibility of the State. This list included 17 industries - arms and ammunition, atomic energy, iron and steel, heavy machinery required for mining etc.

Schedule B : There were about a dozen industries in the list, where the State might establish new units or existing units might be progressively nationalised.

Schedule C : Industries that would be in the hands of private sector and would be subject to the social and economic policy of the government.

Industrial Policy Resolution, 1977: "Unemployment has increased, rural-urban imbalances have deepened, and the pace of actual investment has stalled," the new Industrial Policy of 1977 said of the 1956 Resolution. The average annual growth rate of industrial output has been between three and four percent.

- The new policy focused on the development of small scale sector, cottage and household industries and the tiny sector.
- It further provided for using provisions of the Monopolies and Restrictive Trade Practices Act against expansion of larger industrial houses.
- The public sector was to be used for providing strategic goods of basic nature and also for maintaining supplies of essential goods

Industrial Policy 1980: It reiterated the Industrial Policy, announcements of 1956 showing the merit of constructive flexibility. The task of raising the pillars of economic infrastructure in the country was entrusted to the public sector for reasons of its greater reliability. The policy accorded priority to optimum utilisation of installed capacity, balanced regional development, agro-based, export-oriented industries and promoting "economic federalism" by equitable spreading of investment over small but growing industrial units in urban as well as rural areas.

Post 1991 Reforms

LPG Reforms in India was a very crucial step forward for the economic development of India.

Since independence, India followed the mixed economy framework by combining the advantages of the capitalist economic system with those of the socialist economic system. In 1991, India met with an economic crisis relating to its external debt — the government was not able to make repayments on its borrowings from abroad as the foreign exchange reserves were exhausted. The crisis was further compounded by rising prices of essential goods. All these led the government to introduce a new set of policy measures which changed the direction of our developmental strategies.

Background of the crisis:

- Inefficient management of the Indian economy in the 1980s. India being an agro-based economy neglected other sectors like industry, banking, insurance, foreign trade, etc.
- When expenditure is more than income, the government borrows to finance the deficit from banks and also from people within the country and from international financial institutions.
- Development policies required that even though the revenues were very low, the government had to overshoot its revenue to meet challenges like unemployment, poverty and population explosion.
- The continued spending on development programmes of the government did not generate additional revenue.
- Moreover, the government was not able to generate sufficiently from internal sources such as taxation.
- The income from public sector undertakings was also not very high to meet the growing expenditure.
- Foreign exchange, borrowed from other countries and international financial institutions, was spent on meeting consumption needs.
- Also, sufficient attention was not given to boost exports to pay for the growing imports.
- In the late 1980s, government expenditure began to exceed its revenue by such large margins that meeting the expenditure through borrowings became unsustainable.
    - Prices of many essential goods rose sharply.
    - Imports grew at a very high rate without matching the growth of exports.
    - Foreign exchange reserves declined to a level that was not adequate to finance imports for more than two weeks.

India approached the International Bank for Reconstruction and Development (IBRD), popularly known as **World Bank** and the **International Monetary Fund** (IMF), and received $7 billion as a loan to manage the crisis. For availing the loan, India agreed to the conditionalities of the World Bank and IMF and announced the **New Economic Policy** (NEP).

1st Generation Reforms	2nd Generation Reforms
Committees were formed.	Government Institutions were formed.
Could be done by Executive Order of Government.	Requires building consensus for Amendment/ Act to be passed.
Committee	Authority
Malhotra Committee	Insurance Regulatory Development Authority
Damodran Committee	Security Exchange Board of India
Foreign Exchange Regulation Act (FERA),1973	Foreign Exchange Management Act (FEMA), 1999

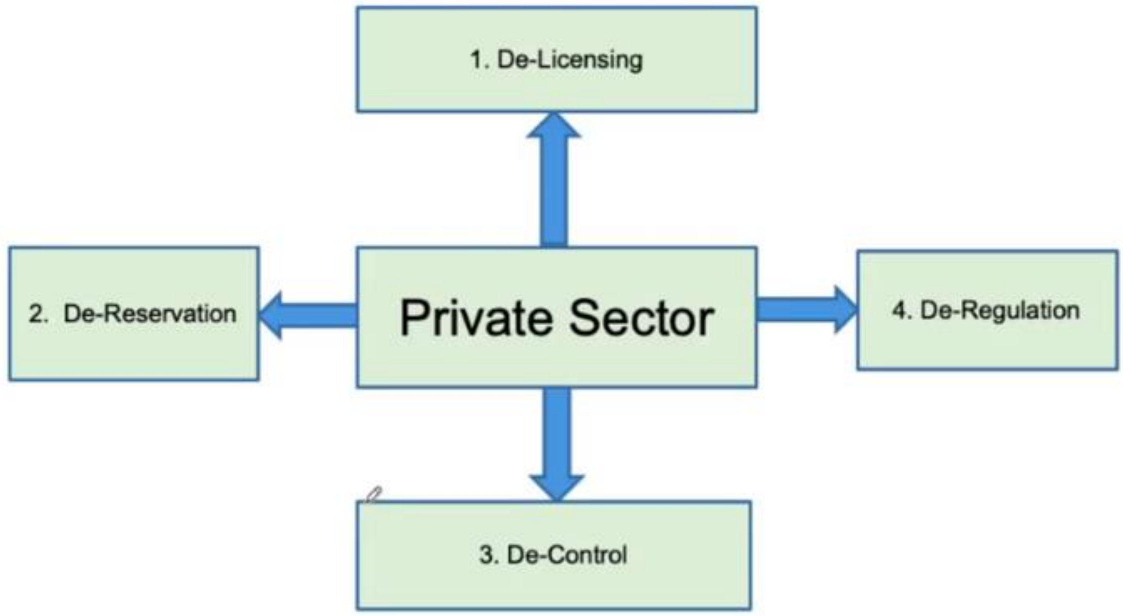
This set of policies can broadly be classified into two groups: the stabilisation measures and the structural reform measures.

