INDIAN ECONOMY

SECTORS OF INDIAN ECONOMY

Indian economy is a mixed economy. It comprises both Public and Private sector. Contribution of public sector in gross production is less than 20%. Post liberalisation, India is moving ahead towards [SSCCGL2008] Market Economy

Indian economy is divided into three major sectors. These are Primary, Secondary and Tertiary sector. Primary sector consists of agriculture & allied activities, forestry and fisheries. Major portion of primary sector is occupied by Agriculture

Secondary sector includes industry, manufacturing, electricity and small enterprises. Manufacturing is having less percentage compared to other components. The contribution of secondary sector in GDP is 23.8%

Agriculture

After independence, policy of import replacement was followed. In 1950, Indian share in total world trade was 1.78%. Due to Import Substitution Policy, India’s share in world export was 53% in 1992. Current operating foreign trade policy is for year 2009-14

Export of India is broadly classified into four categories:- It include agriculture and allied products like coffee, tea, spices, fish products, etc. Second category being of ores and minerals which include manganese, iron-ore. India also export Mineral Fuels and Lubricants

India is having maximum trade with OECD countries. It includes US, EU and Japan. India is also venturing into markets of Latin America and Africa. One of the new promising market for Indian export, is ASEAN

Agriculture

India’s new Foreign Trade Policy (FTP) is applicable from 2009 to 2014. It has a bold vision to double Indian export of goods and services by 2014. It also focusses in generation of additional employment. New FTP aims to double India’s percentage in global trade by 2020

EXIM‘Policy is applicable for period 2009-14. It is announced by Ministry of Commerce and Industry. It is updated every year. ........ is an important component of Exam policy.

Special Economic Zone (SEZ)

Indian export include manufactured products like textiles, jute products, gems and jewellery. Handicraft sector has created a niche for itself in the international market. Indian export has shown a declining

trade in agriculture and allied sectors. Sector, which has shown an increasing trend in export sector, is Manufactured Goods

Balance of Payment (BoP) is a statement of all transactions of a country with the rest of the world during a given period. There are two types of account in BoP. Current account of BoP include merchandise (export and import) and invisible items. Invisible items include Services, Income and Transfers

Balance of payment on capital account can be classified by instrument (debt or equity) or maturity (long or short term) basis. Main component of capital account are foreign investment, loans and banking capital. FDI and FI are foreign investments which are non-debt liabilities. Debt liabilities constitute Loans and Banking Capital

The foreign exchange reserves of the country include three important components. It is foreign exchange asset of RBI, gold stock of RBI and SDR holding of government. India, faced an issue with its external reserves in 1991. After 1991, foreign exchange reserve have increased due to Devaluation of Rupee, Increased Foreign Investment

Central Statistical Organisation (CSO) has classified services in four broad categories. These are trade, hotel and restaurant, transport, storage and communication; financing, insurance, real estate and business service. Last being community, social and personal services. Category with highest share in services is Financing, Insurance Real Estate and Business Service

Tribal Cooperative Marketing Development Federation (TRIFED) was formed in 1987. It works under Ministry of Tribal Affairs. TRIFED Act as a service provider, facilitator, coordinator and market developer for tribal products. TRIFED is headquartered at New Delhi

Household saving contribute 60 to 80% of India’s Gross Domestic Saving. It has been the most stable component. Life Insurance and Provident Fund have higher allocation in household saving. Lowest share in household saving is of Shares, Debentures and Mutual Fund[SSCMITS2012]

FDI can come to India by two routes. One is through government route that is through Foreign Investment Promotion Board (FIPB). Second route is through Reserve Bank of India (RBI). RBI route is Automatic Route

Foreign Exchange Management Act (FEMA) was
INDIAN ECONOMY

passed in 1999. It has replaced Foreign Exchange Regulation Act (FERA). It seeks to make offenses related to foreign exchange as civil offenses. FEMA specification are consistent with

WTO Regime

Export Import Bank (EXIM) is the premier export finance institution of India. It was established in 1982. It worked particularly in the area of small and medium enterprise, export credit, etc. EXIM is headquartered at

Mumbai (India)

Five Year Plans At a Glance

<table>
<thead>
<tr>
<th>Plan</th>
<th>Emphasis of Plan</th>
<th>Growth Rate</th>
<th>Target</th>
<th>Achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>1/3rd of total expenditure kept aside for agricultural development.</td>
<td>2.1%</td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td>Second Plan (1956-61)</td>
<td>Its objective was rapid industrialisation. Three big industries were established at Bhilai (USSR); Durgapur (UK) and Rourkela (West Germany).</td>
<td>4.5%</td>
<td>4.2%</td>
<td></td>
</tr>
<tr>
<td>Third Plan (1961-66)</td>
<td>Self-reliant and self-generating economy was the goal; Indian economy entered the take-off stage; continued emphasis on heavy and basic industries.</td>
<td>5.6%</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Plan Holiday (1966-69)</td>
<td>Three Annual Plans were formulated on account of Indo-Pak Conflict, two successive years of drought, devolution of currency by 36% and general rise in prices.</td>
<td>5.7%</td>
<td>3.2%</td>
<td></td>
</tr>
<tr>
<td>Fourth Plan (1969-74)</td>
<td>Growth with stability and progressive achievement of self-reliance.</td>
<td>4.4%</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Fifth Plan (1974-78)</td>
<td>Locomotive factory at Chittaranjan and Coach factory at Perambur were established.</td>
<td>4.4%</td>
<td>5.0%</td>
<td></td>
</tr>
<tr>
<td>Sixth Plan (1980-85)</td>
<td>Removal of poverty and attainment of self-reliance.</td>
<td>5.0%</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>Seventh Plan (1985-90)</td>
<td>Food, work and productivity were the main objectives of this plan.</td>
<td>5.0%</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>Eighth Plan (1992-97)</td>
<td>To provide a new dynamism to the economy and improve life quality of the common man.</td>
<td>5.6%</td>
<td>6.5%</td>
<td></td>
</tr>
<tr>
<td>Ninth Plan (1997-2002)</td>
<td>The planning became indicative and facilitative.</td>
<td>6.5%</td>
<td>5.5%</td>
<td></td>
</tr>
<tr>
<td>Tenth Plan (2002-07)</td>
<td>The recession in international economy was held and responsible for the failure of the Ninth Plan.</td>
<td>8%</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td>Eleventh Plan (2007-12)</td>
<td>It targeted a GDP growth rate of 8% per annum.</td>
<td>8%</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td>Twelfth Plan (2012-17)</td>
<td>Towards faster, more inclusive growth, increasing the growth rate in agriculture, industry and services to 4.1%, 10% and 9%, respectively.</td>
<td>8%</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Towards faster, sustainable and inclusive growth, increasing the growth rate in 8% agriculture, industry and services to 4%, 9.6% and 10% respectively.</td>
<td>8%</td>
<td>7.6%</td>
<td></td>
</tr>
</tbody>
</table>

PLANNING

Economic planning is the process by which limited resources (natural) are used skillfully to achieve desired goals. Concept of economic planning is derived from United Soviet Socialist Republic (USSR). Planning in India derives its objective from Directive Principles of State Policy

[SSC (10+2) 2001]

The proposal relating to economic planning came for the first time in the year 1934. First attempt to initiate economic planning in India was made by Sir M. Visvesvarayya

Bombay Plan was an effort of eight industrialists in 1944. Gandhian Plan was presented by Mr. Mannarayan. MN Roy presented the ‘People Plan. Sarvodya Plan was presented by Jai Prakash Narayan

Planning Commission is an extra constitutional and advisory body. It was created by an executive action. It has Prime Minister as its Chairman. The first Chairman of Planning Commission was Jawaharlal Nehru

Second Five Year Plan was based on PC Mahalanobis Model. It aimed at rapid industrialisation with particular emphasis of basic and heavy indus-
INDIAN ECONOMY

tries. Industries and minerals were given top priority in this plan. Percentage of outlay allotted to industries and minerals in Second Five Year Plan was 20% [SSC (10+2) 2008].

Committee on Economic Planning was constituted in 1947. The chairman of the committee was Jawaharlal Nehru. This Committee recommended the creation of Planning Commission. It was constituted in [SSC CGL 2013] 1950.

Planning Commission is a central body for making plans in India. The Deputy Chairman of Planning Commission enjoy the status of Cabinet Rank Minister. It estimates physical, capital and human resources. Final clearance to plans made by Planning Commission is done by National Development Council (NDC).

National Development Council (NDC) was formed in 1952. The Prime Minister is the ex-officio Chairman of the Council. It is an extra constitutional body. Other members of NDC are Central Ministers, Chief Ministers of All States, Lt. Governors and Administrators of Union Central Administration Territories.

The aim of the National Development Council (NDC) is to make cooperative environment for economic planning between States and Planning Commission. It also evaluate plan management from time-to-time. The NDC is an example of Cooperative Federalism.

India adopted the Five Year Plan approach to bring faster economic development. Its main aim is to bring development in every sector of Indian economy. Currently, India is going through 12th Plan.

First Five Year Plan was based on Herrod Domer Model. Agriculture was the top priority of the Plan. It emphasised as its immediate objective the rehabilitation of refugees and rapid agricultural development. First Plan resulted an increase of 18% in National Income.

Transport and communication was another important thrust area of Second Plan. Many large industries were established during this Plan period. Prominent industries were Steel Plants at Durgapur, Bhilai and Rourkela. Third Plan was to make the economy self-reliant. It was also called Godgil Yojana. It had agriculture and industry both at its priority. Third Plan was not able to achieve desired growth rate due to Indo-Pak and Indo-China Wars.

Plan Holiday was declared from 1966-67 to 1968-69. It was declared due to miserable performance of Third Plan and Indo-Pak war. Drought was another important reason. In this period, three .......... plans were made.

Annual Plans

Fourth Plan has two main objectives. These were ‘Growth with Stability’ and ‘Progressive Achievement of Self Reliance’. The Plan faced a shortfall due to arrival of refugees from Bangladesh. Main objective of Fourth Plan, was Garibi Hatao (Eradicate Poverty).

The Fifth Plan was drawn with a prespective of ten years. Two main objective of the Plan was Poverty Eradication and Attainment of Self-Reliance. Original Approach Paper of Fifth Plan was done by C. Subramaniam.

Fifth Plan was terminated by Janta party government in 1978. Rolling Plan was started for year 1978 to 1980. This Plan has a feature that every year performance of Plan be assessed and new Plan based on such assessment be made for subsequent year. Rolling plan started with an Annual Plan.

There was a gap of two years between the Seventh and Eighth Plan. This gap was filled by two Annual Plans. Reason for the gap was changing political situation at the centre. Basic thrust of these annual plans were Maximisation of Employment and Social Transformation.

Basic objective of Sixth Plan was eradication of poverty. This Plan was able to achieve the targets fixed by Planning Commission. Minimum Need Programme (MNP) was started to improve the quality of life of poor. Important programme of Sixth Plan was Garibi Hatao (Eradicate Poverty).

