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Study Material
(INDIAN ECONOMIC DEVELOPMENT)

Session – 2022-23
Class – XII

Subject – ECONOMICS
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Part B: Indian Economic Development

Unit 6: Development Experience(1947-90) & Economic Reforms since 1991.

- A brief introduction of the state of Indian economy on the eve of independence.
- Indian economic system and common goals of Five Year Plans.
- Main features, problems and policies of agriculture (institutional aspects and new agricultural strategy)
- Industry (IPR 1956; SSI – role & importance) and foreign trade.
- Economic Reforms since 1991: Features and appraisals of liberalisation, globalisation and privatisation (LPG policy); Concepts of demonetization and GST

Part B: Indian Economic Development

Unit 7: Current challenges facing Indian Economy

- **Human Capital Formation:** How people become resource; Role of human capital in economic development; Growth of Education Sector in India.

- **Rural development:** Key issues - credit and marketing - role of cooperatives; agricultural diversification; alternative farming - organic farming.

- **Employment:** Growth and changes in work force participation rate in formal and informal sectors; problems and policies.

- **Sustainable Economic Development:** Meaning, Effects of Economic Development on Resources and Environment, including global warming .

Part B: Indian Economic Development

Unit 8: Development Experience of India.

- A comparison with neighbours
- India and Pakistan
- India and China
- Issues: economic growth, population, sectoral development and other Human Development Indicators

Unit Wise Weightage of Marks
(Indian Economic Development)

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UNIT 6: ***Development Experience(1947-90) and Economic Reforms since 1991.***

TOPIC 1 :Indian Economy on the Eve of Independence

- To become familiar with the state of the Indian economy in 1947, the year of Independence

- Understand the factors that led to the underdevelopment and stagnation of the Indian economy.

TOPICS TO BE COVERED

- Low level of Economic Development under the Colonial Rule.
- Agricultural Sector
- Industrial Sector
- Foreign Trade
- Demographic Condition
- Occupational Structure
- Infrastructure

INTRODUCTION

The primary objective of British Colonial rule in India was to turn India

- As a supplier of raw material and
- As a consumer of finished goods

COLONIALISM

- Colonialism refers to a system of political and social relation between two countries, of which one is the ruler and the other is its colony.
- The ruling country not only has political control over the colony, but it also determines the economic policies of the dominated country.
- In case of India, the unequal relationship between the colony[India] and the ruling country [Britain] resulted in underdevelopment of India.

<u>LOW LEVEL OF ECONOMIC DEVELOPMENT</u>

<u>BEFORE BRITISH RULE</u>

India was well known for its handicrafts industries in the fields of cotton and silk textile, metal and precious stone works etc. These products enjoyed a world wide market based on the reputation of fine quality of material used and the high standards of craftsmanship seen in all imports from India.

LOW LEVEL OF ECONOMIC DEVELOPMENT

DURING BRITISH RULE

- The economic policies pursued by the colonial government in India were concerned more with the protection and promotion of the economic interest of their home country than with the development of the Indian economy. Such policies brought about a fundamental change in the structure of the Indian economy
  - ***Transforming the country into a net supplier of raw materials and***
  - ***Consumer of finished industrial products from Britain.***
- The country's growth rate during the first half of the twentieth century was less than 2% and growth rate of per capita output was only 0.5%.

ESTIMATION OF NATIONAL INCOME DURING C.G.

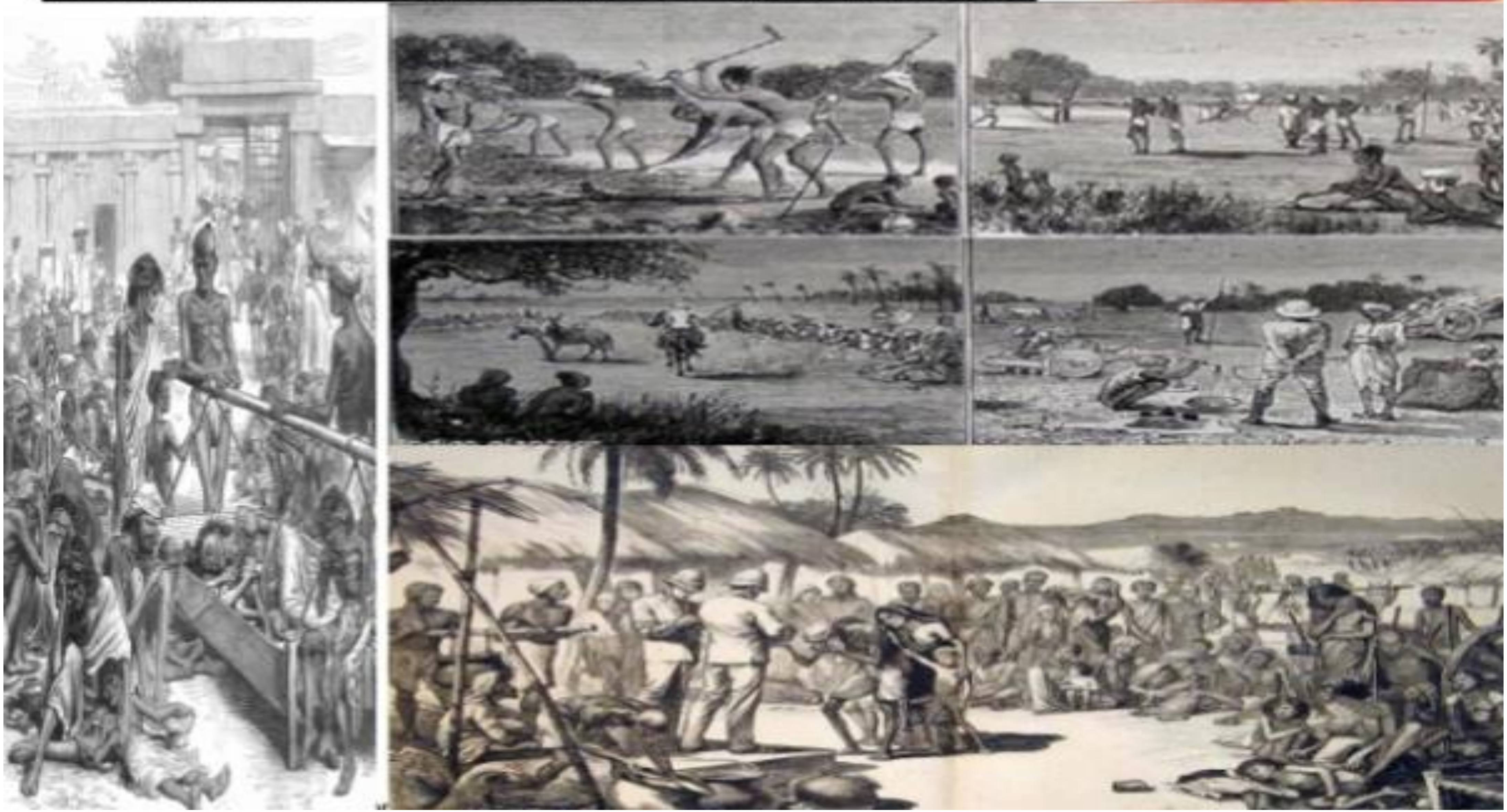
The C.G. never made sincere attempt to estimate India's National Income and Per Capita Income. There were some individual attempts which were made to measure.They are as follows:

- Dada Bhai Naoroji
- William Digby
- Findlay Shirras
- V.K.R.V. Rao and
- R. C. Desai

AGRICULTURE SECTOR

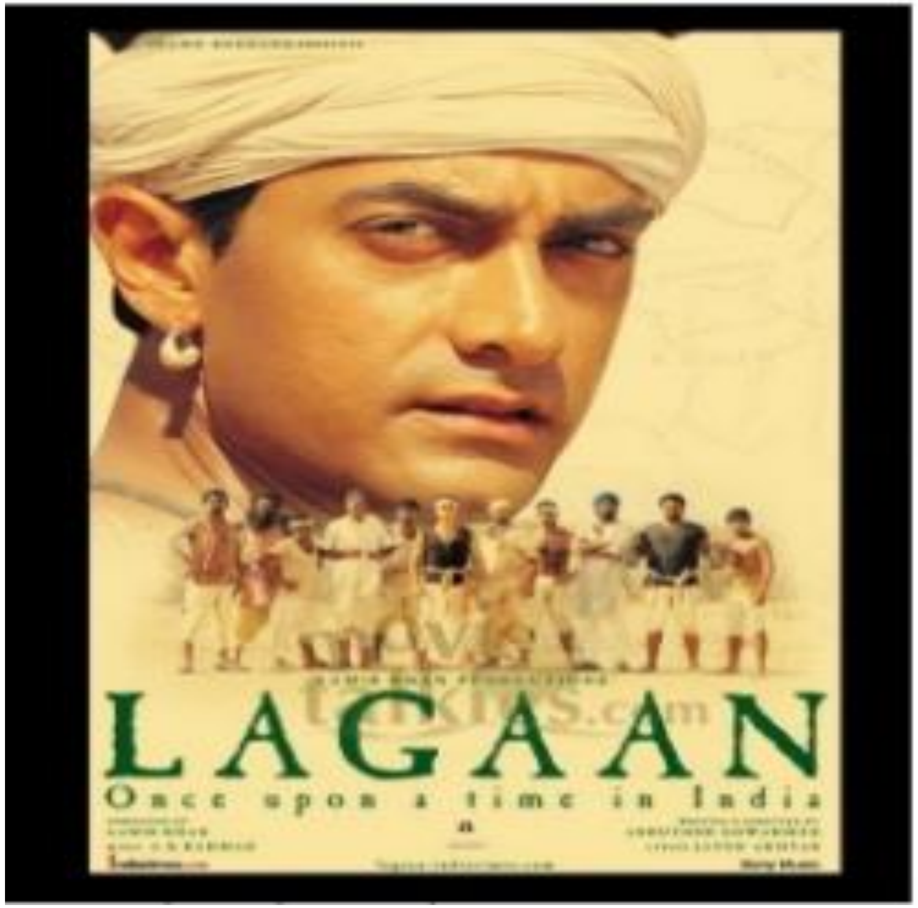
India's economy under the British colonial rule remained fundamentally agrarian. About 85% of the country's population lived in villages and lived on agriculture. However, the agricultural sector continued to experience stagnation and deterioration.

AGRICULTURE SECTOR



MOVIE EXAMPLES:-

BRITISH RULE & ZAMINDAR



REASONS FOR STAGNATION

- ***Land settlement system:*** In the zamindari system, which was introduced by the colonial government, the profits occurring out of the agricultural sector went to the zamindars instead of the cultivators. The main interest of the zamindars was only to collect rent regardless of the economic condition of the cultivator.
- Commercialisation of Agriculture
- Low level of technology due to lack of knowledge, means and incentives for modernization.
- Lack of irrigation facilities.
- Negligible use of fertilizers.