Stabilisation measures are short-term measures, intended to correct some of the weaknesses that have developed in the balance of payments and to bring inflation under control. In simple words, this means that there was a need to maintain sufficient foreign exchange reserves and keep rising prices under control.

Structural reform policies are long-term measures, aimed at improving the efficiency of the economy and increasing its international competitiveness by removing the rigidities in various segments of the Indian economy. The government initiated a variety of policies which fall under three heads viz., liberalisation, privatisation and globalisation.

Liberalisation

Though a few liberalisation measures were introduced in the 1980s in areas of industrial licensing, export-import policy, technology upgradation, fiscal policy and foreign investment, reform policies initiated in 1991 were more comprehensive.



In India, regulatory mechanisms were enforced in various ways:

- Industrial licensing under which every entrepreneur had to get permission from government officials to start a firm, close a firm or decide the amount of goods that could be produced
- The private sector was not allowed in many industries
- Some goods could be produced only in small-scale industries, and
- Controls on price fixation and distribution of selected industrial products.

1. **Delicensing: End of License Raj**

The reform policies introduced in and after 1991 removed many of these restrictions. Industrial licensing was abolished for almost all **but** product categories — alcohol, cigarettes, hazardous chemicals, industrial explosives, electronics, aerospace and drugs and pharmaceuticals.

Delicensing and De-Reservation Exception List

De-Licensing	De- Reservation
Arms & Ammunitions	Existing Public Sectors except critical sectors
Industrial Explosives	Atomic Energy
Defense Equipment	Space
Mining of Minerals	Railway Operations
Hazardous Chemicals	Mining of rare minerals
Drugs and Pharmaceuticals	
Alcohol & Tobacco Products	

2. **De-Reservation**

The only industries which are now reserved for the public sector are a part of defence equipment, space, atomic energy generation, railway transport, mining of rare minerals, etc. Many goods produced by small-scale industries have now been de-reserved. In many industries, the market has been allowed to determine prices.

3. **De-Control**

Pricing of commodities done by the government was restricted only for the critical commodities present in the following list.

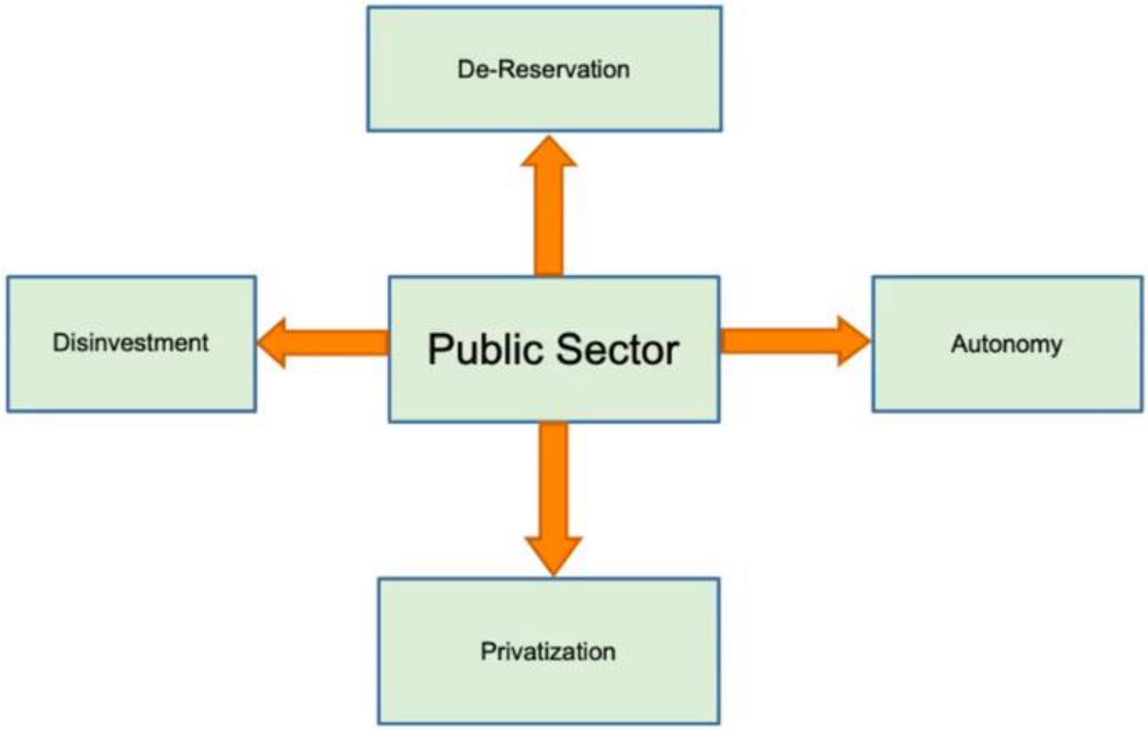
De-Control	De-Regulation
Minerals	All licenses were discontinued for capacity, more machines, diversification, importing, exporting
CNG/LNG/Gas	No private sector company would be categorized as MRTP company or FERA company, so no raids (Raids could only be conducted by court order)
Kerosene	Labour/Factory inspects only for compliance with labour and factory laws
Fertilizers (Urea)	Factory can only be inspected once a year.
Sugar	
Price of utilities (Electricity, Water, Transport)	

4. **De-Regulation**

All other additional restrictions were removed as listed in the above table.

Privatisation

It implies shedding of the ownership or management of a government-owned enterprise. Government companies are converted into private companies in two ways (i) by the withdrawal of the government from ownership and management of public sector companies and or (ii) by the outright sale of public sector companies.



As per the provisions of De-Reservation, the government was to limit its role for few sectors only and for all other sectors, there would be scope for free participation of private players.