Integrated Rural Development Programme (IRDP) Seventh Plan main objective was slowing down rate of population growth. It also aimed to provide people with adequate nutrition and energy and environmental protection. Private sector was given priority for the first time in this Plan. One of the prominent scheme of this Plan, was Jawahar Rozgar Yojana.

Eightth Plan was started when the country was facing a severe economic crisis. This Plan ushered a new era of reforms. These economic reforms were started by PV Narasimha Rao. Priority for Eighth Plan was Development of Human Resources.

Eighth Plan’s important aim was to strengthen basic infrastructure by the end of decade. It was able to achieve and surpass the target which was set for it. It achieved 6.8% annual rate of growth. In 1993, an important scheme started under this Plan was Pradhan Mantri Rozgar Yojana (PMRY).

Ninth Plan was launched at the 50th Year of Indian Independence. Focus of the Plan was ‘Growth with Social Justice and Equity’. It assigned priority to...
agriculture and rural development with a view to generate adequate productive employment. Failure of Ninth Plan was attributed to

**Recession in International Economy**

Important objectives of Tenth Plan were to eradicate poverty and unemployment and to double per capita income in next ten years. It also aimed to reduce the backlog of unemployment. Tenth Plan followed

**Regional Approach**

Eleventh Plan envisaged average 9% GDP growth in the first four years. It aimed for 10% growth during the terminal year. Total plan allocation for Eleventh Plan was ₹ 36 lakh crore. Gross budgetary support for Eleventh Plan was

₹14 lakh crore

Eleventh Plan aimed 4% growth for agriculture, 9% for industries and 11% for services. Saving rate was fixed at 34.8% of GDP. Investment rate in Eleventh Plan was at 36.7% of GDP

Maximum increase in the allocation happened in education sector in Eleventh Plan. It was increased to ₹ 275000 crore from ₹ 62000 crore. It aimed at increasing gross enrollment ratio to 15%. Eleventh Plan aimed to take the literacy rate to

**Imperative Planning** is practised in socialist economies. In this planning, central planning authority decides upon every aspect of the economy. The targets set and the process delineated are to be strictly followed. Imperative planning is bad for

**Federal Structure**

**Indicative Planning** is the planning where state set broad parameters and goals for the economy. It was adopted in India in Eighth Plan. State does not specify minute details but only the broad targets. Indicative planning is

**Bottom-up Approach**

**Rolling Plan** has three different steps. First step include the plan for the current year which include the annual budget. Second step include planning for fixed number of years. Last step of Rolling Plan is

**Perspective Plan**

Twelfth Plan as approved by Planning Commission and National Development Council (NDC) is for the year 2012-17. The total allocation is pegged at ₹ 7600000 crore; Maximum allocation in Twelfth Plan is to

**Social Services (34%)**

**Nehru-Mahalanobis Model** was the driving force of the strategy of development from Second Five Year Plan to the 1980s. Growth with social justice was the goal of this model. This model increased the role of

**Gandhian Model** of growth aimed at improving the economic condition of villages of India. It put greater emphasis on rapid growth of cottage and village industries. Its objective was to raise material as well as cultural level of Indian masses. Highest priority was given to

**Spinning and Weaving**

Biggest increase in central Gross Budgetary Support (GBS) is for three sectors. These are Health and Child Development, Urban Development and Education. Share of Health and Child Development in centre GBS is now at 11.45%

Eleventh Plan allocated 75% of GBS to priority sector. It proposed 27 targets at national level and 13 at state level. Major thrust areas of Eleventh Plan was

**Education, Health and Rural Development**

The concept of **Core Plan** has emerged recently. In this, Planning Commission ask the state to submit their projected revenue estimates. Based on the estimate Planning Commission determine the expenditure head of State Annual Plan. It help in preventing diversion of item from priority to

**Non-Plan Account**

**Liberalisation, Privatisation and Globalisation (LPG) Model** of development was given by Manmohan Singh in 1991. This model emphasises a bigger role for private sector. It aims at strategy of

**Export-led Growth**

**Providing Urban Amenities in Rural Areas (PURA)** was approved by Cabinet to bridge the Rural-Urban Divide. It was conceived by APJ Abdul Kalam. Objective of PURA is to process economic development without population transfer. PURA bring together

**Gram Sabha and Private Sector**

PURA emphasises the enlargement of employment so that to make use of rural manpower in various development activities. PURA schemes are implemented under

**Public Private Partnership (PPP)**

**NEW ECONOMIC POLICY**

New Economic Policy is related to economic reforms. Its aim is to bring about reform in production pattern, to obtain new technology and to use full capacity expeditiously.

It was first devised in 1985. New Economic Policy was implemented for first time in the tenure of

**Rajiv Gandhi**

Second wave of economic reform came in 1999. It was during the tenure of PV Narasimha Rao. Major reasons were Gulf war, collapse of Soviet Union that was India’s major trading partner. Event which precipitated economic reform was

**Balance of Payment Crisis (1991)**

The reform package outlined by Manmohan Singh
INDIAN ECONOMY

has three components. One was fiscal stabilisation to check growing fiscal deficit, and Second was liberalisation so that enterprise are free to make their investment and production decisions. Third important component was

**Integration with Global Economy**

Exchange rate reforms included devaluation of rupee in 1991 and full convertibility on current account by 1994. Under Capital Market Reform, Securities and Exchange Board of India (SEBI-) was set-up as a watchdog for regulating the functioning of capital market. The SEBI was made statutory body in [SSC CGL 2001] 1992

Economic Policy of 1991 has two broad categories. First is called the Stabilisation Policy. This policy was followed to correct the short term issues. Another category was Structural Reforms. These were done with a

**Long Term Perspective**

**Public Sector Policy 1991** was made to bring efficiency and market discipline in public sector. Work of rehabilitation of sick industries were handed to Board of Industrial Financial Reconstruction (BIFR). The BIFR was formed in 1987

Structural reforms were in area of industrial licencing and regulation, foreign trade and investment and financial sector. Under trade policy reforms all non-tariff barriers were phased out from all tradeables except consumer goods. Another important measure was

**Removal of Import Restriction**

New Industrial Reform Policy (NIP) was implemented from 1991. It included relaxing of Monopolistic and Restrictive Trade Practices (MRTP) Act provisions. It was done to accelerate the process of disinvestment. NIP dismantled

**Industrial Licencing System**

Number of items reserved for small sector currently stand at 21. The FDI norms were liberalised and allowing of automatic approval by

**The RBIfor Certain Sectors**

Current Direct Foreign Investment (DFI) operates on negative list approach. DFI is prohibited in atomic energy, lottery business and betting and other form of gambling. Recently, the FDI was allowed in

**Retail Trading**

Under fiscal policy reforms four main steps were taken. It was controlling public expenditure strictly, expanding tax net, curtailing grants and observing discipline in management of central and state funds. Monetary Policy Reforms aimed at controlling

**Inflation**

Norms regarding location of industries were relaxed. No need for approval of industries for cities having population less than 10 lakh subject to some condition. In cities having population more than 10 lakh, polluting industries should be located about 25 km Outside City Periphery

Public sector comprises of all enterprises which are owned by government or public. Main objective of public sector is to promote rapid economic development through creation and expansion of infrastructure, to promote redistribution of income and wealth. Public sector should help in

**Balanced Regional Development**

In the public sector, better understanding was achieved between corporation and ministry by Memorandum of Understandings (MoU). It is meant to measure the performance of PSE at the end of year in objective and transparent manner. It was introduced by

**Department of Public Sector Enterprise**

New Economic Policy brought LPG model of development Liberalisation is the process by which-control of government is relaxed or abolished. Liberalisation include

**Privatisation**

For minimising financial burden on public sector enterprise government started Voluntary Retirement Scheme (VRS). This scheme was aimed at giving full compensation to employees. It was also called Golden Hand Shake Scheme. Fund, which was earmarked for this purpose, was

**National Renewal Fund**

Industries that are reserved for public sector are in areas of security and strategic concerns. The areas are arms and ammunition and allied items of defence equipment, aircraft and warship, atomic energy, mineral old and minerals specified in schedule to atomic energy. The only department that is still reserved for public sector is

**Railways**

### Women Empowerment and Child Development Programme/Measure

<table>
<thead>
<tr>
<th>Programme/Measure</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mid-Day Meal Scheme</td>
<td>1995</td>
</tr>
<tr>
<td>Swadhar</td>
<td>1995</td>
</tr>
<tr>
<td>Swayam Sidha</td>
<td>2001</td>
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<tr>
<td>Sarvshikha Abhiyar</td>
<td>2001</td>
</tr>
<tr>
<td>Support to Training and Employ-ment Programme for Women (STEP)</td>
<td>2003-04</td>
</tr>
<tr>
<td>Ujjwala</td>
<td>2007</td>
</tr>
<tr>
<td>Dhanlaxmi</td>
<td>2008</td>
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<tr>
<td>Gender Budgeting</td>
<td>2009</td>
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<tr>
<td>Integrated Child Protection Scheme</td>
<td>2009-10</td>
</tr>
<tr>
<td>Sabla Scheme</td>
<td>2010</td>
</tr>
<tr>
<td>National Mission for Empowerment of Women</td>
<td>2010</td>
</tr>
<tr>
<td>Bal Bandu Scheme</td>
<td>2011</td>
</tr>
</tbody>
</table>
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Privatisation is the increased participation of private sector in public sector companies. This can be achieved by capital investment or by management or both. It also include handover of a public sector unit to a private company. Under privatisation, VSIML was sold to Tata.

Disinvestment means decreasing the share of government in the industries. Disinvestment Commission was constituted to review and make regulation on issues of disinvestment. It was made in 1996. First Chairman of Disinvestment Commission was GVRamakrishna.

Disinvestment Commission suggested classification of Public Sector Enterprise (PSE) into core and non-core. Maximum of 49% disinvestment was allowed in core sector. Greater autonomy of PSE was also suggested. Disinvestment in non-core PSE can be upto 74%.

Miniratna’s are divided into two categories. The difference lies in the quantum of investment they can make. Miniratna-I consist of 54 PSE’s. Miniratna-II has 14 PSEs.

Economic reforms are divided into multiple generations. First generation reforms were macro level in nature. It include deregulation of industry, financial sector reforms. First generation reform aimed at Stabilisation of Economy.

Second generation reforms were structural changes. They were micro level changes. It include labour reform, land reform, capital market reform, power sector reform, etc. Since economic reform, poverty has reduced and reached at 26% (At 10th Plan Period End).

Board for Industrial and Financial Reconstruction (BIFR) is a government agency under Department of Financial Services. It comes under Finance Ministry. BIFR is headquartered at New Delhi.

