

A teaching note on

INDIAN ECONOMY

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CONTENTS

	<i>Name of the module</i>	<i>Page no</i>
<i>Module 1</i>	Growth and structural change	3-11
<i>Module 2</i>	Demographic change	12-22
<i>Module 3</i>	Poverty and unemployment	23-27
<i>Module 4</i>	Agriculture	28-33
<i>Module 5</i>	Industry	34-37
<i>Module 6</i>	Public Economics	38-49
<i>Module 7</i>	Planning	50-57
<i>Module 8</i>	Economic Reform Policies	58-63

Note

This is only a teaching notes on Indian economy based on the syllabus of of MA Economics ,SDE, University of Calicut for paper ii(Development of Indian Economy) and should be used along with the study material of the paper

Module 1

Growth and Structural Change

Overview of Indian Economy

- India has emerged as the fastest growing major economy in the world as per the Central Statistics Organization (CSO) and International Monetary Fund (IMF) and it is expected to be one of the top three economic powers of the world over the next 10-15 years
- It is the 10th largest economy by GDP and likely to be the third largest economy with a GDP size of \$15 trillion by 2030
- The economy of India is currently the world's fourth largest in terms of real GDP (purchasing power parity) after the USA, China and Japan and the second fastest growing major economy in the world after China.
- It is also the 18th fastest growing economy and the 2nd fastest growing major economy in the world, according to the CIA World Factbook [2013].

Important characteristics of Indian economy are:

- Low per capita income.
- Inequalities in income distribution.
- Predominance of agriculture. (More than 2/3rd of India's working population is engaged in agriculture. But in USA only 2% of the working population is engaged in agriculture.)
- Rapidly growing population with 1.41% annual change.
- Chronic unemployment (A person is considered employed if he / she works for 273 days of a year for eight hours every day.) Unemployment in India is mainly structural in nature.
- Low rate of capital formation due to less saving rate.
- Dualistic Nature of Economy (features of a modern economy, as well as traditional). Mixed Economy
- Follows Labour Intensive Techniques and activities.

National Income

- Sum total of money value of all final goods and services produced by a country during a year
- From the modern point of view, national income is defined as “the net output of commodities and services flowing during the year from the country’s productive system in the hands of the ultimate consumers.

National Income Accounting(NIA)

- **It** is a method or technique used to measure the economic activity in the national economy as a whole.

National Income Accounting in India

- The first attempt to calculate National Income of India was made by Dadabhai Naoroji in 1876
- The first person to adopt a scientific procedure in estimating national income was Dr.V.K.R.V.Rao In 1931
- first official attempt was made by Prof.P.C.Mahalanobis .
- The Government of India appointed the “National Income Committee” in 1949 under the chairmanship of Prof P C Mahalonobis, and other members were Prof D R Gadgil and Dr V K R V Rao.

The first report of the committee was presented in 1951 according to which India’s national income for the year 1948-49 was Rs 8,710 crores and per capita income was Rs 225/-

- Since 1955 the national income estimates are being prepared by the “Central Sattistical Organisation” [CSO]. It has divided the Indian economy into three sectors
 - 1] Primary sector including agriculture, forestry, mining and quarrying.
 - 2] Secondary sector including manufacturing, power generation, gas and water supply.
 - 3] Tertiary sector including transport, communication and trade, banking, insurance, public administration, defense and external trade.

- A combination of Product, income and expenditure method to calculate national income.

GDP (GROSS DOMESTIC PRODUCT)

- Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.
- it includes all private and public consumption, government outlays, investments, private inventories, paid-in construction costs and the foreign balance of trade

GROSS NATIONAL PRODUCT (GNP)

- GNP is the total value of the total production or final goods and services produced by the nationals of a country during a given period of time (generally one year)

Recent Changes in Calculating GDP

- Jan 2015- Base Year from 2004-05 to 2011-12
- Now Gross Value added is used
- $GVA\ BP = GVAFC + \text{Production Tax} - \text{Production Subsidy}$.
- $GDPMP = GVABP + \text{Product tax} - \text{Production Subsidy}$

Growth rate of GVA at basic prices at constant (2011-12) prices in (%)

Sector	2013-14	2014-15	2015-16	2016-17
Agriculture, Forestry and Fishing	5.6	-0.2	0.7	4.9
Mining and Quarrying	0.2	11.7	10.5	1.8
Manufacturing	5.0	8.3	10.8	7.9
Electricity, Gas and Water Supply	4.2	7.1	5.0	7.2

Trade, Hotel, Transport, Communication services	6.5	9.0	10.5	7.8
Financial, Real estate and Prof. Services	11.2	11.1	10.8	5.7
Public administration, defence and others	3.8	8.1	6.9	11.3
GVA	6.1	7.2	7.9	6.6
Core GVA	6.6	9.0	9.8	6.2
GDP	6.4	7.5	8.0	7.1

Kerala economy

Kerala was unique region compared to the rest of the country and even to the world. She was unique in its geographical position itself. In Education, Health services, Standard of living, Poverty reduction, Road mileage, Sex ratio, Equality, Land reforms etc. Kerala stands head and shoulders above the rest of the states in the country. As a cash crop economy Kerala has near monopoly in the production of Coconut, Rubber, Pepper, Cardamom, Lemon grass oil, Coffee, and the like. In forest and marine resources she is yet unrivalled. She is the single largest foreign exchange earner in India. Barring the metropolitan areas, Kerala is probably one of the most densely populated regions on the globe. No wonder, Kerala has attracted worldwide attention both of academicians and policy makers. Kerala astonished the rest of the world with her developmental experience, scenic beauty, quality of life, political awareness, land reform measures, historical migration etc.

Unique Features of Kerala Economy

- Kerala one of the tiny states in India situated in the southern tip of the country with the land area of 38,863 Sq Km ie;1.18% of total land area of the country and occupies 22nd position.
- according to the National Human Development Report 2016 Kerala occupies top among the Indian states with HDI value 0.712

- Kerala achieved high quality of life especially in the case of Life expectancy, Low Infant Mortality, Low Maternal Mortality Rate, Low fertility Rate, Low poverty rate, High Literacy rate and education facilities, Good health care facilities etc.
- Change in demographic profile. According to the census 2011 Kerala stood at 13th position in the country in total population 3,33,87,677 i.e. 3.1 % of the India's population. Kerala has the lowest growth rate of population and birth and death rate. Kerala entered in the third stage of Theory of Demographic Transition.
- Kerala is the only states where the sex ratio is in favour to the female.ie.1084 females for 1000 males.
- Kerala is the largest foreign exchange earner in the country.
- Kerala is the only state where the public distribution system is so wide spread throughout the state and effective.

State Income

- Till 2014-15, Base year was 2004-05. Then base year- 2011-12.
- GDP at factor cost has been replaced by Gross Value Added at basic prices.
- GDP at market price- termed as GDP.

Growth rate of GSDP at constant (2011-12)

Year	2012-13	2013-2014	2014-15	2014-16
Growth rate	6.50	3.89	7.31	8.10

Kerala's Economy – Sectoral wise analysis

- Volatile agricultural sector
- steady growth in industry and manufacturing
- The state's economy is dominated by the tertiary sector, which constitutes 62% of the state's economy.

- This is followed by secondary sector, which constitutes 26% of the state's economy.
- Primary sector of the economy constitutes 12% of the economy.
- Secondary sector of the economy, which consists of construction and manufacturing sectors, has been seeing a steady increase in its growth. In 2012-13, the sector grew by 2.8%, which increased to 8.6% in 2015-16.
- Tertiary sector, which consists of real estate, trade, etc., saw the highest growth (about 8%) between 2012-13 and 2015-16.
- Primary sector consisting of agriculture and mining, saw a volatile growth. The sector saw a decline in 2013-14 and 2014-15 (-6.3% and -1.3% respectively)

Sectoral Distribution of GSVA, 2015-16 basic Price

	At Constant Price	At current Price
Primary	11.58	12.07
Secondary	26.1	24.27
tertiary	62.24	63.66
Growth rate of sectors, 2015-16		
Primary	: 0.37	
Secondary:	7.73	
Tertiary	14.94	

Kerala's Development Experiences

- Kerala's development experiences that Kerala witnessed for the past few decades arouse the attention of social scientists, planners, administrators,

politicians and even economists and international development agencies across the world. It was later popularly referred as ‘Kerala Model of Development’.

