Chapter No 5

Name: INDIAN ECONOMY

Unit Name: Nature of Indian Economy & Role of Different Sectors in India

1. Features of an underdeveloped economy –
   - Main Occupation is agriculture
   - HUGE poverty
   - LOW saving and LOW rate of capital formation
   - HIGH growth in population
   - LOW standard of living
   - LOW productivity of labour
   - HIGH Unemployment
   - LOWE level of human well-being
   - HIGH income inequality
   - LOW participation in foreign trade
   - TRADITIONAL social life
2. **At present 46% of the population is dependent upon agriculture.**
3. There has been INCREASE IN ABSOLUTE NUMBER of people engaged in agriculture over the years.
4. There has been DECREASE in PERCENTAGE of people engaged in agriculture.
5. Around 33% of poor live in India.
6. NSSO = National Sample Survey Organization
7. Presently around 21.9% population live Below Poverty line.
8. There has been DECREASE in population living BPL, over the years.
9. India has been facing the problem of population explosion as the death rate is FALLING and there is no corresponding fall in the birth rate.
10. "Dependency rate" means Percentage of people in Non-working age group.
11. Non-working age group = BELOW 15 years and ABOVE 64 years of age.
12. **Presently "dependency rate" is nearly 52.4% (World Bank)**
13. **India's per capital income = $1598 (2015)**
14. In India, there is LOW per capita income & LOW saving therefore Gross Capital Formation rate is LOW.
15. **Gross Domestic Savings rate= 30% (2015)**
16. **Gross Domestic Capital Formation = 32.3% (2015)**
17. Since 1991, there has been increase in Gross Domestic Saving and Gross Capital formation rates.
18. In India, Techniques of Production are backward. Productivity in agriculture as well as in Industrial sector is low.
19. **Over the years, Unemployment Rate has INCREASED (5% as per UPS).**
20. In India, level of human well-bring, HDI is used.
21. For measuring human well-being, HDI is used.
22. HDI = Human Development Index.
23. HDI was constructed by UNDP.
24. UNDP = United Nations of Development Programme.
25. The HDI is a composite of three indicators – Longevity, Knowledge, and Standard of living.
26. "Longevity" means Life expectancy at Birth
27. "Standard of Living" means "REAL GDP per Capita"
28. **According to latest UNDP report 2016, India's relative global ranking on HDI index is 131 among 188 countries.**
29. **HD in 2016 was 0.624**
30. Over the years, HDI has improved which indicates that human well-being has improved.
31. In India, distribution of income and wealth is not equitable.
32. GINI index is used to measure inequality 0f income and wealth.
33. GINI index = 0 (perfect equality), GINI index = 1 (perfect inequality)

34. Gini index lies between 0 & 1.
35. GINI index 2011 – 12 is at 0.334. it has decreased over the years,
36. The inequality of income & wealth is lower in India compared to countries like South Africa, brazil, Thailand, China & USA.
36. **National Institution for Transforming India (NITI) Aayog**
    1. **GOI replaced Planning Commission (instituted in 1950) with the NITI Aayog.**
    2. **Reason: Planning Commission has become a redundant organization in view of the fact that India is no longer a command economy but a diversified country with its states in various phases of development.**
    3. **NITI Aayog is a policy think tank of the Government of India.**
    4. **Aims to involve the states in policy making in India.**
    5. **Two hubs – Team India Hub and the Knowledge and Innovation Hub.**
    a. **The Team India Hub: leads the engagement of states with the Central government**
    b. **the Knowledge and Innovation Hub: builds NITI's think-tank capabilities.**
    6. **Now Govt will act as an enabler rather than a provider of first and last resort.**
    7. **It aims to enable India to better face the various problems and challenges.**

Unit Name: Role of Different Sectors in India

Agriculture

37. "Occupational structure" means distribution of work force in difference occupations of the country.
38. **Primary sector = Agriculture + Animal husbandry +Forestry+ Poultry farming**
39. **Secondary sector includes Manufacturing including construction.**
40. **Tertiary sector includes Trade, Transport, Communications, Banking and other such services.**
41. As economy grows, there is shift of labour force from primary sector to secondary and tertiary sector
42. As economy grows, PROPORTION of working population in agriculture and allied activities falls and
    PROPORTION of working population in secondary and tertiary sector rises.
43. As economic development takes place, **income increases but demand for agriculture goods does not increase proportionately**. On the other hand, **rise in incomes bring about a large increase in demand for goods and services produced by secondary and tertiary sectors.**
44. As an economy develops, better techniques of production become available to the agriculture sector which improve productivity of land and labour in this sector and less demand for labour is in agriculture sector
45. **Occupational distribution of working population: -**

Sector	**2011-12**	**2015-16**	**Trend**
Primary sector	**52.9%**	**46.2%**	↓
Secondary sector	**19.3%**	**21.8%**	↑
Tertiary sector	**27.8%**	**32.0%**	↑

46. **As the economy grows, contribution of primary sector in GDP also declines and contribution of secondary and Tertiary sector increases.**

Contribution of various sectors to GDP in 2016-17:-

Sector	2016-17 (Provisional)	Trend since independence
Primary sector	15.11%	↓
Secondary sector	31.12%	↑
Tertiary sector	53.77%	↑

47. In second plan, huge industrialization took place and main focus was to set up basic industries (iron, steel, heavy chemicals, fertilizers, petroleum products etc)
48. **Indian railway has been Asia's largest & world's Second largest rail network under a single management**
49. **Indian road network has become Second of the largest networks in the world aggregating to 4.87 million kilometers.**

50. **In 2015-16, the installed electricity capacity was more than 3,00,000 MW**
51. **Agriculture contributes 15% of GDP & engages around 46% of working population**
52. Land under irrigation (2012-13) = 63 million-hectares.
53. Literacy rate = 74.4% in 2011
54. Role of agriculture sector:-
    (a) Providing employment (b) Share in national income (c) Supporting industries
    (d) Share in foreign trade (e) Supplier of food and fodder (f) Savings of capital
    (g) Contributions to government's revenue (h) Solving problems of urban congestion and brain drain
55. As Indian economy grew, its export increased BUT share of agriculture export in total export fell down.
56. **Agriculture export as % of total export = 10% (2015-16)**
57. Special Agricultural Product scheme was started to promote export of fruits, vegetables, flowers dairy product and forest products.
58. **Agro imports as % of total import is around 4.5% (2015-16)**
59. Agro imports have come down over the years. This indicates that India has become self
60. Agriculture has Low capital-output ratio i.e. it needs lower capital per unit of output produced.
61. Over a period of time, production of agro products and productivity has improved.
62. **In 2015-16, production of some important agro-products are as follows:**

Food Grains (m. tonnes)	**252.2 million tons**
Sugar Cane (m. tonnes)	**352.16 million tons**
Oil seeds	**25.30 million tons**
Cotton (m. bales)	**30.15 million tons**
Pulses (m. tonnes)	**16.47 million tons**

63. **Green revolution, also known as HYVP (High Yielding varieties programmes) started in 1966.**
64. Focus of HYVP was on – use of high-yielding varieties of seeds, proper irrigation facilities, extensive use of fertilizer, pesticides and insecticides.
65. Focus of HYVP was on – wheat, rice, bajra, jawar and maize
66. **Impact of HYVP/Green revolution was maximum on WHEAT therefore Green revolution is also known as wheat Revolution.**
67. Long-term annual growth of food grains output has been around 2% (for 1960-2011)
68. Per capital availability of foods grains is around 511 gram in 2013.
69. **Agriculture productivity is measured in terms of "YIELD PER HECTARE".**
70. Agriculture productivity has increased at around 2.32% p.a.
71. Over the years, the share of non-crop sectors (fishery, forestry, and animal husbandry) in total agriculture output is INCREASING.
72. Over the years, area under commercial crop like sugar, cotton, oilseeds etc. is INCREASING.
73. Even within the food grains, are under superior cereals (rice and wheat) is INCREASING and area under the inferior cereals is DECLINING.
74. Regulation of rent, security of tenure and Conferment of ownership rights on tenants.
75. **To increase productivity of agriculture & fisheries resources, more emphasis is being given to 'Blue revolution'.**
76. **National Food Security Mission (NFSM) is being implemented to have self-sufficiency in different food crops like Rice, Wheat and Pulse.**
77. **Rashtriya Krishi Vikas Yojana (RKVY)**: it focuses on agricultural mechanization, improvement of soil health and productivity, development of rain fed farming systems, improvement of agriculture marketing and pest management.
78. Indian ranked 52nd for rice production global and 38th rank of global wheat production.
79. There are regional imbalances in the spread of agriculture growth.
80. About 55% net sown area in rain fed.
81. Only 45% of the net cropped area has irrigation facility.
82. **Regional Rural Banks (RRBs) were established in 1975.**
83. **NABARD = National Bank for agriculture and Rural Development. NABARD was set up in 1982. NABARD is the APEX bank to provide Rural credit and development.**

84. "Pradhan Mantri Jan Dhan Yojana" (PMJDY) was introduced to provide access to banking facilities to all households. The government already introduced Direct Benefit Transfer of LPG (DBTL) scheme wherein consumers receive LPG subsidy directly in his bank account.