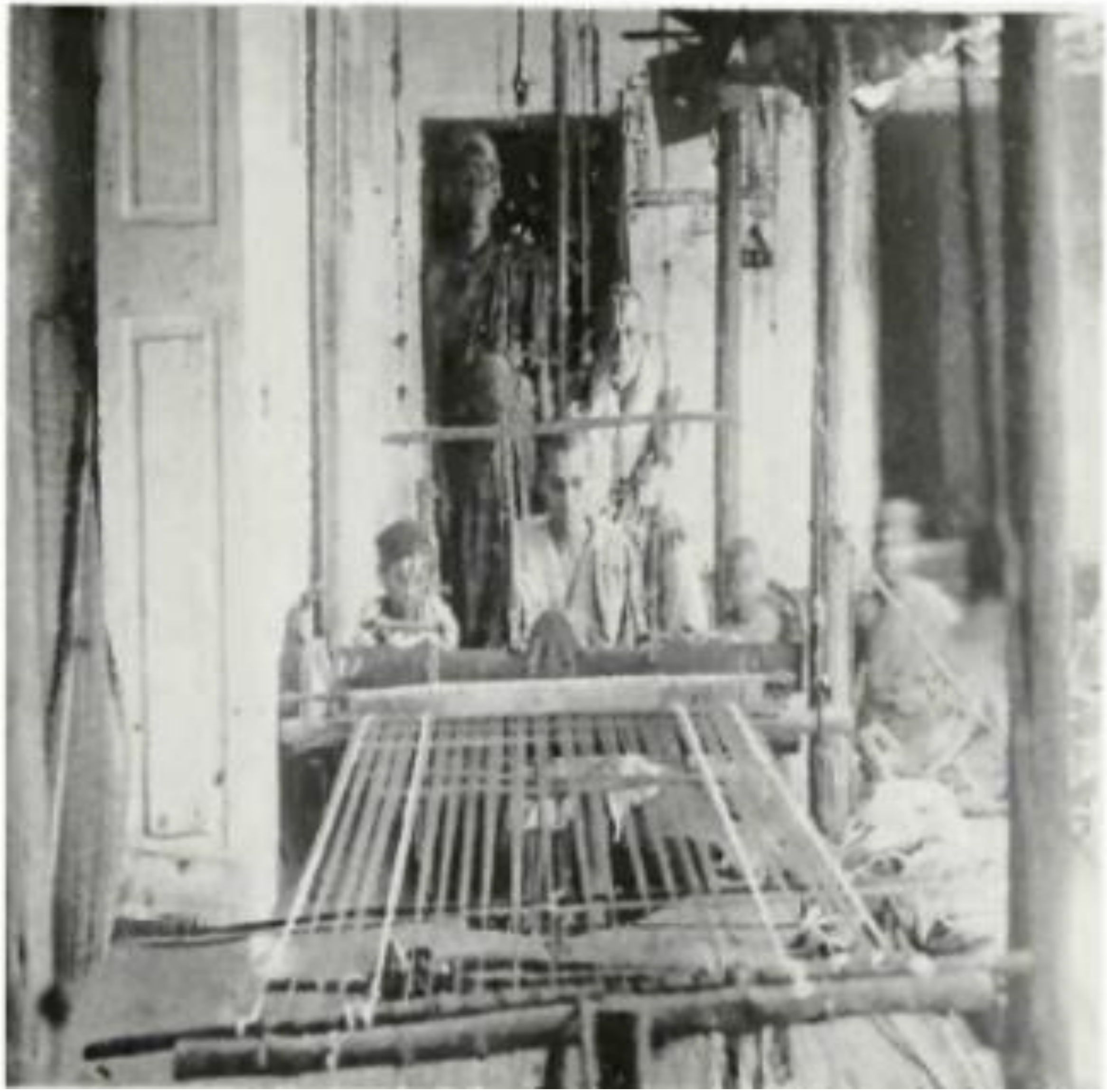
COMMERCIALISATION OF AGRICULTURE

- The British industrialists were always in the need of raw materials like cotton, indigo, jute, groundnut, sugarcane, etc. to keep their factories running;
- By offering higher prices, the Indian peasants were attracted to production of commercial crops instead of food crops;
- The extent of commercial agriculture went so far as to make many peasants purchase their food requirements from shops in towns;
- This fall in production of food crops was responsible for frequent famines in India during the British days.
- Growing of cash crops instead of food crops is called Commercialisation of Agriculture.

INDUSTRIAL SECTOR

- India could not develop a sound industrial base under the Colonial Rule.
- Even the country's world famous handicraft industries declined.
- No commercial modern industrial base was allowed to come up.
- This sector needed modernisation, diversification and increased investment.

INDUSTRIAL SECTOR



The primary motive behind this policy of deindustrialization was:

- To reduce India to the status of mere exporter of important raw materials for the upcoming modem industries in Britain.
- To turn India into a market for the finished products manufactured by industries in Britain.
- The rate of growth of the industrial sector was low as no help was being provided to these industries by the colonial government.
- Colonial Government enforced discriminatory tariff policy, which allowed free export of raw materials from India and free import of final goods from British industry to India.
- The decline of the traditional handicraft industries created massive unemployment in India.
- The fall in supply of locally made goods created a demand for the import of British goods much to their advantage.

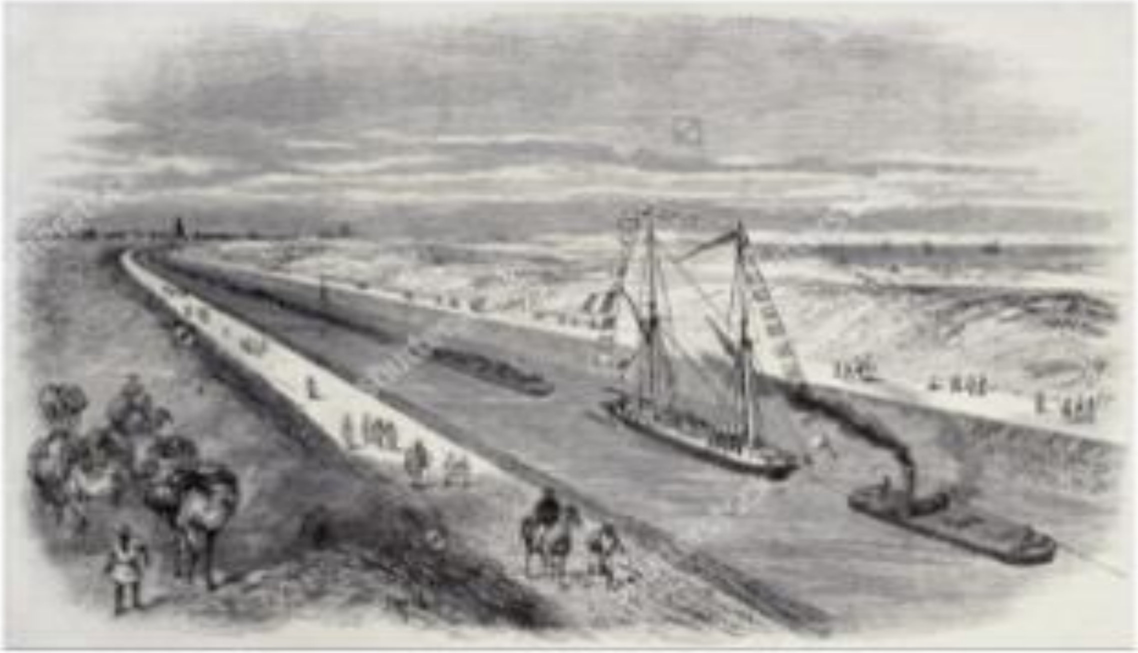
FOREIGN TRADE

India has been an important trading nation since ancient time. But the restrictive policies pursued by the Colonial Government adversely affected the structure, composition and volume of India's foreign trade.

Cotton

Tea

Silk



- Composition of India's Trade India became an exporter of primary products such as raw silk, cotton, wool, sugar, indigo, jute, etc and an importer of finished consumer goods like cotton, silk and woollen clothes and capital goods like light machinery.
- Volume India's exports were more than its imports so there was a large export surplus Direction. This refers to the countries we are trading with Britain maintained a monopoly over India's exports and imports
- More than half of India's foreign trade was restricted to Britain while the rest was allowed with a few countries like China, Ceylon (Sri Lanka) and Persia (Iran)
- Suez Canal was opened in 1869
- It reduced the cost and time of transportation and made access to the Indian market easier.
- In other words, exploitation of Indian market was now easier.

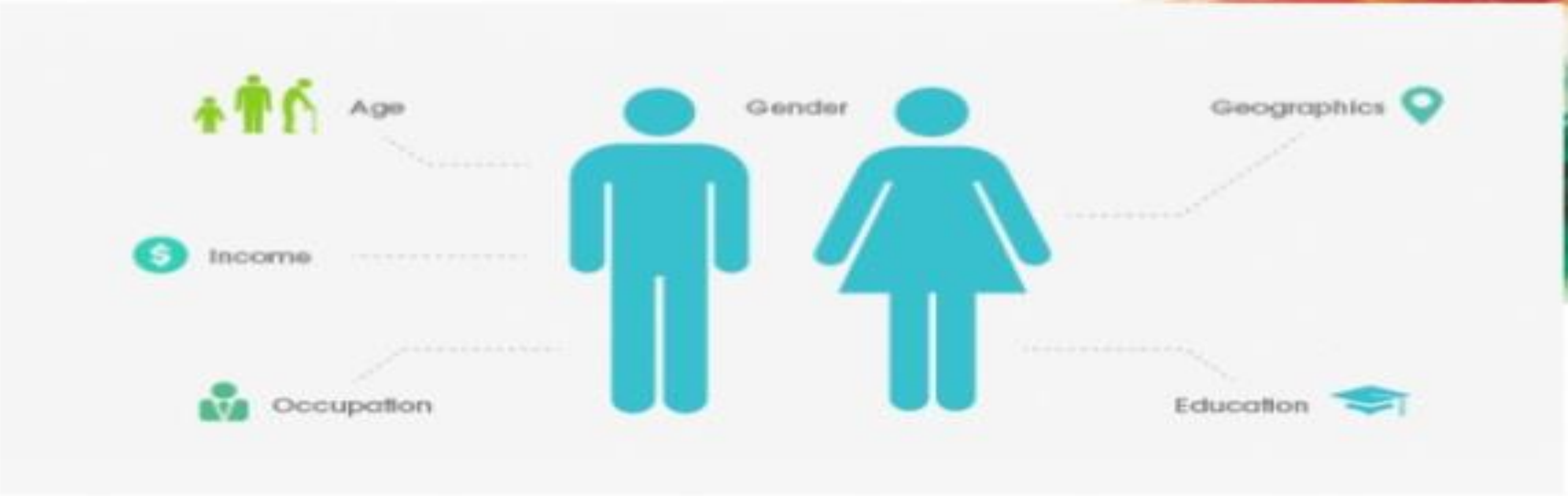
DRAIN OF INDIAN WEALTH

India's foreign trade generated huge export surplus but this surplus came at a huge cost to the country's economy as it led to the drain of India wealth.