- The term ‘Kerala Model’ was initially associated with the study, *‘Poverty, Unemployment and Development Policy: A Case Study of Selected Issues with references to Kerala’*, conducted by the scholars at the Centre for Development Studies (CDS) in 1975.

Features of Kerala Model of Development

Kerala attained a unique development paradigm as against the traditional development strategy based on income, per capita income, investment, saving, capital-output ratio etc. As the conventional model developed by Colin Clark and Simon Kuznets the economy in its development process go through three stages. In the first stage the entire economic activity of the country revolves around the agriculture sector. As the economy progress the growth process moved into the industrial sector, then to the service sector. The miracle of the so called Kerala Model of Development is that development has occurred even before growth in productive sectors. The important features of the Kerala model are the following.

1. The high physical quality of life index with low income.
2. High investment in human development.
3. Good health care with low cost.
4. Low per capita income and high standard of living
5. Development without growth.
6. More equitable distribution of land and social justice.
7. Creation of more social infrastructure rather than productive infrastructure.
8. High consumption with low domestic production and income.
9. Low incidence of poverty.
10. Higher gender equality.
11. More public action and people’s participation.

Any how the Kerala model can be better understand with the critical analysis of the achievements and limitations that the Kerala economy attained by the developmental experiences.

The Achievements of Kerala’s Development Experience

1. Low growth rate of population.
2. Low birth and death rates.
3. Low rates of IMR, MMR and TFR.
4. Low poverty ratio.
5. Sex ratio infavour to females.
6. High life expectancy.
7. High literacy.
8. Near universalisation of primary education.
9. Low dropouts.
- 10.High standard of living.
- 11.Better sanitation facilities.
- 12.High wages to the workers.
- 13.Good health infrastructure facilities.
- 14.Universalisation of Public Distribution System.
- 15.Good education facilities.
- 16.Change in caste system even at the bottom level.
- 17.High political awareness of the people.
- 18.Good housing facilities.
- 19.Better transport facilities
- 20.Implementation of land reforms.
- 21.High gender equality.
- 22.Development of social services.
- 23.Low rural- urban polarization.

Limitations of Kerala's development experience.

1. Development of consumerism.
2. Aging of the population.
3. High dependency ratio.
4. High preference for male child.
5. Low growth of agriculture sector.
6. Subdivision and fragmentation of agricultural land.
7. Fall the production of food crops.
8. Extension of commercial crops.
9. Militant trade unionism.
- 10.Stagnant industrial sector.
- 11.Increase in urban poverty.

12. Increase in educated unemployment.
13. Increase in morbidity rate.
14. Increase in cost of health facilities.
15. Increase in suicide rate.
16. Increase in road accidents.
17. Prevalence of life style diseases.
18. Alcoholism.
19. Increase in crime against women.
20. Preference for white collar jobs.
21. Low work participation rate.
22. Political interference and nepotism.
23. Decay in social customs and values.
24. Over imitation of western culture.
25. Financial crisis of the state.
26. High pressure on land with construction boom.
27. Over dependence on foreign money.
28. Neglect of environmental pollution.
29. Emergence of nuclear families.
30. Over influence of private and religious institutions.

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DEMOGRAPHIC CHANGE

- **Demography** : study about population
- **Demographic transition** : fundamental change in the characteristic trends of the population
- **Theory of demographic transition:**
 - The theory is based on an interpretation of demographic history developed in 1929 by the American demographer Warren Thompson.
 - In the 1940s and 1950s Frank. Notesian developed a more formal theory of demographic transition which postulates a 3 stage sequence of birth and death rates as typically associated with economic development.
 - 3 stages
 - ❖ First stage: pre industrial society, rate of population growth is slow, high birth and death rates.
 - In this stage, the birth rates are very high due to :
 - ✓ Universal and early marriage
 - ✓ No family planning
 - ✓ Traditional customs
 - ✓ Illiteracy
 - In this stage, death rate is also very high due to:
 - ✓ Insufficient diets
 - ✓ No adequate medical care facilities
 - ✓ Poor sanitation facilities
 - ✓ Famine and hunger
 - ❖ Second stage: stage of population explosion, Birth rate remains high but death rate begin to decline rapidly:
 - With the gradual attainment of economic development, the living condition of people started to improve due to

- ✓ Better and regular diet
- ✓ Better medical facilities
- ✓ Medical innovations
- ✓ Immunization programs and vaccines
- ❖ Third stage: stage of low population growth rate, low death rate, small family size, low growth rate
 - With the growing industrialization, growing urbanization, the adoption of small family etc become much popular and wide in this stage

CENSUS

- First census in India : 1872
- First regular census in India : 1881
- Custodian of census data : **Registrar General and Census Commissioner of India(RGCC)**
- *Census 2011*:15th National Census- 7th after Independence. Motto: Our Census, Our Future

Demographics of India

- 2nd most populous country in the world after China
- sustains 17.5% of the world population with a meager 2.4% of the world's surface area
- Annual Growth rate of population- 1.43% (93rd in the world)
- Decadal growth rate of population- 17.65%

Demographic features

I. Trends and pattern of growth rate of population

year	Population(in crores)	Annual growth rate
1901	23.88	0.3
1911	25.2	0.5
1921	25.12	-0.3
1951	36.1	2.21
1981	68.52	2.25
1991	84.62	2.14
2001	102	1.95
2011	121	1.41

Points to note

- Period of stable population :1901-1921
- Year of great divide: 1921
- Period of steady population growth : 1921-1951
- Period of population explosion:1961-1971
- High but declining growth rate: 1981-2011
- Decadal growth rate of 2001-2011 :17.7%(Rural : 12.3%, Urban : 31.8%)

II. Share of States and UTs in Total Population

- Most populated state: Uttar Pradesh
- Least populated state: Sikkim
- most populated UT : NCT Delhi
- least populated UT: Lakshwadeep
- The four big states:Rajasthan, Uttar Pradesh, Madhya Pradesh and Bihar(accounts for about 40% of India's total population)

III. Density of population:

- ratio of the number of persons per square kilometer of land area
- the density of population in India is 382 as per 2011 census data(2001-324)
- The density of Population was as low as 7.7 persons per square kilometers in 1901.

IV. Sex ratio

- _Number of females per 1000 males
- As per latest census sex ratio is 943(2001:933)
- In 1901 sex ratio was 972
- Sex ratio of India shows (a) a higher ratio males in the population and (b) a rising tendency towards masculinity

V. Life Expectancy

- The average life expectancy of birth in India has been gradually increasing
- In India, average life expectancy which used to be around 42 in 1960.it climbed to65.5 in 2011

VI. Literacy Rate:

year	literacy
1951	18.33
1981	43.57
1991	52.21
2001	64.83
2011	74.04

Points to note

- Male literacy 80.8
- Female literacy 64.6
- Top Kerala followed by Lakshadweep
- Bottom Bihar

VII. Age composition

Age group	1991	2001	2011
0-14	37.7	34.3	30.2
15-64	58.4	61.4	64.8
65 and above	3.9	4.3	5

- The proportion on working population in the age group of 15-64 has been declining

VIII. Urban rural proportion

- 2011 : rural population 68.8 urban population 31.2

IX. Birth rate and death rates

year	Birth rate(per 1000)	Death rate
1981	33.9	12.5
2001	25.4	8.4
2011	21.8	7.1
2015	20.8	6.5

KERALA:FACTS

- Kerala constitutes 1.18% of total land area of the country and comprises 3.1% of world's population (13th position in the country)
- Total population: 3,33,87,677
- Gender Composition : Male: 1,60,21,290 (48.1%) and female 1,73,66,387 (52.1%)
- Growth rate of population: 0.486 per annum
- Birth rate: 14.8
- Death rate: 7
- Sex ratio : 1084/1000 male
- Rural 52.28% urban 47.72%
- Density of population: 859/sq.km

- Literacy rate :93.91%
 - Male literacy: 93.91%
 - Female literacy: 91.98%
- Infant mortality rate:13
- Maternal mortality rate:81

National Population Policy

- India was the first country in the world to launch a national programme, emphasizing family planning
- Population policy 1976-first comprehensive policy
- Revised Population Policy - 1977
- New Population Policy 2000 -A policy Framework to meet the reproductive and child health needs for the next 10 years

Main Target

_To achieve Zero Growth Rate of Population by 2045

MIGRATION

- Migration refers to the shifting of people from one area to another area within the same country.
- International migration refers to the mass exodus of people primarily settled in one country to another country in the face of any natural (storms, famines, earthquakes) or forced (war, economic depression) event.
- People migrate for a number of reasons. These reasons may fall under four areas: environmental, economic, cultural and socio-political. Within that, the reasons may also be push or pull factors

Push Factors

- Push factors are those factors that force individual to move voluntarily, and in many cases they are forced because the individual risks something if they stay.
- It may include conflict, drought, famine, or extreme religious activity.