85. "Kisan credit card" started in 1998 to provide adequate and timely support for banking system to the farmers for their cultivation needs, also opening of rural branches of commercial banks.

86. Agricultural Debt waiver and Debt Relief scheme was announced in 2009 (to waive the farmers from loans).

87. Problems relating to Agriculture Finance:

1. Agriculture Loans are concentrated in certain regions and states only.
2. The proportion of overdue to demand has been increasing.
3. The major beneficiaries of the agriculture credit have been the large and medium farmers only
4. There is a lack of experienced and skilled staff in these institutions.

87. Food Corporation of India (FCI) provides storage facilities.

88. APMC = Agriculture Produce Market Committee

89. The Pradhan Mantri Fasal Bima Yojana was recently launched to provide crop insurance to farmers.
The entire schemes of National Agriculture Scheme & modified NAIS has been replaced by this scheme now.

90. The Self – Help Groups – Bank linkage programme is an important plank of the strategy for delivering financial services to the poor in a sustainable manner.

Industry

91. On the basis of size of the industry there are 3 categories –

1. **Mining and quarrying**
2. **Manufacturing and**
3. **Electricity, Gas and Water supply.**

92. On the basis of the end-use there are 4 categories-

1. **Basic goods industries (minerals, cement, steel, electricity, fertilizers etc)**
2. **Capital goods industries (machinery, machine tools, rail road equipments etc)**
3. **Intermediate goods (chemicals, rubber, plastic, coal, petroleum products) and**
4. **Consumer goods**

93. Industries share in the GDP: Value-added in GDP is about 26 percent in 2013-14

94. The new series of national accounts released by CSO in January,2015, presents data on GVA (gross value added) at basic price with base year 2011-12.According to this series, the share of Industry was 31.7% in 2013-14 and 31 percent in 2016-17(constant prices)

95. The industrial production has grown at an annual average rate of 7% per annum post reform period.

96. The eleventh plan aims at 10% per annum growth in the GDP. This will require industry to grow at 10% p.a. and manufacturing at 12% during the eleventh plan.

97. Pattern of industrial development: -

1. Lop-sided development dominated by too large and too small industrial units
2. Capital employed per worker in industry is low

98. In the period 1965-80 there was deceleration as well as retrogression (the growth of elite-oriented consumption goods such as man-made fibers, beverages, perfumes, cosmetics, watches, clock was considerably higher than the goods which satisfied the needs of mass of the people such as coal, cotton, railways etc.)

99. The structure of industry has shifted in favor of basic and capital goods and intermediate goods.

100. The programme of industrialization was started on massive scale in the second plan (1956-61)

101. Mahalanobis model emphasized on building basics and capital goods industries.

102. Three plants were set up in public sector at Bhilai, Rourkela, and Durgapur in second plan.

103. There has been a remarkable growth of consumer goods industries over the years.

104. Industrial sector has become broad-based and modernised. The role of traditional like textiles has REDUCED and role of non-traditional industries like engineering goods, chemical goods and electrical goods has improved tremendously.
105. There has been a massive increase in the size and diversification of public sector.
106. Make in India: A new initiative – Make in India was taken in 2014 which rested on the following four pillars:
   1. New Processes: recognizes 'ease of doing business' as the most important factor.
   2. New Infrastructure: making available modern and facilitating infrastructure.
   3. New Sectors: identified 25 sectors in manufacturing, infrastructure and service activities. FDI has been opened up in Defence Production, Construction and Railway infrastructure in a bigway.
   4. New Mindset: Government not Regulator but facilitator & Partner.
107. In March 2015, the number of public sector units = 320, cumulative investment = 11,80,000 cr.
108. Classification of Micro, small, medium and large enterprises:-

Enterprises	**Manufacturing**	**Service**
Micro	Up to 25 lakhs	Up to 10 lakhs
Small	25 lakhs – 5 Crores	10 lakhs – 2 Crores
Medium	5 Crores – 10 Crores	2 Crores – 5 Crores
Large	More than 10 Crores	More than 5 Crores

109. The number of registered and unregistered units of MSMEs = 51 millions (2014-15).
110. The growth rate of small sector is 10% p.a. in terms of production.
111. This sector contributes around 1/3rd of the gross values of output in the manufacturing sector.
112. Small scale sector nearly employed more than 117 million persons in 2014-15.
113. Small scale sector contributes over 45% of the total exports.
114. Average underutilization in industrial sector is 40%-50%.
115. ICOR = Incremental Capital Output Ratio.
116. ICOR for industrial sector is rising.
117. The net loss of central public units (78 in number) stood at more than Rs. 28,000 Crore in 2015-16.
118. Govt substantial investment in public sector were made in relatively backward states of Bihar, Orrissa and M.P
119. Out of the total sick units, 90% are from small sector units.
120. At present there are only 2 industries reserved for public sector, these are atomic energy & railway

Operations Services

121. Share of service in GVA = 54% in 2016-17.
122. Service sector employs 32% of the working population in 2015-16.
123. Earning from Exports of Services accounts for an 1/3rd of Total Exports earnings of India (2015-16).
124. India's service sector growth recorded 8 to 10% of GVA during 2012-2015 (Target was 9% pa).
125. The government of India gave a special status to the service sector in the Export and import policy (2002-07)
126. The average growth rate of service sector during the Tenth Plan = 9% approximately
127. The Eleventh Plan aims at an annual growth rate of 9.4% for the service sector.
128. India has 3rd largest scientific and technical manpower in the world.
129. BPO = Business Process Outsourcing
130. Income elasticity of demand for services is GREATER THAN ONE.

Unit Name: National Income in India

131. **GDP = money value of all FINAL goods and services produced in DOMESTTC TERRITORY in an ACCOUTING YEAR.**
132. Domestic territory includes:-
    a. Territory lying within the political frontier, including territorial water
    b. Ships and aircrafts operated by the Residents of the country between two or more countries
    c. Fishing vessels, oil & natural gas and floating plate forms operated by RESIDENTS
    d. Embassies, consulates and military establishments of the country located abroad.
133. **GDP (FC) = GDP (MP) – IDT + S, where IDT = Indirect Taxes, S = subsides**
134. **NDP = GDP – Depreciation**
135. **GNP = GDP + Net Factor Income From Abroad (NFIA)**
136. Net Factor Income From Abroad (NFIA)= Factor income earned by the residents abroad – Factor income paid to the non-residents
137. **NNP = NDP + NFIA**
138. **NNP at factor cost was known as National Income, but recently it is changed to NVA at basic price.**
139. NNP (FC) = FID + NFIA, FID = factor income earned in the domestic territory of a country
140. **Personal Income (PI) = National income – social security contribution – corporate income taxes – undistributed corporate profits + personal payments**
141. **Personal Disposal income (PDI = PI – individual income taxes)**
142. **Recently it is decided to estimate National Income in terms of National Value Added at Basic price rather than NNP at Factor Cost. Accordingly, in 2015-16, NVA at basic price was Rs.1,08,300 billion.**
143. **GVA at Factor Cost + (Production Taxes less Production Subsidies) = GVA at Basic Prices**
144. **GDP at Market Prices = GVA at Basic Prices + Product taxes – Product subsidies**
145. **There are 3 methods of measuring national income –**
    1. **Value Added method or product/production method (we follow Gross Value Added Approach)**
    2. **Income method**
    3. **Expenditure method**