The export surplus was used for:

- Making payments for the expenses incurred by an office set up by the colonial government in Britain.
- Expenses on war fought by the British government
- Import of invisible items

DEMOGRAPHIC PROFILE



The demographic conditions during the British rule suggested all the features of a backward economy. Various details about the population was first collected through a census in 1881.Before, 1921, India was in first stage of demographic transition. The second stage of transition started after 1921. However, neither the total population of India nor the rate of Population growth at this stage was very high. The year 1921 is described as the "Year of Great Divide". It is because after 1921 population grew continuously and rapidly.

The demographic conditions were as under:-

- The overall literacy level was less than 16%.
- Female literacy was 7%.
- Overall mortality rate was high
- Infant mortality rate was 218 per thousand (Present rate is 44/1000)
- Life expectancy was also very low-32 years (Present 68 years)
- Extensive poverty was present
- Public health facilities were either unavailable to large chunks of population or were highly inadequate when available.
- Water and air borne diseases were rampant.

OCCUPATIONAL STRUCTURE

OCCUPATIONAL STRUCTURE

PRIMARY

SECONDARY

TERTIARY

By occupational structure we mean the distribution of working persons across different industries and sectors. During the colonial period the occupational structure of India showed little sign of change.

- The largest share of work force, i.e. 70-75% was in the agricultural sector.
- The manufacturing sector accounted for 10% and the services sector 15-20% respectively.
- Regional disparities were also an important feature
- There was a decline in the dependence of the work force on the Agricultural sector in parts of the then Madras Presidency (i.e. Present-day Tamil Nadu, Andhra Pradesh, Kerala and Karnataka), Maharashtra and West Bengal and increase in the manufacturing and the services sector
- There was an increase in the share of the work force in agriculture in the states such as Orissa, Rajasthan and Punjab

INFRASTRUCTURE

Under the Colonial rule, basic infrastructure such as Roads, Railways, Ports, Water Transport, Post and Telegraph etc. were developed. But this development was not to provide basic amenities to the people of the country, but to subserve the colonial interests.

- The roads were built for mobilizing the army within India and for drawing out raw, materials from the countryside to the nearest railway station or the port to send these to England or other foreign lands.
- The Railways helped in commercialization of Indian agriculture which adversely affected the comparative self-sufficiency of the village economies in India.
- The introduction of the expensive system of electric telegraph in India, similarly served the purpose of maintaining law and order.

EFFECTS OF RAILWAYS

The British introduced the railways in India in 1850. It is considered one of the most important contributions. It affected the structure of the Indian railways in many ways,

- It enabled people to undertake long distance travel and thereby break geographical and cultural barriers.
- It helped in integrating the nation.
- It fostered commercialisation of Indian agriculture which adversely affected the self-sufficiency of the village economies in India.
- The volume of India's export trade undoubtedly expanded.
- It provided employment opportunities to the people.

POSITIVE CONTRIBUTION	NEGATIVE IMPACT DURING INDEPENDENCE/CHALLENGES
They introduced the railway system	Per capita income was low.
They developed the modern system of communication.	Large scale unemployment and under-employment.
The modern banking system was established by Britishers They formed the Imperial Bank of India Till the establishment of Reserve Bank of India (1935), the Imperial Bank served as the government's banker and also managed its public debt	The industrial sector was crying for modernization, diversification, capacity building and public investment. There was no capital goods industry.
They developed irrigation works, which created new grain and cotton producing regions	The agricultural sector was saddled with surplus labour and extremely low productivity.
Political and unification of country	Mass illiteracy

TOPIC 2 : FIVE YEAR PLANS (1947-1990)

Five Year Plans: History

- The leaders of independent India had to decide the type of economic system most suitable for our nation, a system which would promote the welfare of all.

- The concept of economic planning in India was derived from Russia (then USSR). India has launched 12 five year plans so far. The first five-year plan was launched in 1951.

GOALS OF THE FIVE YEAR PLANS

1. GROWTH
2. MODERNISATION
3. SELF-RELIANCE
4. EQUITY

This does not mean that all the plans have given equal importance to all these goals. Due to limited resources, a choice has to be made in each plan about which of the goals is to be given primary importance.

GROWTH:

- It refers to increase in the country's capacity to produce the output of goods and services within the country.
- A good indicator of economic growth is steady increase in the Gross Domestic Product (GDP).
- The GDP is the market value of all the goods and services produced in the country during a year.
- The GDP of a country is derived from the different sectors of the economy, namely the agricultural sector, the industrial sector and the service sector.
- The contribution made by each of these sectors makes up the structural composition of the economy.

MODERNISATION:

- To increase the production of goods and services the producers have to adopt new technology.

- Adoption of new technology is called modernization.

- However, modernization does not refer only to the use of new technology but also to changes in social outlook such as the recognition that women should have the same rights as men & that they are recognised as major contributors in the growth process of an economy.

SELF-RELIANCE:

- A nation can promote economic growth and modernization by using its own resources or by using resources imported from other nations.
- The first seven five year plans gave importance to self-reliance which means avoiding imports of those goods which could be produced in India itself.
- This policy was considered a necessity in order to reduce our dependence on foreign countries, especially for food.
- It is understandable that people who were recently freed from foreign domination should give importance to self-reliance.
- Further, it was feared that dependence on imported food supplies, foreign technology and foreign capital may make India's sovereignty vulnerable to foreign interference in our policies.

EQUITY:

- It is important to ensure that the benefits of economic prosperity reach the poor sections as well instead of being enjoyed only by the rich.

- So, in addition to growth, modernization and self-reliance, equity is also important. Every Indian should be able to meet his or her basic needs such as food, a decent house, education and health care and inequality in the distribution of wealth should be reduced.

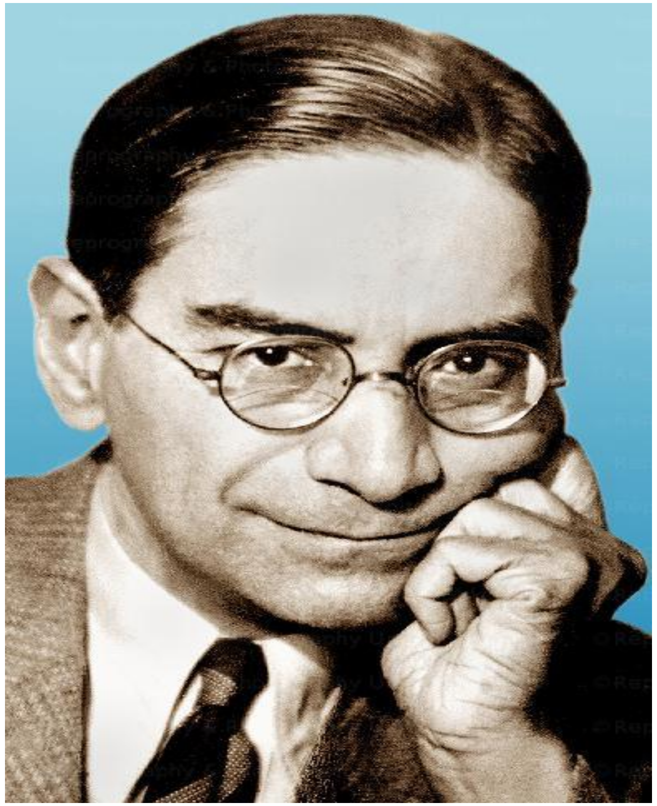
Objectives of Five Year Plans: A Review

1. **First Five Year Plan:**

- It was made for the duration of 1951 to 1956.
- Its main focus was on the agricultural development of the country.
- This plan was successful and achieved growth rate of 3.6% (more than its target)

2. Second Five Year Plan:

- It was made for the duration of 1956 to 1961.
- It was based on the P.C. Mahalnobis Model.
- Its main focus was on the industrial development of the country.
- This plan was successful and achieved a growth rate of 4.1%



Prof. PC Mahalnobis

3. Third Five Year Plan:

- It was made for the duration of 1961 to 1966.
- This plan is called 'Gadgil Yojna' also.
- The main target of this plan was to make the economy independent and to reach the self active position of take-off.
- Due to China war, this plan could not achieve its growth target of 5.6%

4. Plan Holiday:

- The duration of the plan holiday was from 1966 to 1969.
- The main reason behind the plan holiday was the Indo-Pakistan war & failure of the third plan.
- During this plan, annual plans were made and equal priority was given to agriculture its allied sectors and the industry sector.

5. Fourth Five Year Plan:

- Its duration was from 1969 to 1974.
- There were two main objectives of this plan i.e. growth with stability and progressive achievement of self-reliance.
- During this plan, the slogan of “Garibi Hatao” was given during the 1971 elections by Indira Gandhi.
- This plan failed and could achieve a growth rate of 3.3% only against the target of 5.7%.

6. Fifth Five Year Plan:

- Its duration was 1974 to 1979.
- In this plan top priority was given to agriculture, next came to industry and mines.
- Overall this plan was successful which achieved a growth of 4.8% against the target of 4.4%.
- The draft of this plan was prepared and launched by the D.P. Dhar. This plan was terminated in 1978.

7. Rolling Plan:

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

8. Sixth Five Year Plan:

- Its duration was from 1980 to 1985.
- The basic objective of this plan was poverty eradication and technological self-reliance.
- It was based on investment Yojna, infrastructural changes and trend to the growth model.
- Its growth target was 5.2% but it achieved 5.7%.

9. Seventh Five Year Plan:

- Its duration was from 1985 to 1990.
- The objectives of this plan include the establishment of a self-sufficient economy, opportunities for productive employment.
- For the first time, the private sector got the priority over public sector.
- Its growth target was 5.0% but it achieved 6.0%.

Annual Plans:

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

10. Eighth Five Year Plan:

- Its duration was from 1992 to 1997.
- In this plan, the top priority was given to the development of human resources i.e. employment, education, and public health.
- During this plan, Narasimha Rao Govt. launched the New Economic Policy of India.
- This plan was successful and got an annual growth rate of 6.8% against the target of 5.6%.

11. Ninth Five Year Plan:

- Its duration was from 1997 to 2002.
- The main focus of this plan was “growth with justice and equity”.
- It was launched in the 50th year of independence of India.
- This plan failed to achieve the growth target of 7% and grow only at the rate of 5.6%.

12. Tenth Five Year Plan:

- Its duration was from 2002 to 2007.
- This plan aims to double the Per Capita Income of India in the next 10 years.
- It aims to reduce the poverty ratio of 15% by 2012.
- Its growth target was 8.0% but it achieved only 7.2%.

13. Eleventh Five Year Plan:

- Its duration was from 2007 to 2012.
- It was prepared by the C. Rangarajan.
- Its main theme was “faster and more inclusive growth”
- Its growth rate target was 8.1% but it achieved only 7.9%

14. Twelfth Five Year Plan:

- Its duration was from 2012 to 2017.
- Its main theme is “Faster, More Inclusive and Sustainable Growth”.
- Its growth rate target is 8%.