Pull factors

- Pull factors are those factors in the destination country that attract the individual or group to leave their home.
- These factors are known as place utility, which is the desirability of a place that attract people
- It may include better economic opportunities, more jobs, promise of better life etc.

Impact of Migration

Economic Impacts

Positive

- The area benefits from remittances sent home.
- Upon return, migrants bring new skills to the country such as the ability to speak foreign languages. These new skills can help to improve the economy in the country of origin.
- There is less pressure on resources such as food and social services such as health care.

Negative

- Loss of young workforce; those with skills and those with entrepreneurial talents move, slowing economic development.
- Loss of labour may reduce inward investment by private companies, increasing dependencies on government initiatives.

Social Impacts

Positives

- Population density is reduced and birth rate falls as it's the younger population who migrates. This can help ease overpopulation.
- Remittances sent home by economic migrants can be used to finance improved education & health service.

- Returning migrants increase social expectations for communities, for example, increasing demand for better leisure facilities.

Negatives

- Marriage rates fall and family structures break down as men migrate producing a generation of single mums.
- Lots of young people migrating out of the country can increase the dependency ratio.
- Returning retired migrants may increase social costs on the community as support mechanisms aren't in place for them.
- Migration of men and young families can cause a loss of cultural leadership and traditions.

Migration Data

- The data on migration by last residence in India as per Census 2001 shows that the total number of migrants has been 314 million. Out of these migrants by last residence, 268 million (85%) has been intra-state migrants, those who migrated from state to another. 41 million (13%) were interstate migrants and 5.1 million (1.6%) migrated from outside of the country.

➤

category	Migrations by place of last residence	percentage
Total population	1,028,610,328	
Migrants within the state of enumeration	314,541,350	30.6
Migrants within the	268,219,260	85.3

state of enumeration		
Migrants from other districts of the state	193,592,938	72.2
Migrants from other states in India	74,626,322	17.8
Migrants from other countries	41,166,265	13.1

Points to note

- India is the top source of international migrants, with one-in-twenty migrants worldwide born in India. As of 2015, 15.6 million people born in India were living in other countries.
- the number of international Indian migrants has more than doubled over the past 25 years, growing about twice as fast as the world's total migrant population.
- India is also one of the world's top destinations for international migrants. As of 2015, about 5.2 million immigrants live in India, making it the 12th-largest immigrant population in the world.
- The overwhelming majority of India's immigrants are from neighboring countries such as Bangladesh (3.2 million), Pakistan (1.1 million), Nepal (540,000) and Sri Lanka (160,000).
- Even though the country is the top source of the world's migrants in total numbers, India has one of the world's lowest emigration rates. Only about 1% of India's birth population lives outside of the country, a similar emigration rate to that of the U.S.
- Religious minorities make up a larger share of India's international migrant population

Kerala: Migration

- Even though a comprehensive data on migrant labour is not available, different micro studies indicated that the incidence of migrant labour is increasing in the State.
- The recent trend in the employment sector in the State shows a large inflow of migrant workers from other states such as West Bengal, Bihar, Odisha, Uttar Pradesh, Chhattisgarh, and Jharkhand besides the neighbouring states
- out of the total interstate migrants workers 46 per cent are from West Bengal followed by Orissa (15%) and Assam (11%).
- It is estimated that today over 10% of the population of Kerala lives outside the State, in various parts of India and abroad particularly in the Gulf region, the US and Europe
- The Kerala Migration Survey 2014 (draft), conducted by the Centre for Development Studies, estimated that there were more than 24 lakh Keralites living in various countries and their remittances to the state net domestic product was nearly 36.5 per cent.
- If we consider the number of migrants per 100 households, the figure was highest for Malappuram district. In 2014, per 100 households, there were 54 emigrants in Malappuram and 50 emigrants in Kannur. The lowest number of emigrants per 100 households was reported in Idukki, Wayanad and Palakkad
- A country-wise destination analysis of emigrants from Kerala shows that in 2014, 37.5 per cent of the emigrants are in the UAE and 21.8 per cent are in Saudi Arabia. Out of the total emigrants, 86.3 per cent reside in West Asia. Emigrants residing in the U.K, Canada and South-East Asian countries are increasing over the years.

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Poverty and Unemployment

Poverty

- Poverty is a social phenomenon where a section of society is unable to meet even its basic needs of life
- Nodal agency of poverty estimation in India NITI Aayog(earlier planning commission)

Measures of poverty

- **Head Count Ratio:** it is calculated by dividing the number of people below poverty line by the total population.
- **Sen's index of poverty** $S = H \{I + (1-I) G\}$
S= Sen's index, H= head count ratio, I= poverty line
- **Multi dimensional poverty index-** introduced by UNDP
- **Poverty line**
 - NITI Ayog (earlier Planning Commission) estimates Poverty using NSSO DATA.
 - Every five years NSSO conducts surveys to collect household Consumption Expenditure.
 - Monthly Per capita Consumption Expenditure is used to determine poverty line.
 - Two approaches: Uniform Recall Period & Mixed Recall Period

Poverty estimates

- VM Dandekar and N Rath (1971): poverty estimation base- 2250 calories per day in both rural and urban
- YK Alagh Committee(1979):Poverty line for rural and urban areas on the basis of nutritional requirements.Rural: 2400 calories, Urban: 2100 Calories
- Lakdawala Committee(1993) : State specific poverty lines should be constructed and these should be constructed using the CPI-IW in urban areas and CPI-AL in rural areas.
- Tendulkar Committee (2005) :A shift from Calorie consumption based poverty estimation and incorporated private expenditure on health and education .Mixed Reference Period (MRP) estimation
- National poverty estimates

year	rural	urban	total
2004-05	41.8	25.7	37.2
2009-10	33.8	20.9	29.8
2011-12	25.7	13.7	21.9

- State wise poverty estimates **2011-12**

Chattisgarh(39.9),

Jharkhand (37)

Manipur (36.9)

Kerala (7.1)

Goa (5.1)- least poverty

Unemployment

- It is a situation characterized by the existence of those able and willing to work haven't any work with them
- Measurement
 1. Usual status unemployment(UPS)-a person is considered as unemployed if he was not working but was willing to work for the major parts of the year

2. Current weekly status(CWS)-a person considered as unemployed if he or she hasn't work even for one hour in a week
3. Current daily status(CDS)- A person considered as unemployed if he does not find work even on a day or some days during the survey week

Unemployment in India

- Union Ministry for Labour and Employment claimed national unemployment hovers around 3.7 percent in 2015-16
- According to India Skills Report launched in the 3rd CII National Conference on Skill Development, 96 percent were found unemployable out of 100,000 candidates
- A UN Labour report released in January reports that "Unemployment in India is projected to increase from 17.7 million last year to 17.8 million in 2017 and 18 million next year. In percentage terms, unemployment rate will remain at 3.4 per cent in 2017-18.