146. **Value Added Method**
    1. categorizes the whole economy in 3 Sectors –
       (a) Primary sector (b) Secondary sector (c) Tertiary sector
       (further each sector is sub-divided into sub sectors & each sub sector is divided into units)
    2. Net product/value added = Gross output Less Value of Raw material and Intermediate goods & services used Less Depreciation
    3. Result of National Income measured by Value added method is "Net Domestic Product"
    4. **Under net value added the following are included-**
       (a) Own account production of Fixed Assets by government, enterprises and household
       (b) Production for self consumption
       (c) Imputed rent of owner occupied houses
       (d) Brokerage, Commission paid on sale of second hand goods/assets
    5. Sale of second hand machines are not included in the calculation of national income
    6. **In India, Government services are treated as FINAL SERVICES**
    7. Some of the productions are excluded because there is no method to value them in money terms or there is difficult in securing data.
147. **Income method:**
    1. Factor incomes of all the factors of production of all the production units are added to get national income.
    2. ONLY incomes earned by owners of primary factor of production are included in national income.

3. Transfer incomes such as pensions, scholarships, unemployment allowance etc are NOT included.
4. Both Labour and Non labour income are included in calculating national income by income method
5. Labour income includes Wages & salaries, bonus, Commission, Employer's contribution to provident fund, Compensation in kind.
6. Non-labour income = Dividends, Undistributed profits of corporation before taxes, interest, rent, royalties, profits of the unincorporated enterprises and of government enterprises.
7. **Net Income from abroad is NOT added if national income is calculated by INCOME RECEIVED BY PEOPLE.**
8. **Net Income from abroad SHOULD BE ADDED if national income is calculated by INCOME PAID OUT BY PRODUCERS.**

148. Expenditure method:

1. **Categorizes the whole economy in 3 Sectors – Household sector, Business sector and Government sector.**
2. Total expenditure made by the above sectors are added to get national income.
3. **Expenditure on financial assets PRODUCED & OWNED WITHIN THE COUNTRY is EXCLUDED but expenditure on financial assets of foreign countries is INCLUDED in national expenditure.**
4. ONLY, Net expenditure on financial assets is added.
5. Net expenditure on financial assets/ Net foreign Investment = Expenditure on financial assets by residents **Less** Expenditure on country's financial assets by non-residents or foreigners.
6. **Goods produced in preceding years, expenditure on raw materials and intermediate goods and services, government expenditure on pensions, scholarships, unemployment allowance and other transfer payments are EXCLUDED.**
7. Net domestic Expenditure= Consumption Expenditure + Net domestic investment.
8. Net National Expenditure = Consumption Expenditure + Net domestic investment + Net foreign Investment.
9. Gross National Expenditure = Consumption expenditure + Net domestic investment + Net foreign Investment + Replacement Expenditure.

149. Ideally all three methods should give the same result but practically it does not happen because of lack of proper and reliable data.

150. I n India, in agriculture sector production method, in small scale Income method and in construction sector expenditure method is used.

151. Generally, Income method is most suitable for developed countries.

152. Problems in measuring National Income –

1. Presence of large non-monetized sector
2. Lack of appropriate and reliable data
3. Problems of double counting
4. Problem of transfer payments
4. Difficulties in classification of working population
6. Unreported illegal income

153. The base year for calculation of NNP has been recently shifted from 2004-05 to 2011-12.

154.

	Old Base Year 2004-05	**New Base Year 2005-06**
Net National Income for 2011-12	**Rs. 49,58,849 crore**	**Rs. 77,42,074 crore**
Net National Income for 2015-16	**not available**	**Rs. 99,34,863 crore**
Per Capita Income for 2011-12	**Rs. 41,255**	**Rs. 63,460**
Per Capita Income for 2015-16	**not available**	**Rs. 93,293**

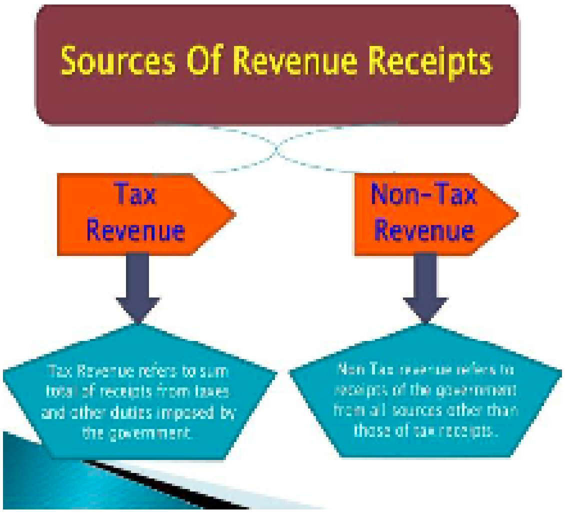
155. In India, CSO, the complier of NI data in terms of GVA at basic prices.

156. Over a period of time, India's NNP at factor cost (national income) and per capital income have increased.

157. Average growth in per capita income = 2.2% approximately (since independence)

158. Demonetization of Rs.1000 & Rs.500 currency notes in Nov. 2016 let to slowdown in growth rate of NI. Still India managed to achieve the high growth rate, lower inflation, moderate current account deficit & relative stable exchange rate even after the demonetization phase & global slowdown.

Unit Name: Basic understanding of Tax System in India



159. Direct Tax = Income tax, Wealth Tax and Gift tax

160. Indirect Tax = Custom duty, Excise duty, Sales tax and Service tax.

161. Indirect tax regime in India is being replaced by comprehensive dual Goods & services Tax (GST)

162. Income tax was first introduced in 1860.

163. Presently, Indian Income Tax Act of 1961 is applicable.

164. In India, Income tax is PROGRESSIVE in nature i.e. as income increases the rate of tax also increases

165. Indirect taxes are DIFFRENETIAL and REGRESSIVE in nature.

166. At present, the marginal rate of income tax is 30%.

167. Over the years, the degree of progressivity of the income tax schedule has been considerably reduced.

168. Corporate taxed at FLAT RATE.

169. Estate duty was first introduced in 1953 and abolished in 1985.

170. Wealth Tax was introduced in 1957. Due to insignificant collection from wealth tax, its levy has been abolished w.e.f. 1st April 2016.

171. Gift tax was partially re-introduced in April 2005. Gift received from specific relative are exempt.
However, gifts received from non-relative are taxable, if the aggregate value exceed Rs. 50,000.

172. Custom duty is levied on export and imports.

173. Import duty is levied on the basis of ad valorem i.e. as a % of price of the commodity.

174. An excise duty is lived on production and has NO connection with actual sales

175. Over the years, excise duty has been reduced.

176. Sales tax is levied on business transactions.

177. Sales tax is higher on luxury goods and less or nil in necessities

178. Value added tax (VAT) is a multistage sales tax with credit for taxes paid on business purchases.

179. VAT is non-cascading in nature

180. MODVAT (Modified Value added tax) was introduced in 1986-87 (now it does not exist)

181. CENVAT (Central Value Added Tax) was introduced in 2000-01.

182. At present All states / UTs have implemented GST (Goods & service Tax).

183. GST is applicable on 'SUPPLY' of goods and services.

184. GST be based on the principle of destination-based consumption taxation as against the present principle of origin-based taxation

185.