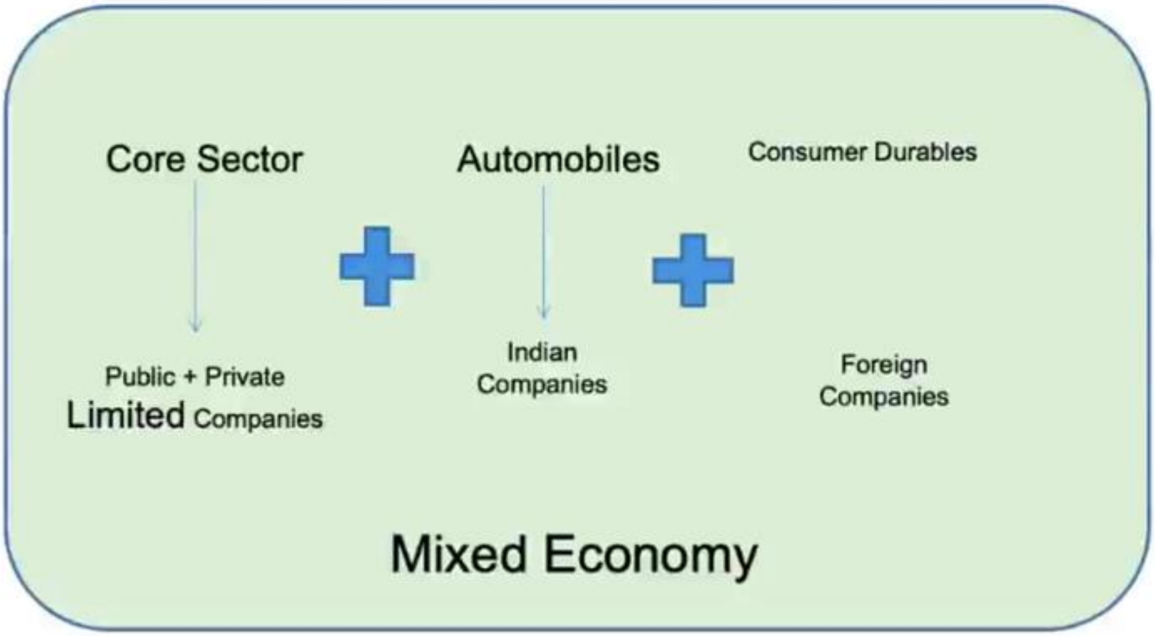
Privatisation of the public sector enterprises by selling off part of the equity of PSEs to the public is known as disinvestment. The purpose of the sale, according to the government, was mainly to improve financial discipline and facilitate modernisation.

Disinvestment	Privatization
Selling shares with the objective of raising resource for the government.	Selling shares with the objective of Transfer of Management Control
Shares will be sold to general public	Shares will be sold to a specific buyer.

The government envisaged that privatisation could provide a strong impetus to the inflow of FDI. The government has also made attempts to improve the efficiency of PSUs by giving them autonomy in taking managerial decisions. For instance, some PSUs have been granted special status as Maharatnas, Navratnas and Miniratnas.

Impact of Economic Reforms

The reform process has completed three decades since its introduction. Let us now look at the performance of the Indian economy during this period.



- The post– 1991 India witnessed a rapid growth in GDP on a continual basis for two decades. The growth of GDP increased from 5.6 percent in 1990–91 to 7.2 percent in 2017–18.
- During the reform period, the growth of agriculture has declined. Public investment in agriculture sector especially in infrastructure, which includes irrigation, power, roads, market linkages and research and extension (which played a crucial role in the Green Revolution), has fallen in the reform period. There has been a shift from production for the domestic market towards production for the export market focusing on cash crops in lieu of production of food grains. This puts pressure on the prices of food grains.
- While the industrial sector reported fluctuation, the growth of the service sector has gone up. Industrial growth has also recorded a slowdown. This is because of the decreasing demand for industrial products due to various reasons such as cheaper imports, inadequate investment in infrastructure etc. Moreover, a developing country like India still does not have access to developed countries' markets because of high non-tariff barriers.
- The foreign investment, which includes foreign direct investment (FDI) and foreign institutional investment (FII), has increased from about US $100 million in 1990-91 to US $ 30 billion in 2017-18.
- There has been an increase in the foreign exchange reserves from about US $ 6 billion in 1990-91 to about the US $ 413 billion in 2018-19.
- Economic reforms have placed limits on the growth of public expenditure, especially in social sectors.

The process of globalisation through liberalisation and privatisation policies has produced positive as well as negative results. It has provided greater access to global markets, high technology, and increased the possibility of large industries of developing countries to become important players in the international arena. Viewed from the Indian context, some studies have stated that the crisis that erupted in the early 1990s was basically an outcome of the deep-rooted inequalities in Indian society and the economic reform policies initiated as a response to the crisis by the government, with externally advised policy package, further aggravated the inequalities. Further, it has increased the income and quality of consumption of only high-income groups and the growth has been concentrated only in some select areas in the services sector such as telecommunication, information technology, finance, entertainment, travel and hospitality services, real estate and trade, rather than vital sectors such as agriculture and industry which provide livelihoods to millions of people in the country.

Green Revolution

What is Green Revolution?

Norman E. Borlaug, a Noble Laureate, and an American agronomist, who led initiatives worldwide that contributed to the extensive increases in agricultural production termed the Green Revolution. He is, thus, called as the Father of Green Revolution.

Green Revolution can be defined as *a process of achieving a great increase in the production of food grains with the application of modern methods and techniques.* In other words, it means achieving high productivity or multiple folds of food grains per unit of land.

What were the factors responsible for the adoption of Green Revolution in India?

Before the green revolution, India had faced a lot of difficulties in food production:

- **Frequent Famines:** In 1964–65 and 1965–66, India experienced **two severe droughts** which led to food shortages.
- **Lack of Institutional Finance:** Marginal farmers found it very difficult to get finance and credit at economical rates from the government and banks.
- **Low Productivity:** India's traditional agricultural practices yielded insufficient food production.