Employment generation programmes/poverty eradication programmes/social welfare schemes

- **Community Development Programme(CDP)**-mother of social devt programme-1952 oct2
- **Integrated child development scheme(ICDS)**-1975 oct 2-fifth five year plan-tackle malnutrition of children 0-6,pregnant women and adolescent girls
- **Food for work programme(FFW)**-1977-in 2004 Nov 14 it changed to NFFWP (National food for work programme).in 2009, it merged to MGNREGP(Mahatma Gandhi national rural employment guarantee programme)
- **TRYSEM**-1979 August 15-training of rural youth for self employment-in 1999 april 1 it merged with SGSY(swarna jayanti grama swarozkar yojana)
- **IRDP**(integrated rural development programme)-1978-80

- **DWCRA**(development of women and child in rural area)-1982-merge with SGSY
- **RLEGP**(Rural landless employment guarantee programme)-merge with JRY
- **IAY**(Indhira awaz yojana)-1985 may- to provide houses for poorest of poor
- **NRJ**(Nehru rojgar yojana) and **JRY**(jawahar rozgar yojana)-1989 april-NRJ assure employment to urban people and JRY assure employment to rural people
- **MSY**(mahila samrithi yojana) 1993 oct 2-empowering the rural women through building thrift habit,self reliance and confidence-merged with MSSY IN 2001 July
- **PMRY**(prime minister rozgar yojana)-1993 oct 2-to provide self employment opportunities to the unemployed youth and women by starting seven lacks micro ventures
- **MDM**(mid day meal programme)-1995-first started in Tamilnadu
- **BSY**(balika samridi yojana)-1997 aug 15-to change negative attitude of community towards girl child
- **AAY**(anthodaya anna yojana)-2000 dec 25-providing food grains to poover among the poorest family-first started in Rajastan
- **Annapoorna scheme**-2000 april 1-for senior citizens-the beneficiaries are given 10 kgs of food grains per months at free of cost
- **VAMBAY**(valmiki ambedkar awas yojana)-2001 dec 2-to improve the circumstances of the slum inhabitants in urban areas living under poverty line
- **Kudumbasree**-1998 may 17-main aim poverty eradication,women empowerment and micro credit facility
- **Bharat nirman**-2005 dec 16-10th plan-for rural infracture and provide fundamental facilities to rual cities in the country

- ***Pradhan mantra jan dhan yojana***-2014 augt 28-to eradicate financial untouchability of rural poor
- ***Making india***-2014 sept 25-to increase production of india and GDP
- ***Swatch bharat abhiyan***-2014 oct 2-clean india campaign
- ***Sukanya samrithi yojana***-2015 jan 22-girl child prosperity scheme
- ***Beti bachavo beti patavo***-2015 jan 22 save girl child
- ***Mudra bank***-micro unit of development refinance agency bank-2015 april 8-providing loans for small scale industries

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Agriculture

- The performance of agriculture sector influences the growth of Indian economy. Indian economy is based on agriculture. Agriculture is the largest livelihood provider in India. 52% of the total population of India depends on agriculture
- India –largest producer of Milk, Jute, Pulses, Mango, Banana and Sapota. Second largest producer of wheat, vegetables, fish, onions etc
- India ranks third in tobacco production and sixth in coffee production
- India accounts 10% of world food production
- food grain production rose from 52 million tons in 1951-52 to 257.4 million tons in 2011-12
- However, the share of agriculture in national income has been comedown. Share of GVA of Agriculture and Allied sector in total GVA was 18.2 in 2011-12 which came down to 17.4 in 2016-17.

Green revolution in India

- It is the new agricultural strategy was adopted in India during 1960s
- Increase in agricultural production using High Yielding Variety (HYV) seeds and chemical fertilizers. That is the traditional agricultural practices replaced by new production strategy.
- In 1960, from seven states seven districts were selected and the Government introduced a pilot project known as Intensive Area Development Programme (IADP) into those seven districts.
- Later, this programme was extended to remaining states and one district from each state was selected for intensive development. Accordingly, in 1965, 144 districts (out of 325) were selected for intensive cultivation and the programme was renamed as Intensive Agricultural Areas Programme (IAAP).

Points to note

- Father of green revolution-Norman Ernest Borlaug. He is known as “The man who saved a billion lives”
- Father of green revolution in india- Dr.M.S Swaminathan
- Sponsor of this programme was Rockefeller Foundation. Later became the “The International Maize and Wheat Improvement Center” or CIMMYT.
- Pioneer state in green revolution-Punjab.it is known as Granary of India

Impact of Green Revolution:

- Increase in Agricultural Production-

The production of rice has increased from 35 million tonnes in 1960-61 to 54 million tonnes in 1980-81 and then to 106.5 million tonnes in 2013-14. The yield per hectare has also improved from 1013 kgs in 1960 to 1,101 kg in 2013-2014.

Again the production of wheat has also increased significantly from 11 million tonnes in 1950-51 to 36 million tonnes in 1980-81 and then to 95.9 million tonnes in 2013-2014.

The new agricultural strategy was very much restricted to the production of foodgrains, mostly wheat and rice. Thus, the commercial crops like sugarcane, cotton, jute, oilseeds could not achieve a significant increase in its production.

- Increase in productivity -The yield per unit of farm land improved by more than 30 percent between 1947 and 1979. During first 10 years of Green Revolution, crop area under HYV seeds grew from 7% to 22%.
- Employment Opportunities-Due to the introduction of multiple cropping, job opportunities in the rural areas has also expanded as the demand for hired workers required for farm activities increased simultaneously.
- Increase in Regional Disparities-
As the green revolution was very much restricted to production of wheat thus the benefits were very much restricted to 20.4 million hectares of area engaged in wheat production (only 12 per cent of gross cropped area) accordingly the regions of Punjab, Haryana and Western Uttar Pradesh derived the benefits of new agricultural strategy.

But the agriculture of the remaining more than 80 per cent of the cropped area of the country is still depending on vagaries of the monsoons in the absence of irrigation facilities.

Points to note

- Rainbow revolution/food chain revolution in india
 1. Green-food grain production
 2. White – milk
 3. Yellow –oil seeds
 4. Blue –fisheries
 5. Red- meat/tomato
 6. Golden –fruits-apple
 7. Grey –fertilizers
 8. Balck/brown-non conventional energy sources
 9. Silver-egg
 - 10.Round- potato
- Father of white revolution- Dr. Varghese Kurien

Land reforms in India

- It refers to an institutional measure directed towards altering the existing pattern of ownership, tenancy and management of land.

The major objectives

1. Restructuring of agrarian relations to achieve an egalitarian structure;
2. Elimination of exploitation in land relations;
3. Actualization of the goal of “land to the tiller”;
4. Improvement of socio-economic conditions of the rural poor by widening their land base;
5. Increasing agricultural production and productivity;
6. Facilitating land-based development of rural poor;
7. Infusion of a great measure of equality in local institutions

Measures of Land Reforms

- **Abolition of intermediaries:** it involved removal of intermediary levels or layers of various amorphous and parasitic groups in land between the State and the actual cultivators.

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

- **Tenancy Reforms:**

Tenancy legislations have taken three forms:

(i) Regulation of rent- Rent payable to the landowners should not exceed one-fifth to one-fourth of the gross produce of land

(ii) Providing security of tenure - in no case the tenants can be evicted except only in the situation where landlords themselves want to resume cultivation

(iii) Conferring rights of ownership for tenants-

- **Ceiling on Landholdings:** it was envisaged that land above a certain limit would be acquired by the State and redistributed among the landless workers and small farmers so as to meet their hunger for land and, thus, to enable them to create economic holdings

Up to end September 2001, the total amount of land declared surplus was 73.67 lakh acres, 64.95 lakh acres of land have been taken over by the states. A total of 53.79 lakh acres of land have been distributed among 54.84 lakh tenants.

- **Consolidation of Landholdings-**Fragmented and subdivided landholdings as well as small-sized holdings have made Indian agriculture un-remunerative.

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

Agriculture growth

	2012-13	2013-14	2014-15	2015-16	2016-17
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Growth in GVA in Agriculture and Allied Sector	1.5	5.6	-0.2	0.7	4.9
Share of GVA of Agriculture and Allied sector in total GVA	18.2	18.6	18.0	17.5	17.4
Share in GCF	7.6	8.5	7.8	6.9	

Five year plans and agriculture growth

plan	Growth rate
First	2.71
Second	3.15
Third	0.73
Forth	4.16
Fifth	3.28
Sixth	2.52
Seventh	3.42
Eight	4.68
Ninth	2.06
Tenth	2.3
eleventh	4(3.6%)
twelfth	---

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INDUSRTY

- An industry is a group of organizations involved in producing/manufacturing or handling the same type of product and service.

Industrial policies in India

Industrial policy means government action to influence the ownership and structure of industry and its performance and it takes the form of paying subsidies or providing finance in other ways, or of regulation

Industrial Policy Resolution of 1948:

- Announced on 6th Apr 1948 by the Union industry minister M Shyma Prasad Mukherjee
- It envisaged a mixed economy.
- Envisage ctive role for the state. Basic and strategic industries such as arms and ammunication, atomic energy, railways, etc., shall be the exclusive monopoly of the State.