National Renewal Fund (NRF) was established on 1992. It was set-up to protect the interest of workers likely to be affected by technological upgradation and modernisation. It was initially non-statutory in nature. It currently operates Two Schemes.

The government of India has classified various public sector enterprises as Navratna, Miniratna and Maharatna. Navratna was initially given to 9 Public Sector Enterprises. For a company to be Navratna, it should have score of 60 (Out of 100) based on six parameters. Currently, the number of Navratnas are [SSC CGL 2007]

Maharatna status was established by government in 2010. It entitles a company to invest upto ? 5000 crore without government approval. Initially four companies were awarded this status. Current Number of Maharatna Companies is Seven.

A sick unit is one which is in existence for at least five years and had eroded its net worth fully at the end of accounting year. 30000 units fall sick every year. A weak unit has eroded 15% of Its Net Worth.

Committees on Various Sectors of Indian Economy

AC Shah Committee: Non-Banking Financial Company
Bimal Jalan Committee: Market Infrastructure Instruments
Malegam Committee: Functioning of Micro Finance
Birla Committee: Corporate Governance
Kirit Parikh Committee: Rationalisation of Petroleum Product Prices
Chaturvedi Committee: Improving National Highways in India
SK Hashim Committee: Urban Poverty
Abhijit Sen Committee: Wholesale Price Index
C Rangarajan Committee: Services Price Index
Abid Hussain Committee: Development of Capital Markets
Damodaran Committee: Customer Service in Banks
Khadelwad Committee: Human Resource in Commercial Banks
Patil Committee: Corporate Debt
VK Sharma Committee: Credit to Marginal Farmers
Sarangi Committee: Non-Performing Assets
Khanna Committee: Regional Rural Banks
Dantawala Committee: Lead Bank Scheme
Cadgil Committee: Financial Inclusion

AGRICULTURE

Eleventh Plan recommended tenancy to be legalised in a limited manner. It says of prescribing rental with an upper and lower limit. The rentals to be determined by market forces. New trends which have emerged in that area, are Migration and Feminisation.

Chakbandi or Consolidation of Land means to aggregate the divided and broken land. Chakbandi was implemented prior to independence. It was implemented in Baroda in year 1920.

Agriculture is prominent in reducing poverty. It has been shown by Chinese example during 1978–84. In India, reforms were first initiated in Non-Agriculture Sector. China’s agriculture growth was based on Bottom-up Approach.

Productivity in agriculture can be considered from two angles. One is productivity of land and other productivity of labour engaged in agriculture. While total output of foodgrain is adequate but yield per hectare in poor. Productivity of worker has remain Stagnant.

Agriculture is mainstay of Indian economy, 60% of population is dependent on agriculture for its livelihood. As per the Central Statistical Organisation.
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(CSO) data, share of agriculture in GDP was 56% in 1950-51. At present, the share of agriculture is 14%.

Agriculture is a supplier of food, fodder and raw material for least segment of industry. It is a necessary condition for ‘Inclusive Growth’. Agriculture is a potential source of domestic demand. Some of the promising sub-sectors of agriculture are 

**Horticulture, Dairy, Fisheries**

There are multiple causes of low productivity. High population pressure has resulted in fragmented land holding. Due to fragmented holding cultivation can be carried out only by labour intensive techniques. One form of consolidation of land holding can be 

**Cooperative Farming**

Technology is an important tool through which land productivity can be increased. Use of high yielding varieties of seeds and usage of chemical fertilizers can increase the crop yield. Third important element for these high yielding varieties seeds to work is 

**Irrigation System (Water)**

High yielding varieties of seeds are quick maturing and non-photosensitive. Due to these two characteristics, they have shorter harvesting period. It can result in Multiple Cropping System. High Yielding Varieties were limited to 

**Rice, Wheat, Maize and Jowar**

Post independence, in order to boost productivity India started land reform programmes. It included elimination of intermediaries, determining the ceiling of holding per family. Argument put forward in favour of land reform was equity. Land and tenancy reform implementation was left to 

**State Government**

Land reforms in India also included tenancy reforms. Under this, the condition of contractual terms were improved and security of tenure was given. It also regulated rents on leased land. Tenancy reforms resulted in change in 

**Ownership Pattern of Land**

Land, which is in area of less than 1 hectare, is marginal land holding. Land having area from 1 to 4 hectare is small land holding. Due to land reform, rich peasantry acquired nearly 50% of the land. Small farmers which constituted 80% of rural household have only nearly 30% Land Holding

**National Agriculture Insurance Scheme (NAIS)** is an insurance scheme implemented by Agriculture Insurance Company of India. It operates it on behalf of Agriculture Ministry. Scheme operates on basis of area approach, The NAIS is currently implemented in 23 States

Irrigation is an important component of our agriculture system. Its main objective is to reduce the dependency on monsoons. Currently, 48% of the cultivated area is under irrigation. Highest area under irrigation is in Punjab.

Green Revolution was started in Third Plan. It has the most prominent effect on wheat. Green Revolution converted India from a food deficit country to food surplus nation. Green Revolution resulted in 

**Soil Degradation & Over Exploitation of Ground-water**

**Cheap Credit** is important for improving the condition of farmers. It is divided into unorganised and organised sources of agriculture finance. Unorganised sources include 

**Money Lender, Landlord, Commission Agents**

**Primary Cooperative Committee** provides credit for short period. State cooperatives and Regional Rural Banks (RRB) provide credit for longer period. Another such organisation is Land Development Bank (LDB). The LDB was established in year 1919

**National Bank for Agriculture and Rural Development (NABARD)** is an apex institution of rural credit in India. It was established in 1982. It was formed based on recommendation of [SSC CGL 2008]

**Shivrman Committee**

Important Agriculture/Industry Revolution

<table>
<thead>
<tr>
<th>Revolution</th>
<th>Product</th>
<th>Father/Organiser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Green</td>
<td>Foodgrain production</td>
<td>Norman Borlang</td>
</tr>
<tr>
<td>Golden</td>
<td>Fruit production</td>
<td>MS Swaminathan</td>
</tr>
<tr>
<td>Grey</td>
<td>Fertilizer</td>
<td>—</td>
</tr>
<tr>
<td>Blue</td>
<td>Fish production</td>
<td>Hiralal Chaudhary</td>
</tr>
<tr>
<td>Pink</td>
<td>Prawn production</td>
<td>—</td>
</tr>
<tr>
<td>Red</td>
<td>Meat production</td>
<td>—</td>
</tr>
<tr>
<td>Silver</td>
<td>Poultry production</td>
<td>Indira Gandhi</td>
</tr>
<tr>
<td>White</td>
<td>Milk production</td>
<td>Verghese Kurien</td>
</tr>
<tr>
<td>Brown</td>
<td>Wool</td>
<td>—</td>
</tr>
<tr>
<td>Black</td>
<td>Petroleum</td>
<td>—</td>
</tr>
<tr>
<td>Yellow</td>
<td>Pulses/Oilseeds</td>
<td>Sam Pitroda</td>
</tr>
</tbody>
</table>

NABARD is headquartered at Mumbai. Important roles of NABARD include monitoring and evaluation of project refinanced by it and refinancing the financial institutions. NABARD has a famous programme called [SSC (10+2) 2006]

**SHG Bank Linkage Programme**

Food management in India has three main objectives. Procurement of foodgrains from farmers at remunerative price, distribution of foodgrains to the consumer particularly the vulnerable section at affordable price. Third objective is 

**Maintaining Food Buffers to Ensure Price Stability and Food Security**

Instrument of food management are Minimum Sup-
Port Price (MSP) and Central Issue Price (CIP). The MSP is the price at which government is ready to purchase the crop from the farmers directly, if crop price fall below MSP. It covers currently [SSC CGL 2013]

25 Crops (Kharif and Rabi)

Public Distribution System (PDS) is a system through which subsidised foodgrains reaches the desired beneficiary. It also has the objective of price support to the farmers for their product and maintenance of stocks. The PDS was changed into targeted PDS from 1997.

Food Corporation of India (FCI) is an agency of government of India. It handles the procurement, storage and transportation of grains to the states. It was set-up in 1965. It is headquartered at [SSC DELHI POLICE 2012] New Delhi.

Green Revolution was instrumental in increasing the yield of crops. It covered rice, wheat, maize. It brought regional as well as intrapersonal disparities. It was confined to Punjab, Haryana, Western Uttar Pradesh.

In India, irrigation can be done either by canals, tanks, wells or advanced techniques like sprinkler or drip irrigation. Canal irrigation is limited to Northern India. It is present in areas getting drained by well distributed rivers. Canal constitute 29% of Irrigated Area.

Well and tube well irrigation irrigates nearly 60% of the cultivated area. They are prominent in alluvial tracts of northern plains. Post Green Revolution, the area under well irrigation has increased. Tubewells are prominent in Uttar Pradesh, Haryana and Punjab.

Tank irrigation constitute nearly 5% of irrigated land. It is prominent in Deccan and southern India. Tamil Nadu has been the traditional area for tank irrigation. One major disadvantage of Tank irrigation is Siling.

Antyodaya Anna Yojana was launched for providing foodgrains to the poor people. It was launched in 2000. It provide 35 kg of foodgrains per month with rice at ₹ 3 per kg and wheat at ₹ 2 per kg. AAY was launched to target Poorest of the Poor [SSC Stenographer 2011].

National Food Security Act (NFSA) was passed in 2013. This law aims to provide subsidised foodgrains to approximately two-third of Indian population. It provides for rice at ₹ 3 per kg, wheat at ₹ 2 per kg and coarse grains at ₹ 1 per kg. The NFS Act entitles beneficiary to purchase 5 kg Per Person Per Month.

Use of Land

<table>
<thead>
<tr>
<th>Use of Land</th>
<th>Percentage Put to use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultivated land</td>
<td>43.41</td>
</tr>
<tr>
<td>Forested area</td>
<td>22.57</td>
</tr>
<tr>
<td>Wasteland (arid, rocky and sandy areas)</td>
<td>6.29</td>
</tr>
<tr>
<td>Cultivable waste</td>
<td>4.41</td>
</tr>
<tr>
<td>Fallow land</td>
<td>10.85</td>
</tr>
<tr>
<td>Pastures and meadows</td>
<td>3.45</td>
</tr>
<tr>
<td>Area under non-agricultural use of Land</td>
<td>6.29</td>
</tr>
</tbody>
</table>

Targetted Public Distribution System (TPDS) implement multiple schemes for various categories. It include schemes for Below Poverty Line (BPL) people, Above Poverty Line (APL) people and Antodaya Anna Yojang (AAY). BPL is an economic benchmark used by government of India to identify individual household which need government and aid. Poverty estimates currently are arrived through Suresh Tendulkar Methodology.

The NFSA covers 75% of rural and 50% of urban population. The Act provides for free meal and maternity benefit of ₹ 6000 for six months for pregnant and lactating mothers. State government will provide food security allowance to beneficiaries in case of non supply of foodgrains. The Act will be implemented and monitored by State Food Commission.