M.S. Swaminathan, who is also known as the **Father of Green Revolution in India** has contributed to the development of high-yielding variety seeds (Wheat and Rice) thereby helping India achieve food security.

Components of Green Revolution

Green Revolution required timely and adequate supply of various agronomic components or inputs, such as:

- **High Yielding variety seeds:** Agronomists like Norman E. Borlaug developed a **dwarf variety of wheat seeds** in Mexico that helped farmers in Asia and Latin America and later whole world could produce high yields.
- **Chemical Fertilizers:** Green revolution requires essential nutrients for seeds or plants - primarily nitrogen, phosphorus, and potassium. But these nutrients from traditional composting methods are not sufficient to produce high yields. Hence, Sprinkling /application of chemical fertilizers provides high nutrients to the soil and thereby helps plants produce high yields.
- **Irrigation:** Controlled supply of water resources is essential for adequate dilution of chemical fertilizers and controlled growth of crops.
- **Pesticides and Germicides:** Since the new seed varieties are non-acclimatised to local pests and germs, application of pesticides and germicides to kill them is essential for secured harvest.

- **Herbicides and Weedicides:** While sowing HYV seeds, application of herbicides and weedicides is required to prevent the chemical fertilisers from not being consumed by herbs and weeds in the farmlands.
- **Farm mechanisation:** Farm mechanisation makes farm work easier and faster. As the green revolution supports mono-cropping over large tracts, mechanisation is essential.
- **Credit, Storage and Marketing:**
    - **Credit:** Buying all the above-mentioned inputs – farm machinery, HYV seeds, chemical fertilisers, irrigation (pump sets, borewells), pesticides & germicides and herbicides & weedicides -are costlier. Hence farmers require the availability of affordable credit.
    - **Storage:** As green revolution is region specific-ex: a region with reliable irrigation facilities- Bhakra-Nangal multi-purpose dam provides irrigation to 135 Lakh acres in Punjab, Haryana and Rajasthan- gives bumper cropping, storage facilities in the local regions is essential to distribute to various markets.
    - **Marketing & Distribution:** A proper chain of marketing, distribution and transport connectivity is essential to distribute the food, to deficient areas and different markets. For building logistics, many countries including India opted for concessional funding or cheaper loans from multilateral agencies like World Bank.

Impact of Green Revolution

Green Revolution has both positive and negative impact on the Indian economy in general and agriculture and the environment in particular.

Positive Impact

- **Ensure food security:** India could achieve self-sufficiency in food production and also emerge as a food surplus country (exporter).
- **Food Distribution:** Areas with deficient food could get food with the development of storage and marketing facilities. PDS system alleviated hunger among poor vulnerable sections.
- **Improved Farm Incomes:** Green revolution has raised a farmer's income with bumper crop production.
- **Development of Agro-based Industries:** Green Revolution led to the growth of agro-based industries like Seed companies, fertilizer industries, Pesticides Industries, Auto and Tractor industries etc.

Negative impact

- **Inter-personal disparities:** Since green revolution favoured individual farmers with huge tracts of land got benefited, while the poor farmer was deprived of the same.
- **Regional Disparities:** Since green revolution requires a consistent supply of irrigation facilities, regions with good irrigation facilities (Punjab, Haryana etc.) got benefitted, whereas north-east India and some parts of central India could not.
- **Skewed cropping pattern:** Choice of crops have been in favour of **wheat** and **rice** impacted the crops like pulses, oilseeds, maize, barley etc. negatively.
- **Decrease in Soil fertility:** Monocropping or growing a single crop year after year on the same land, in the **absence of rotation through other crops** or growing multiple crops on the same land (polyculture) lead to degradation of soil.
- **Irrigation:**

  - **Waterlogging:** Rice cultivation requires huge quantities of water, which leads to waterlogging. Waterlogging impairs root growth as roots cannot get oxygen. Water-logging has also led to the ***incidence of malaria***.
  - **Salinity of soil:** Salinization of soil occurs when the small amounts of salts in irrigation water become highly concentrated on the soil surface through evaporation.
  - **Reduced water table:** Excess drawing of water for irrigation of crops from bore wells and aquifers lead to the reduced water table.
- **Fertilizers, Pesticides and Herbicides:**
  - Excess application of fertilizers, pesticides and herbicides has led to environmental degradation by polluting water, land and air.
  - **Algal blooms:** Synthetic or organic fertilizers run-off into adjacent water bodies causing algal blooms and eventually death of marine species.
  - **Bioaccumulation:** An increased concentration of chemicals (fertilizers and pesticides) within the fatty tissues of an organism over time. Toxic level in the food chain of India has increased so much that nothing produced in India is fit for human consumption.

Way Forward

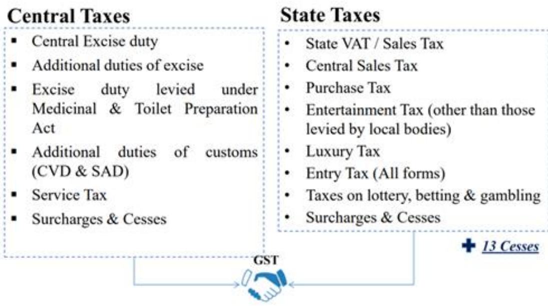
- To overcome the above negative impact, Swaminathan advocated **"evergreen revolution"-** using environmentally sustainable agriculture, sustainable food security and the preservation of
- To reverse imbalanced cropping pattern, Indian Government has envisioned for **Rainbow Revolution-** promoting integrated farming etc.

Post 2014 Developments

A comprehensive indirect tax, levied on manufacture, sale, and consumption of goods and services throughout India is known as Goods and Services Tax (GST).