GST levied by	**Called as**
Center CGST	
State including Union Territories with legislature	**SGST**
Union Territories without legislature	**UTGST**
On Inter-state supply	**IGST**

186. Total tax revenue forms about 17% of the total national income 2015-16.

187. The share of DIRECT TAX in gross tax revenue = 38.5%, INDIRECT TAX = 61.5%.

188. Only less than 3.8% of the population is liable to pay income tax in India.

189. The agriculture income is exempt from the income tax.

190. The proposed DTC – Direct tax code & implemented GST – Goods & service tax also aims at simplification of tax low.

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Chapter No 6
Name: SELECT ASPECTS OF INDIAN ECONOMY
Unit Name: Population

1. **Population in India in 2011 is 120 crores & in 2016 it was more than 128 crores.**
2. **India has only 2.4% of the total world area, less than 1.2% of the world's income and around 17.5% of the world's population.**
3. 1921 – is known as "Year of Great Divide" for India's population.
4. Birth rate/ Death rate = Number of birth/death per Thousand of population
5. Both birth rate and death rate have declined over the years
6. **Birth rate (2015) World Bank = 19.6, Death rate (2015) World Bank = 7.3**
7. Kerala has lowest birth rate & UP has highest Birth Rate; West Bengal has lowest Death Rate & Orissa has highest Death Rate.
8. Population density = Number of persons per square kilometer
9. Population density has increased over the years
10. Population density in India = 382 per Sq Km, Bihar – mostly densely = 1,102 persons per Sq Km, AP – least densely = 17 persons per Sq Km. If we consider all the states & union territories, Delhi has highest density of population with 11297 persons per sq km followed by Chandigarh with 9,252 persons per sq km.
11. Sex ratio = Number of Females per 1000 males
12. Sex ratio in India in 2011 = 943 females per thousand of males; Kerala has most favourable sex ratio (1084); Haryana has the lowest female sex ratio (879)
13. Life expectancy at birth = Mean expectation of life at birth
14. Life expectancy at birth has improved over the years.
15. Life expectancy at Birth = 66.1 years. For Males = 64.6 and for Females = 67.7 years
16. Kerala has the highest life expectancy at birth (71.4) & MP has lowest life expectancy (58).
17. Literacy ratio = Number of literates as a Percentage of total population
18. Literacy ratio has improved over the decade to 74% (2001-11).
19. Literate persons are more responsive to family planning programme than illiterate ones.
20. Literacy is higher among urban population than rural population.
21. Literacy Ratio = 74.4%, Males = 82.1% and Females = 65.5%

KERALA = HIGHEST LITERACY RATE = 92% & BIHAR = LOEEST LITERACY RATE = 53%.

22. **Population generally increases because of: High Birth Rate, Relatively Lower Death Rate and Immigration**
23. Three stages of demographic theory:

1st stage	BOTH BR and DR are very high	Population remains stable,
2nd stage	(STAGE OF POPULATION EXPLOSION) BR comes down slightly but DR comes down heavily	Population explodes, **India is in this stage**
3rd stage	Both BR and DR are low	Population increases at very modes rate.

24. Till now, national income rose by more than 18 times since independence.
25. Per capita food grains availability = 511gms
26. A full – fledged department of family planning was created in 1966
27. National Population Policy was introduced in 2000 with a view to encourage two-child norm and stabilizing population by 2046.
28. **Maternal Mortality Ratio (MMR)** refers to the number of maternal deaths in a given period per 1,00,000 live births.
29. **Infant Mortality Rate (IMR)** refers to number of babies dying before the age of one, per 1000 live births.

30. Xth plan targeted reduction in IMR- Infant mortality rate to 45 per 1000 by 2007 and 28 per 1000 by 2012; reduction in MMR- Maternal mortality rate (MMR) to 2 per 1000 by 2007 and live per 1000 live births by 2012.
31. As per 2010- Infant mortality rate (IMR) in India is highest in Madhya Pradesh (MP-62) & lowest in Kerala (13).
32. **Demographic Dividend: Huge Population can be an asset or liability depends on how an economy uses it. India has huge population and if used properly, will result in high productivity & growth.**
    1. **In order to reap the benefit of Demographic Dividend a number of steps have been taken like Skill India which aims to train over 40 crore people in India in different skills by 2022.**
    2. **It includes various initiatives of the government like "National Skill Development Mission", "National Policy for Skill Development and Entrepreneurship, 2015", "Pradhan Mantri Kaushal Vikas Yojana (PMKVY)" and the "Skill Loan scheme”.**

Unit Name: Poverty

33. **When poverty is NOT related to the income or consumption expenditure distribution, it is absolute poverty.**
34. **When poverty is related to the income or consumption expenditure distribution, it is relative poverty.**
35. The concept of absolute poverty is more relevant for the less-developed countries.
36. The concept of relative poverty is more relevant for developed countries.
37. **A person is below poverty line if his daily consumption of calories is less than 2400 in rural area and 2100 calories in urban area.**
38. **According to 2016 report India has 54% of its population multi dimensionally poor which is highest after Afganistan.**
39. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS Act) was notified in 2006 in selected districts & later extended throughout the country.
40. Swarna Jayanti Gram Swarozgar Yojana =Introduced in 1999, aims at bringing self employed above the poverty line by providing them income generating assets.
41. Swarna Jayanti Shahari Rozgar Yojana (SJSRY) started in Dec 97.
42. **Apart from above there are number of other schemes for broadening financial inclusion in India like:**
    1. **Pradhan Mantri Jeevan Jyoti Bima Yojana**
    2. **Atal Pension Yojana**
    3. **Pradhan Mantri Jan Dhan Yojana &**
    4. **Sukanya Samriddhi Yojana.**
43. Pradhan Mantri Gram Sadak Yojana= launched in December 2000 to provide road connectivity in rural areas.
44. Indira Awas Yojana = Financial assistance to be given to poor living in rural areas for construction of houses.
45. 2 main ways of collecting data on Private Household Consumption Expenditure for determination of level of poverty:

1. **URP (Uniform Reference Period):** Asking people about their consumption expenditure across a 30 days recall period.
2. **MRP (Mixed Reference Period):** Data on 5 less frequently used non-food items namely, clothing, footwear, durable goods, education and institutional medical expenses are collected over 1 year period and for rest of the items, 30 days recall period is used.

Unit Name: Unemployment

46. Unemployment may be Open or Disguised
47. Types of Open Unemployment:
    1. **Voluntary unemployment**: Those who are unwilling to work at the prevailing wage rate or need not work due to already getting inherited income.
    2. **Frictional Unemployment**: Temporary out of work while changing the job.
    3. **Casual Unemployment:** Unemployment occurring due to short term contracts.
    4. **Seasonal Unemployment:** Unemployment created due to season.
    5. **Structural Unemployment**: Due to structural change in economy.
    6. **Technological Unemployment**: Unemployment created due to introduction of new technology.
    7. **Cyclical Unemployment:** Unemployment created due to trade cycle.
    8. **Chronic Unemployment:** When unemployment tends to long term.
48. **Disguised Unemployment:** No actual contribution of employed persons.
49. Most of the unemployment in India is STRUCTURAL
50. Urban employment type is generally Industrial unemployment and Educated unemployment and educated unemployment.
51. Industrial unemployment is the one which has resulted from failure of the industrial sector to absorb the increasing labour force.
52. Educated unemployment results when a large number of educated people remain unabsorbed.
53. Rural Unemployment is seasonal and disguised in nature.
54. XIth Plan had target of creating 58 million jobs but failed miserably.
55. **Labour Force: Number of persons actually working (employed) and willing to work (unemployed). This doesn't include Dependent People (Children & Sr. Citizens).**
56. **Work Force: Number of persons actually working (employed) or** No of persons / persons -days employed per 1000 persons / persons days
57. **Unemployment: (Labor Force – Work Force) or** No of persons unemployed per 1000 persons / Persons days
58. Labour Force Participation Rate (LFPR) is defined as number of persons in the labour force per 1000 persons

$$LFPR = \frac{(\text{No of Employed People} + \text{No of Unemployed People})}{\textit{Total population}} \; X\ 1,000$$

59. Three main ways of collecting data on employment or employment for determination of level of poverty:
    1. **US (Usual Status):** A person is said to employed for the whole year even if he is employed for 1 single day during a year's recall period. This measure number of persons who may be said to be chronically unemployed. This gives relatively less number of Unemployed people.
    2. **CWS (Current Weekly status):** A person is said to employed for the whole week even if he is employed for a single day during a week's recall period.
    3. **CDS (Current Daily status):** it counts every half's day activity status of the respondents over the week. This gives maximum number of unemployed people as compared to other two.
60. **It is expected that manufacturing sector would generate 100 million job opportunities by 2022**