Various Agriculture Schemes

<table>
<thead>
<tr>
<th>Programme/Plan</th>
<th>Year of</th>
<th>Objective/Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Development</td>
<td>1952</td>
<td>Overall development of rural area with people’s participation.</td>
</tr>
<tr>
<td>Intensive Agriculture</td>
<td>1960-67</td>
<td>To provide loan, seeds, fertilizer tools to the farmers.</td>
</tr>
<tr>
<td>Intensive Agriculture</td>
<td>1964-65</td>
<td>To develop the special harvests.</td>
</tr>
<tr>
<td>High Yielding Variety</td>
<td>1966-67</td>
<td>To increase productivity of foodgrains by adopting latest varieties of inputs for crops.</td>
</tr>
<tr>
<td>Programme (IAPP)</td>
<td>1974</td>
<td>Improving irrigation capacity of large projects.</td>
</tr>
<tr>
<td>Command Area Programme (CADP)</td>
<td>1974</td>
<td>To control increasing threat of deserts in western India. Provide foodgrains to labour for their work performed.</td>
</tr>
<tr>
<td>Desert Development Programme (DDP)</td>
<td>1978</td>
<td>For insurance of agricultural crops.</td>
</tr>
<tr>
<td>Food for Work Programme (FP)</td>
<td>1985</td>
<td>To provide assistance for rural prosperity.</td>
</tr>
<tr>
<td>Comprehensive Crop Insurance Scheme Council for Advancement of People’s Action and Rural Technology (CAPART)</td>
<td>1986</td>
<td></td>
</tr>
</tbody>
</table>

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Indian crops are classified into three types. Kharif crop is sown in July and harvested in October. It include rice, jowar, bajra, maize. Kharif crops are dependent on Monsoon.

Rabi crops are sown in October and harvested in March-April. It include wheat, barley, gram, tur. In between Kharif and Rabi, Zayad crops are grown. Zayad crops include Watermelon, Vegetables, Moong.

Commission for Agriculture Cost and Prices (CACP) is a commission working under Agriculture Ministry. It was initially set up as Agriculture Price Commission in 1965. CACP recommendations are important for deciding MSP of Various Crops.

Central Warehousing Corporation (CWC) was established during 1957. Its objectives were to provide logistic support to agriculture sector. It operates 464 warehouses across the country. The CWC is headquartered at New Delhi.

Yellow Revolution dealt with increase in production of oil seeds. Blue Revolution is in the area of increase in fish production. India holds first position in the production of Sugarcane and Sugar.

India is the largest milk producing country in the world. In order to increase milk production, Operation Flood was started. Father of Operation Flood was Dr. Verghese Kurein. Milk Revolution is also known as White Revolution.

Operation Flood was the largest integrated Dairy Development Programme of the world. It was started by National Dairy Development Board (NDDB) in 1970. The main engine behind the programme was Anand pattern experiment at Amul, Bedrock of Operation Flood was Cooperatives.

Agriculture production is divided into foodgrains and non-foodgrains. Share of foodgrains in agriculture is two-third. Non-foodgrains cover One-third Portion of Agriculture INDUSTRY.

Indian industrial development started post Independence. The first industrial policy was Industrial Policy Resolution of 1948. This policy gave equal importance to public and private sector. Responsibility of development of basic industries was given to Public Sector.

Another prominent policy resolution was of Industrial Policy Resolution, 1956. It gave public sector strategic role in economy. Major objectives of Industrial Policy, 1956 were developing public sector, cooperative sector and Control on Private Monopoly.

National Small Industries Corporation (NSIC) is a public sector undertaking established by the government in 1955. It comes under Ministry of Micro, Small and Medium Enterprises (MSME) Ministry. It focuses on manufacturing industries. It promotes NSIC is headquartered at New Delhi.

Industrial Policy, 1948 defined four categories of industries. In Industrial Policy, 1956, the number of categories were reduced to three, Joint sector was constituted in 1973. It was made on recommendations of Dutta Committee.

The Industrial Policy of 1980 was influenced by federalism. It gave multiple conversions to agriculture based industries. It gave incentives like price decontrol for cement and aluminium, Industrial Policy, 1980 continued.

Reservation of Products for Small-Scale Sector

Small scale and cottage industries have important role in developing economy. It accommodates labour which is surplus in quantity. It ensures equitable distribution of income individually and regionally. Share of small sector in export sector is nearly 40%.

Small scale industries help in mobilisation of domestic and household saving. Since, they are distant from urban centre they are less polluting in nature. Small scale sector suffers from lack of availability of raw materials and Easy and Cheap Credit.

Among the MSE sector, the dispersed food product sector generate maximum employment (13.7%), followed by non metallic mineral products (10.9%), per unit employment is highest in beverages and tobacco product industry. It is highest in Metropolitan Areas.

Textile is the largest industry in the country. It contributes 17% in total merchandise export. It's share in total industrial production in about 14%. It provides employment to 350 Lakh People.

List of Maharatnas

Coal India Limited
Indian Oil Corporation
National Thermal Power Corporation Limited
Steel Authority of India Limited
Bharat Heavy Electricals Limited
Gas Authority of India Limited
Oil and Natural Gas Corporation
Indian Economy

List of Navratnas
Bharat Electronics Limited
Bharat Petroleum Corporation Limited
Hindustan Aeronautics Limited
Hindustan Petroleum Corporation Limited
Mahanagar Telephone Nigam Limited
National Aluminium Company Limited
National Mineral Development Corporation Limited
Neyveli Lignite Corporation Limited
Oil India Limited
Power Finance Corporation Limited
Power Grid Corporation of India Limited
Rashtriya Ispat Nigam Limited
Rural Electrification Corporation Limited
Shipping Corporation of India Limited

Micro and Small Enterprises account for 45% of manufacturing sector output, contribute 8% of country GDP. They manufacture over 6000 products from sarees, carpet, papad to machine part for large industries. Micro and Small Industries are engine of Inclusive Growth

Non-traditional products account for more than 95% of small scale industry export. Major exported item which dominates are sports good, readymade garments, woolen garments. These products have tremendous potential since, they are eco-friendly and exclusive. Major export happens to US, Europe and West Asia

New Industrial Policy, 1991 brought many changes. It included abolition of industrial licencing, dilution of role of public sector, repealing of MRTP Act. It was based on the model of Liberalisation, Privatisation and Globalisation (LPG)

Technological obsolescence has been the major issue affecting productivity of small scale industry. In order to improve technological obsolescence industries were set-up like

National Research Development Corporation (NRDC)
Small Industries Development Bank of India (SIDBI) was set-up in 1989. It provides assistance to small scale industries through state finance corporations, commercial banks. It also operates micro finance branches and support micro finance institutions. It is headquartered at Lucknow

Industrial Development Bank of India (IDBI) was established in 1964. It is to provide finance to large and medium scale industrial unit. It was later changed into bank in 2004. IDBI is headquartered at Mumbai

Industrial Finance Corporation of India (IFCI) was established in 1948. It was the first Development Financial Institute in the country. It cater to long term finance needs of industry. In 1993, the IFCI was converted into a company under Indian Companies Act, 1956

Industrial Credit and Investment Corporation of India (ICICI) Limited was established in 1991. It provides term loan in Indian and foreign currencies. It also underwrites issue of share and debenture. It is second largest bank by assets. ICICI is headquartered at Mumbai

National Housing Bank (NHB) was formed in 1988. Its function was to develop housing finance sector. It is an apex level institute for housing sector. It is wholly owned by the Reserve Bank of India. NHB head office is at Delhi

Marketing has been a major problem area of small sector and is a prominent reason for closure of small scale industry. They are not able to invest in marketing research, advertising and packaging. Government introduced Market Development Assistance (MDA) scheme to promote sale of Khadi

Small Industries Development Organisation (SIDO) was established in 1954. It is an apex body at central level formulating policy for developing small scale industries in the country. It works under MSME. It is headquartered at Delhi

Council for Advancement of People Action and Rural Technology (CAPART) is a registered society. It was set-up in 1986. It works under Ministry of Rural Development. CAPART has played important role in implementation of Jawahar Rozgar Yojana, IRDP and LAY

Definition of MSMEs

Manufacturing Sector

Enterprises

Micro Enterprises
Does not exceed ₹ 25 lakh

Small Enterprises
More than ₹25 lakh and less than ₹5 crore

Medium Enterprises
More than ₹5 crore and less than ₹10 crore

Service Sector

Enterprises

Micro Enterprises
Does not exceed ₹10 lakh

Small Enterprises
More than ₹10 lakh and less than ₹2 crore

Medium Enterprises
More than ₹2 crore and less than ₹5 crore
Gujarat has 112 cotton mills. Ahmedabad is called Boston of East. Mumbai with 54 mills is called Cottonopolis of India. Kanpur is called Manchester of North India.

Small and cottage industries were given high priority in Industrial Policy, 1977. For development of SSE, district industry sectors were established. India hold second place in cycle production. First cycle making factory was established in Kolkata (West Bengal).

Industrial Investment Bank of India (IIBI) was established in 1971. It was started as company under Companies Act. Its main aim was for rehabilitation of sick industrial companies. It was brain child of Pranab Mukherjee. It is headquartered at Kolkata.

India is the second largest cement manufacturer in the world. It is one of the most advanced industry. Its history can be traced back in 1914 when cement was an imported item. Cement industry is broadly home grown. Largest player in domestic market is Ultratech Cement.

One of the industry which get delicensed in 1991 was automobile industry. Passenger car was later delicensed. Currently, the industry can go for 100% Foreign Direct Investment through automatic route. Majority of car manufacturing industry is based around Kolkata (West Bengal).

Steel is one of the core sectors of Indian economy. The first iron and steel plant was established in Bengal. It was named Bengal Iron Works Company and started operation in Kulti. India is currently largest producer of Sponge Iron.

Large scale iron and steel production was started in 1907 by TISCO. It stands for Tata Iron and Steel Company and was founded by Dorabji Tata. It is headquartered in Mumbai. It is 12th Largest Steel Producing Company in the World.

Service sector contribution in GDP has increased tremendously. Most of these sectors are skill intensive and high value added sectors like software, communication and financial services, Most of this growth is possible due to Information Technology (IT).

Services are categorised into various rule categories. Major part of services are in producer service (70%). While consumer service account for 17%. The government service comprise of Public Administration, Defence Services.

The FDI in service sector is still not liberal because it is difficult to differentiate between services and goods. Four major sector which dominate service sector are computer hardware and software, financial and non-financial services, telecommunication, housing and real estate. Large recipient of FDI is in Financial and Non-financial Sector.

Multiple factors are responsible for growth of service sector. One being income elasticity of demand for services. Income elasticity of demand for services increases with rising income which favour for more sophisticated service. Another prominent reason for growth of service sector is due to Outsourcing.