Present Scenario of Planning in India

- The present NDA government has stopped the formation of five-year plans. So the 12th five-year plan would be called the last five-year plan of India. The decades-old Five-Year Plans made way for a three-year action plan, which was part of a seven-year strategy paper and a 15-year vision document. The NITI Aayog, came into existence on January 1, 2015. It replaced the Planning Commission, launching a three-year action plan from April 1, 2017.

- The three-year action plan documents only provide a broad roadmap to the government. The document does not detail any schemes or allocations as it has no financial powers. Since it need not be approved by the Union Cabinet, its recommendations are not binding on the government.

TOPIC 3: Main features, problems and policies of Agriculture (1947-1990)

IMPORTANCE OF AGRICULTURE IN THE INDIAN ECONOMY:

- Substantial contribution to GDP.
- Principal source of supply of wage goods.
- Principal sector of employment.
- Principal source of supply of raw materials.
- Principal source of supply of demand for industrial goods.
- Substantial contribution to international and domestic trade.
- Support to transport industry by offering goods of bulk transport.
- Significant source of wealth of the nation.

Land Reforms in India

- At the time of independence, the land tenure system was characterized by intermediaries who merely collected rent from the actual tillers of the soil without contributing towards improvements on the farm.

- The low productivity of the agricultural sector forced India to import food from the United States of America (U.S.A.)

- Equity in agriculture was called for which primarily refer to change in the ownership of landholdings.

Land Reforms in India

- Just a year after independence, steps were taken to abolish intermediaries and to make the tillers the owners of land.
- The idea behind this move was that ownership of land would give incentives to the tillers to invest in making improvements provided sufficient capital was made available to them.
- Land ceiling was another policy to promote equity in the agricultural sector.
- This means fixing the maximum size of land which could be owned by an individual.
- The purpose of land ceiling was to reduce the concentration of land ownership in a few hands.

Land Reforms in India

- The ownership conferred on tenants gave them the incentive to increase output and this contributed to growth in agriculture.

- However, the goal of equity was not fully served by abolition of intermediaries.

- In some areas the former zamindars continued to own large areas of land by making use of some loopholes in the legislation.

- The land ceiling legislation also faced hurdles. The big landlords challenged the legislation in the courts, delaying its implementation.

- They used this delay to register their lands in the name of close relatives, thereby escaping from the legislation.

Green Revolution in India

Prof. MS Swaminathan
Father of the Green Revolution

GREEN REVOLUTION IN INDIA

- India’s agriculture vitally depends on the monsoon and if the monsoon fell short the farmers were in trouble unless they had access to irrigation facilities which very few had.

- The stagnation in agriculture during the colonial rule was permanently broken by the green revolution.

- This refers to the large increase in production of food grains resulting from the use of high yielding variety (HYV) seeds especially for wheat and rice.

GREEN REVOLUTION IN INDIA

- The use of these seeds required the use of fertilizer and pesticide in the correct quantities as well as regular supply of water; the application of these inputs in correct proportions is vital.

- The farmers who could benefit from HYV seeds required reliable irrigation facilities as well as the financial resources to purchase fertilizer and pesticide.

- As a result, in the first phase of the green revolution (approximately mid 1960s up to mid 1970s), the use of HYV seeds were restricted to the more affluent states such as Punjab, Andhra Pradesh and Tamil Nadu.

- Further, the use of HYV seeds primarily benefited the wheat-growing regions only.

- In the second phase of the green revolution (mid-1970s to mid-1980s), the HYV technology spread to a larger number of states and benefited more variety of crops.

Advantages of the Green Revolution

- The spread of green revolution technology enabled India to achieve self-sufficiency in food grains.
- We no longer had to be at the mercy of America, or any other nation, for meeting our nation's food requirements.
- The portion of agricultural produce which is sold in the market by the farmers is called marketed surplus.
- A good proportion of the rice and wheat produced during the green revolution period was sold by the farmers in the market.
- As a result, the price of food grains declined relative to other items of consumption.
- The low-income groups, who spend a large percentage of their income on food, benefited from this decline in relative prices.
- The green revolution enabled the government to procure sufficient amount of food grains to build a stock which could be used in times of food shortage.

Risks of the Green Revolution

- While the nation had immensely benefited from the green revolution, the technology involved was not free from risks.

- One such risk was the possibility that it would increase the disparities between small and big farmers since only the big farmers could afford the required inputs, thereby reaping most of the benefits of the green revolution.

- Moreover, the HYV crops were also more prone to attack by pests and the small farmers who adopted this technology could lose everything in a pest attack.

Proactive Government Role

- Fortunately, these fears did not come true because of the steps taken by the government.
- The government provided loans at a low interest rate to small farmers and subsidized fertilizers so that small farmers could also have access to the needed inputs.
- Since the small farmers could obtain the required inputs, the output on small farms equalled the output on large farms in the course of time.
- As a result, the green revolution benefited the small as well as rich farmers.
- The risk of the small farmers being ruined when pests attack their crops was considerably reduced by the services rendered by research institutes established by the government.

The Debate over Subsidies

- It is generally agreed that it was necessary to use subsidies to provide an incentive for adoption of the new HYV technology by farmers in general and small farmers in particular.

- Subsidies were, therefore, needed to encourage farmers to test the new technology.

- Some economists believe that once the technology is found profitable and is widely adopted, subsidies should be phased out since their purpose has been served.

- Further, subsidies are meant to benefit the farmers but a substantial amount of fertilizer subsidy also benefits the fertilizer industry; and among farmers, the subsidy largely benefits the farmers in the more prosperous regions.

- Therefore, it is argued that there is no case for continuing with fertilizer subsidies; it does not benefit the target group and it is a huge burden on the government & finances.

The Debate over Subsidies

- On the other hand, some believe that the government should continue with agricultural subsidies because farming in India continues to be a risky business.

- Most farmers are very poor and they will not be able to afford the required inputs without subsidies. Eliminating subsidies will increase the inequality between rich and poor farmers and violate the goal of equity.

Conclusion

- Thus, by the late 1960s, Indian agricultural productivity had increased sufficiently to enable the country to be self-sufficient in food grains.

- On the negative side, some 65 per cent of the country's population continued to be employed in agriculture even as late as 1990.

- Economists have found that as a nation becomes more prosperous, the proportion of GDP contributed by agriculture as well as the proportion of population working in the sector declines considerably.

SUMMING UP

Features of Indian Agriculture

- Low productivity (output per hectare of land).
- Disguised unemployment: more persons are employed than what is optimally required.
- Dependence on rainfall, owing to the deficiency of permanent means of irrigation.
- Subsistence farming: production for self-consumption by the marginal farmers.
- Deficient use of modern inputs, owing to poverty of the small holders.
- Small holdings, so that the use of mechanised equipment becomes economically un-viable.
- Landlord-tenant conflict, as tenants (in most cases) are not the owners of the soil.
- Backward technology, as bulk of the holdings are small.

Agrarian Reforms

- **Technical Reforms:** (*i*) Use of HYV seeds, (*ii*) Use of chemical fertilizers, (*iii*) Use of insecticides and pesticides for crop protection, (*iv*) Scientific farm management practices, (*v*) Mechanised means of cultivation.
- **Land Reforms (also called institutional reforms):** (*i*) Abolition of intermediaries, (*ii*) Regulation of rent, (*iii*) Consolidation of holdings, (*iv*) Ceiling on land holdings, (*v*) Cooperative farming.
- **General Reforms:** (*i*) Expansion of irrigation facilities, (*ii*) Provision of credit, (*iii*) Regulated markets and cooperative marketing societies, (*iv*) Price support policy.

Achievement of Agrarian Reforms

- Spurt in crop productivity.
- Substantial rise in acreage (area under cultivation).
- Shift from subsistence farming to commercial farming.
- Change in farmers' outlook: price related production decisions.
- Self-sufficiency in foodgrain production.

IMPORTANCE OF INDUSTRY IN THE INDIAN ECONOMY:

- Good industrial sector contributes to progress of poor nations.
- Employment provided by industries considered to be more stable as compared to agriculture.
- Industry provides modernisation and overall prosperity.
- Hence, the five year plans place a lot of emphasis on Industrial development.

Public And Private Sectors In Industrial Development

- **Reasons the state had to play an extensive role in promoting the industrial sector:**

- At the time of independence, Indian industrialists did not have the capital to undertake investment in industrial ventures required for the development of our economy.
- The market wasn't big enough to encourage industrialists to undertake major projects even if they had the capital to do so.
- In addition, the decision to develop the Indian economy on socialist lines led to the policy of the state controlling the commanding heights of the economy, as the Second Five Year plan put it.
- This meant that the state would have complete control of those industries that were vital for the economy.
- The policies of the private sector would have to be complimentary to those of the public sector, with the public sector leading the way.

Industrial Policy Resolution 1956 (IPR 1956)

LQP(Licenses, Quotas & Permits)

- In accordance with the goal of the state controlling the commanding heights of the economy, the Industrial Policy Resolution of 1956 was adopted.

- This resolution formed the basis of the Second Five Year Plan, the plan which tried to build the basis for a socialist pattern of society.

Industrial Policy Resolution 1956

- **IPR classified industries into three categories:**

- The strong first category comprised industries which would be exclusively owned by the state.

- The second category consisted of industries in which the private sector could supplement the efforts of the state sector, with the state taking the sole responsibility for starting new units.

- The third category consisted of the remaining industries which were to be in the private sector. Although there was a category of industries left to the private sector, the sector was kept under state control through a system of licenses.

Industrial Policy Resolution 1956 (IPR 1956)

- No new industry was allowed unless a license was obtained from the government. This policy was used for promoting industry in backward regions; it was easier to obtain a license if the industrial unit was established in an economically backward area.

- In addition, such units were given certain concessions such as tax benefits and electricity at a lower tariff. The purpose of this policy was to promote regional equality.

Industrial Policy Resolution 1956 (IPR 1956)

- **Small Scale Industry**

➢ A small-scale industry is defined with reference to the maximum investment allowed on the assets of a unit. This limit has changed over a period of time.

➢ In 1950 a small-scale industrial unit was one which invested a maximum of rupees five lakhs. Today however, this limit is between 25 lakhs and 10 crores in case of a Manufacturing unit and between 10 lakhs and 5 crores in case of a service sector.

Protection to Small Scale Industry

- It is believed that small-scale industries are more labour intensive i.e., they use more labour than the large-scale industries and, therefore, generate more employment.
- But these industries cannot compete with the big industrial firms; it is obvious that development of small-scale industry requires them to be shielded from the large firms.
- For this purpose, the production of a number of products was reserved for the small-scale industry.
- The criterion of reservation being the ability of these units to manufacture the goods.
- They were also given concessions such as lower excise duty and bank loans at lower interest rates.