Unit Name: Infrastructural Challenges

Energy:

61. A 3% increase in industrial production in the world is accompanied by a 2% increase in energy consumption
62. **India currently ranks as the world's 4th largest energy producer accounting for about 3% of the world's total energy production.**
63. **It is world's 5th largest energy consumer accounting for about 5% of the world's total energy consumption.**
64. India's per capital energy consumption is one of the lowest in world.
65. Nearly 50% of population does not have purchasing power to enter the market for commercial energy.
66. 22% of the energy consumed is obtained from non-commercial sources or traditional sources
67. Use wise – industry = 37%, domestic = 25%, agriculture = 21% and commercial establishment = 10%.
68. Electricity production – 3,19,000 MW in 2016-17.
69. **Sources of electricity** — **Capacity wise**

Sources of electricity	Capacity wise
1. Water – Hydel	14%
2. Coal & Gas & Oil – Thermal &	70%
3. Radioactive elements – Atomic energy	2%
4. Other renewable sources	14%
Total	**100%**

70. **Sources of electricity** — **Power Generation wise**

Sources of electricity	Power Generation wise
1. Thermal + Other renewable sources	82%
2. Hydro & Wind	14.5%
3. Nuclear	3.5%
Total	**100%**

71. NTPC = National Thermal Power Corporation
72. OPEC = Organization of Petroleum Exporting Countries
73. Oil Import Bill was around Rs.5,00,000 crores in 2016-17.
74. Petroleum, Oil and Lubricants constitute approx 22% of Import Bill
75. Around 20% loss of electricity in Transmission and Distribution (T & D)
76. Plant Load Factor (PLF) measure the operational efficiency of a thermal plant
77. Plant Load factor declined to 60% in 2016-17 compared to PLF of 75% in 2012-13. Central sector PLF is 54% & state 56% in 2016-17.
78. Many villages are still not electrified. Greatest weakness is on the distribution side.
79. Electricity Act was passed in 2003 & amended in 2007
80. The focus of electricity Act was:
    1. Improved investment in power sector
    2. Fixing of power tariffs on the basis of competition, efficiency, economical use of resources, commercial principles and consumer's interest.
81. **Partnership in Excellence Programme**- to set up 26 thermal stations with PLF less than 60%.
82. In 2002, power sector was privatized in Delhi.
83. **POWER GRID corporation of India is responsible for development of interstate transmission systems is playing important role in carrying out distribution reforms in India.**
84. **Excellence enhancement center (EEC) has been set up in India under Indo-German Energy forum for promoting Energy efficient & energy security in India power sector.**
85. **RAJIV GANDHI GRAMEEN VIDHYATIKARAN PROGRAMME – Started in 2005 for rural electrification is now subsumed under 'Deendayal Upandhyaya Gram Jyoti Yojana (DDUGJY)'.**
86. **Rural Electrification Corporation is the Nodal Agency for implementation of DDUGJY.**

Transportation:

87. Indian Railways – World's 2nd largest network
88. 70% of rail revenue from Fright and 30% from passengers' segment
89. Railway Route is 65,400 KMs out of which 21,000 KMs is electrified.
90. Government of India in August, 2014 permitted Foreign Direct Investment in construction, maintenance and operation of the identified areas in Indian railways. In a White Paper issued by Indian Railways in 2015, it aims at making all efforts towards delivering safe and punctual services, increasing average speed by 50% and increase loading to 1.5 billion tones by 2020.
91. India road network is Second largest network with 4.87 million KMs
92. Roads carry nearly 65% of freight and 85% of the passengers traffic
93. India has a long coast line of 7,517 KMs, 13 major ports and 200 minor ports.
94. Overseas Shipping: Almost 90 per cent of India's global merchandise trade (volume) is carried through the sea route
95. Kandla port is the top traffic handler of the last 5 years.
96. The total traffic carried by the major ports was about 965 million tonnes during 2015-16
97. The 13 major ports carry about 75% of the total traffic.
98. In the civil aviation sector, there are three parts – operational, infrastructural and developmental
99. There are 14 scheduled passenger operators (three in public sector - Air India Ltd., Air India Charters Ltd. And Air Lines Allied services and eleven in private sector) and two cargo operators in the country with the combined fleet size of more than 500 aircrafts.
100. Indian Airlines and Air India were amalgamated with National Aviation Company Ltd. (NACIL) with effect from November 2010, the name of National Aviation Company Ltd., has been changed to Air India Ltd.
101. Private sector market share in the domestic air traffic is more than 80%
102. Airport Authority of India manages 125 airports across the Country which includes 18-International, 7 Customs, 78 Domestic & 26 Civil enclaves
103. Department of Civil Aviation (DCA) is responsible for regulatory and developmental aspects of airport.
104. India has decided to allow overseas entities (excluding airlines) to own 100% in domestic airlines as it seeks more FDI. With 49% FDI permitted under automatic route & beyond 49% Government approval. If NRI -100% under automatic route
105. The foreign airline in partnership with an institutional investor however can invest & set up to 100 per cent domestic passenger carrier.

Communication

106. Indian postal system dates back to 1837, presently we have more than 1.55 lakh post offices & out of which around 90% are in the rural areas.
107. One post office serves 8,221 persons and 21.22 Sq km
108. IMO – instant Money Order
109. EMO – Electronic Money Order
110. AMPC = Automatic Mail Processing centers
111. "Project arrow" is related to department of posts
112. Telecommunications includes (i) the telephone service, and (ii) the telex service
113. Village Public Telephone (VPT): 98 per cent of villages in India have been covered by the VPTs
114. By March 2017 India had about more than 1.1 billion connections (wireline and wireless).
115. India's telephone network is the second largest in the world.
116. Tele density = 92.59% (Rural area – 56.35% & Urban area – 172%) in March 2017.
117. More than 1.16 billion subscribers of cellular mobile telephone services by 2017
118. TWO PSUs in telecom Sector:
    1. BSNL = Bharat Sanchar Nigam Limited
    2. MTNL = Mahanagar Telephone Nigam Limited
119. The internet connections: around 462 million in March 2017

120. Broadband subscribers: about 261 million in March, 2017

121. Regulatory framework and functions are carried out by Telecom Regulatory Authority of India (TRAI)

122. Regulatory framework for internet is NIXI- National Internet Exchange of India

123. National internet Exchange of India (NIXI) was set up to ensure that internet traffic originated and destined for India is routed within India.

Health:

124. Swatch Bharat Mission (2014): aim to attain an open defecation free India. Access to toilet facilities and management of solid & liquid waste were initiated to promote cleanliness.

125. Other programmes like Revised National Tuberculosis Control Programme, National Vector Borne Disease Control Programme, National Programme for Control of Blindness and National Leprosy Eradication Programme were also started to prevent and control epidemic prone and seasonal diseases.

126. The number of doctor per lakh of Population is very less. It is around 70 per lakh population.

127. India's Public health expenditure at 1.3 % of GDP is among the lowest in the world.

128. Achievements in Health Sector:

1. Life expectancy has doubled and infant mortality

2. Crude death rates have reduced sharply.

3. India's fertility rate has been steadily declining and was 2.3 during 2014.

4. Infant mortality rate has declined to 37 per 1000 live births in 2015 from 44 in 2011.

5. The Maternal Mortality Rate declined from 301 maternal deaths per 100,000 live births during 2011 13.

Education

129. National Policy on Education was launched in 1986. It had set a goal of expenditure on education at 6% of the GDP

130. Actual expenditure of central and state governments was just less than 3 per cent of GDP in 2016 17.

131. India now has one of the largest education system in the world. 84% of rural habilitation in India now have a primary school located in 1 km.

132. Sarva Shiksha Abhiyan (SSA) was launched in 2001. Aiming all children in school by 2005 and universal retention by 2010

133. National Programme for Education of Girls at Elementary Level (NPEGEL) is an important of SSA.

134. National Literacy Mission (NLM), also known as ADULT Education and Technology mission. It aimed at imparting functional literacy to non-literates in the country in the age group of 15-35 years.

135. Right of Children to Free and Compulsory Education Act (RTE Act) 2009, has made free education for all children between the age of 6 and 14 years, a fundamental right.