India and China are two countries which have made rapid development in service sector. India service sector export consist of software and services like advertising, accountancy and health services. Indian service import predominantly consist of Business Services.

Steel Authority of India Limited (SAIL) is one of the largest state owned steel making company. It is based in New Delhi. Its major plants are located at Bhilai, Bokaro, Durgapur, Rourkela and Salem. It is a [SSC (10 + 2) 2011].

Maharatna Company

Meera Seth Committee was formed to study the handloom and handicraft sector. In its report, it recommend for certain measures. Handloom market share is 13%. It is mainly dependent on Self Help Groups for their Funds.

Krishak Bharati Cooperative Limited (KRIBHCO) is an Indian firm in fertilizer manufacturing. It works in cooperative mode. Its main plant is in Surat. KRIBHCO manufactures Urea.

Some Important SEZ

Noida SEZ Uttar Pradesh (Multi Product)
Falta SEZ West Bengal (Multi Product)
Mumbai SEZ Maharashtra (Gems and Jewellery)
Vishakapatnam SEZ Andhra Pradesh (Multi Product)
Jodhpur SEZ Rajasthan (Handicrafts)
Mahindra SEZ Tamil Nadu (Hand Bioinformatics)
Surat Apparel SEZ Gujarat (Apparel)

National Investment Fund (NIF) works under department of disinvestment and constituted in 2005. This fund get proceeds from disinvestment of central public sector enterprise. NIF is managed by UTI, SBI and LIC Mutual Fund.

Committee on public undertaking was recommended to be constituted on the advice of Krishna Menon Committee. It consist of 15 members of Lok Sabha and 7 members of Rajya Sabha. It examine the report and account of public undertaking. The period of committee is

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One Year

Special Economic Zone (SEZ) was constituted under SEZ Act, 2005. Main objective of SEZ Act was generation of additional economic activity, promotion of export of goods and services, development of infrastructure activities etc. SEZ has been quite important in areas of Export, Employment and Investment.

Export, Employment and Investment

India is able to produce urea indigenously but has to depend on import for potash and phosphorus. Since, urea prices are regulated, the usage of urea is more compared to other chemical fertilizers. Major phosphorus fertilizer is diammonium phosphate. Prominent company in urea production is Fertilizer Corporation of India.

Financial System

Indian financial system is a system in which people, financial institutions, banks, industrial companies demand for fund and same is supplied to them. Supply is provided by banks, insurance companies, mutual fund and other financial institutions. Indian financial system consist of two parts - Money Market and Capital Market.

Money Market and Capital Market

Money Market is the market in which short term funds are borrowed and lend. Capital market is the market for medium and long term. Financial system perform crucial role in economic development through saving-investment process known as Capital Formation.

Balance of trade is the difference between value of goods exported and value of goods imported per annum. Services are not included in balance of trade. India has a long history of negative Balance of Trade.

Three Categories

The highest financial institute in organised sector is Reserve Bank of India (RBI). The second category consist of commercial banks. These can be either public, private or foreign entity. The third prominent sector is Cooperative.

The Reserve Bank of India (RBI) was established under Reserve Bank of India Act, 1934 on April 1, 1935 with initial capital of 7.5 crore. It is the Central Bank of India. On the recommendation of Parliamentary Committee, it was nationalised in 1949 [SSC (10+2) 2008].

The Reserve Bank of India regulate and control money of the country. It is the supreme monetary and banking authority in the country. It is headquartered at Mumbai.

Individuals, who invest directly on their own in securities, are supplier of funds to capital market. Trend in capital market is affected by two factors—Operation of the institutional investor in the market and results from the corporate sector. Capital market uses mainly Electronic Trading System.

Call Money Market is the market for very small duration funds. This market works without the need of any security. The maturity period can vary from one day to fifteen days. Call money market is highly Volatile.

Call rate is also known as Overnight Rate. This is the rate at which one bank lend to other bank. It is called Federal Discount Rate in the USA. Bank used call rate to maintain their Cash Reserve Ratio.

India currently has two call rates. First is Inter Bank Call Rate. Other is the lending rate of Discount and Finance House of India (DFHI) Limited. Main call money market’ is present in India in Delhi, Kolkata, Mumbai, Chennai and Ahmedabad.

Treasury Bills was started in India in 1917 for the first time. Treasury Bills are short term instruments through which government borrow. Treasury Bills are insured by Reserve Bank of India.

Gilt edged securities is the market for government and semi government securities. It carry fixed interest rates. These are normally high grade securities carrying Low Yield.

The first organised stock exchange in India was started in Mumbai. It was formed by the brokers in Bombay. It was called Bombay Stock Exchange. It is the oldest exchange in Asia.

Industrial Securities Market is the market for equities and debentures of companies of the corporate sector. This market consist of new issue market for raising fresh capital in the form of shares and debentures. It is referred as Primary Market.

Stock Exchange is the market for buying and selling of stocks, shares, debentures, etc. It increase the market ability of existing securities by providing simple methods for public to buy and sell security. Merchant bank, mutual fund, leasing companies collect and invest public money into Capital Market.

National Stock Exchange started two new rates for credit in Inter bank call money market. These were Mumbai Inter Bank Offer Rate (MIBOR) and [Call 95-8004-8004 to know about our Pendrive/Tablet & Android Courses]
Mumbai Inter Bank Bid Rate (MIBID). These two rates are used as benchmark rate for majority of deals struck for interest rate swaps, forward rate agreement and term deposit. Agencies, which are at forefront for creation of such benchmark, are

**Fixed Income Money Market and Derivative Association of India**

**Sensex** is the most sensitive share index of Mumbai Stock Exchange. It is the representative index of 30 main shares. It has been published since, 1986. Base value is 100. Its base year is 1978-79

In 1894, **Ahmedabad Stock Exchange** was started to facilitate dealing in the share of textile mills. Similarly, Calcutta Stock Exchange was started to provide market for share of plantation and jute mills. The government has till date recognised 23 Stock Exchanges

Bombay Stock Exchange (BSE) is the premier exchange in country. All the exchanges are recognised under Securities Contract (Regulation) Act of 1956. The BSE has transformed itself into a corporate entity. Being a public limited company, it has to dilute stock broker stakes to

**National Stock Exchange** (NSE) is an important stock exchange of India after BSE. It was established in 1992. It is headquartered at New Delhi. It was formed on the recommendation of **Ferwani Committee**

Bridge loan is a type of short term loan typically taken for a period of 2 weeks to 3 years depending upon the project. It is kind of interim financing for an individual or business until permanent financing is obtained. Bridge loans have **Higher Interest Rate**

**Insider Trading** is trading of a public company stock by individuals with access to non-public information about the company. In various countries, it is illegal. Recently, rules regarding insider trading were made stringent by the **Securities & Exchange Board of India (SEBI)**

Junk Bond is a high yield bond that is rated below investment grade. These bonds have a higher risk of default. They pay higher yield so that to make it investor attractive. They are normally avoided by **Pension Funds**

**Credit Rating** is an evaluation of the credit worthiness of a debtor, especially a business or government. Evaluating agency determine the debtor ability to pay back the debt and likelihood of default. Prominent credit rating agencies are,

**Standard & Poors ($&P), Moody and Fitch Rating**

**Important Indices of Famous Stock Markets**

<table>
<thead>
<tr>
<th>Index</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones</td>
<td>New York (USA)</td>
</tr>
<tr>
<td>Hang Seng</td>
<td>Hong Kong</td>
</tr>
<tr>
<td>Nasdaq</td>
<td>USA</td>
</tr>
<tr>
<td>IPC</td>
<td>Mexico</td>
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<tr>
<td>Nikkei</td>
<td>Tokyo</td>
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<tr>
<td>MDAX</td>
<td>Germany</td>
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<tr>
<td>Kospi</td>
<td>South Korea</td>
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<tr>
<td>Standard &amp; Poors</td>
<td>Canada</td>
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<tr>
<td>Bovespa</td>
<td>Brazil</td>
</tr>
</tbody>
</table>

Credit card, ATM card are the examples of plastic money. It is also called smart money. It was first started in Australia. Use of credit card originated in 1920s, in **United States**

Credit Rating Information Service of India Limited (CRISIL) was set-up in 1988. It undertake the rating of fixed deposit programme, convertible and non-convertible debentures and credit assessment of companies. CRISIL majority shareholder is Standard and Poors. It is headquartered at Mumbai

Investment Information and Credit Rating Agency of India Limited (ICRA) is a rating agency. It rates debt instrument of both financial and manufacturing companies. It was a joint venture with Moody. It is headquartered at Gurgaon (India)

**Fiscal system** refers to the management of revenue and capital expenditure by the state. Fiscal system include budgetary activities of the government. It include revenue raising, borrowing and spending. It also include public debt, deficit financing

**Budget and Tax Structure**

Revenue for the Central government consist of tax revenue and non-tax revenue. Non-tax revenue consist of interest receipt and dividend, currency, coinage. Tax revenues come from tax on income and expenditure, tax on property and capital transactions and tax on *Commodities and Services*

State gets its revenue from share in central taxes. It includes income from social, commercial and economic service and profit of state run enterprises. Some portion of tax come from land revenue

**Stamp Duties, Estate Duty**

Central government make expenditure under plan and non-plan heads. Plan expenditure involve those expenditure which result in capital formation and development of various sectors. Major non-plan expenditure include

**Interest Payment, Defence, Subsidies and General Services**

Fiscal Deficit refer to difference between total expenditure minus revenue receipt plus all those capital
receipts which are not in the form of borrowing. Fiscal deficit is an important yardstick for country’s economic health. As per the interim budget, fiscal deficit will be contained at 4.6% of GDP [SSC CGL 2007]

Primary Deficit refer to fiscal deficit minus interest payment. It points to how much the government is borrowing to pay for expenses other than interest payment. Ideally primary deficit is allowed to be [UPPSC (MAIN) 2008]

High

Budget for any given year gives a complete picture of estimated receipt and expenditure of government for that year. It is based on budget figure of last two years. It consist of 3 sets-actual figure of preceding year, budget and revised figure for current year and

Budget Estimate for Following Year

Budget is defined as annual financial statement in the Constitution. It is described under Article-112. Annual budget of Central government provide estimate of receipt and expenditure of government. It consist of two parts

Revenue and Capital Budget

Gender Budgeting is budget which look into the needs of gender (women) and allocate fund accordingly. It acknowledges gender pattern in society. Its objective is to devise policies so that we can move toward a more gender equal society. Gender budgeting initiative started in India 9th Five Year Plan

Public debt of government also is of two types-External and Internal. Internal Debt comprise loans raised from the open market, compensation bonds, Treasury Bills issued to the RBI. External Debt include loans from countries and institute like Asian Development Bank (ADB), World Bank

Revenue budget consists of all current receipts. It includes taxation, surplus of public enterprise and expenditure of government. Capital budget consists of all capital receipts. It includes foreign aid, loan repayment and