Policy of Import Substitution

(Inward Looking Trade Strategy)

- The industrial policy that we adopted was closely related to the trade policy.
- In the first seven plans, trade was characterized by what is commonly called an Inward Looking Trade Strategy.
- Technically, this strategy is called Import Substitution.
- This policy aimed at replacing or substituting imports with domestic production.
- In this policy the government protected the domestic industries from foreign competition.
- The policy of protection is based on the notion that industries of developing countries are not in a position to compete against the goods produced by more developed economies.
- It is assumed that if the domestic industries are protected they will learn to compete in the course of time.

Trade Policy: Import Substitution

Protection from imports took two forms:

TARIFFS	QUOTAS
✓ A tax on imported goods. ✓ It made imported goods more expensive and discouraged their use.	✓ The quantity of goods which can be imported was limited.

Benefits of Inward Looking Trade Strategy

- The achievements of India's industrial sector during the first seven plans are impressive indeed. The proportion of GDP contributed by the industrial sector increased in the period from 11.8 per cent in 1950-51 to 24.6 per cent in 1990-91.

- The rise in the industry's share of GDP is an important indicator of development. The six per cent annual growth rate of the industrial sector during the period is commendable.
- No longer was Indian industry restricted largely to cotton textiles and jute; in fact, the industrial sector became well diversified by 1990, largely due to the public sector.

- The promotion of small-scale industries gave opportunities to those people who did not have the capital to start large firms to get into business.

- Protection from foreign competition enabled the development of indigenous industries in the areas of electronics and automobile sectors which otherwise could not have developed.

Limitations of Inward Looking Trade Strategy

- In spite of the contribution made by the public sector to the growth of the Indian economy, some economists are critical of the performance of many public sector enterprises.
- The point is that after four decades of Planned development of Indian Economy no distinction was made between:

i. What the public sector alone can do .

ii. What the private sector can also do.

- Many public sector firms incurred huge losses but continued to function because it is difficult to close a government undertaking even if it is a drain on the nation's limited resources. This does not mean that private firms are always profitable. However, a loss-making private firm will not waste resources by being kept running despite the losses.
- A few economists also point out that the public sector is not meant for earning profits but to promote the welfare of the nation. The public sector firms, on this view, should be evaluated on the basis of the extent to which they contribute to the welfare of people and not on the profits they earn.

Limitations of Government Policies On Industrial Development

- The need to obtain a license to start an industry was misused by industrial houses.

- A big industrialist would get a license not for starting a new firm but to prevent competitors from starting new firms.

- The excessive regulation of what came to be called the permit license raj prevented certain firms from becoming more efficient.

- More time was spent by industrialists in trying to obtain a license or lobby with the concerned ministries rather than on thinking about how to improve their products.

Limitations of Government Policies On Industrial Development

- The protection from foreign competition is also being criticized on the ground that it continued even after it proved to do more harm than good.

- Due to restrictions on imports, the Indian consumers had to purchase whatever the Indian producers produced.

- The producers were aware that they had a captive market; so they had no incentive to improve the quality of their goods.

- Regarding protection, some economists hold that we should protect our producers from foreign competition as long as the rich nations continue to do so.

Limitations of Government Policies On Industrial Development

- Excessive government regulation prevented growth of entrepreneurship.
- In the name of self-reliance, our producers were protected against foreign competition and this did not give them the incentive to improve the quality of goods that they produced.
- Our policies were inward oriented and so we failed to develop a strong export sector.
- Owing to all these conflicts, economists called for a change in our policy.
- The need for reform of economic policy was also widely felt in the context of changing global economic scenario.
- Hence, the new economic policy was initiated in 1991 to make our economy more efficient.

TOPIC 5: ECONOMIC REFORMS SINCE 1991

Economic Crisis in 1991 and Indian Economy Reforms

- Crisis in India is figured out because of the inefficient management in the Indian economy in 1980s.

- The revenues generated by the government were not adequate to meet the growing expenses.

- Hence, the government resorted to borrowing to pay for its debts and was caught in a debt-trap.

Causes of Economic Crisis

1) The continued spending on development programmes of the government did not generate additional revenue.

2) The government was not able to generate sufficient funds from internal sources such as taxation.

3) Expenditure on areas like social sector and defense do not provide immediate returns, so there was a need to utilize the rest of the revenue in a highly effective manner, which government failed to do so.

4) The income from public sector undertakings was also not very high to meet the growing expenditures.

5) Foreign exchange borrowed from other countries and international financial institutions was spent on meeting consumption needs and to make repayment on other loans.

Need for Economic Reforms

1) The economic policy followed by the government up to 1990 failed in many aspects and landed the country in an unprecedented economic crisis.

2) The situation was so alarming that India's foreign reserves were barely enough to pay for two weeks of imports.

3) New loans were not available and NRIs were withdrawing large amounts.

4) There was an erosion of confidence of International investors in the Indian economy.

The Following Points Highlight the Need for Economic Reforms in the Country

1) **Increasing fiscal deficit.**
2) **Adverse balance of payments.**
3) **Gulf crisis.**
4) **Rise in prices.**
5) **High rate of deficit financing.**

Emergence of New Economic Policy (NEP-1991)

- Finally, India approached International Bank for Reconstitution and Development, popularly known as World Bank and International Monetary Fund (IMF) and received $7 million as a loan to manage the crisis.
- International agencies expected India to liberalize and open up economy by removing restrictions on private sector and remove trade restrictions between India and Foreign countries.
- India agreed to the Conditions of world bank and IMF and had announced new economic policy which consisted of wide range of economic reforms.

LIBERALISATION

- Liberalisation was introduced to put an end to these restrictions and open various sectors of the economy.
- It is generally defined as loosening of government regulations in a country to allow for private sector companies to operate business transactions with fewer restrictions.
- In relation to Developing countries this refers to opening of economic borders for multinational and foreign investment.

Objectives of Liberalisation

1) To increase competition among domestic industries.
2) To increase foreign capital formation and technology.
3) To decrease the debt burden of the country.
4) To encourage export and import of goods and services.
5) To expand the size of the market.

Economic reforms under Liberalisation

1) **Deregulation of Industrial sector:** In India, the following steps were taken to deregulate the industrial sector.

a) **Abolition of Industrial Licensing government:** abolished the licensing requirement of all Industries, except for the five Industries which are: Liquor, Cigarettes, Defence equipment, Industrial explosives, Dangerous chemicals and pharmaceuticals.

b) **Contraction of Public Sector:** The number of industries reserved for the public sector was reduced from 17 to 8. Presently only three Industries are 'reserved for public sector'. They are Railways, Atomic Energy and Defense.

Economic reforms under Liberalisation

c) **De-reservation of Production Areas:** The production which were early reserved for SSIs were de-reserved.

d) **Expansion of Production Capacity:** The producers were allowed to expand their production capacity according to market demand. The need for licensing was abolished.

e) **Freedom to Import Capital Goods:** The business and Production units were given freedom to import capital goods to upgrade their technology.

Economic reforms under Liberalisation

2) **Financial Sector Reforms:** It includes Financial Institutions such as Commercial banks, Investment Banks, Stock exchange operations and Foreign exchange Market.

3) **Tax Reforms:** Tax reforms are concerned with the reforms in the government's taxation and public expenditure policies, which are collectively known as its fiscal policy. Since 1991, there has been a continuous reduction in the taxes on individual incomes as it was felt that high rates of income tax were an important reason for tax evasion.

Economic reforms under Liberalisation

4) **Foreign Exchange Reforms:** It includes reforms relating to foreign exchange and foreign trade.

5) **Trade and Investment Policy Reforms:** Liberalisation of trade and investment regime was initiated to increase international competitiveness of industrial production and also foreign investments and technology into the economy.

PRIVATISATION

- It implies shedding of the ownership or management of a government owned enterprise. Government companies are converted into private companies.

- Privatisation of the public sector enterprises by selling off part of the equity of PSEs to the public is known as disinvestment.

GLOBALISATION

- It means integration of the economy of the country with the world economy.
- Globalisation encourages foreign trade and private and institutional foreign investment.
- Globalisation is a complex phenomenon as it is an outcome of the set of various policies that are aimed at transforming the world towards greater interdependence and integration.

Outsourcing

- This is one of the important outcomes of the globalisation process.
- In outsourcing, a company hires regular service from external sources, mostly from other countries, which was previously provided internally or from within the country (like legal advice, computer service, advertisement, security — each provided by respective departments of the company).

World Trade Organisation (WTO)

- The WTO was founded in 1995 as the successor organisation to the **General Agreement on Trade and Tariff (GATT).**
- GATT was established in 1948 with 23 countries as the global trade organization to administer all multilateral trade agreements by providing equal opportunities to all countries in the international market for trading purposes.
- WTO is expected to establish a rule-based trading regime in which nations cannot place arbitrary restrictions on trade.

Economic Growth During Reforms

Main highlights

1) Growth of an economy is measured by gross domestic product (GDP). The growth of GDP increased from 5.6% during 1980-1991 to 8.2% during 2007-2012.

2) During the reform period, the growth of Agriculture was declined. While the industrial sector reported fluctuation, the growth of service sector has gone up. This indicates that the growth is mainly driven by the growth in service sector.

3) The opening up of the economy has led to the foreign direct investment and foreign exchange reserves. The foreign investment which includes Foreign Direct Investment (FDI) and Foreign Institutional Investment (FII), has increased from about US $100m million in 1990 -1991 to US $400 billion in 2010-2011.

Economic Growth During Reforms

Main highlights

4) There has been increase in Foreign exchange reserves from about US $6 billion in 1990-1991 to US $300 billion in 2011-2012. In 2011 India was the 7th largest foreign exchange holder in the world.

5) India is seen as a successful exporter of auto parts, engineering goods, IT software and textiles in the reform period. Rising prices also have been kept under control.

Failures of Economic Reforms

1) **Neglect of Agriculture:**

a) There has been deterioration in agricultural growth rate.

b) This deterioration is the root cause of the problem of rural distress that reached crisis in some parts of the country.

c) Economic reforms have not been able to benefit the agricultural sector because:

- ✓ Public investment in agriculture sector especially in infrastructure which includes irrigation, power, roads, market linkages and research and extension has been reduced in the reform period.
- ✓ The removal of fertilizer subsidy has led to increase in the cost of products, removal of minimum support price and lifting of quantitative restrictions have increased the threat of international competition to the Indian formers.
- ✓ Export-oriented policy strategies in agriculture 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.

Failures of Economic Reforms

2) **Uneven Growth in Industrial Sector:**

a) Industrial sector registered uneven growth during this period.

b) This is because of decreasing demand of industrial products due to various reasons-

✓Cheaper imports have decreased the demand of domestic industrial goods.

✓There was inadequate investment in infrastructure facilities such as power supply.

✓A developing country like India still does not have the access to developed countries markets because of high non-tariff barriers.

3) **Other Failures:**

In addition to the above mentioned failures, the other drawbacks of LPG policy were:

a) It led to urban concentration of growth process.

b) It encouraged economic colonialism.

c) It resulted in the spread of consumerism.

d) It led to cultural erosion.