Industrial Policy of 1956:

- Announced on 30 April 1956
- It has been known as “he Economic Constitution of India” or “The Bible of State Capitalism”.
- the Resolution classified industries into three categories having regard to the role which the State would play in each of them:
 1. Schedule A consisting of 17 industries would be the exclusive responsibility of the State.
 2. Out of these 17 industries, four industries, namely arms and ammunication, atomic energy, railways and air transport would be Central Government monopolies; new units in the remaining industries would be developed by the State Governments.

3. Schedule B, consisting of 12 industries, would be open to both the private and public sectors; however, such industries would be progressively State-owned.
 4. All the other industries not included in these two Schedules constituted the third category which was left open to the private sector. However, the State reserved the right to undertake any type of industrial production.
- The IPR 1956, stressed the importance of cottage and small scale industries for expanding employment opportunities and for wider decentralisation of economic power and activity

Industrial Policy of 1991:

- liberalized industrial policy
- was announced by the Government of India on 24 July 1991

objectives

- To maintain sustained growth in productivity
- To enhance gainful employment
- To achieve optimum utilization of human resources
- To attain international competitiveness
- To transform india into a major partner and players in the global arena

Main focus on

- Deregulating Indian industry

Main provisions.

- Industrial licensing will be abolished for all projects except for a short list of industries (18 selected sectors)
- The policy provides for automatic clearance for import of capital goods in cases where the foreign exchange availability is ensured through foreign equity.
- The policy envisages disinvestment of government equity in public sector to mutual funds, financial institutions, general public and workers.
- In order to invite foreign investment in high priority industries, requiring large investments and advanced technology, it has been decided to provide

approval for direct foreign investment up to 51 p.c. foreign equity in such industries.

Small scale industries

- The industries which maximum investment Rs 1 crore
- Leading industrial state-Maharashtra,Gujarat and Tamil Nadu
- Backward industrial state- Kerala, Rajasthan, Himachal Pradesh

Gross Value Added growth rate at Constant Price (2011-12)

	2015-16	2016-17
Industry	8.8	5.6
Mining & Quarrying	10.5	1.8
Manufacturing	10.8	7.9
Electricity, water, Gas , other utility services	5.0	7.2
Construction	2.0	1.7

Points to note

- First steel plant in India- Bengal iron works company in 1870
- First large scale steel plant- TISCO at Jamshedpur 1907- setup by Jamshedji Tata
- First public sector unit- Vishewasayya iron and steel woks at Bhadrawati

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Public Economics

Fiscal policy

- Fiscal policy means the use of taxation and public expenditure by the government for stabilization or growth of the economy.

General objectives of Fiscal Policy are given below:

- To maintain and achieve full employment.
 - To stabilize the price level.
 - To stabilize the growth rate of the economy.
 - To maintain equilibrium in the Balance of Payment
 - To promote the economic development of underdeveloped countries.
- In india fiscal policy implemented through budget

Budget

- It is an anticipated statement of income and expenditure of Govt. in a financial year
- The word budget is not mentioned in the constitution
- Instead of budget, it uses the term *annual financial statement* in Article 112.

Objectives of budget

1. Government aims to reallocate resources in accordance with the economic (profit maximisation) and social (public welfare) priorities of the country.
2. Government aims to reduce such inequalities of income and wealth, through its budgetary policy. Government aims to influence distribution of income by imposing taxes on the rich and spending more on the welfare of the poor.

3. Government budget is used to prevent business fluctuations of inflation or deflation to achieve the objective of economic stability.
4. Budget is prepared with the objective of making various provisions for managing such enterprises and providing those financial help.
5. budgetary policy aims to mobilise sufficient resources for investment in the public sector
6. The government budget aims to reduce regional disparities through its taxation and expenditure policy for encouraging setting up of production units in economically backward regions.

Components of budget

- Govt. budgets divided into two parts-Revenue budget and capital budget
- Revenue budget or revenue account includes current financial transactions of the govt. which are of recurring in nature. Revenue Budget consists of the revenue receipts of the government and the expenditure is met from this revenues
- Capital budget is a statement of estimated capital receipts and payments of the govt. over fiscal year. The Capital Account is related to the acquisition and disposal of capital assets. It consists of capital receipts and capital expenditure.

Expenditure

- before 1987- 88 total expenditure of government can be classified into Developmental or non developmental expenditure.
- From 1987-88 onwards-total expenditure can be classified into Plan expenditure and Non-plan expenditure-under the recommendation of Sukhomoy Chakravarty Committee
- From the financial year- 2017-18, on recommendation of Bibek Debroy Committee the budget has abolished the distinction of plan and non plan expenditure.

Points to note

Budgets in India

- Separation of Railway budget from General budget was the recommendation of Acworth Committee(1924)
- Budget-Presented in Lok Sabha and prior permission from President is needed for presenting a budget.
- First Budget in India- 1860- James Wilson
- Ist budget in free India- R K Shanmugam Chetty -1947
- Highest number of Budgets presented by Moraji Desai(10)
- Only woman who presented budget in India – Indira Gandhi
- 1973-74 Black Budget
- 1997-98- Dream Budget

Stages in the Enactment of the Budget

1. Presentation of Budget
2. General Discussion (3 to 4 days)
3. Voting on Demand for Grants (26 days)
4. Passing and the Appropriation of Bills (Expenditure Bill)
5. Passing the Finance Bill (Tax Proposals)

Government Accounts

7. Consolidated Fund of India (Article 266 (1))
 - chief account of the Government of India
 - The inflow to this fund is by way of taxes like Income Tax, Central Excise, Customs and also non-tax revenues
 - No amount can be withdrawn from the fund without the authorisation from the Parliament.
8. Public Account (Article 266 (2))
 - Parliamentary authorization for payments from the Public Account is therefore not required
9. Contingency Fund of India (Article 267 (1))
 - Meeting unforeseen expenditure
 - No money can be withdrawn from this fund without the Parliament's approval

Concepts of Deficits

- **Revenue Deficits**: Excess of expenditure on revenue account over receipts on revenue account
- **Capital Deficit** : Excess of capital disbursements over capital receipts.
- **Fiscal Deficit**: Total Expenditure – (Revenue Receipts + Non-debt Capital Receipts)
or
Fiscal deficit = Total expenditure – Total receipts excluding borrowings.
- **Primary Deficit**: Fiscal deficit minus interest payments.
- **Budgetary deficit**: Total Revenue–Total–Expenditure.it is the overall deficit. This concept has been discontinued from 1996-97 onwards.
- **Effective Revenue Deficit**: Revenue Deficit–Grants for creation of capital asset.

It was first introduced in India in the Union Budget 2011-12..

Deficits trends in India

Year	Revenue Deficit	Fiscal Deficit	Primary Deficit	Effective Revenue Deficit
2014-15	2.9	4.1	0.9	1.9
2015-16	2.5	3.9	0.7	1.6
2016-17 BE	2.3	3.5	0.3	1.2
2016-17 RE	2.1	3.5	0.3	0.9
2017-18 BE	1.9	3.2	0.1	0.7
2017- 18 RE	2.6	3.5	0.4	1.5
2018-19 BE	2.2	3.3	0.3	1.2

- **Gender budgeting-2005-06** .It doesn't mean separate budget for women-it aimed to contribute towards the women empowerment and removal of inequality.
- The **Fiscal Responsibility and Budget Management (FRBM) Act**-To reduce India's fiscal deficit. To wipe out revenue deficit and cut fiscal deficit to 3% of GDP by 2008- 09.

- In 2008-09, FD:6.0%, RD: 4.5%.
- The amended rules extended the time for elimination of Effective revenue deficit by March 2015 and bringing down fiscal deficit to 3% by March 2017.

Union Budget 2018-19

- The Union Budget for 2018-19 has been announced by Mr Arun Jaitley, Union Minister for Finance, Government of India, in Parliament on February 1, 2018
- It focuses on uplifting the rural economy and strengthening of the agriculture sector, healthcare for the economically less privileged, infrastructure creation and improvement in the quality of education of the country.

Highlights of Union Budget 2018-19

Overview of the economy

- The GDP grew at 6.3 per cent in the second quarter of 2017-18 and is expected to grow at 7.2-7.5 per cent in the second half of 2017-18.
- Growth for 2018-19 is forecasted at 7.4 per cent by the International Monetary Fund (IMF).
- Exports are expected to grow at 15 per cent in 2017-18.
- Fiscal deficit target for 2018-19 is set at 3.3 per cent of the GDP.
- Fiscal deficit for 2017-18 is revised to Rs 5.95 lakh crore (US\$ 93.54 billion) at 3.5 per cent of the GDP.