Domestic and Foreign Loan

Capital Gain is a profit that result from disposition of a capital asset such as stock or real estate. Gain normally is the difference between higher selling price and lower purchase price. Capital gain may be short term or long term. Long term capital gain is taxed at Lower Rate

Some Important Committees

Raja Challiah Tax Improvement
Narasimhan Financial (Banking) (SSC Audit 2008)
Tendulkar Estimation of Below Poverty Line
Panhasarthy Shome Tax Policy

Tarapore Transaction of UTI Shares
Rakesh Mohan Investigation
Dhanuka Financing of Infrastructure
Malegaon Rules Related to Security Market

Permanent Account Number (PAN) was started by income tax department. It is a unique alphanumeric combination issued by income tax department. Its primary purpose is to bring universal identification key for all financial transactions and prevent tax evasion. PAN number is 10 Digit Alphanumeric

The first bank of limited liability managed by Indians was Oudh Commercial Bank. Punjab National Bank was established in 1894. Swadeshi movement encouraged the formation of number of commercial banks. Banking Regulation Act was passed in 1949

Commercial bank mobilise saving in urban areas and make them available to large and small industrial and trading unit. This is to help them manage working capital requirement. Currently, number of scheduled commercial banks are 169 [SSC CGL 2007]

State Bank of India, (SBI) initially started as Imperial Bank in 1921. On recommendation of Gorawala Committee, it was nationalised in 1955 and rechristened as State Bank of India. In 1959, 7 regional banks were nationalised and given status of associate bank of SBI. Banks were nationalised in the year 1969 and 1980 [SSC (10+2) 2001]

Value Added Tax (VAT) was first theorised by F. Von Simens in 1918. India also adopted VAT in 2000-01. It is a form of consumption tax. First state to adopt VAT was Haryana

In order to reform banking sector, Narasimhan Committee was formed. The committee recommended for reduction in Statutory Liquidity Ratio (SLR) and Cash Reserve Ratio (CRR). Banks were given freedom to open new branches. It also proposed

Computerisation of Banks

Banking Ombudsmen Scheme was started to expedite inexpensive resolution of customer complaint. It was first introduced in India in 1995. It was revised in 2006. Currently, number of banking ombudsman is 15

Indian banks are divided into Scheduled and Non-scheduled Banks. Scheduled banks are those which are present in second schedule of RBI Act, 1934. These banks have reserve value of not less than ? 5 lakh. All banks which are not mentioned under second schedule of RBI Act, are Non-scheduled Banks

Cooperative Banks are organised under provi-
sion of cooperative credit societies law of the state. Major beneficiary of cooperative banking is agriculture and rural sector. Cooperative credit institutions are of two kinds: Agricultural and Non-agricultural. First cooperative bank was established in 1904.

All Commercial Banks (Indian and foreign), Regional Rural Bank and State Cooperative Banks are scheduled banks. The number of scheduled banks in India are 169. At present, number of non-scheduled banks is 4.

Regional Rural Banks (RRB) is the newest form of banks. Under this, the bank is sponsored by individual nationalised commercial bank. It has the main objective of developing rural economy. First RRB was established in 1975.

The RRB provide credit and deposit facilities for agriculture and other productive activities of all kinds. It targets small and marginal farmer, agriculture labourer, rural artisans and other small entrepreneurs in rural areas. As per 2012, total number of RRBs is 82.

Base Rate replaced the Benchmark Prime Lending Rate (BPLR) from July, 2010. Base Rate includes all those elements of lending rate that are common across all category of borrowers. Base Rate is the minimum rate for all loans. It is reviewed Once in a Quarter.

Basel-III is a global, voluntary regulatory standard on bank capital adequacy ratio, stress testing and market liquidity risk. It is supposed to strengthen bank capital requirement by increasing bank liquidity and decreasing bank leverage. It was agreed upon in Basel, Switzerland. It has to be implemented by March 31, 2018.

Open Market Operation (OmiQ) is conducted by the Reserve Bank of India. It is done by sale/purchase of government securities to/from the market with an objective to adjust the rupee liquidity in the market. It is an important Monetary Policy Tool [SSC (10+2) 2006].

Minimum-Reserve System has been used by the RBI from 1956. Under this system, the RBI is required to maintain: gold and foreign exchange reserve of ₹ 200 crore. Under this, minimum amount to be kept under gold, is ₹115 crore [SSC (10+2) 2009].

Cash Reserve Ratio (GRR) is the minimum cash reserve which every commercial bank has to keep with the RBI. Through this measure, the amount of money in economy can be increased or decreased. An increase in CRR reduces the lending capacity of the bank. Currently, the CRR is pegged at 4%.

Bank Rate is the interest rate at which the RBI lends to its clients such as Government (Central/State) Banks, Financial Institutions, etc. It is currently 9%..

Statutory Liquidity Ratio (SLR) is the percentage of assets which are to be maintained in form of gold, cash “and approved securities. Higher SLR reduces the lending capacity of banks and diverts that fund to investment in government and approved securities. Currently, the SLR is at 23%..

Repo Rate is the rate at which the RBI lends money to commercial bank in event of shortfall of funds. Reverse, Repo Rate is the rate at which RBI borrows money from commercial banks. Increase in Reverse Repo Rate prompt banks to park more funds with RBI to earn higher return on idle cash. Current Repo and Reverse Repo Rate are 8% and 7%.

Special Drawing Rights is not a currency. These are supplementary foreign exchange reserve assets defined and maintained by International Monetary Fund (IMF). It was created in 1969. It is a weighted currency basket of US Dollar, Euro, Yen and Pound.

Caps in the FDI in Various Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Maximum Limit (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Sector Banking</td>
<td>49</td>
</tr>
<tr>
<td>Private Banking</td>
<td>74</td>
</tr>
<tr>
<td>Financial Companies</td>
<td>100</td>
</tr>
<tr>
<td>Insurance</td>
<td>26</td>
</tr>
<tr>
<td>Modernisation of Airport</td>
<td>100</td>
</tr>
<tr>
<td>Communication (Basic, Cellular)</td>
<td>74</td>
</tr>
<tr>
<td>Petroleum (Refining New Units)</td>
<td>100</td>
</tr>
<tr>
<td>Electricity (Except Nuclear Energy)</td>
<td>100</td>
</tr>
<tr>
<td>Pharmaceuticals (Medicine)</td>
<td>100</td>
</tr>
<tr>
<td>Advertisement, Films</td>
<td>74-100</td>
</tr>
<tr>
<td>Defence and’ Strategic Industry</td>
<td>26</td>
</tr>
<tr>
<td>Print Media</td>
<td>100</td>
</tr>
<tr>
<td>Industrial Explosive Production</td>
<td>100</td>
</tr>
<tr>
<td>Single Brand Retail</td>
<td>100</td>
</tr>
<tr>
<td>Multi Brand Retail</td>
<td>51</td>
</tr>
</tbody>
</table>

Paper currency was used for the first time by Bank of Hindustan, Bengal Bank and General Bank in Bengal and Bahar. It was issued in 1770. Paper Currency Act conferred upon government of India the monopoly of notes issue. Currently, the government of India issue only One Rupee Note/Coin [SSC CGL 2006].

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INDIAN ECONOMY

In the stock market, trends are identified by a number of terms. These trends can be either bullish or bearish. A bull market is associated with increased investor confidence; and increased investing in anticipation of future price increase. Bear market shows decline and has sentiments of Fear and Pessimism.

Priority sector lending refers to lending to those sectors which do not get timely credit due to inadequacy in institutional arrangement. It includes agriculture, micro and small enterprises, education, housing, export credit. Priority sector lending rate is linked to Base Rate.

Priority sector lending for domestic banks is pegged at 40%. Foreign banks have to lend up to 32%. There is a sub-limit of 18% for agriculture in the 32% limit. Weaker section under priority sector include Artisans, SCs & STs, Loan to Self Help Groups.

**TAX SYSTEM/INSURANCE**

A compulsory contribution given by a citizen or organisation to the government is called Tax. It is used for meeting expenses on welfare work. Tax imposition and tax collection happen at three levels namely Central, State and Local Level.

The distribution of tax between Centre and State has been mentioned in Indian Constitution. For rationalising it, Finance Commission (FG) is constituted. It is constituted for giving recommendation for

- **Central, State and Local Level**
  - The distribution of tax between Centre and State has been mentioned in Indian Constitution. For rationalising it, Finance Commission (FG) is constituted. It is constituted for giving recommendation for [SSC CGL 2006]

- **Five Years**
  - Finance Commission is constituted by President under Article-280 of the Constitution. Since independence, 13th Finance Commission has given their report. The Chairman of first Finance Commission was [SSC CGL 2008]

- **KC Niyagi**
  - 14th Finance Commission has to give recommendation for year 2015-2020. It has to look into the impact of proposed Goods and Services Tax on the finance of Centre and State as one of its’ terms of reference. Its Chairman is YV Raddy.

- **YV Raddy**
  - Progressive Tax is a tax that takes away a higher proportion of one’s income as the income rises. Indian income tax is progressive and ‘direct tax’. For suggesting uriifoffr regulation for indirect taxation the committee that was constituted, was KL Rekhi.

- **KL Rekhi**
  - Agriculture income in India is free from Income Tax. Corporate tax is imposed on registered companies and corporations. In order to promote private sector, certain rebate and exemptions are provided. The government occasionally applies [SSC (10+2)2008]

- **Surcharge’and Cess**
  - R. Chelliah Committee was constituted in 1991. It was made for suggesting reforms in tax structure. It recommended for income tax on agricultural income of more than 25000 per annum. It also proposed

  - **Reduction in Tax Rates**
    - Legal Tender is a medium of payment allowed by law to be valid for meeting a financial obligation. Paper currency and coins are common form of legal tender. Normally, legal tender is the National Currency.

- **Central Currency**
  - Central government regulate the foreign trade by imposing import and export duties. These are called Custom Duties. Import duties are Ad Valorem (Latin for ‘According to Value’) in nature. It means duty are imposed on taxable item on

  - **Percentage Basis**
    - Minimum Alternate Tax (MAT) was introduced under ITA to tax companies making high profits and declare dividends to their shareholders but has no significant taxable income due to exemption, deduction, etc. It is applicable to companies and farms/limited liability partnership. It is computed at the rate of 18.5% on Book Profit.

- **Excise duties are the largest source of revenue for Central government. It is imposed on production of an item. It has no relevance with its sale. The items, which are barred from central excise, are:**

  - **Liquor, Opium**
    - In 2010, Indian rupee got its symbol (₹). This symbol is an amalgamation of Devanagiri र and Roman ‘R’ without the stem. It was announced after a contest to create symbol for rupee was organised. This symbol is designed by D. Uday Kumar.