Introducing GST

- GST came out as the one indirect tax for the whole of India.
- GST or Goods and Services Tax is an indirect tax levied on the supply of commodities and services.
- This law has replaced many indirect tax laws that existed earlier in the country which included the following:
  - Excise Duty
  - Service Tax
  - Entertainment Tax
  - Additional Customs Duty
  - Surcharges
  - State Level VAT
  - Octroi Tax



- It was implemented on 1st July 2017 through introduction of the Constitution (122nd Amendment) Bill or 101 amendment act 2016 in December 2014.
- It created a unified common national market for India, giving a boost to foreign investment and "Make in India" campaign

Components of GST

There are 3 taxes applicable under this system: CGST, SGST & IGST.

- **CGST:** Collected by the Central Government on an intra-state sale (Eg: transaction happening within Uttar Pradesh)
- **SGST:** Collected by the State Government on an intra-state sale (Eg: transaction happening within Uttar Pradesh)
- **Integrated Goods & Services Tax (IGST):** Collected by the Central Government for inter-state sale (Eg: Maharashtra to Uttar Pradesh)

GST Council

As per Article 279A, GST Council is a joint forum of the Centre and the States to regulate GST in India. GST rates are notified on the recommendation of the GST Council. It consists of the following member:

- **Chairperson:** Union Finance Minister (Current- Nirmala Sitharaman)
- **Member:** Union Minister of State, in-charge of Revenue, Min. of Finance
- **Other Members:** Minister In-charge of Finance or Taxation or any other Minister nominated by each State Government

List of items exempted from GST

- Eggs, Honey and Milk Products
- Oil Seeds, Fruit and Part of Plants
- Gums, Resins, Vegetable SAP & Extracts
- Sugar, Jaggery, Honey & bubble Gums
- Tea & Coffee Extract & Essence
- Water, Mineral & Aerated
- Flours, Meals & Pellets
- Salts & Sands
- Fossil Fuels – Coal and Petroleum

- Drugs & Pharmaceuticals
- Fruits and Dry Fruits

Reforms Brought About by GST

2. **Creation of common national market** by amalgamating a large number of Central and State taxes into a single tax.
3. **Mitigation of cascading effect:** It mitigated ill effects of cascading or double taxation in a major way and paved the way for a common national market.
4. **Reduction in Tax burden:** From the consumers' point of view, biggest advantage would be in terms of reduction in the overall tax burden on goods.
5. **Making Indian products more competitive:** Introduction of GST is making Indian products more competitive in the domestic and international markets owing to the full neutralization of input taxes across the value chain of production.
6. **Easier to administer:** Because of the transparent and self-policing character of GST, it would be easier to administer.

Challenges

- State GST (SCGT) and Central GST (CGST) input credit cannot be cross utilized.
- Manufacturing states lose revenue on a bigger scale, so reform is needed keep this in mind
- High rate to tax to compensate the revenue collected now from multiple taxes i.e High Revenue Neutral Rate.
- There was a reduction in the fiscal autonomy of the States after the GST law
- Concerns raised by banks and insurance companies over the need for multiple registrations under GST.
- The capacity of State tax authorities, so far used to taxing goods and not services, to deal with the latter is an unknown quantity.
- The success of GST depends on political consensus, technology and the capacity of tax officials to adapt to the new requirements.

POST 2014 REFORM: LABOUR REFORM

The Ministry of Labour & Employment is among one of the oldest and crucial Ministries of the Government of India. The major responsibility of this Ministry is the protection and safeguarding the interests of workers with special emphasis on poor, deprived and disadvantage sections of the society. This along with making sure of creating a healthy work environment for enhanced production as well as productivity and further to develop vocational skill training and employment services.

Government Schemes: Ministry of Labour and Employment

Scheme	Objective	Few Points to remember
DEEN DAYAL UPADHYAY SHRAMEV JAYATE KARYAKRAM	Provide a conducive environment for the development of Industries in India and labour reforms.	• A dedicated Shram Suvidha Portal: • Allocating Labor Identification Number (LIN) to almost six lakhs units and enabling them to file online compliance with 16 of 44 labour laws. • Transparent Labour Inspection Scheme for random selection of Units for inspection: • Utilizing technology to eliminate human discretion in the selection of units for Inspection o Uploading of Inspection Reports within 72 hours of inspection mandatory. • Universal Account Number is allotted to EPF beneficiary which makes Provident Fund account portable and universally accessible
PRADHAN MANTRI ROJGAR PROTSAHAN YOJANA	The objective is to incentivize employers to promote employment generation and to provide social security benefits to the workers.	• It is being introduced through the Provident Fund Organization of Employees (EPFO) by the Ministry of Labor and Work. • Under the scheme, the government pays 12 percent full employers' contribution (to both the Provident Fund for Workers and the Pension Scheme for Retirees) for a period of 3 years for new workers who were enrolled with the EPFO on or after April 1, 2016, with salaries of up to Rs. 15,000 per month. • The whole program is online, and AADHAR is based on the application of the scheme with no human interface.
NATIONAL CHILD LABOUR PROJECT SCHEME	The object is to eliminate all forms of child labour. Raising awareness amongst stakeholders and target communities.	• The overall Motive of the project is to create an encouraging atmosphere in the target area where children are inspired and encouraged by various interventions to enrol and refrain from working in schools, and alternatives are given to households to increase their income levels.
PLATFORM FOR EFFECTIVE	The objective is to foster the creation of a	• It is an online portal that connects the Centre to the state government, district, and to all