136. Benefits of Sarva Shiksha Abhiyan:

1. Improvement in access to primary and secondary education

2. Improvement in the number of schools, facilities in schools and enrolment

3. The annual dropout Rate at primary level has come down by 1.28 percentage point (from 5.62% in 2011 -12 to 4. 34% in 2013-14) for all category students.

4. At this level, the Dropout rate for boys and girls decreased by 1.36 (from 5.89% to 4.53%) and 1.2% (from 5.34% to 4.14%) percentage point respectively during this period

137. Padhe Bharat – Badhe Bharat: This initiative under SSA programme was launched in 2014 to make children independent and engaged readers by focussing on reading, writing and mathematical skills.

138. Number of secondary and higher secondary education school: more than 2.5 lakh in 2014-15.

139. Total student enrollment: more than 50 million in 2014-15.

140. Total 760 universities and 38,498 colleges as in 2014-15.

141. National Literacy Mission (NLM): For adult education, launched in 1998 as a Technology Mission.
142. The Total Literacy Campaign (TLC) has been the principal strategy of NLM. NLM has accorded priority for the promotion of female literacy.
143. NLM was recast into Saakshar Bharat(SB) in 2009. SB as a flagship scheme of adult education continued in Twelfth Plan as well.
144. The revamped Saakshar Bharat would be a continuing programme as a lifelong learning and literacy support system for the country. Saakshar Bharat would give special focus on young adults and out of School adolescents (15-19 years).
145. The National Policy on Education was framed in 1986 and modified in 1992. Since then several changes have taken place that calls for a revision of the Policy. The Government of India is in the process of bringing out National Education Policy to meet the changing dynamics of the population's requirement with regards to quality education, innovation and research, aiming to make India a knowledge superpower by equipping its students with the necessary skills and knowledge and to eliminate the shortage of manpower in science, technology, academics and industry.

Unit Name: Inflation

146. **Demand Pull Inflation** = More money chases few goods
147. **Cost Push inflation** = Price rise due to increase in cost of factors of production
148. **Stagflation** = Combination of Demand Pull + Cost push,
OR Low Growth Rate and rise in general price level,
OR when aggregate demand increases at a fast rate due to high public expenditure and expansion of credit money
OR Economy is growing slowly with high rate of inflation
149. **Headline Inflation:** Changes in prices of a representative basket of **BOTH** Volatile & Non-Volatile commodities like food and fuel.
150. **Core Inflation:** Changes in prices of a representative basket of **ONLY** Non-Volatile commodities.
151. **Deflation** = Opposite of Inflation
152. In India, the variation in prices are measured in terms of Wholesale Price Index (WPI) or Consumer Price Index (CPI).
153. WPI: Price of a representative basket of **676 items of wholesale goods in the wholesale market. It is updated on a monthly basis.**
154. WPI measures headline inflation i.e. it includes the entire set of commodities and not the core inflation in which the commodities which have volatile prices
155. Currently, in India WPI series with base 2004-05 is being used to assess price changes.
156. **CPI**: It measures changes in the price level of **consumer Goods & Services purchased by households**. It reflects the cost of living for a homogeneous group of consumers.
157. There are 4 CPI indices in India.
    1. CPI for industrial workers
    2. CPI for agricultural labour
    3. CPI for rural labour &
    4. CPI for urban non-manual employees.
158. CPI measures changes in the price level of goods purchased by the ultimate consumers, it shows the real inflationary pressure on consumers and is, thus a more realistic measure than WPI. However, in India the main focus is on WPI.
159. Inflation rate in 2006-07 has been on a general upward trend with intermittent decrease
160. The average headline inflation is measured by CPI – Consumer Price Index & was below 5% from April- December 2016.
161. The inflation rate turned negative in 2015-16 (-)2.5 per cent
162. The inflation in India is generally driven by food items pulses, vegetables, cereals etc.
163. The headline inflation as measured by the Consumer Price Index (CPI) remained under control for three successive years- 20142017.

164. The outlook for the year as a whole for CPI inflation is likely to be below the RBI's target of 5 per cent, a trend likely to be supported by demonetization.

165. Causes of inflation in India:

1. Increase in public expenditure
2. Deficit financing
3. Erratic agricultural growth
4. Agricultural price policy of the government
5. Inadequate rise in industrial production
6. Upward revision of administered prices etc.

166. Public Expenditure is approx. 28% of GDP in recent year.

167. Approx. 40% of the government expenditure in India is on non- developmental activities

168. Measures to check inflation:

1. **MONETARY MEASURES** to check Inflation – **BY RBI** – Sell GOI securities / increase Bank rate/Increase SLR.
2. **FISCAL MEASURES** to check Inflation – **BY GOI** – increases tax rate, Control over public expenditure, launch of new type of taxes etc.
3. **Control over investment**: resources of the community should be employed for investment which does not have the effect of increasing inflation (i.e. multiplier effect)
4. **Short term measures:**
   a. Public distribution of scarce essential commodities through fair price shops
   b. control over movement of commodities from one state to another
   c. Import of goods whenever shortage of basic goods has been felt
   d. rationing of essential goods in times of shortages
5. **Long term measures**:
   a. accelerating economic growth especially of the wage goods which have a direct bearing on the general price and the cost of living.
   b. Some restrictions on present consumption may help in improving saving and investment which may be necessary for accelerating the rate of economic growth in the long run.

Unit Name: Budget and Fiscal Deficits in India

169. Budget Deficit = Total Receipt – Total expenditure

170. Fiscal Deficit = Budget Deficit + Borrowings and other Liabilities

171. **Fiscal deficit, thus measures that part of government expenditure which is financed by borrowings.**

172. To restore Fiscal Deficit, FRBM (Fiscal Responsibility and budget management) Act was passed in 2003. It aims at reducing Gross Fiscal Deficit by 3% of the GDP by March 2008

173. Fiscal Deficit as % of GDP has fallen down to 4.5% of GDP in 2013-14 & 3.5% in 2016-17.

174. FRBM Act was passed to reduce the gross fiscal deficit to 3% of GDP by 2008.

Unit Name: Balance of Payments

175. **Balance of Trade** = Value of goods sold to outside – Value of goods purchased from outside

176. **Balance of Current Account =**
Balance of Trade (Tangibles) + Balance of Services (Intangibles) + Balance of Unilateral Transfers

177. **Balance of Payment on Capital account** = includes balances of private direct investments, Private portfolio investments, government loans to foreign governments

178. Balance of payment = Balance of current account + Balance of Capital account

179. BOP always balances.

180. BPO surplus adds to external reserves, BPO deficit reduces external reserves

181. Balance of Current Account: All receipts on account of earnings and all payments on account of spending

182. Balance of Payment on Capital account: Debts and Claims of country
183. BOP of a country is record of all economic transactions between residence of country and of the world in the particular period over a year.
184. In the Eleventh Plan exports are projected to grow at about 20% per year and imports 23% in US $ terms.
185. India's exports declined by 1.3% and 15.5% in 2014-15 and 2015-16 respectively. This was in line with the subdued global growth and trade.
186. The trend of negative growth was reversed somewhat in 2016-17 with exports registering a growth of 0.7%
187. Value of imports declined in the range of 7-10% during 2014-15 to 2016-17 mainly on account of decline on the POL (Petrol, Oil & Lubricants) and capital goods imports
188. Despite moderation in India's exports, India's current account deficit has been contracting. In 2014-15, it was 1.3 per cent of GDP, which fell to 1.1 per cent in 2015-16 and 0.3 in the first half of 2016-17.
189. Special Drawing Rights (SDR):
   1. Created in 1969 by the IMF
   2. To supplement a shortfall of preferred foreign exchange reserve assets, namely gold and the US Dollar
   3. SDR is neither a currency, nor a claim on the IMF.
   4. Rather, it is a potential claim on the freely usable currencies of IMF members
   5. Exchange of SDRs in two ways:
      (a) Arrangement of voluntary exchanges between members &
      (b) By the IMF designating members with strong external positions to purchase SDRs from members with weak external positions
   6. Serves as the unit of account of the IMF and some other international organizations
   7. A basket of currencies, consisting of the euro, Japanese yen, pound sterling, Chinese yuan & U.S. dollar.