**Tax Structure in India**

**Direct Tax**

- Income tax, Corporate tax, Wealth tax, Gift tax, Property tax [Central Government]

- Land revenue tax, Agriculture income tax, Professional tax [State Government]

**Indirect Tax**

- Service tax, Central excise duty, Central sales tax, Custom duty [Central Government]

- State excise duty, Stamp duty, Road tax, Motor vehicle tax, Entry tax [State Government]

13th Finance Commission recommended for share of states in net proceeds of shareable central tax be 32%. Revenue deficit to be progressively reduced and eliminated. Need to have initiative to reduce Central Sponsored Schemes (CSS) and to restore dominance of formula based plan grants. It gave special emphasis to

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Reform in Power Sector

In India, there are three ways to transfer money from Centre to States. It can be either through recommendation of Finance Commission, transfer done through various schemes of Planning Commission and third is

Centrally Sponsored Schemes (CSS)

Centrally Sponsored Schemes (CSS) are schemes implemented by State government but are funded by Central government. Some of its examples are Mahatma Gandhi National Rural Employment Guarantee Act, Pradhan Mantri Gram Sadak Yojana. Planning Commission constituted BK Chaturvedi Committee to restructure the CSS. It is proposed to bring it to

66

Gadgil Formula is used for determining the allocation of central assistance for state plans in India. It was adopted for distribution of plan assistance during 4th and 5th Plan. It gave population weightage of [SSC (10+2) 2001] 60%

Gadgil Mukherjee formula is used. Under this formula, population has been, given 55% weightage, per capita income is 25%, fiscal management is 5% and 15% is allocated to

Special Problems of States

Insurance is spreading the loss of a few over many persons. It is a form of risk management. There are two parties in insurance. One is insurance company called the Insurer and other Policyholder, who is called Insured

Both the. Insured and Insurer enter into a contract where the insured pays an amount called premium and the insurer giving a promise that it will compensate the insured in case of financial loss. The document which is provided to policyholder is

Insurance Policy

Insurance industry has two companies—Life Insurance Corporation of India (LIC) and General Insurance Corporation of India (GIG). LIC was introduced by Britishers. In 1818, Oriental Life Insurance Company was started at Kolkata

Life Insurance Corporation (LIC) of India is an Indian state owned insurance group and investment company. It was owned by government in 1956. Over 245 insurance companies and provident societies were merged to create state owned LIC. It is headquartered at Mumbai

Indian insurance sector has low penetration in rural areas. It also faces low turnover and profitability despite high premium rate. A committee was set-up for insurance sector reform in 1993 under

RNMalhotra

Malhotra Committee recommended for a stronger case for paving way for foreign capital. It purposed to allow private players in insurance sector. It asked for setting up a regulatory body called

Insurance Regulatory and Development Authority (IRDA)

Insurance Regulatory and Development Authority (IRDA) is an autonomous apex statutory body, which regulate and develop insurance industry. It has been supporting to increase FDI in insurance to 49%. It is headquartered at Hyderabad [SSC CGL 2010]

The LIC has 8 zonal offices. It also operates at overseas location of Fiji, Mauritius. It run joint ventures companies in Behrain, Nepal and Kenya. It opened a representative office in Singapore

Agriculture Insurance Company of India offers yield based and weather based crop insurance programmes. It is one of the biggest crop insurer in the world in number of farmers served. It was founded in 2002. It is headquartered at New Delhi

National Agriculture Insurance Scheme (NAIS) is the government sponsored insurance scheme. It provides insurance cover and financial support to farmers in the event of failure of any notified crop. Scheme is applicable to all the states. Some crops, which are covered under NAIS, are

Food Crops, Oilseeds, Sugarcane, Cotton

General Insurance Corporation of India (GIG) is the sole reinsurance company of India in reinsurance sector. Reinsurance is an insurance purchased by insurance company as a mean of risk management. It was established in 1972. It is headquartered at Mumbai

Export Credit Guarantee Corporation of India Limited is a company working under Ministry of Commerce. It provide export credit insurance to Indian exporters. It was founded in 1957. It is headquartered at Mumbai

Prominent Non Life Insurance Companies of India

Public Sector

Oriental Insurance Company
United India Insurance Company
New India Assurance Company
National Insurance Company

Private Sector

ICICI Lombard, IFFCO Tokio
Apollo Munich Health Insurance
Max Bupa Health Insurance
**INDIAN ECONOMY**

**NATIONAL INCOME OF INDIA**

National income is the basic concept in Macroeconomics. It means the total income of the state (nation). It refers to the money value of all final goods and services produced by the normal residents of the country. The resident can be working both within or outside Domestic Territory of Country.

There is a difference between National Income and National Wealth. National Wealth is measurement of present asset available on given time. National income include net factor income from abroad. Symbolically, it is:

\[
\text{National Income} = \text{Price of Good} + \text{Price of Services}
\]

**Gross National Product (GNP)** is the market value of all products and services produced in one year. It include residents of the country only. The GNP allocates production based on Ownership.

**Gross Domestic Product (GDP)** is the market value of all officially recognised final goods and services produced in a country for a given period of time. It is considered as indicator of country’s standard of living. The GDP was first developed by Simon Koznets.

**Socio-Economic Programmes**

<table>
<thead>
<tr>
<th>Programme/Measure</th>
<th>Year of Launch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment Guarantee Scheme</td>
<td>1972-73</td>
</tr>
<tr>
<td>Drought Prone Area Programme</td>
<td>1973-74</td>
</tr>
<tr>
<td>Twenty Point Programme</td>
<td>1975</td>
</tr>
<tr>
<td>Integrated Rural Development Programme</td>
<td>1980</td>
</tr>
<tr>
<td>National Rural Employment Programme</td>
<td>1980</td>
</tr>
<tr>
<td>Jawahar Rozgar Yojana</td>
<td>1989</td>
</tr>
<tr>
<td>Nehru Rozgar Yojana</td>
<td>1989</td>
</tr>
<tr>
<td>Rural Landless Employment Guarantee Programme</td>
<td>1993</td>
</tr>
<tr>
<td>Swarna Jayanti Shahri Rozgar Yojana</td>
<td>1997</td>
</tr>
<tr>
<td>Swarna Jayanti Gram Swarozgar Yojana</td>
<td>1999</td>
</tr>
<tr>
<td>Indira Awaas Yojana</td>
<td>1999</td>
</tr>
<tr>
<td>Pradhanmantri Gramodaya Yojana</td>
<td>2000</td>
</tr>
<tr>
<td>Pradhan Mantri Gram Sadak Yojana</td>
<td>2000</td>
</tr>
<tr>
<td>Sampoorna Gramteen Rozgar Yojana</td>
<td>2001</td>
</tr>
<tr>
<td>Bharat Nirman</td>
<td>2005</td>
</tr>
<tr>
<td>jawaharfal Nehru National Urban</td>
<td>2005</td>
</tr>
<tr>
<td>Renewal Mission</td>
<td>2005</td>
</tr>
<tr>
<td>Mahatma Gandhi National Rural Employment Programme</td>
<td>2009</td>
</tr>
<tr>
<td>Prime Minister Employment Generation Programme</td>
<td>2008</td>
</tr>
<tr>
<td>Affordable Housing in Partnership</td>
<td>2009</td>
</tr>
<tr>
<td>Rajeev Awaas Yojana</td>
<td>2010</td>
</tr>
<tr>
<td>National Rural Livelihood Mission (NRLM)</td>
<td>2011</td>
</tr>
<tr>
<td>Nirmal Bharat Abhiyan</td>
<td>2012</td>
</tr>
</tbody>
</table>

Per capita Income is the mean income within an economic aggregate such as country or city. It is calculated by dividing all sources of income in aggregate (GDP/GNP) by total population. It is usually expressed in either Euro or US Dollar.

Gross value added at factor cost is derived as the sum of value added in agriculture, industry and service sector. GDP at factor cost is called real GDP. India is currently the 10th largest country in the world on account of Nominal GDP.

Prior independence, Dadabhai Naoroji tried to estimate national income in 1868. For the first time, scientifically, it was estimated by VKRV Rao (1931-32). National Income Committee was formed in 1949 under the chairmanship of PC Mahalonobis.

India is a mixed economy. It consists of private owned enterprise and state owned enterprise. The government does not intervene in the decision of enterprise. It intervene in case of Correcting Market Failure.

Social Accounting is the process of communicating the social and environment effects of organisation economic action to society at large with emphasis on particular interest group. It is widespread practice in UK. It is used in context of Corporate Social Responsibility.

The NSSO conduct National Sample Survey (NSS). It is carried out in successive rounds, each round usually of a year duration covering several topics. These surveys are conducted through Household Interviews.

**Green Index** was one of the index developed by World Bank. In 2009, the first ever eco-friendly stock market index for tracking the carbon efficiency. For more visit, www.studyiq.com
of companies doing business in emerging economies was launched. In India, the BSE launched the green index called **Greenex**.

Some of the important subjects taken under NSSO survey are birth, death, maternity, child care and family planning. It includes landholding and livestock. From January, 2013, the NSS is doing survey of **70th Round**

### Finance Commissions of India (1951 -2012)

<table>
<thead>
<tr>
<th>Finance Commission</th>
<th>Year of Establishment</th>
<th>Chairman</th>
<th>Operational Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1951</td>
<td>KC Neyogi</td>
<td>1952-57</td>
</tr>
<tr>
<td>Second</td>
<td>1956</td>
<td>K Santhanam</td>
<td>1957-62</td>
</tr>
<tr>
<td>Third</td>
<td>1960</td>
<td>AK Chanda</td>
<td>1962-66</td>
</tr>
<tr>
<td>Fourth</td>
<td>1964</td>
<td>PV Rajamrnan</td>
<td>1966-69</td>
</tr>
<tr>
<td>Fifth</td>
<td>1968</td>
<td>Mahaveer Tyagi</td>
<td>1969-74</td>
</tr>
<tr>
<td>Sixth</td>
<td>1972</td>
<td>KN Brahmananda</td>
<td>1974-79</td>
</tr>
<tr>
<td>Seventh</td>
<td>1977</td>
<td>JM Shelat</td>
<td>1979-84</td>
</tr>
<tr>
<td>Eighth</td>
<td>1983</td>
<td>YBC Chavan</td>
<td>1984-89</td>
</tr>
<tr>
<td>Ninth</td>
<td>1987</td>
<td>NKP Solva</td>
<td>1989-95</td>
</tr>
<tr>
<td>Tenth</td>
<td>1992</td>
<td>Late Sri KC Pant</td>
<td>1995-2000</td>
</tr>
<tr>
<td>Eleventh</td>
<td>1998</td>
<td>AM Khursro</td>
<td>2000-2005</td>
</tr>
<tr>
<td>Twelfth</td>
<td>2003</td>
<td>C Rangarajan</td>
<td>2005-2010</td>
</tr>
<tr>
<td>Thirteenth</td>
<td>2007</td>
<td>Dr Vignul Kelker</td>
<td>2010-2015</td>
</tr>
<tr>
<td>Fourteenth</td>
<td>2012</td>
<td>Yaga Venugopal</td>
<td>2015-2020</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Reddy</td>
<td></td>
</tr>
</tbody>
</table>