ENFORCEMENT FOR NO CHILD LABOUR (PENCIL) PORTAL	child labour free India, which will seamlessly integrate implementing and monitoring mechanisms for both enforcement of the legislative provisions and effective implementation of the National Child Labour Project (NCLP).	project societies to combat the menace of child labour and trafficking. • It has five components -- Child Tracking System, Complaint Corner, State Government, NCLP, and Convergence.
NATIONAL CAREER SERVICE	The goal is to bridge the gap between the two who need work and those who want to recruit them, between those who need career guidance and training and those who can offer advice and training.	• It is the transformation of National Employment Service to provide a variety of employment-related services like job matching, career counselling, vocational guidance, information on skill development courses, etc. which are offered through the Employment Exchanges • The scheme also provides for part funding to states for IT up-gradation as well as minor refurbishing of employment exchanges and for organizing job fairs.
ATAL BIMIT VYAKTI KALYAN YOJNA	It aims to provide unemployment allowance to workers rendered jobless due to the "changing employment pattern."	• It is a scheme approved by the Employees' State Insurance Corporation (ESIC) that aims to benefit its subscribers, who are mainly formal sector workers who have become unemployed for whatever reason, by providing cash through bank account transfer.
PM SHRAM-YOGI MAANDHAN YOJANA	The objective is to provide a pension to the unorganized sector.	• **Pension:** They shall receive a minimum assured pension of Rs 3000/- per month after the age of 60 years. • In case of death during the receipt of a pension, his/her spouse, shall have the right to earn 50 percent of the pension earned as a family pension. • In the event of death before the age of 60, his / her spouse shall consequently be entitled to enter and continue the scheme by paying monthly contributions or leaving the scheme as provided for in exit and withdrawal provisions. The family pension is for partners only. • **Contribution by the Subscriber:** He/she is required to contribute the prescribed

		contribution amount from the age of joining PM-SYM till the age of 60 years • **Matching contribution by the Central Government:** PMSYM is a voluntary and contributory pension scheme on a 50:50 basis where prescribed age-specific contribution shall be made by the beneficiary and the matching contribution by the Central Government.

Agricultural Reform: Schemes

Government Schemes launched by the Government of India with the aim of addressing the socio-economic welfare of the citizens of this nation. Such schemes play a very important role in solving many problems that beset Indian society and helps in achieving the goals to achieve welfare nation as enshrined in our Constitution. In this article, we will look at the complete list of schemes by the Ministry of Commerce & Industry launched in past years along with their objectives and some important features of the scheme. This is very crucial for the preparation of UPSC and State PCS exams as the number of questions from the Government schemes have increased in recent years.

Government Schemes: Ministry of Agriculture & Farmers' Welfare

Scheme Name	Objective	Few Points to remember
Pradhan Mantri Kisan Maan Dhan Yojana	The Scheme provides for payment of minimum pension of Rs 3000 per month to the eligible small and marginal farmers after the age of 60 years	• The pension scheme is voluntary and contributory with an entry age of 18 to 40 years • The farmer can contribute monthly between Rs.55 to 200. Central Government will also give an equal amount in the pension scheme • LIC will be the pension fund manager and responsible for the pension payout.
Pradhan Mantri Kisan Samman Nidhi(PM-KISAN)	The Scheme provides for the transfer of an amount of Rs. 6000/- per year in three equal instalments of Rs. 2000/ The amount will be sent directly into the bank	• This is a Central Sector Scheme and will be funded fully by the Government of India. • The Scheme initially covered only small and marginal farmer families with landholding up to 2 hectares as beneficiaries, subject to certain

	account of beneficiary farmer families.	exclusion criteria for higher-income status. • The Government later extended the Scheme with effect from 1st June 2019 **to all farmer families irrespective of landholding size**, subject to applicable exclusions. • Farmers through common service centre can register, edit the name on PM KISAN web portal
Soil Health Card Scheme	To issue soil health cards every three years, to all farmers of India, so as to address nutrient deficiencies in fertilization practices	• It is a centrally sponsored scheme • Soil Health Card issued to farmers carries crop-wise recommendations of nutrients and fertilizers required for the individual farms. • It will check the status of his soil with respect to 12 parameters, namely N, P, K (Macronutrients). • Based on this, the SHC will also indicate fertilizer recommendations and soil amendments required for the farm.
Kisan Credit Card(KCC)	To provide timely credit support from the banking system under a single window.	• The loan disbursed under KCC is broad-based and can be used for short term credit requirements for cultivation of crops, and other expenses • The loans disbursed under the Kisan Credit Card Scheme for notified crops are covered under the Crop Insurance Scheme. • The Kisan Credit Card has been extended to fisheries and animal husbandry farmers to help them meet their working capital needs. • The Scheme covers the risk of KCC holders against death or permanent disability resulting from accidents caused by external, violent and visible means. • Self Help Groups(SHGs) and Joint Liability Groups are also eligible for this scheme.

Pradhan Mantri Krishi Sichai Yojana	Its objective is to achieve convergence in irrigation at the field level, To enhance the recharge of aquifers and introduce sustainable water conservation practices.	- The convergence of various Scheme such as Accelerated Irrigation Benefit Program, On-Farm Water Management (OFWM), Integrated Watershed Management Programme (IWMP) - Long Term Irrigation Fund has been started under Pradhan Mantri Krishi Sichai Yojana in NABARD for funding and fast-tracking the implementation of incomplete major and medium irrigation projects. - It will be supervised by Inter-Ministerial National Steering Committee (NSC) under Prime Minister with Union Ministers of all concerned Ministries.
PM Fasal Bima Yojana	- To provide the stability of income of the farmer - To provide insurance facility and financial support to the farmers in the event of natural calamities such as earthquake, pests & diseases. - To ensure the flow of credit to the agriculture sector.	- Umbrella scheme of the insurance-related Scheme - It replaced all other insurance schemes that were existing except the Restructured Weather-Based Crop Insurance Scheme - The farmer has to pay a **2% premium for all Kharif crops and a 1.5% premium for all Rabi crops.** - In the case of annual **horticultural crops**, the premium to be paid by farmers will be only **5%.** - It is compulsory for the loanee farmer and voluntary for the non-loanee farmer - Post-harvest losses are also covered - Recently, the Government has comprehensively revised the Operational Guidelines of the Scheme. - The farmers will get 12% interest by the insurance companies for the delay in settlement claims after two months of the prescribed cut-off date.
Strengthening and modernization of the pest management approach in India(SMPMA)	The aim is to minimize environmental pollution in soil, water, and air due to pesticides	- It is a central sector scheme launched with the following components - Integrated Pest Management - Locust Control and Research - Implementation of Insecticides Act, 1968