190. India's FOREX increased to $ 360 billion at the end March 2016

Unit Name: External Debt

191. External assistance to India has been in two forms – **grants and loans.**
192. The share of concessional debt has been decreased over a period of time.
193. About 90 per cent of the external assistance received by India has been in the form of loans
194. The share of concessional debt in total debt at December - end 2016 was about 9 per cent
195. India's External debt = Rs.32,00,000 crores at the end of march 2016.
196. India's External Debt = More than 23.5% of GDP at the end of March 2016.
197. As per the World Bank's International Debt statistic 2017, India continues to be amongst the less vulnerable countries.
198. India's key debt indicators compare well with other indebted countries.
199. India's exports of goods = 20% of GDP
200. India's debt service ratio (ratio of principal and interest to total exports) remains high by international standards.

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Chapter No 7
Chapter Name: ECONOMIC REFORMS IN INDIA

Unit Name: Economic Reforms in India
In Industrial Sector

1. At percent there are 5 **industries** which **need industrial licensing**
    1. Distillation and brewing of alcoholic drinks.
    2. Cigars and Cigarettes of tobacco and manufactured tobacco substitutes.
    3. Electronic Aerospace and Defence equipment: all types.
    4. Industrial explosives including detonating fuses, safely fuses, gun powder, nitrocellulose and matches.
    5. Specified Hazardous chemicals.
2. At present there are **2 industries reserved for public sector** (**atomic energy, rail operation**)
3. Foreign investment in Defense production is allowed up to 26%.
4. FDI: (Under Automatic Route): DEFENCE & PRINT MEDIA =26%, Pvt. Sector banking = 74%, Public Sector banking =20%, AIR TRANSPORT SERVICES =100%, TELECOM =100%, MULTI BRAND retail – 51%. Distillation of alcohol/Industrial explosives / manufacture of hazardous chemicals, laying of natural gas lines = 100%
5. (a) The New Industrial Policy was launched in 1991.
   (b) As a result of New Industrial Policy, 1991 the public sector's portfolio will be reviewed with greater realism. The focus will be on strategic high tech & essential infrastructure industries.
   (c) Larger production of capital goods leads to higher production in future.
6. Monopolistic and Restrictive Trade Practice (MRTP) Act, 1969 was replaced by the Competition Act, 2002 in 2002
7. **Competition Commission of India (CCI)** was established to prevent activities that have an adverse impact on competition in India. The Act was amended once in 2007 and again in 2009.
8. **The Competition Act, 2002 mainly focuses on**
   (i) prohibition of anticompetitive agreements
   (ii) Prohibition of abuse of dominant position and
   (iii) regulation of combinations

In Financial Sector

9. Prime Lending rate (PLR) of banks for commercial credit are now entirely within the purview of the banks and not set by the RBI. The rate of saving accounts and rates of interest on export credit are still subject to regulation by RBI.
10. Rate of interest on saving deposits of commercial banks is 4% (April 2011).
11. NPA = Non-performing assets
12. NPA is related to banking sector
13. BASEL II framework is related to banking sector= was to be operationalized from March 2008.

In External Sector

14. **Devaluation of Currency:** Lowering the external value of the country's currency undertaken by the Government.
15. **Depreciation of Currency:** The loss of value of a country's currency with respect to one or more foreign reference currencies due to market forces
16. Rupee was DEVALUED twice in July 1991; CUMULATIVE DEVALUATION 19%
17. Foreign Investment can be Foreign Direct Investment (FDI) or Foreign Portfolio Investments (FPI)
18. FDI can be through Direct Route or Govt. Route

19. FPI can be made directly or through Foreign Institutional Investors (FIIs)
20. **Now 100% FDI is allowed in Plantation and Broad casting**
21. **Now 74% FDI is allowed in Private Securities Agency.**
22. **Now 49 per cent FDI is allowed in power exchanges, pension sector, and insurance and infrastructure companies in the securities market.**
23. **and 26 per cent FDI is allowed in print media.**
24. **The Tax rate for companies whose turnover is less than 50 crore (during financial year 2015-16) has been kept at 25 per cent of their total income in the year 2017-18.**
25. EOU= Export Oriented Units; EPZ= Export Promotion Council.
26. EXIM Policy was announced in 1992- to allow free trade of all items except a negative list of imports and exports.
27. IMPORT TRAFFIC lowered to 10%.
28. EPGC (EXPORT PROMOTION OF CAPITAL GOODS) was introduced in 1990 to encourage imports of capital goods.
29. SEZ= Special Economic Zones
30. **SEZ policy was announced in 2000**
    Main objectives
    1. Generation of additional economic activity
    2. Promotion of exports of goods and services
    3. Promotion of investment
    4. Creation of employment opportunities and development of infrastructure facilities.
31. Presently Foreign Exchange reserve is approximately US $304 Billion in March 2014.
32. Vishesh Krishi Upaj Yojana has been started to promote agriculture exports.
33. Duty Free Export Credit (DFEC)= SERVED FROM INDIA SCHEME
34. Foreign Exchange Regulation Act (FERA) in 1973 was changed to Foreign Exchange Management Act (FEMA) 1999.
35. **Low percolation effect:**
    1. **India's growth rate has improved after the introduction of economic reforms, the growth has not reached the lower rungs of the society.**
    2. **The per capita income especially of the rural poor has not increased much.**
    3. **The real agricultural wages have also not increased.**
    4. **The economic growth has not been accompanied by growth in jobs.**
    5. **Increase in inequalities after the onset of the economic reforms.**
    6. **According to one study, 90 per cent of the Indians own less than a quarter of the country's wealth**
36. **According to the World Bank's 'Doing Business Report' 2017 India ranks 130 out of 190 countries**

Unit name: Liberalisation, Privatisation & Disinvestment

37. **Liberalization:** Relaxation of restrictions usually in areas of social and economic policies.
38. **Privatisation:** Transfer of assets or services functions from public to private ownership or control and opening of closed areas to private sector entry.
39. **Disinvestments:** Disposal of public sector's unit's equity in the market or private people.
40. **Types of Disinvestment: Minority Disinvestment, Majority Disinvestment & Complete Disinvestment**
41. **Minority Disinvestment:** Government retains a majority stake in the company (>51%) thus ensuring management control after disinvestment. Minority sale could be through auction or through an offer for sale.
42. **National Investment Fund' (NIF)** was constituted in 2005 to channelize the realization from sale of minority shareholding of the Government in profitable CPSEs and use income from the Fund for:
    a) Investment in social sector projects which promote education, health care and employment;

b) Capital investment in selected profitable and revivable PSU to improve the overall capital base of theirs.

43. **The Department of Disinvestment was renamed as Department of Investment and Public Asset Management (DIPAM) in Budget 2016-17.**
44. **In order to streamline the disinvestment process, Govt transferred the role of advising the government on how to utilise the proceeds from disinvestment from DIPAM to the Department of Economic Affairs.**
45. **DIPAM resulted in acceleration in the disinvestment process.**
46. **New initiatives for disinvestment:**
    1. **Setting up of Central Public Sector Enterprises (CPSE) Exchange Traded Fund (ETF)**
    2. **Decision to undertake strategic disinvestment and time bound listing of CPSEs on Stock Exchange etc.**
47. **Majority Disinvestment:** Government retains a minority stake in the company i.e. it sells off a majority stake
48. **Complete Privatisation:** Form of majority disinvestment wherein 100% control of the company is passed on to a buyer
49. **Various methods of Disinvestments:**
    1. Equity offering followed by issue of GDR (Global Depositary Receipts)
    2. Cross-holding: selling part of shares in one PSU to another PSU.
    3. Warehousing: Governments owned financial institution buying government stake in select PSU and holding them until any third buyer emerged and retaining golden share (26%).
    4. Strategic sale: selling small portion of govt stake to strategic buyer and also gives over the management control.
    5. Differential Pricing Method= sale of shares of PSU's to public sector financial institutions and banks.
50. **Disinvestment programme had started in 1991-92**
51. **Total collection from disinvestment more than Rs. 2.2 lac Crore which is very small.**
52. **Total disinvestment proceeds during 2017-18 (till August, 2017) was Rs. 8,427 crores.**
53. **Disinvestment has been too insignificant to affect either the structure of management or the working environment of the PSUs**