Agriculture and Rural Economy

- The government is committed towards doubling the farmers' income by 2022.
- A total of Rs 14.34 lakh crore (US\$ 225.43 billion) will be spent for creation of livelihood and infrastructure in rural areas.

- Minimum Support Price (MSP) for all announced kharif crops will be at least one and half times of their production cost, similar to the majority of rabi crops.
- Institutional credit to the agriculture sector is targeted at Rs 11 lakh crore
- A Fisheries and Aqua culture Infrastructure Development Fund (FAIDF) and an animal Husbandry Infrastructure Development Fund (AHIDF) will be started with a total corpus of Rs 10,000 crore
- An Agri-Market Infrastructure Fund will be started with a corpus of Rs 2,000 crore
- A restructured National Bamboo Mission will be launched with a total outlay of Rs 1,290 crore
- Allocation for the National Rural Livelihood Mission is increased to Rs 5,750 crore
- Budgeted expenditure on health, education and social protection for 2018-19 is Rs 1.38 lakh crore (US\$ 21.69 billion) which is expected to increase by Rs 15,000 crore (US\$ 2.36 billion) after additional allocations during the year.
- Role of technology in the education sector will be increased with a focus on increased digital intensity.
- A new initiative named ‘Revitalising Infrastructure and Systems in Education (RISE) by 2022’ will be launched with an investment of Rs 1 lakh crore (US\$ 15.72 billion) over the next four years.
- National Health Protection Scheme will be launched, which will cover over 10 million poor families with a coverage of up to Rs 5 lakh (US\$ 7,860). This will be the world’s largest government funded health care programme.
- A total of 24 new government medical colleges and hospitals will be set up.

Medium, Small and Micro Enterprises (MSMEs)

- A total of Rs 3,790 crore (US\$ 596.43 million) has been provided for the MSME sector for credit support, capital and interest subsidy and innovations.
- Formalization in the MSME sector is happening at a fast pace after the introduction of the Goods and Services Tax (GST) and demonetisation.

Employment Generation

- As per an independent study conducted, over 7 million formal jobs will be created in the country during 2018-19.
- The Government of India will contribute 12 per cent of the wages of the new employees in the Employees' Provident Fund for all the sectors in the next three years.

Infrastructure and Financial Sector Development

- Investments in excess of Rs 50 lakh crore (US\$ 786.02 billion) are required in the country's infrastructure to increase the growth of GDP and connect and integrate country's transport network.
- Budgetary allocation for infrastructure is set at Rs 5.97 lakh crore

Railways

- Capital expenditure in the railways sector for 2018-19 is set at Rs 148,528 crore (US\$ 23.35 billion).
- 12000 wagons, 5160 coaches and around 700 locomotives will be procured during 2018-19

Digital Economy

- Budgetary allocation of Rs 3,073 crore (US\$ 483.09 million) for the Digital India programme is made for 2018-19.
- A national program will be initiated by NITI Aayog to increase efforts in the area of artificial intelligence.

Fiscal Management

- Total budgeted expenditure for 2018-19 is set at Rs 2,442,213 crore
- Central Government's debt to GDP ratio will be brought down to 40 per cent, as per the recommendations of the Fiscal Reform and Budget Management Committee.
- Growth in direct taxes for 2017-18 (up to January 15, 2018) has been 18.7 per cent while for 2016-17 it was 12.6 per cent.

MAJOR TAXES IN INDIA

- ***Income Tax*** - In India income tax was introduced in 1860 by Sir James Wilson. The Income Tax Act, 1961, is the basis of Income Tax in India
- ***Corporation Tax*** - A corporation tax is a tax on net income of business corporations or companies.
- ***Expenditure Tax*** - Expenditure tax is a tax on expenditure. It is levied when the income is spent. It was first imposed in 1958— following to the recommendations of Professor. Nicholas Kaldor. Later it was abolished
- ***Wealth Tax*** – it is levied on the net wealth of individual. Also known as a tax on capital or property taxation. This tax was imposed on the— recommendation of Professor Nicholas Kaldor in 1957. The wealth tax was abolished in 2015.
- ***Gift Tax*** - The Gift tax was introduced in April 1958 on the recommendation of Professor Nicholas Kaldor. The Gift tax was also abolished in October, 1998.
- ***Securities Transactions Tax (STT)*** - This tax was introduced in 2004-05. STT is levied on the sale and purchase of securities at the dealing/ strike price.
- ***Banking Cash Transaction Tax*** - This tax was imposed for the first time in India during 2005-06. It was on withdrawals of cash from a current account in a bank in excess of a specified amount on any single day. The objective of this tax is to track the black money transactions.
- ***Union Excise Duty*** - The Constitution of India, under Articles 269 and 270 has made a provision for levying Union Excise Duties on all commodities produced anywhere in India except alcoholic liquors and opium, narcotics and narcotic drugs (these are within the jurisdiction of the State governments)

- **Value Added Tax (VAT)** – VAT is a multi-point tax levied at each stage of value addition. VAT was first proposed by Germany but first implemented by France in 1954.

In India 'The Indirect Taxation Enquiry Committee' (L.K.Jha Committee), 1976 suggested to adopt VAT applied to the manufacturing stage combined with a reformed system of sales taxation.

Modified system of Value Added or MODVAT in the budget for 1986- 87. It came in to force with effect from March 1, 1986.

Central Value Added Tax (CENVAT) scheme by replacing the MODVAT scheme, with effect from April 1, 2000.

Goods and Services Tax(GST)

- Goods and Services Tax (GST) is an indirect tax which has been implemented in India on 1 July 2017.
- The main objective behind the implementation of this tax is to make a uniform tax system in the country.
- Due to the implementation of the GST, incidence of tax evasion will come down in the country. So GST will increase the total tax collection of the government.

Key facts related to the Goods and Services Tax (GST)

- The Goods and Services Tax (GST) was first implemented in France.
- India's GST is based on the Canadian model.
- GST in India was made on the recommendation of Vijay Kelkar Committee.
- GST in India was implemented on July 1, 2017
- The first state which implemented the GST was Assam.
- Amitabh Bachchan has been made the brand ambassador of GST.
- GST has been implemented under Article 279 of the Indian constitution.
- GST Council was formed by the President of India in September 2016.

- At present **Finance Minister Arun Jaitley is the Chairman of the GST Council.**
- At present GST Council has 31 members.
- GST has been implemented by the *101st Constitution Amendment Act, 2016.*
- The GST was the *122nd constitutional amendment bill* to be introduced in the Parliament of India.
- The President of India approved GST bill on 8th September 2016.
- During passing of GST bill in parliament; 336 votes casted in the favour of GST bill and 11 votes were against it.
- There is a provision of 5 years imprisonment for those who do not pay GST.
- One nation one tax
- Destination based tax
- There are 5 rates of taxes in GST i.e. 0%, 5%, 12%, 18% and 28%.
- GST is an indirect tax.
- After the implementation of GST, sales tax, service tax, customs duty, excise duty, VAT etc. will not exist.
- The biggest reason behind the implementation of the GST is to bring uniformity in the tax system of the country.
- After the implementation of GST, tradition of 'Tax upon Tax' will be eliminated.

Chelliah Committee on Tax Reforms 1991

- Father of Indian Tax Reforms
- For computing the Capital gains tax from an asset the value, the value of asset should be indexed for inflation.
- Conversion of existing MODVAT into a full fledged VAT system
- Service Tax-1994

Kerala financial structure: a brief analysis

Deficit trend of Kerala

Major deficit Indicators (as % of GSDP)

Year	Revenue	Fiscal Deficit	Primary deficit
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	Deficit		
2010- 11	1.36	2.87	-0.76
2011-12	2.61	4.16	-2.12
2012- 13	2.46	3.95	2.06
2013-14	2.63	3.94	2.02
2014-15	2.78	3.75	1.79
2015-16	1.65	3.04	1.15
2016- 17 BE	1.98	3.51	1.59
2016-17 RE	2.10	3.54	1.76
2017-18 BE	2.14	3.44	1.62

Kerala budget 2018

- The government has announced a comprehensive health care scheme through Kerala lottery. NRI chits of Kerala State Financial Enterprises (KSFE) will be started in next March-April.
- The government has also set apart Rs 1267 crore for welfare schemes for women and promised to clear by March dues of Kerala State Road Transport Corporation (KSRTC) pensioners, held up since the past six months.
- . In Isaac’s over two-hour long speech dotted by references to works of various women writers, the minister also announced that the rehabilitation package for Endosulfan victims would be fully implemented. In the first phase, Rs 50 crore had been sanctioned.
- Curbs have also been imposed on the purchase of government vehicles by various departments. “Instead of purchasing new vehicles, they can be hired on rent which would save costs by at least one-third,” he said.
- The government has also hiked the tax on Indian Made Foreign Liquor by 200 per cent. As per the latest budget, the liquor costing Rs

400 would be taxed 200 per cent and 210 per cent for liquor costing above Rs 400.

