UPSC 2022

ECONOMY NOTES

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TOPICS COVERED :

INTRODUCTION TO ECONOMICS

- The word 'Economics' originates from the Greek word **'Oikonomikos'; Oikos (means 'Home') + Nomos (means 'Management')'** means 'Home management.
- Economics is the study of how people and society end up choosing, with or without the use of money, to employ scarce productive resources that could have alternative uses to produce various commodities over time and distribute them for consumption, now or in the future, among various persons or groups in society.
- It analyses costs and benefits of improving patterns of resource allocation. The term Economy means the state of a country or region in terms of the production and consumption of goods and services and the supply of money.

TYPES OF ECONOMICS

MICRO ECONOMICS- It is concerned with how **supply and demand interact** in the individual market and how these interactions determine the price level of goods and services.

It examines the economic behavior of individual actors at the level of individual economic entities- firm, consumer,labor.

MACROECONOMICS- It is concerned with how the overall economy works.

Studies- Employment, Gross Domestic Product(GDP) an inflation etc; Government policies

It studies the economy as a whole and features topics like- National income,Poverty, Balance of Payments; World Economic events and their effects on the National economy.

OTHER BRANCHES OF ECONOMICS

Depending upon the dominant view of a particular country, different forms of production patterns evolved and finally different economic systems came up to organize the economy.

CAPITALIST ECONOMY OR MARKET ECONOMY

- Origin-Famous work of **Adam smith** (Wealth of Nations 1976)- Scottish philosopher-Economist
- Capitalism is an economic system **based on private or corporate ownership, production and distribution of goods and services.**
- Capitalists favor a system of free enterprises which means the government does not interfere in the economy, that the laws of supply and demand run in accordance with people's needs.
- Capitalism is characterized by competition in market for public well being
- Eg. Economy of USA after independence based on this principle

SOCIALIST ECONOMY OR STATE ECONOMY

- Proposed by German philosopher Karl Marks
- Socialism is an economic system in which the **means of production are socially owned** and used to meet human needs instead of to create profits.(Collective ownership of means of production property and assets)- large role of state to assist economy
- Communism advocates class struggle and revolution to establish a society of cooperation with a strong government.
- Eg. Communism predominated in former USSR; and presently in China and Cuba
- This type of economy is also known as a **centralized economy, Non market economy**.
- Socialism tends to favor cooperation whereas capitalism favors competition.

MIXED ECONOMY

- It consists of a combination **of public sector and private sector units.**
- Here, Governments are decision makers for the public sector and individuals make decisions for the private sector.
- This new approach is described in John Keynes writings, where Keynes suggested rectification in traits of capitalistic economy.
- It basically incorporates the government's role in a market based economy.
- Eg. India, UK
- (Indira Gandhi- " Indian socialism is unique, it is based on Gandhian Socialism, a Indian brand)
- India is a mixed economy. In a mixed economy, public sector (government-owned) business enterprises exist alongside the private sector to achieve a welfare state with a socialistic pattern of society. Ever since independence, India's economic development has been guided by the twin objectives of developing:

(a) a rapidly and technologically progressive economy by democratic means; and

(b) a social order based on justice, offering equal opportunity to every citizen of the country.

SECTORS OF ECONOMY

Various sectors to define the proportion of population engaged in particular economic activity.

There are 3 major sectors of the Indian economy- the primary sector, the secondary and the tertiary sector.

PRIMARY SECTOR

- Involves in extraction or harvesting of products from the Earth; it includes production of raw materials

  Eg. Activities included- agriculture, mining,forestry, fishing,etc.

SECONDARY SECTOR

- Involves in production of finished goods.
- All manufacturing, processing and construction activities lies in this sector.

Eg. Metal working,automobile,textile,production,shipbuilding,etc.

TERTIARY SECTOR

- It is also called the service sector.
  Eg. Activities involved- retail,transportation,entertainment,banking,tourism,etc.
- In advanced countries tertiary sector is largest in terms of production and employment

QUATERNARY SECTOR

- It consist of intellectual and knowledge based activities
  Eg. Activities associated- Research and development, consulting, financial planning, education, etc.

QUINARY SECTOR

- It consists of the highest levels of decision making in a country.
- It includes top officials of government, media and universities. Etc.

NATIONAL INCOME

- National Income Of India National income measures the net value of goods and services produced in a country during a year and it also includes net earned foreign income. [for India Financial year is 1 April to 31st March]
- In other words, a total of national income **measures the flow of goods and services** in an economy. National income is a flow not a stock.
- As contrasted with national wealth which measures the stock of commodities held by the nationals of a country at a point of time, national income measures the productive power of an economy in a given period to turn out goods and services for final consumption.
- National Income is defined as total net earnings from production of goods and services in a country over a period of time, consisting **of wages, salaries,rent, profit,and interests.**
- **National Income= C+I+G+(X-M)**

C=Total consumption expenditure;

I=Total Investment Expenditure;

G=Total Government expenditure;

X= Export;

M= Imports

- National Income is considered as **NNP at Factor cost.**
- National Income can be measured by Gross National Product(GNP), Gross Domestic Product(GDP),Gross National Income(GNI),Net National Product(NNP) and Per Capita Income(PCI)

- National Income Aggregates are estimated either at factor cost or at market price.