SUGGESTED VIDEOS

INDIAN ECONOMY ON THE EVE OF INDEPENDENCE

- https://www.youtube.com/watch?v=1eZOY12F76M
- https://diksha.gov.in/resources/play/collection/do_3131034753248870401940?contentType=TextBook
- https://diksha.gov.in/resources/play/collection/do_3131034753248870401940?contentType=TextBook
- https://diksha.gov.in/resources/play/collection/do_3131034753248870401940?contentType=TextBook

FIVE YEAR PLANS(1947-1990)

- https://www.youtube.com/watch?v=4koLdo_QIpU
- https://diksha.gov.in/resources/play/collection/do_31304486090502963215168?contentType=TextBook
- https://diksha.gov.in/resources/play/content/do_3130829121631354881101

MAIN FEATURES , PROBLEMS & POLICIES OF AGRICULTURE(1947-90)

- https://www.youtube.com/watch?v=d7H_l4oUt9Y
- https://diksha.gov.in/resources/play/collection/do_31310349737096806411159?contentType=TextBook

INDUSTRY AND FOREIGN TRADE(1947-90)

- https://www.youtube.com/watch?v=ibhtEFSFnA0

ECONOMIC REFORMS SINCE 1991

- https://diksha.gov.in/resources/play/content/do_31350197471004262412604
- https://diksha.gov.in/resources/play/content/do_3130907202680012801417
- https://diksha.gov.in/resources/play/content/do_3130907241754132481419

SOURCE ACKNOWLEDGEMENT

1. **Diksha Portal; Ministry of Education Govt. of India.**
2. **Indian Economic Development : NCERT**
3. **Indian Economic Development : Jain & Ohri**
4. **Indian Economic Development : Sandeep Garg**
5. **Internet resources for pictures.**

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UNIT 7: *Current challenges facing Indian Economy*

TOPIC 1: HUMAN CAPITAL FORMATION

- **Human Capital Formation -** It refers to the process of acquiring and increasing the number of persons who have the skill, education and experience which are critical for the economic and political development of a country.

Difference between Human Capital and Physical Capital Formation

Physical Capital	Human Capital
(i) All those resources which are required for further production, like plants and machinery, factory buildings, equipment etc.	(i) Refers to the stock of skill, ability, expertise, education and knowledge in a nation at a given point.
(ii) Sold in market.	(ii) Can't be sold.
(iii) Depreciates over time .	(iii) No depreciation.
(iv) Separable from its owner.	(iv) Can't be Separated.
(v) Economic and technical process	(v) Partially a social process.

Importance of Human Capital Formation in Economic Development

- Physical capital utilized efficiently.
- Optimum utilisation of resources.
- Better Co-ordination between factors.
- Innovations & technological improvement.
- Rate of economic growth becomes faster.
- Changes in the outlook of the labour force.
- Production of National Wealth goes up.
- Quality of life improves.
- Plays a key role in economic development strategy.

Sources of Human Capital Formation

- **Expenditure on Education**: increases future income & raises standard of living.
- **Expenditure on Health:** helps to build productive labour force & improve quality of life.
- **On-the-job-training:** increases skill & efficiency of workers.
- **Expenditure on Migration:** helps to increase earnings in the migrated place.
- **Expenditure on Information:** helps to make decisions in investment in human capital.

Concept of Human Development Index (HDI)

Human development index is broadly an arrangement of social aggregates average of longevity, knowledge and access to resources. India's position is 132nd out of 191 countries of the world. It is from the HDI prepared by UNDP in 2021.

The value of HDI is 0.633.

Problems of Human Capital Formation

- **Insufficient resources:** Resources allocated have been much less than resources required.
- **Serious inefficiencies:** Underutilization of resources, massive illiteracy, poor health facilities etc have not been attended to properly.
- **High growth of population:** Reduces per head availability of facilities & hence quality of human capital.
- **Lack of proper manpower planning:** Wastage of resources due to imbalance between demand & supply of skilled manpower resources.
- **Insufficient on-the-job-training in Primary sector:** Serious deficiency of human capital formation in the primary sector, mainly, agriculture.
- **Low academic standards:** Large numbers of poor quality higher education institutions churning out skill deficient human capital.
- **Brain drain:** Cost of loss of quality human capital which migrates in search of better jobs & salaries is very high.

EDUCATION SECTOR IN INDIA

Education: It refers to the process of teaching, training and learning especially in schools or colleges, to improve knowledge and develop skill.

RIGHT TO EDUCATION ACT : A Fundamental Right

The Constitution (Eighty-sixth Amendment) Act, 2002 inserted Article 21-A in the Constitution of India to provide free and compulsory education of all children in the age group of six to fourteen years as a Fundamental Right.

'Free education' means that no child, other than a child who has been admitted by his or her parents to a school which is not supported by the appropriate Government, shall be liable to pay any kind of fee or charges or expenses which may prevent him or her from pursuing and completing elementary education.

'Compulsory education' casts an obligation on the appropriate Government and local authorities to provide and ensure admission, attendance and completion of elementary education by all children in the 6-14 age group. With this, India has moved forward to a rights based framework that casts a legal obligation on the Central and State Governments to implement this fundamental child right as enshrined in the Article 21-A of the Constitution, in accordance with the provisions of the RTE Act.

Educational Achievement in India

It is based on three components:

Adult literacy rate: It refers to the ratio of literate adult population to the total adult population in a country. This rate is the most important indicator for a country as it indicates the percentage of the population that can participate in the economic activity of the country. It has shown a rise amongst both males & females.

Primary completion rate: It refers to percentage of students completing the last year of primary school. Lower primary education completion rate leads to lower youth literacy rate and, hence, lower adult literacy rate. It has shown a rise amongst both males & females.

Youth literacy rate: It is the percentage of people in the age group of 15-24 who can, with understanding, read and write a short, simple statement on their everyday life. higher the youth literacy rate, higher will be the achievement of a country in terms of education. It has shown a rise amongst both males & females.

Development/Availability of Education in India

- **Elementary Education:**
  - Sarv Shiksha Abhiyan (SSA)
  - Mid day Meal Plan.
  - Kasturba Gandhi Vidyalaya..
  - Balika Vidyalaya Scheme.
- **Secondary Education:**
  - Navodaya Vidyalaya.
  - Kendriya Vidyalaya.
  - National Council of Educational Research and Training.
  - Vocationalisation of Secondary Education.
- **University and Higher Education:**
  - IGNOU
  - Academic Staff College.
- **Technical, Medical and Agriculture Education**
- **Rural Education**
- **Adult and Continuing Education**

Inadequacies and Challenges in Education Sector in India

- Widespread Illiteracy.
- Low rural access level.
- Low enrolment ratio.
- Insufficient Government Expenditure.
- Unbalanced Development.
- Disparities in Educational Development.
- Defective Examination System.
- Gender Bias.
- Lack of Vocational Training.
- Low Standard of Education.
- Privatisation of Education.

TOPIC 2: RURAL DEVELOPMENT

- **Definition:** An action plan for the economic & social growth of the rural areas. It is a continuous comprehensive socio-economic process, attempting to improve all aspects of rural life..
- **Significance:** Bulk of our population lives in rural areas in abject poverty. Overall growth of the economy would be a distant dream unless it is aligned with the growth & development of rural areas..

CHALLENGES OF RURAL DEVELOPMENT

LINGERING CHALLENGES	EMERGING CHALLENGES
❖ Rural Credit	❖ Diversification of productive activities
❖ Rural Marketing	❖ Organic farming

RURAL CREDIT
(Lingering Challenge)

- Provision of loans especially in production for agriculture and non- agricultural sectors.
- Credit facilities in the rural areas have contributed a large increase in agricultural productivity and employment facilities in non-agricultural sectors.
- Loans are provided in rural areas to the frames in order to purchase machinery, agricultural implements etc.
- Government also provides long term loans for improvement of the land, digging tube well, purchase of tractors etc. which can be repaid in 15to 20 years.
- Unproductive loans are provided to farmers for personal purposes to support them & their family in case of a crop failure.

SOURCES OF RURAL CREDIT

- **Non-institution Sources:** These are the traditional sources of agricultural credit in India. They include money lenders, relatives, traders, commission agents and land lords.
- **Institutional Sources:** They are cooperative credit, land development banks, commercial banks, regional rural banks, govt., national bank for agricultural and rural development and also self-help groups.
- **Micro finance:** A credit scheme extended to the poor through Self Help Groups (SGHs)
- **Self-Help Groups (SGHs):** Set up to promote thrift in small proportions by a minimum contribution from each member. From the pooled money, credit is given to the needy numbers to be repayable in small instalments at reasonable interest rates.

AGRICULTURAL MARKETING (Lingering Challenge)

- Gathering the produce after harvesting.
- Processing the produce.
- Grading the produce as per it's quality.
- Packaging as per the preferences of the buyers.
- Storing the produce for future sale.
- Selling the produce when the price is lucrative.

Thus, Agricultural marketing a process which involves assembling, storage, processing, transportation, packaging, grading and distribution of different agricultural commodities across the country.

GOVERNMENT MEASURES TO IMPROVE AGRICULTURAL MARKETING

- **Regulated Markets**: Regulated markets have been established to create orderly and transparent marketing condition. This is organized in order to protect farmers from malpractices of sellers and brokers.

- **Cooperative Marketing**: Marketing societies are formed by farmers to sell the output collectively and to take advantages of collective bargaining for obtaining a better price. Cooperatives have not been functioning properly in recent past due to inadequate coverage of farmer members and processing cooperatives and also inefficient management.

- **Infrastructural facilities**: Govt. has also provided infrastructural facilities like roads, railways, warehousing, cold storage and processing units.

- **Standardization and Grading**: Grading & Quality control helps farmers to get good price for quality products produced by them.

- **Minimum Support Price**: To safeguard the interest of the farmers, government fixes the minimum support price for agricultural products like wheat, rice, maize, cotton, sugarcane, pulses etc. The government offers to buy any amount of grains from the farmers at a price higher than the market price in order to help them recover their loss. The Government in turn supplies these products in public distribution system to the BPL & APL card holders.

LIMITATIONS OF AGRICULTURAL MARKETING IN INDIA

- Lack of storage facilities: for food grain and crops has damaged the products either by rats or insects or due to rain.
- Distress Sale: Most Indian farmers are poor and they have no capacity to wait for better price. They sell the commodities at whatever the price available immediately. As a result they go for distress sale of their output to the village money lenders or traders for poor price.
- Lack of transportation: as a result farmer cannot reach nearly mandis to sell their produce at a fair price.
- Long chain of middleman: or intermediaries between the cultivator and the consumer will also reduce the profit of the producer.
- There are also other defects like lack of institutional finance, lack of professional guidance etc. This makes Indian marketing system disorganized.

AGRICULTURAL DIVERSIFICATION

Definition: Re-allocation of some of farm's productive resources into new activities or crops reducing market risk.

AGRICULTURAL DIVERSIFICATION HAS TWO ASPECTS

Diversification of Crop Production

*Production of a diverse variety of crops rather than one specialised crop.

*It implies a shift from single-cropping system to multi-cropping system.

*It would minimise market risk arising due to price fluctuations and monsoon failures.