Gross National Product (GNP) has been criticised since it does not account for environment degradation and resource depletion. When these components are added in GDP, it is referred as Green GDP. It is important that Green GDP should include **Social and Economic Issues**

Central Statistical Organisation has divided the economy into three parts for determining the national income. These three sectors are Primary, Secondary and Tertiary. For this, the new defined base year, is **2004-05**

### MACRO-ECONOMIC PROBLEMS

Anybody who is not gainfully employed in any productive activity is called unemployed. It can be either voluntary or involuntary. The government major concern is with involuntary unemployment. In India; unemployment is **Structural**

Unemployment structural nature is due to lack of productive capacity and resources. It is not the result of deficiency of effective demand in Keynesian sense. Cyclical unemployment happens due to **Depression in Economy**

Frictional unemployment is temporary in nature. It happens when new industries drive out old ones and workers change over to better jobs. Open employment is the one where people are willing to work but had **Absence of Work**

Underemployment is also feature of Indian economic landscape. It results when a person contributes to production less than what he or she is capable of. It is also called **Disguised Unemployment [UPSC 2013]**

Data an unemployment was collected by Planning Commission based on Lakadawala Formula. It was effective from 1997. Prior to this, it was collected by National Sample Survey Office (NSSO). It works under **Ministry of Statistics**

The NSSO create various reports with respect to unemployment. It includes general status of unemployment which covers people who are unemployed for more than one year. Another category is weekly unemployment which include person who have not get work for **Even 1 hour in a Week**

As per the 11th Plan, the total job requirement was for 100 million people. It includes the backlog of .35 million, in the 11th Plan, total job requirement included creation of new **65 million Jobs**

Main reasons for unemployment in India are slow economic development, population explosion, outdated technique, improper education system and limited effect of government planning. The NSSO data shows that best concept of unemployment is depicted by **Daily Unemployment**

If work is not provided within the given time, he will be paid daily unemployment allowance. This will be at least one-third of minimum wage. At district level, it will be done under control of **District Programme Coordinator/Chief Executive Officer**

National Rural Employment Guarantee Act was passed in 2005. Under this Act, every household in rural India will have a right to at least 100 days of guaranteed employment every year to at least 1 adult member of a family. Work should be provided within **15 Days**

Work of the Gram Panchayat will be monitored by Gram Sabha through social audit. Social audit is a process of reviewing official records and check whether state reported expenditure reflect the actual money spend on ground. It has been successfully used in **Bajasthan and Andhra Pradesh**

Swarna Jayanti Shaheri Rozgar Yojana is a centrally sponsored scheme, which was started in 1997. It strives to provide gainful employment to urban unemployed and underemployed poor. It is run by Ministry of Housing and Urban Poverty Alleviation. It consists of **Five Components**

Swarna Jayanti Gram Swarozgar Yojana is a self
Indian Economy

Employment Scheme of Central Government. It is now rechristened as National Livelihood Mission/Ajeevika. It is funded in 75:25 basis ratio. It promotes growth of self help groups. It targets Marginalised Sections of Society

Self Help Groups (SHGs) are considered eligible for financing under various government schemes. There is a ceiling on the number of people in SHG and also the loan amount. It is a village based financial intermediary. SHGs are linked to bank for delivery of Micro Credit

Relative poverty is measure of income inequality. There can be two ways for determining relative poverty

**Lorenz Curve and Gini Coefficient**

Some Important Government Schemes

Desert Development Programme 1977-78
Antyodaya Yojana 1977-78
Integrated Rural Development Programme 1980
Annapurna Yojana 1999
Hariyali Pariyojana 2003
Swajaldhara Programme 2002
Janani Suraksha Yojana 2005

Planning Commission is a nodal agency for estimating the number and proportion of people living below the poverty line at national and state level. It is determined separately for rural and urban areas. It can be estimated either by

**Uniform Recall Period (URP) or Mixed Recall Period (MRP)**

Gini Coefficient is a measure of statistical dispersion intended to represent the income distribution of nation resident. It was developed by Corrado Gini in 1912. Gini Coefficient of ‘0’ represent Perfect Equality

Lorenz Curve is graphical representation of cumulative distribution function of empirical probability distribution of wealth. It was developed by Max Lorenz in 1905. It can be used to show distribution of Income and Assets

Human Development Index (HDI) is a composite statistic of life expectancy, education and income indices used to rank countries into different tiers of human development. It was started in 1990

The HDI was created by Mahbub-ul-Haq and Amartya Sen and was published by United Nations Development Programme (UNDP). Amartya Sen got Nobel Prize in 1998 for his work in

**Welfare Economics**

The UNDP, in 1995, came out with Gender-related Development Index and Gender Empowerment Index. Its purpose was to add gender dimension to HDI. It addresses gender gap in life expectancy, education and

Multidimensional Poverty Index (MPI) was developed in 2010 by UNDP. It uses different factors to determine poverty beyond income based lists. It uses the three same dimensions as of HDI but are measured by

10 Indicators

Top Five Countries with Highest HDI

<table>
<thead>
<tr>
<th>Country</th>
<th>HDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>995</td>
</tr>
<tr>
<td>Australia</td>
<td>938</td>
</tr>
<tr>
<td>The USA</td>
<td>937</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>921</td>
</tr>
<tr>
<td>Germany</td>
<td>920</td>
</tr>
</tbody>
</table>

Suresh Tendulkar Committee in its report (in 2009) recommended to moving away from calorie intake norm to adopting MRP based estimation of consumption expenditure. This report estimated rural poverty at 41% and all India at 37%

Saxena Committee was constituted by Ministry of Rural Development. It was to identify BPL-families in rural areas. It recommended for doing away with Score-based Ranking of Rural Households

Saxena Committee recommended for automatic exclusion of some privileged section and automatic inclusion of certain deprived and vulnerable section of society. Certain categories which are excluded are families having at least one mechanised farm equipment, or it can be

Income Tax Payer

Inflation is rise in the general level of prices of goods and services in any economy over period of time. Inflation can be high, if there is an excessive growth of money supply. In Economics, there need to be an equilibrium between

**Inflation and Growth** [SSC CGL 2008]

Uniform Recall Period (URP) checks for consumer expenditure data for all item collected for 30-day recall period. In case of Mixed Recall Period (MRP) Consumer expenditure for five non food items, i.e., clothing, footwear, durable good, education and institutional medical expenses for

365-Day Recall Period

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## All India Financial Institutes: At a Glance

<table>
<thead>
<tr>
<th>Financial Institution</th>
<th>Purpose</th>
<th>Chairman</th>
<th>Headquarters</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Finance Corporation of India (IFCI)</strong> - 1948</td>
<td>To grant loans and advances to industrial concerns and subscribe to debentures floated by them.</td>
<td>Mr Atul Kumar Rai</td>
<td>New Delhi</td>
</tr>
<tr>
<td><strong>State Finance Corporations (SFCS)</strong></td>
<td>To finance the needs of the small-scale and medium sized industries in respective states. 28 SFCs are in operation along with 28 State Industrial Development Corporations (SIDCs).</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Industrial Credit and Investment Corporation of India (ICICD)-1955</strong></td>
<td>To stimulate the promotion of new industries and assist in modernisation of existing industries.</td>
<td>Ms Chanda Kochhar</td>
<td>Mumbai</td>
</tr>
<tr>
<td><strong>Industrial Development Bank of India (IDBI) 1964</strong></td>
<td>To meet the financial needs of industrialisation and coordinate with all other agencies concerned with industrial development finance. Wholly owned subsidiary of RBI till 1976. Merged with IDBI Bank in 2004.</td>
<td>Shri RM Malla</td>
<td>Mumbai</td>
</tr>
<tr>
<td><strong>Industrial Investment Bank of India (IIIBI)-1985</strong></td>
<td>To assist the industrial units in Eastern region.</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Small Industries Development Bank of India (SIDBI) - 1990</strong></td>
<td>To promote, finance and develop industry in small scale sector.</td>
<td>Shri Sushil Munhot</td>
<td>Lucknow</td>
</tr>
<tr>
<td><strong>Unit Trust of India (UTI) -1964</strong></td>
<td>Set up as an investment institution to stimulate and pool the savings of the middle and low income groups. UTI bifurcated into two parts (i) UTI Mutual Fund and (ii) Specified Undertaking of UTI (SUUTI)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Life Insurance Corporation of India (LIC) 1956</strong></td>
<td>Life insurance nationalised by CD Deshmukh seeks to spread life insurance to rural hinter lands and for everyone at an affordable cost. It has 8 zonal offices, the most recent being Patna.</td>
<td>Shri DK Mehrotra</td>
<td>Mumbai</td>
</tr>
<tr>
<td><strong>General Insurance Corporation of India</strong></td>
<td>To control and operate the general insurance in India. With effect from March 21, 2003, GIC ceased to be the holding company of its subsidiaries and in November, 2000, it was renotified as Indian Reinsurer.</td>
<td>Ashok Kumar Roy</td>
<td>Mumbai</td>
</tr>
<tr>
<td><strong>National Housing Bank (NHB) - 1988</strong></td>
<td>It is the apex institution of housing finance in India and is a wholly owned subsidiary of the RBI. Launched RESIDEX for tracking prices of residential properties in India in 2007. At present, RESIDEX covers 15 cities in India. It is a refinance institution.</td>
<td>RV Verma</td>
<td>New Delhi</td>
</tr>
<tr>
<td><strong>National Bank for Agricultural and Rural Development (NABARD) 12July,1982</strong></td>
<td>To provide credit for promotion of agriculture, small scale industries, cottage and village industries etc with a view to promote integrated rural development and securing, prosperity of rural areas. It is a refinance institution.</td>
<td>Dr Harsh Kumar Vanwala</td>
<td>Mumbai</td>
</tr>
<tr>
<td><strong>EXIM Bank -(1982)</strong></td>
<td>To finance, facilitate and promote foreign trade in India. It is a refinance institution. It is a specialised financial institution.</td>
<td>Shri TCA Rangnathan</td>
<td>Mumbai</td>
</tr>
<tr>
<td><strong>Tourism finance Corporation of India Limited (TFCI) -1989</strong></td>
<td>Set up on the recommendation of Yunus Committee on tourism. It is a specialised finance institution providing assistance to tourism related activities/projects.</td>
<td>—</td>
<td>New Delhi</td>
</tr>
</tbody>
</table>

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As on March, 2010, there were 48 insurers (both life and general), of these 37 were in private sector. The insurance sector was opened up in 2000 and GIC was delinked from four General Insurance Companies namely, National Insurance Company Limited, New India Assurance Company Limited, Oriental Insurance Company Limited and United India Insurance Company Limited. These four insurance companies are functioning independently.

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