- The government has also stressed the need for reducing travel expenses. Foreign tours would be allowed only if necessary and video conferencing should be made use of to the maximum.
- Use of landline telephones should be reduced with stress on shifting to cost-effective packages of mobile phones.
- Purchase of luxury cars costing over Rs 14 lakh should be discouraged, Isaac said.
- The government has allocated Rs 1,267 crore for women welfare schemes, Rs 10 crore for welfare of transgenders and Rs 200 crore for various schemes for 'Kudumbashree', a woman neighbourhood network.
- The government has set apart Rs 970 crore for school education and Rs 954 crore for food subsidy in the budget. Providing much-needed help to revamp the ailing KSRTC, the government has set apart Rs 1,000 crore. The pension arrears will be cleared by March.
- Every year the government was spending Rs 6000 crore on social security pension

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Planning

A Plan is some specific objectives and goals to be achieved in a specified time period. We use plan to allocate our resources.

- **Perspective Plan:** plan with very long term cutting across five year plans.
- **Rolling Plan:** under this there is not any terminal year of plan, as a year of lapse this is automatically extended by another year. This approach takes planning continuous and flexible.
- **Regional planning:** first started at USA in 1916. It was a regional plan-Tannese Valley Project
- **Imperative Planning:** (also known as Direct or Target Planning) .This type of planning is followed by state economies (centrally planned economies) like Russia, China .Targets of growth and development are set by Plans
 - State controls the ownership of resources
 - There is no role for market
 - There is no private participation in economy
 - It was introduced by USSR in 1928.
- **Indicative Planning:** This kind of planning is followed by mixed economies.
 - State sets target indicative in nature for growth and development
 - Based on the market (price system)
 - State encourage private sector
- First **five year plan** was implemented by Joseph Stalin in the Soviet Union

ECONOMIC PLANNING IN INDIA

History of Planning in India

- First attempt in the direction of planning in India was by M.Visvesaraya. He is considered as father of Indian planning.
- In 1934. FICCI(Federation of Indian Chambers of Commerce and Industry) made a proposal demanding a central and powerful body like planning commission
- In 1938 National Planning Commission was created under the chairmanship of Jawaharlal Nehru
- “ A plan of economic development” popularly known as Bombay plan was another important step in this direction
- Gandhian plan 1944, peoples plan 1945, Sarvodaya plan 1950 etc are major milestones as par as Indian planning is concerned

Planning commision

- On 1950 march 15, planning commission was setup on the recommendations of planning advisory board
- It was a non constitutional and non statutory and an advisory body
- It prepares the draft of five year plan
- Prime minister is exofficio chairman
- First chairman: Jawaharlal Nehru
- First deputy chairman: Gularilal Nanda
- Last deputy chairman: M.S Ahaluwalia

Functions of Planning Commission

1. Assessment of the material, capital and human resources of the country, including technical personnel, and formulation of proposals for augmenting such of these resources as are found to be deficient ;
2. Formulation of Plan for the most effective and balanced utilisation of the country's resources;
3. Definition of stages in which the Plan should be carried out on a determination of priorities and allocation of resources for completion of each stage;
4. Determination of the nature of the machinery necessary for the implementation of the Plan in all its aspects;

5. Appraisal from time to time of the progress achieved in the execution of each stage of the Plan

6. Public Cooperation in National Development;

- National Development Council (1952): advisory body attached to planning commission

Objectives of planning in India

1. Economic growth
2. Self reliance
3. Eradication of poverty
4. Employment generation
5. Reduction of inequality
6. Modernization

Five year plans : a brief overview

Five year plan	Growth model	features	Growth rate
First plan (1951 - 56)	Harrod-Domar Model.	<ul style="list-style-type: none"> ▪ The Plan Focussed on agriculture, price stability, power and transport ▪ It was a successful plan primarily because of good harvests in the last two years of the plan 	Target Growth : 2.1 % Actual Growth 3.6 %
Second Plan (1956 - 61)	Nehru-Mahalanobis-Feldman model	<ul style="list-style-type: none"> ▪ The Plan Focussed on rapid industrialization- heavy & basic Industries ▪ Aim: socialist economy ▪ only moderately successful. 	Target Growth: 4.5% Actual Growth: 4.3%
Third Plan (1961 - 66)	John Sandy & S Chakravarthy	<ul style="list-style-type: none"> ▪ Called Gadgil yogana ▪ Service sector development model ▪ During this paln Indian economy has entered a 	Target Growth: 5.6% Actual Growth: 2.8%

		<p>“takeoff stage”</p> <ul style="list-style-type: none"> • The Plan was thorough failure in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war(1965), severe drought 1965-66. 	
Three Annual Plans (1966-69)		<ul style="list-style-type: none"> • Plan holiday. • During these plans a whole new agricultural strategy was implemented. It involving wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilizers, exploitation of irrigation potential and soil conservation 	
Fourth Plan (1969 - 74)	Allen S manne & Ashok Rudra	<ul style="list-style-type: none"> • Objective: growth with stability and “progressive achievement of self reliance • Implementation of Family Planning Programmes ws one of main target • Followed Gadgil formula • White revolution • the plan is considered as big failure because of Influx of Bangladeshi refugees before and after 1971 Indo-Pak war 	Target Growth: 5.7% Actual Growth: 3.3%
Fifth Plan (1974-79)	Dhar model	<ul style="list-style-type: none"> • It proposed to achieve two main objectives: 'removal of poverty' (Garibi Hatao) and 'attainment of self reliance' • Minimum needs programme • Food for work programme • Terminated a year earlier 	Target Growth: 4.4% Actual Growth: 4.8%
Rolling plan		<ul style="list-style-type: none"> • Put forward by Janta Govt. 	

(1978 - 80)			
Sixth Plan (1980 - 85)		<ul style="list-style-type: none"> ▪ End of Nehruvian socialism ▪ Beginning of economic liberalization ▪ Objectives: removal of poverty and moderniation 	Target Growth: 5.2% Actual Growth: 5.7%
Seventh Plan (1985 - 90)		<ul style="list-style-type: none"> ▪ focus on ‘food, work & productivity’. ▪ The plan was very successful as the economy recorded 6% growth Rate ▪ Long term fiscal policy plan 	Target Growth: 5.0% Actual Growth: 6.0%
Annual plans(1990- 92)		<ul style="list-style-type: none"> ▪ Due to economic crisis,political instability and gulf wars 	
Eight plan (1992 - 97)	John W Miller model	<ul style="list-style-type: none"> ▪ Beginning of liberazliation,privatization and globalization(LPG) ▪ Also called Rao-Manmohan model ▪ Objective:human resource development 	Target Growth 5.6 % Actual Growth 6.8%
Ninth Plan (1997- 2002)		<ul style="list-style-type: none"> ▪ Objective:growth with social justice and equality ▪ Peoples plan ▪ Importance to decentralization 	Target Growth: 6.5% Actual Growth: 5.4%
Tenth Plan (2002 - 2007)		<ul style="list-style-type: none"> ▪ Objective:attain 8 % GDP growth rate ▪ Growth with emphasis on human development ▪ PURA(providing urban amenties in rural area) stategy- Dr APJ Abdul Kalam ▪ India had emerged as one of the fastest growing economy by the end of the Tenth Plan 	Target Growth 8 % Actual Growth 7.6 %

Eleventh Plan (2007 - 2012)		<ul style="list-style-type: none"> ▪ aimed “Towards Faster & More Inclusive Growth” ▪ targets-7 million new jobs, lower IMR,CMR, safe drinking water to all, to improve sex ratio 	Target Growth 9 % Actual Growth 8%
Twelfth Plan (2012- 17)		<ul style="list-style-type: none"> ▪ faster,more inclusive and sustainable growth ▪ high priority-skill development ▪ proposed target 9% 	

- The 12th and last five year plan of India was completed on March 31, 2017. With this, the five year plans have become a thing of past. It was already announced that there will be no more five year plans
- In August, 2017, NITI Aayog has come up with a new idea of planning for future development of India

NITI Aayog

- National Institution for transforming india
- Established on Jan 1st 2015
- Chair person: prime minster
- Present chairman :Narendra Modi
 - Vice chairman: Rajiv Kumar
 - CEO: Amitav Khant
 - Economist in NITI aayog- Bibek Debroy
- The core idea is that *India has still not abandoned the process of planning and the country still has planned development in action.*
- However, the only difference is that the process of planning is entirely different;instead of a single five year plan, the country will have **three plans spread over three different time periods.**
 - First is a 15 year “**Vision**” that encompasses overall goals and objectives of the country for next 15 years.