Diversification of Production Activity

*Shift from crop farming to other areas of production activity/employment.

*It not only raises the income of the farmers but also stabilises it.

*It provides supplementary gainful employment to the famers.

DIVERSIFICATION OF PRODUCTIVE ACTIVITIES (Emerging Challenge)

- Agriculture is already overcrowded & hence, major portion of the increasing labour force needs to find alternate employment opportunities in other non-farm sectors.

- This will provide alternate sustainable livelihood and would raise the level of income.

- Some of the non- farm activities are animal husbandry, dairy farming, fishers, horticulture, agro-processing industries, food processing industries leather industry, tourism etc.

- These sectors have the potential but they lack infrastructure and other financial support.

- **Operation flood** is a system, whereby all the farmers can pool their milk produce according to different grading and the same is processed and marketed to urban centers through cooperatives.

- The period of 1991-2003 is known as **Golden Revolution** because during this period, the planned investment in horticulture became highly productive and the sector emerged as a sustainable livelihood option.

ROLE OF INFORMATION TECHNOLOGY IN RURAL DEVELOPMENT

- Information Technology has revolutionized many sectors in Indian economy. There is a broad agreement that IT will play critical role in achieving sustainable development and food security in the 20th century.

- Through proper information and software tools, govt has been able to predict area of food insecurity and vulnerability to prevent or reduce the livelihood of an emergency.

- It also has a posture impact on the agricultural sector as it circulate information regarding technologies and its application, prices, weather and soil condition for growing different crops.

- This has increased the scientific knowledge about farming and minimized associated risks.

- The aim for increasing the role of information technology is to make every village a Knowledge Centre where IT provides a sustainable option of employment and livelihood.

ORGANIC FARMING
(Emerging Challenge)

- Organic farming is the process of producing food naturally.
- This method avoids the use of synthetic chemical fertilizers and genetically modified organisms.
- It is eco-friendly and is deeply linked with sustainable development.
- It maintains, restores & enhances the ecological balance.
- Animal manures & composts are the basic organic inputs.
- It focuses on maintaining ‘Soil-health’ rather than ‘Plant-health’.
- In most of the developed countries, nearly 10% of their food system comes under organic farming.
- To encourage sale of organic food, retail chains & supermarkets are awarded with GREEN STATUS.
- Organic foods command higher price than the conventionally grown foods.
- It offers an inexpensive farming technology to small & marginal farmers.

LIMITATIONS OF ORGANIC FARMING

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

TOPIC 3: EMPLOYMENT

BASIC CONCEPTS

1. **WORKER:** A worker is an individual who is involved in some productive activity to earn a living. Workers include all those people who are engaged in work whether for others (paid workers) or self-employed.

2. **TYPES OF WORKERS:**

TYPES OF WORKERS

Self-employed
People working in their own business/profession. They earn profit as a reward for their service.

Hired Workers
People hired by others and are paid wages/salaries as a reward for their services.

Casual Workers
They are daily wagers who are not on the permanent rolls of the employers & are not entitled to social security benefits.

Regular Workers
They are on permanent rolls of the employers & are entitled to social security benefits.

BASIC CONCEPTS

3. **DIFFERENCE BETWEEN LABOUR FORCE & LABOUR SUPPLY**

LABOUR FORCE	LABOUR SUPPLY
Number of persons actually working/willing to work.	Measured in terms of man-days of work. One man-day refers to 8 hours of work.
Not related to Wage-rate.	Always related to Wage-rate.
Size of labour force changes only when the number of people actually working/willing to work increase or decreases.	Supply of labour can increase/decrease even when the number of workers remain constant because it is measured in terms of man-days.

BASIC CONCEPTS

4. **WORKFORCE :** Labour force - Number of persons not working but willing to work.

5. **NUMBER OF PERSONS UNEMPLOYED :** Labour Force – Work Force

6. **RATE OF UNEMPLOYMENT :** $\frac{\text{Number of persons unemployed}}{\text{Size of Labour Force}} \times 100$

7. **PARTICIPATION RATE :** $\frac{\text{Total workforce}}{\text{Total population}} \times 100$

FACTS ON WORKFORCE IN INDIA RATE OF PARTICIPATION IN INDIA

- **Bulk of our workforce is rural based:**
  - Despite employing nearly 50% of workforce, the rural economy in India is contributing less than 20% to GDP.
  - It is an indicator of low productivity & low reward for work, leading to widespread poverty on the rural areas.
- **Percentage of female workers is low and lower still in Urban areas:**
  - Female education in India is still a far cry, implying low opportunities for jobs.
  - In urban areas even the available job opportunities to females are not actually utilised since job work for women is still governed by family decisions.
  - Higher employment among females in the rural areas mostly in low paid and less productive jobs is mainly due to widespread rural poverty.
  - Low employment among women is a sign of social and economic backwardness of a nation.

FACTS ON DISTRIBUTIONOF WORKFORCE ACROSS DIFFERENT SECTORS IN INDIA

- Continued dependence on Primary activities despite low level of productivity & low wage rates.
- Failure of Secondary & Tertiary sectors to generate ample job opportunities causing greater employment in the primary sector.
- Industrialisation has failed to take-off to become the leading sector of growth.
- Service sector has developed faster than manufacturing & allied production activities which can be explained in terms of globalisation of the Indian economy.
- Lack of non-farm job opportunities in the rural areas causing rural population to be engaged more in the agricultural sector.

JOBLESS GROWTH

- A situation when the level of output in the economy tends to rise owing to innovative technology without any significant rise in the level of employment.
- It leads to chronic unemployment even when there is rise in GDP.
- Our growth process has been increasingly hijacked by MNCs who specialise in achieving high growth through efficient use of technology rather than through greater use of manpower.
- Hence, growth is moving faster than the opportunities of employment creating “Jobless Growth”

CASUALISATION & INFORMALISATION OF WORKFORCE

CASUALISATION

A situation when the percentage of casually hired workers in the total workforce tends to rise over time.

INFORMALISATION

A situation where percentage of workforce in the formal sector tends to decline & that in the informal sector tends to rise.

FORMAL SECTOR WORKERS

*Work in the Organised sector of the economy.
*Entitled to social security benefits.

*Can form trade unions.

*Protected by labour laws.

INFORMAL SECTOR WORKER

*Work in the Unorganised sector of the economy.
*Not entitled to social security benefits.

*Can not form trade unions.

*Not Protected by labour laws.

UNEMPLOYMENT & IT'S TYPES IN INDIA

DEFINITION: A situation when people are willing & able to work at the existing wage rate but are not getting work.

TYPES:

Urban Unemployment:

- Industrial unemployment: It refers to the unemployment among the illiterates who wish to work in industrial establishment.
- Educated unemployment: Educated unemployment refers to the unemployment among the educated people.

Rural Unemployment :

- Disguised unemployment: refers to a state in which more people are engaged in work than are really needed.
- Seasonal unemployment: Unemployment that occurs at certain seasons of the year is known as Seasonal unemployment.

CAUSES OF UNEMPLOYMENT IN INDIA

- Slow rate of economic growth
- Population explosion
- Underdeveloped agriculture
- Defective educational system
- Slow growth of Industry
- Decline of cottage and small-scale industry .
- Faulty planning
- Inadequate employment planning.
- Low capital formation.

MEASURES SUGGESTED FOR CONTROLLING UNEMPLOYMENT

- Accelerating growth rate of GDP
- Control of population growth
- Encouragement to small scale enterprises.
- Development of infrastructure.
- Special employment programmes.
- Rapid industrialisation.

GOVERNMENT POLICIES & PROGRAMMES TO COMBAT UNEMPLOYMENT

- Prime Minister's Rozgar Yojana (PMRY)
- Swarna Jayanti Shahri Rozgar Yojana (SJSRY)
- Rural Employment Generation Programme (REGP)
- Prime Minister's Employment Generation Programme (PMEGP)
- Swarnajayanti Gram Swarozgar Yojana (SGSY)
- National Rural Livelihood Mission (NRLM)
- National Urban Livelihood Mission (NULM)
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)

TOPIC 4: SUSTAINABLE ECONOMIC DEVELOPMENT

CONCEPT OF ENVIRONMENT:

- All those conditions & their effects which influence human life.
- It includes biotic as well as abiotic elements which make up our surroundings and impact our existence & quality of life.

SIGNIFICANCE OF ENVIRONMENT:

- It offers renewable as well as non-renewable resources used in the production of goods & services.
- Environment sustains life through sun, soil, water & air.
- Environment assimilates waste through it's 'Absorption Capacity'.
- It enhances quality of life.

ENVIRONMENTAL CRISIS:

- It occurs when the **'Carrying Capacity'** of the environment is challenged through excessive through excessive exploitation of natural resources.
- Crisis also takes place when waste generation exceeds the **'Absorptive Capacity'** of environment.

Carrying Capacity of Environment	Absorptive Capacity of Environment
❖ State of balance between the rate at which natural resources are exploited & the rate at which these resources are regenerated. ❖ Permits exploitation of resources only to the extent that the total resource endowment does not deplete but remains intact.	❖ Ability of the environment to absorb wastes. ❖ These wastes occur due to production and consumption activities in the economy.

PRINCIPAL CAUSES OF ENVIRONMENTAL CRISIS:

- Population explosion and Industrial revolution has increased the demand for environmental resources, but their supply is limited due to misuse and overuse.

- The intensive and extensive extraction of both renewable and non-renewable resources has exhausted some of the vital resources.

- Extinction of many resources and continuous rising population has also resulted in environmental crisis.

- Due to affluent consumption and production standard of developed world, the waste generated is beyond the absorptive capacity of the environment.

- The development process has polluted environment, water and atmosphere and there is decline in air and water quality.

- It has resulted in increased incidence of respiratory and water borne diseases. The expenditure on health is also rising.

- Global environmental issues such as global warming & Ozone depletion also contributes to the increased financial commitments of government.

OPPORTUNITY COSTS OF ENVIRONMENTAL CRISIS:

- Unsustainable development practices have polluted/dried up water bodies making water an 'economic good'.
- Relentless extraction of resources has caused vital resources to get exhausted & huge amounts of funds are being diverted to explore new resources.
- Cost of maintaining health has increased dur to air & water pollution.
- Very real threat of '**Global Warming & Ozone Depletion'** causing climate change due to increasing emissions of greenhouse gases raising the financial commitments of the governments.
- Degradation of Land.
- Loss of Biodiversity.
- Solid Waste Management.

GLOBAL WARMING

➢Gradual but consistent rise in global temperatures due to environmental Pollution & deforestation.

➢Emission of greenhouse gases due to:

- Burning of coal & petroleum products.
- Deforestation causing increased amounts of carbon-dioxide in the atmosphere.
- Increased cattle production & animal waste.