	Minimize occupational health hazards due to chemical pesticides	• Implementing agency- 35 central Integrated Pest Management Centres
Interest Subvention Scheme	To provide short term crop loans at an affordable rate to give a boost to agricultural productivity and production in the country	• It provides a concession of 2% per annum for short-term crop loans to farmers, up to Rs. 3 lakh at a 7% rate of interest. • An additional interest subvention of 3 percent per annum is given to the "prompt payee farmers."
PM Annadata Aay Sanrakshan Abhiyan(PM-AASHA)	To plug the gaps in the procurement system, address issues in the MSP system and give better returns to the farmer	It has three components complementing the existing schemes of the Department of Food and Public distribution for the procurement of paddy, wheat, and other cereals and coarse grains where procurement takes place at MSP. **3 Components:** • Price Support system(PSS) • Price Deficiency Payment Scheme(PDPS) • The pilot of private procurement and stockiest Scheme (PPSS) **PSS:** • Under the PSS, physical procurement of pulses, oilseeds and copra are to be done by Central Nodal Agencies. Besides, NAFED and Food Cooperation of India(FCI) will also take up the procurement of crops under the PSS. • The expenditure and losses due to the procurement will be borne by the Centre. **PDPS:** • Under the PDPS, the Centre proposes to cover all oilseeds for which MSP is notified. The difference between the MSP and actual selling/modal price will be directly paid into the farmer's bank account.

		• This scheme doesn't involve any physical procurement of crops as farmers are paid the difference between the MSP price and Sale/modal price on disposal in the notified market. **PPSS:** • In the case of oilseeds, States will have the option to roll out PPSSs in select districts. • Under this, a private player can procure crops at MSP when market prices drop below MSP and whenever authorized by the state/UT government to enter the market. • The private player will then be compensated through a service charge up to a maximum of 15% of the MSP.
National Agricultural Higher Education Project	To attract talent and strengthen higher agricultural education in India	• World Bank and the Indian Government are doing a project on a 50:50 basis. • The aim of the National Agricultural Higher Education Project for India is to support agricultural universities and ICAR in providing higher quality education to Agricultural University students. • In addition, a four-year degree in Agriculture, Horticulture, Fisheries, and Forestry has been declared a professional degree.
Krishi Kalyan Abhiyan	To assist and advice farmers on how to improve farming techniques and raise their incomes	• It was undertaken in 25 villages with more than 1000 population each in aspiration districts identified with the help of the Ministry of Rural Development as per the direction of NITI Aayog.
ARYA Project	To attract and empower the Youth, in particular, the rural Areas to take up various Agriculture, allied and service sector	• The GOI launched ARYA – "Attracting and Retaining Youth in Agriculture" in 2015. • It is implemented through Krishi Vigyan Kendra in one district from each State.

	enterprises for income and gainful employment in selected districts	• Agricultural Universities and ICAR Institutes will work as Technology Partners with KVKs • In a district, 200-300 Rural youths will be selected for their skill development in entrepreneurial activities and establishment of related micro-enterprise units
National Food Security Mission	Increasing the production of rice, wheat, pulses, coarse cereals, and commercial crops with the help of area expansion and productivity increase in a sustainable manner	It is a Centrally Sponsored Scheme launched with the objective to enhance the production of Rice, Wheat, Coarse Cereals, Pulses and also commercial crops (Jute, Cotton and Sugarcane). Funding - 50:50 by Centre & State for food crops while 100% funding by centre for cash crops. It was launched in 2007.
Rashtriya Krishi Vikas Yojana-RAFTAAR	To make farming a remunerative economic activity by strengthening the farmer's efforts, and promoting agri-business	• It was started in 2007 as an umbrella scheme for the holistic development of agriculture and allied sectors, has been recently revamped as RKVY-RAFTAAR(Remunerative approaches for agriculture and allied sector rejuvenation for 2017-19 and 2019-20)

National Mission on Agricultural Extension and Technology	To make the extension system farmer driven	• It is an umbrella scheme
		• It envisages strengthening the extension machinery through 4 sub-schemes:
		  ○ Sub Mission on Agricultural Extension (SMAE)
		  ○ Sub Mission on Seed and Planting Material (SMSP)
		  ○ Sub Mission on Agricultural Mechanization (SMAM)
		  ○ Sub Mission on Plant Protection and Plant Quarantine (SMPP)

National Mission on Bovine Productivity	To enhance milk production and productivity	• It was launched in 2016 to boost milk production and increase productivity and making dairy more remunerative for farmers.

		• The Scheme is being implemented through the following four components o Pashu Sanjivani o Advanced Reproductivity technique o E-Pashu Haat portal o Establishment of National Bovine Genomic Centre for Indigenous Breeds
Rashtriya Gokul Mission	Enhancement of milk production and productivity	• Breed improvement program for indigenous breeds to improve their genetic makeup and increase the stock • Upgradation of cattle using elite indigenous breeds like Gir, Sahiwal, Rathi, Deoni, Tharparkar, Red Sindhi • Establishment of Integrated Indigenous Cattle Centres or Gokul Grams in the native breeding tracts of indigenous breeds. • The Scheme is implemented on 100% grant-in-aid basis
Blue revolution: Integrated development and Management of Fisheries	To fully tap the total fish potential of the country both in the inland and the marine sector and triple the production by 2020	• It is a Core Centrally Sponsored Scheme on Blue Revolution (the Neel Kranti Mission). • It is an umbrella scheme formulated by merging all the existing schemes • It aims at enhancing fish production from 107.95 lakh tonne (2015-16) to about 150 lakh tonne by the end of 2019-20.
Zero Hunger Program	The program aims to address the intergenerational and multifaceted malnutrition through sectoral coordination	• It will act as a model of an integrated approach to deal with hunger and malnutrition
National Agricultural Market(NAM)	Increases farmers' options to sell and access to markets Liberal licensing of traders, buyers, and	• NAM is a pan-India electronic trading portal that aims to network the existing APMCs and other market systems to create a unified national market for agricultural commodities.