- Second is a 7 year “***Strategy***” which lays the roadmap of development for next seven years dividing those goals and objectives into two parts.
- Third and Final is a “***Three Year Action Agenda***” which states the tasks and targets to be accomplished in next three years time frame, further dividing the strategy into two parts

Achievements and limitations of India’s Five Year Plans

Achievements

- Increase in National Income
- Increase in Per Capita Income
- Development in Agriculture
- Development of Industry
- Development of Transport and Communication
- considerable progress seems to have been made towards the achievement of self reliance
- increase the employment opportunities
- due to the development of agriculture, industry and defense, the rate of capital formation has also increased
- social services, like, education, health and medical facilities, family planning and have also expanded considerably.

Limitations

- The foremost drawback of Indian plans is that they are based on inaccurate assumptions and lacks the practical outlook
- Plans is of unduly over ambition is one another reason for failure of five year plans. Our plans have multiplicity of objectives. The planners never bothered about the fact that we neither have the adequate financial resources nor the requisite administrative capacity to implement such huge plans.
- For the slow growth of Indian plans, natural factors are equally responsible. Despite our stern efforts made in agricultural sector, it still

remains dependent on monsoon. Similarly, droughts and famines during the period of successive plans have added fuel to the fire by making adverse effect on the economy.

- Rapid growth rate of population is also another retarding factor in the smooth working of the Five Year Plans.
- there is also incoordination among central and state governments which is largely responsible for failure of plans.

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Economic Reform Policies

- **Economic reforms** refer to the changes introduced by the Government to bring an improvement in the economy of the country.
- The Indian Government has introduced many Economic Reforms in India since 1991.

Background of economic reforms in India

- During 1990-91, India had to face various economic problems.
- The massive deficiency in foreign trade balance was expanding further. Since 1987-88 till 1990-91 it was increasing in such a rapid scale that by the end of 1990-91 the amount of this deficit balance became 10,644 crores of rupees.(3.2%)
- At the same time the foreign exchange stock was also decreasing
- India was also suffering from inflation, the rate of which was 12% by 1991
- Fiscal deficit of India was 9.4 % and current account deficit was 3.1%
- On the other hand GDP growth rate was merely 1.3%

Reform Measures

To get relief from such economic problem the government of India had only two ways before it:

1. To take foreign debt and to create favorable conditions within the country for increasing the flow of foreign exchange and also to increase the volume of export.
2. The other was to establish fiscal discipline within the country and to make structural adjustment for the purpose.

Hence the government of India had to introduce a package of reforms which included:

1. To liberalize the industrial policy of the government and to invite foreign investment by privatization of industries and abolishing the license system as a part of that liberalization.
2. Automatic approval for Foreign Direct Investment (FDI) was introduced for many industrial sectors.
3. To make the import-export policy of the country more liberal and so that the export of Indian goods may become more easy and the necessary raw materials and instruments for both industrial development and production of exportable commodities may be imported and also to facilitate free trade by reducing the import duty.
4. To decrease the value of money in terms of dollar.
5. To take huge amount of foreign debt from the IMF and the world Bank for rejuvenating the economic condition of the country and to introduce the structural adjustment in the economic condition of the country as a pre-condition of that debt.
6. To reform the banking system and the tax structure of the country.
7. To establish market economy by withdrawing and restricting government interference on investment.
8. For several industries, the monopoly of public sector came to an end.
9. To encourage the private sector to make investment in large scale industries

Two phases of the reform

the main objectives of the new fiscal policy are, however, to establish economic structural adjustment at the first stage and then to establish market economy by removing all controls and restrictions on it. The **two phases** in the structural adjustment phase:

Macroeconomic stabilization Measures

- To boost the aggregate demand.
- Creation of the gainful and quality employment opportunities.

Structural Adjustment

- To do away with all kinds of fiscal deficits.
- Domestic Deregulation

Economic reforms in india

First Generation Reforms: (1991-2000)

- Promotion of Private Sector
- Public Sector Reforms
- External Reform Sectors
- Financial Sector Reforms
- Tax Reforms

Second Generation Reforms (2000-01 onwards)

- Factor market reforms.
- Legal Sector reforms.
- Reforms in critical areas.

Third Generation Reforms

- 10th FYP onwards
- Panchayath Raj Institutions
- Inclusion

Fourth Generation Reforms

- I T enabled Reforms

Industrial Reforms (NIP-1991)

- July, 1991.
- To convert the distortion and weakness of the sector.

Focus of New industrial policy, 1991

- De-reservation of the Industries- Out of the 17 industries reserved for the public sector under the 1956 industrial policy, the new policy de-reserved 9 industries and thus limited the scope of public sector to only 8 industries. Now- Nuclear Energy and Railway reserved exclusively for govt.
- De-licensing of the Industries: 18 industries needed Industrial licensing. Now only five; Distillation and brewing of alcoholic drinks, Cigarettes and manufactured tobacco substitutes, Electronic aerospace and defence equipment of all types, Industrial explosives, Hazardous chemicals

- **Abolition of the MRTP Limit:** as per MRTP Act 1969-70 the firms with assets of Rs. 25 Crore or more –MRTP companies . Upper limit of Rs. 25 Crore -MRTP limit. Later relaxed to Rs. 50 crore in 1980, Rs. 100 Crore in 1985 and in 1991 this limit was removed.

Points to note

- Dutt committee-industrial licensing policy Inquiry committee-Recommended MRTP act
- Competition act , 2001- replaced MRTP act and Competition Commission of India replaced the MRTP commission

Disinvestment

- In 1991 govt. announced 20% diinvestment in selected public sector undertakings
- Rangarajan committee recommended 49% disinvestment in public sector undertakings reserved for public sector
- In 2000, dept of Disinvestment was setup which later renamed as Department of Investment and Public Asset Management(DIPAM)

National investment fund-

- 2005 3rd nov
- It is the fund that disinvestment which channelized to social sector reforms and capital investment

Banking Reforms

- **Narasimham committee(1991 and 1998)**
 - Recommended De-nationalization
 - Four tier Hierarchy in Banking:
 - 3 to 4 Banks- International
 - 8 to 10- National
 - Local Banks
 - RRBs- Agriculture
- **Small finance banks-** basic banking facilities to the unbanked area- 2015

- **Payment Banking:** New model of banks conceptualised by the Reserve Bank of India (RBI). These banks can accept a restricted deposit, which is currently limited to 1 lakh per customer. .recommended by Nachiket Mor committee
- **Baratiya Mahila Bank (BMB)** .On 19 November 2013.A bank exclusively for women. Merged with State Bank of India on 31 March 2017.
- **MUDRA** Budget of 2015-16- Micro Units Development Refinance Agency
- **SEBI-** securities and exchange board of India-1988

External sector Reforms:

- Indian rupee was devalued twice in 1991.
- Foreign investment- FDI & FPI
- SEZ-2000
- FERA(foreign exchange regulation act) to FEMA (foreign exchange management act)
- Export Promotion Capital Goods
- Vishesh Krishi Upaj Yojana

Recent reforms

1. GST: (6th module)
2. **Demonetization:**
On Nov 8, 2016 govt .withrawn currencies of 500 and 1000

Objectives

1. To track fake currency
2. To cutoff supply chain of currency
3. To transform Indian economy to cashless economy
4. To unearth and curb black money
5. To bring tax evasion to halt

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