Unit Name: Globalisation

54. Converting of Rupee: allowing to determine its own exchange rate without official interventions
55. India followed Dual exchange rate system in 1992-93
56. Full convertibility on trade account in 1993-94.
57. India achieved full convertibility on current account in August 1994 & slowly moving towards full convertibility on capital account transactions as per TARAPORE COMMITTEE II.
58. Preconditions for full convertibility of CAPITAL ACCOUNT:
    1. Strong macro-economic framework
    2. Strong financial systems and
    3. Prudent regulatory framework
59. A FIVE year Framework (2007-2011) has been given for fully convertibility on capital Account
60. TRIPs = Trade Related Intellectual Property Rights
61. **India's share in World EXPORT= 1.6% in 2016. Export now finance more than 70% of imports of goods and services.**
62. **IMF provides short term credit to member countries**
63. **IMF has 189 member countries, it was organized in 1946 & started on March 1947**
64. **World Bank (IBRD i.e. International Bank of Reconstruction and Development) was established in 1945. It provides long term loans to it's 189 member countries**
65. The World Bank Group consists
    1. World Bank
    2. **International Development Association (IDA)**: helps the world's poorest countries by giving interest free loans & so called as **soft lending arm** of world bank

3. **International Finance Corporation (IFC)**: gives investments and advisory services to build the private sector in developing countries
4. **Multi-lateral Investment Guarantee Agency (MIGA):** encourages foreign investment in developing countries by providing guarantees to foreign investors against loss caused by non-commercial risks
5. **International Centre for Settlement of Investment Disputes (ICSID):** autonomous body to settle disputes between foreign investors and their host countries

66. **WTO was established on 1st Jan 1995. Member countries: 164 or or separate customs territories accounting for about 95% of world trade. Its aims at making the whole world a big village.**

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Chapter No 8
Chapter Name: MONEY AND BANKING

Unit Name: Money

1. **Narrow money (M1) excludes time deposits of the public with the banking system while broad money (M3) includes it.**
2. NM1= Currency + Demand Deposits + Other Deposits with RBI
3. NM2= NM1 + Time liabilities portion of saving deposits with banks + Certificates of Deposits + Term Deposits maturing within a year
4. NM3= NM2 +Term Deposits with banks with maturity over one year+ call/term borrowings of the banking system.
5. **Three liquidity aggregates have also being introduced. i.e.,L1,L2,L3.**
6. **Demonetization: Demonetization of currency means discontinuity of a particular currency from circulation and replacing it with a new currency. The government of India in November, 2016, demonetized Rs 500 and Rs 1000 currency.**

   Positive sides:
   1. **To track unaccounted black money or cash on which income tax has not been paid.**
   2. **It would help in reducing illegal activity.**
   3. **Fake currency circulation would come to a halt in a single shot.**
   4. **Demonetization could help controlling inflation.**
   5. **Money deposited in the bank during demonetization can be taxed especially if tax is evaded.**
   6. **Availability of cheap deposits in financial institutions banks will lower rates of interest.**
   7. **Improvement in the growth of its GDP.**

   Negative sides:
   1. **Cash crunch due to non-availability of small denominations currency at least in the short run**
   2. **Increase the cost as the govt had to bear the cost of printing of new currency and its circulation**
   3. **Inconvenience to the public.**
   4. **Economic growth may get affected in the short run due to business disruptions.**
   5. **The normal trading activities may be disrupted by this process.**

Unit Name: Commercial Banks

7. July 1969 — 14 commercial banks were nationalized
   1980 — Another 6 commercial banks were nationalized
   1993 — 2 nationalised banks were merged.
8. **At present there are 19 nationalized banks.**
9. **Nationalisation of Commercial Banks as:**
   1. Private ownership of commercial banks and concentration of economic power
   2. Urban-bias
   3. Neglect of agricultural sector
   4. Violation of norms
   5. Speculative activities
   6. Neglect of priority sectors
10. **Number of branch office of scheduled commercial banks in 2016 has increased to more than 134,000**
11. **Population as per bank office is less than 10,000**
12. **Aggregate deposits commercial banks are more than 93,27,300 crore in 2015-16**
13. **Maharashtra leads all other states in Deposit mobilization with 22 per cent of the aggregate deposits received by the banks**

14. **Bank lending: Rs. 72,50,000 in 2015-16**

15. **% NPAs to Gross advances have fallen to 3.2 per cent in 2012-13 but increased to 5.43 per cent in 2014-15 and further to 9.83 in 2015-16 due to slow down in the growth of the economy and poor loan recovery.**

16. **To improve resolution/recovery of bank loans following acts enacted/amended:**
   1. **The Insolvency and Bankruptcy Code (IBC)**
   2. **Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act (SARFAESI)**
   3. **The Recovery of Debts due to Banks and Financial Institutions (RDDBFI) Act**

17. **% of rural branches bank is about 38% (June 2018).**

18. **Agriculture, SSI and Small retail trade credit = 34% of total credit.**

Unit Name: The Reserve Bank of India (RBI)

19. **Credit Control Measures: Quantitative/General & Qualitative/Selective.**

20. **Quantitative/General Measures:**

1.	Bank rate	:	Rate at which RBI discounts the bills of commercial banks.
2.	OMO	:	Deliberate buying and selling Govt securities
3.	CRR	:	Proportion of total time & demand deposits which a commercial bank has to keep with the RBI in Cash
4.	SLR	:	Proportion of total time & demand deposits which a commercial Bank has to kept with itself in the form of liquid assets viz-cash, gold or approved government securities.
5.	Repo rate	:	Rate at which our banks borrow rupees from RBI.
6.	Reverse Repo Rate	:	Rate at which RBI borrows money from banks.

21. **Qualitative/Selective measures:**
   1. Margin requirements
   2. Credit rationing
   3. Regulation of Consumer Credit
   4. Moral Suasion

22. **To discourage investment/ Control credit or Inflation:**
   1. Sell securities
   2. Increase Bank rate or CRR or SLR

23. **To encourage investment/in recession**
   1. Buy securities
   2. Decrease Bank rate or CRR or SLR.

24. **Decrease in Repo Rate: will help banks to get money at cheaper rate.**

25. **Increase in Repo rate: Borrowing from the RBI will be more expensive.**

26. **Increase in Reverse Repo rate: Less money available with banks.**

27. **Decrease in Reverse Repo rate: More money available with banks.**

28. **Change in Policy Rate from Bank rate to LAF i.e. Repo Rate and Reverse Repo Rate**
   1. **Policy Rate: the key interest rate based on which all other short term interest rates move.**
   2. **The bank rate once used to be the policy rate in India**
   3. **However, Discounting/rediscounting of BOE by RBI has been discontinued on introduction of Liquidity Adjustment Facility (LAF).**
   4. **As a result, the bank rate has become dormant as an instrument of monetary management.**
   5. **The bank rate has been aligned to the Marginal Standing Facility (MSF) rate.**

29. **Today RBI announces Repo Rate and other rates like Bank Rate, Reverse Repo Rate and MSF rate changes accordingly.**

30. **LAF is used to aid banks in adjusting the day to day mismatches in liquidity & is primary instrument of RBI for modulating liquidity (availability of cash) and sending interest rates signals to commercial banks.**

31. LAF includes Repo Rate & Reverse Rapo Rate

32. Reverse Repo Rate = Repo Rate – 25 basis points (i.e. 0.25%) so if Repo rate is 6%, Reverse Repo Rate is 5.75%.

33. MSF = Repo Rate + 25 Basis Points (i.e. 0.25%) so if Repo rate is 6%, MSF is 6.25% and Bank is rate now always equal to MSF.

34. Banker's bank = Reserve bank of India (RBI).

35. Lender of the last resort = Reserve bank of India (RBI).

36. The system of note issue prevails in India at present is Minimum Reserve System.

37. CRR 4%
Bank Rate 9%
Repo Rate 6%
Reverse Repo Rate 5.75%
SLR 20%

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