	agents. A single license for traders is valid across all markets in the State.	• Small Farmers Agribusiness Consortium (SFAC) has been selected as the main agency to implement it. • Central Government will give the software free of cost to the states, and with this, a grant of Rs. 30 lakhs per mandi or market or private mandis will be given for related equipment and infrastructure requirements. • 585 wholesale regulated markets/ APMC Markets have been so far integrated with the e-NAM platform in 16 States and 2 Union Territories (UTs). • For the local trade in the mandi/market, NAM provides the opportunity to access a larger national market for secondary trading. • The first inter-state trade on e-nam was carried out between Andhra Pradesh and Telangana
National Innovations on climate-resilient agriculture	The aim is to enhance the resilience of Indian Agriculture covering crops, livestock and fisheries to climate change	• It is a network of projects of ICAR • It takes into account the critical assessment of different crops in the country for the vulnerability of rainfall
Mission Fingerling		Under this mission, potential states are to be identified in order to strengthen the fish seed infrastructure as well as facilitate the establishment of hatcheries and Fingerling rearing pond.
Project CHAMAN	development to the horticulture sector for increasing farm's income	It is implemented by the National Crop Forecast Centre (MNCFC) using the remote sensing technology The Geo-Spatial Studies like crop intensification, orchard rejuvenation and aqua-horticulture are deployed for preparing reliable estimates of crop production.

Industrial Development: Post 2014

Government Schemes: Ministry of Commerce & Industry

Scheme	Objective	Points to remember
Startup India	The aim is to build a strong ecosystem nurturing innovations and startups in India	• The Action Plan is based on three pillars – Simplification and handholding • Funding support and incentives • Industry-academia partnership and incubation. Department of Promotion of Industry and Internal trade (DPI&IT) (formerly DIPP) is the implementing agency.
Make in India	The objective is to promote India as an important manufacturing design and innovation	• The "Make in India" initiative is based on four pillars o New Processes o New Infrastructure o New Sectors o New Mindset • Department of Promotion of Industry and Internal trade (DPI&IT) coordinates action plans for 15 manufacturing sectors while the Department of Commerce coordinates 12 service sectors.
Trade Infrastructure for the export scheme	To enhance export competitiveness by bridging gaps in export infrastructure, creating focused export infrastructure, first mile and last-mile connectivity and export-oriented projects	• It would provide financial assistance for setting up and up-gradation of existing infrastructure with export linkages like border haats, cold chains, dry ports, etc
Government e-marketplace	To facilitate the procurement of goods and services by various central and state Government.	• It aims to bring transparency and efficiency in public procurement. • GeM provides the tools of e-bidding, reverses e-auction to facilitate the government users to achieve the best value for their money. I • GeM 3.0 was announced which would offer standardized and enriched catalogue management, powerful search engine, real-time price comparison, user rating, advanced MIS and analytics

Merchandise Exports From India Scheme	It is an export-promotion scheme launched under the Foreign Trade Policy (FTP) 2015-20 to reduce infrastructural inefficiencies and associated costs involved in exporting goods that are manufactured in India.	• It has replaced five different schemes of earlier o FTP (Focus Product Scheme) o Market Linked Focus Product Scheme o Focus Market Scheme o Agri. Infrastructure Incentive Scrip o Vishesh Krishi and Gram Udyog Yojana) for rewarding merchandise exports, which had varying conditions (sector-specific or actual user only) attached to their use. • The scheme provides incentives to the exporter in the form of credit scrip • It helps to compensate for any losses on payment of duties
Service Exports from India Scheme (SEIS)	To promote export of service from the country	• The scheme was launched under the Foreign Trade Policy (FTP), 2015-20 replacing the earlier scheme 'Served from India Scheme.' • SEIS shall apply to `Service Providers' located in India instead of `Indian Service Providers'. • Thus, it rewards to all Service providers of notified services, who are providing services from India, irrespective of the constitution or profile of the service provider.
'SWAYATT' initiative	SWAYATT is an initiative to promote Startups, Women and Youth Advantage Through transactions on Government e-Marketplace (GeM)	• It will bring together the key stakeholders within the Indian entrepreneurial ecosystem to Government e-Marketplace, the national procurement portal
Integrate to Innovate Programme	It is a 3-month corporate acceleration program for energy startups	• The selected startups will get a cash prize of up to ₹ 5 Lakh per startup along with an opportunity to sell their product with corporates
eBiz	To bring transparency	• It will serve as a 24X7 online single-window system for efficient and

		convenient Government to business (G2B) services to investors and businesses • It reduces the complexity in obtaining information and services related to starting businesses in India and dealing with licenses and permits across the business life-cycle. • It is being implemented by Infosys Technologies Limited (Infosys) under the guidance and aegis of the Department of Promotion of Industry and Internal trade (DPI&IT)
Revenue Insurance Scheme for Plantation Crops	insurance scheme for those plantation crops whose insurance can't be availed from PM Fasal Bima Yojna.	• It covers small growers of Rubber, Tobacco, Tea, Coffee and Cardamom having 10 hectares or less landholding. • The scheme is compulsory for growers registered with the respective Commodity Boards (CBs) and it is implemented on a pilot basis in 7 states. • The scheme to be operated on the principle of 'Area Approach' and Commodity Board in consultation with the concerned State Govt shall designate an area as Insurance Unit (IU), which can be a village panchayat or any other equivalent unit. Losses arising out of war & nuclear risk, malicious damage and other preventable risks are excluded. • **Note:** PSF for pulses and Agri-horticultural commodities is under Ministry of Consumer Affairs