➢Global warming leads to:

- Rise in sea level due to melting of polar ice.
- Ecological imbalance leading to greater incidence of natural calamities.
- Threat to human life & hence in 1997, 'KYOTO PROTOCOL' was signed to focus on reduction of greenhouse emission

OZONE DEPLETION

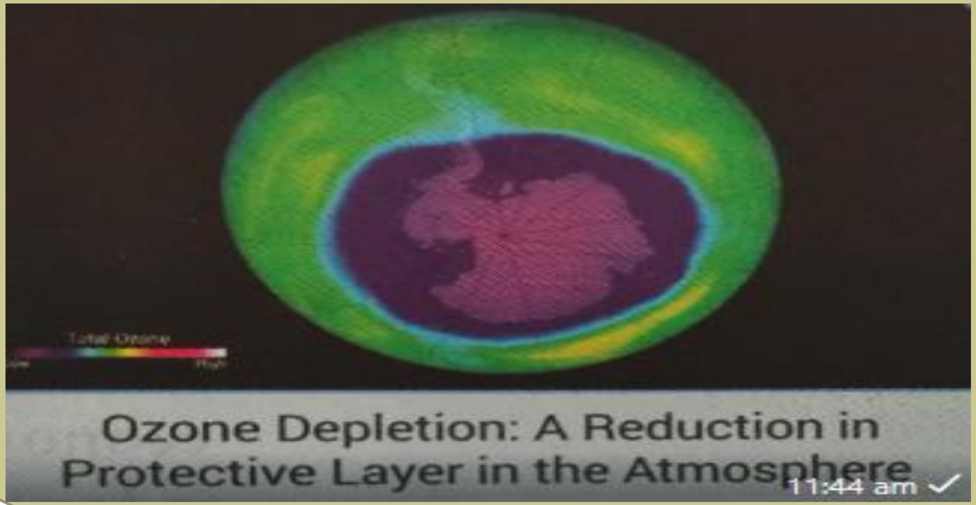
➢ Reduction in the protective layer called Ozone in the stratosphere.

➢ Ozone Depletion occurs due to:

- Excessive presence of chlorine & bromine compounds used in refrigerators, air-conditioners, fire extinguishers etc.

➢ Ozone Depletion leads to:

- Greater ultraviolet radiation reaching the earth.
- Increased danger to the lives of living organisms on earth.
- 'MONTREAL PROTOCOL' was signed to ban the use of Chlorine & Bromine compounds.



CONCEPT OF SUSTAINBALE DEVELOPMENT:

- Process of growth which fulfills the needs of present generation without challenging the ability of the future generations to fulfill their needs.
- This implies that the resources are rationally/judiciously utilized so that all future generations have at least that quality of life which is being enjoyed by the present generation.

AIMS OF SUSTAINABLE DEVELOPMENT:

- Equitable & sustainable use of resources, for both present & future generations, without causing damage to environment.
- To protect & prevent any further damage to our life-support systems.
- To conserve & nurture biodiversity & other resources for long-term food security.

STRATEGIES FOR SUSTAINABLE DEVELOPMENT:

- Reliance on non-conventional sources of energy.
- LPG & Gobar gas in rural areas.
- CNG in urban areas.
- Wind power.
- Solar power through photovoltaic cells.
- Bio-composting.
- Bio-pest control.
- Integrated Rural Development.
- Shift to Organic Farming.
- Mini hydel plants.
- Manage the Waste.
- Stringent Laws on the Disposal of Chemical Effluents.
- Public Means of Transportation.
- Awareness to Conserve Natural Assets for Inter-Generational Equity

(https://www.pinterest.com/pin/531776668503844518/?mt=login)

SUGGESTED VIDEOS

HUMAN CAPITAL FORMATION IN INDIA

https://diksha.gov.in/resources/play/content/do_3130956875039293441778
https://diksha.gov.in/resources/play/content/do_3130956846658519041246

RURAL DEVELOPMENT IN INDIA

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https://diksha.gov.in/resources/play/collection/do_3132294648255119361517?contentType=TextBook

EMPLOYMENT IN INDIA

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SUSTAINABLE ECONOMIC DEVELOPMENT

https://diksha.gov.in/resources/play/content/do_31321631583408947211247

SOURCE ACKNOWLEDGEMENT

1. Diksha Portal; Ministry of Education Govt. of India.
2. Indian Economic Development : NCERT
3. Indian Economic Development : Jain & Ohri
4. Indian Economic Development : Sandeep Garg
5. Internet resources for pictures.

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UNIT 8: Development Experience of India

TOPIC: DEVELOPMENT EXPERIENCE OF INDIA

COMPARISON OF INDIA WITH IT'S NEIGHBOURS ---CHINA AND PAKISTAN

DEVELOPMENT PATH OF INDIA,CHINA & PAKISTAN

- India announced it's first five year plan in 1951, China in 1953 & Pakistan in 1956.
- 'Mixed economy' was adopted as the basic premise of growth model by India & Pakistan.
- 'State ownership & Command economy' served as the basic premise of China's growth model.
- Till 1980s all the three countries had similar growth rates and per capita incomes.
- Noticeable breakthrough was noticed in their growth process only after they opened up and integrated themselves with the global economy.
- Economic reforms were initiated in China in the year 1978, in Pakistan in the year 1988 & in India in the year 1991.

DEVELOPMENT STRATEGY ADOPTED BY CHINA

- After the establishment of People's Republic of China under one party rule, all the critical sectors of the economy, enterprises and lands owned and operated by individuals, were brought under government control.
- A Programme named 'The Great leap Forward (GLF) campaign was initiated in 1958, which aimed at industrialising the country on a massive scale.
- Under this programme, people were encouraged to set up industries in their backyards.
- In1965, Mao-Tse-Tung introduced the 'Great Proletarian Cultural Revolution (1966-1976)', under which students and professionals were sent to work and learn from the countryside (rural areas).
- In rural areas, commune system was started, under which people collectively cultivated lands.

DEVELOPMENT STRATEGY ADOPTED BY CHINA

- Reforms were introduced in China in phases.
- In the initial phase, reforms were initiated in agriculture, foreign trade and investment sectors.
- In the later phase, reforms were initiated in the industrial sector.
- The reforms process also involved dual pricing. This means fixing the prices in two ways:
  - ✓ farmers and industrial units were required to buy and sell fixed quantities of raw materials and products on the basis of prices fixed by the government.
  - ✓ rest were purchased and sold at market prices.
- In order to attract foreign investors, special Economics Zones (SEZ) were set up.
- SEZ is a geographical region that has economic laws different from a country's typical economic laws. Usually the goal is to increase foreign investment.

DEVELOPMENT STRATEGY ADOPTED BY PAKISTAN

- Pakistan followed the mixed economy model with co-existence of public and private sectors.
- Pakistan introduced tariff protection for manufacturing of consumer goods, together with direct import controls on competing imports.
- The introduction of Green Revolution and increase in public investment in infrastructure in select areas, led to a rise in the production of food grains.
- In 1970s, Capital goods industries were nationalised.
- In 1988, structural reforms were implemented. Major thrust areas were Denationalisation and encouragement to Private sector.
- Pakistan also received financial support from western nations and remittances from emigrants to the Middle East countries. This helped the country in stimulating economic growth.

DEVELOPMENT STRATEGY ADOPTED BY INDIA

- After Independence, India adopted mixed economy as economic developmental strategy.
- Both public and private sector co-exist side by side.
- In order to achieve rapid economic growth, planned development economy was introduced.
- Both public and private sectors were allotted to carry business activities.
- Public sector was allotted activities like coal, mining, steel, power, roads etc.
- Private sector was allotted to establish industries subject to control and regulations in the form of law.
- Public sector was given major push by the Government.
- Public sector was given importance in order to eliminate poverty, unemployment etc.
- Public sector contributed to the industrialisation of the economy.
- It also helped Indian economy to achieve a considerable degree of self-sufficiency.

COMPARATIVE STUDY – INDIA, PAKISTAN AND CHINA

Demographic Indicators:

- The population of Pakistan is very small and accounts for roughly about one-tenth of China and India.
- Though China is the largest nation geographically among the three, its density is the lowest.
- Population growth is highest in Pakistan followed by India and China.
- One child norm which was introduced in China in the late 1970s is the major reason for low population growth. But this measure led to a decline in the sex ratio, that is the proportion of females per 1000 males.
- The sex ratio is low and biased against females in all the three countries. There is strong son-preference prevailing in all these countries.
- The Fertility rate is low in China and very high in Pakistan.
- Urbanisation is high in both China and Pakistan- with India having 28 percent of its people living in Urban areas.

Gross Domestic Product (GDP) and Sectoral indicators :

- China recorded the GDP of 17.73 lakh crores USD in 2021 which is 0.85% of the world economy. The GDP growth rate was 8.1%.
- India's GDP was 3.17 lakh crores USD in 2021 i.e. a growth rate of 8.9%.
- Pakistan's GDP in 2021 was 34,634.32 crores i.e. a growth rate of 6%.
- In China, around 22.9 percent of the workforce were employed in the agricultural sector, 29.1 percent in the industrial sector and 48 percent in the service sector in the year 2021.

COMPARATIVE STUDY – INDIA, PAKISTAN AND CHINA

Gross Domestic Product (GDP) and Sectoral indicators :

- In India, around 45.6 percent of the workforce were employed in the agricultural sector, 29.34 percent in the industrial sector and 25.06 percent in the service sector in the year 2021.

- In China, manufacturing contributes the highest to GDP whereas in India and Pakistan, it is the service sector which contributes the highest.

- China has followed the classical development pattern of gradual shift from agriculture to manufacturing and then to services whereas India and Pakistan's shift has been directly from agriculture to service sector.

COMPARATIVE STUDY – INDIA, PAKISTAN AND CHINA

Human Development Indicators:

- In most areas of human development, China has performed better than India and Pakistan.
- This is true for many indicators-per Capita GDP or proportion of population below poverty line, health indicators such as mortality rates, access to sanitation, literacy, life expectancy, malnourishment etc.
- Pakistan is ahead of India in reducing proportion of people below the poverty line and also its performance in transferring labour force from agricultural sector to industrial sector and access to water is better than India.
- Contrary to it, India is ahead of Pakistan is education sector and providing health services.
- India and Pakistan are ahead of China in providing improved water sources.

CONCLUSION

- **India performed moderately since :**
  - A majority of its people are still dependent on agriculture.
  - Infrastructure is lacking in many parts of the country.
  - It is yet to raise the level of living of more than 22% of its population that lives below the poverty line.
- **Pakistan has performed poorly due to :**
  - Political instability.
  - Volatile performance of agriculture sector.
  - Over dependence on remittances.
  - Growing dependence on foreign loans on the one hand and increasing difficulty in paying back the loans on the other.
- **China has performed comparatively the best because :**
  - It has been successful in raising the level of growth along with alleviation of poverty.
  - It used the market mechanism to create additional social and economic opportunities without political commitment.
  - By retaining collective ownership of land and allowing individuals to cultivate lands, China has ensured social security in rural areas.
  - Public intervention in providing social infrastructure has brought about positive results in human development indicators in China.

SUGGESTED VIDEOS

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6. https://mycbseguide.com/blog/development-experience-india-comparison-neighbours-class-11-notes-economics/

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