FACTOR COST(FC)

Factor cost refers to cost of factors of production i.e. rent of land, interest of capital wages for labor and profit for entrepreneurship
FC=Market Price- Indirect Taxes Subsidies

MARKET PRICE(MP)

MP is the price actually paid by customers. It includes components of indirect taxes and subsidies.
MP= Factor Cost & Indirect Taxes – Subsidies

The various concepts of national income are as follows:

- Per Capita Income- It is a measure of the amount of money that is being earned per person in a certain area.
- PCI = National Income /Population

Gross National Product (GNP)

- Gross National Product refers to the money value of **total output or production of final goods and services produced by the nationals of a country** during a given period of time, generally a year.
- In the calculation of GNP, we include the money value of goods and services produced by nationals outside the country.
- Hence, income produced and received by nationals of a country within the boundaries of foreign countries should be added to the Gross Domestic Product (GDP) of the country.
- Similarly, income received by foreign nationals within the boundary of the country should be excluded from GDP.

GNP = GDP + X – M,
where, X = Income earned and received by nationals within the boundaries of foreign countries.
M = Income received by foreign nationals within the country.
If X = M, then GNP = GDP.

GNP = GDP + NFIA
Where NFIA = Net Factor Income from abroad
also NFIA = Factor incomes received from abroad — Factor income paid to abroad.

Net National Product (NNP)

NNP is obtained by subtracting depreciation value (i.e. capital stock consumption) from GNP.
NNP = GNP – Depreciation.

Gross Domestic Product (GDP)

- It is the total money value of **all final goods and services produced within the geographical boundaries of the country** during a given period of time.
- So, the domestic product emphasizes the total output which is raised within the geographical boundaries of the country. The national product focuses not only on the domestic product but also on goods and services produced outside the boundaries of a nation.

Gross Value added

- GVA is measure of value added in goods and services produced in economy i.e.
- It provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services.
- **GVA = economic output – input.**
- GVA is sector specific while GDP is calculated by summation of GVA of all sectors of economy with taxes added and subsidies are deducted

GDP= Consumption + Investment + Govt. Expenditure + Net Export

GDP at Market Price= GNP at MP- (Export-Import)
GDP at Factor cost= GNP at FC- (Export- Import)

- **Nominal GDP**- it is the market value of all final goods and services produced within the country.

- **Real GDP**- the adjustment transforms the nominal GDP into an index for the quantity of total output. It is a measurement of the value of the output economy, adjusted for price changes. Base year is selected for counting real GDP.
- A Real GDP growth rate removes any effects that have arisen due to inflation to give us a true picture of economic reality.
- India changes Base year for GDP calculation
- Base year has been changed from 2004-05 to 2011-12
- This mean that the real GDP will be counted by keeping the prices of 2011-12 as base prices

New GDP Series 2011-12

- Change of base year – 2004-05 to 2011-12
- Change in GDP calculation to using market prices rather than factor costs.
- Adopted the international practice of valuing industry-wise estimates as gross value added (GVA) at basic prices.

GDP back series

- An expert committee set up by the National Statistical Commission (NSC) released recently the report on back series GDP data. The back-series data provides the earlier years' data using the new calculations. It helps in understanding the economy, its size, and growth rate more accurately.

National Income

- GNP is based on market prices of produced goods which includes indirect taxes and subsidies.
- NNP can be calculated in two ways (i) at market prices of goods and services (ii) at factor cost
- When NNP is obtained at factor cost, it is known as National Income.
- National Income is calculated by subtracting net indirect taxes (i.e. total indirect tax subsidy) from NNP at market prices.
- The obtained value is known as NNP at factor cost or National income.
- So, NNP at factor cost or National Income = **NNP at market price – (Indirect Taxes – Subsidy) = NNP(mp) – Indirect Tax + Subsidy.**

Personal Income

- Personal income is that income which is actually obtained by nationals.
- Personal income is obtained by subtracting corporate taxes and payments made for social securities provision from national income and adding to it government transfer payments, business transfer payments and net interest paid by the government. So,

Personal Income = National income – undistributed profits of corporation – payments for social security provisions – corporate tax + government transfer payments + Business transfer payments + Net interest paid by government.

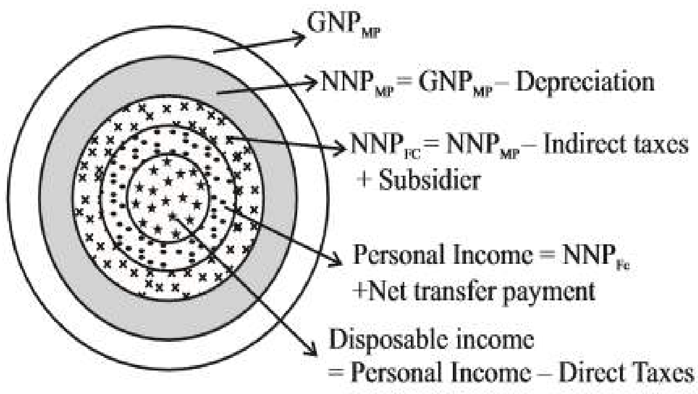
Personal Disposable Income

- When personal direct taxes are subtracted from personal income, the obtained value is called disposable personal income (DPI).
- So, Disposable personal income **DPI = [Personal income] – [Direct Taxes]**

Per Capita Income

- It is the measure of the amount of money that is being earned per person in a country.
- **Per Capita Income of Country= National Income/ Population of country**

[A high per capita income indicates a better standard of living and thus, economic development on the whole.]



METHODS OF MEASURING NATIONAL INCOME

National Income of a country is calculated by following three methods :

Product Method

- In this method the net value of final goods and services produced in a country during a year is obtained and the total obtained value is called total final product. This represents Gross Domestic Product (GDP).
- Net income earned in foreign boundaries by nationals is added and depreciation is subtracted from GDP.

Income Method

- In this method, a total of net incomes earned by working people in different sectors and commercial enterprises is obtained.
- National Income = total Rent + Total Wages + total Interest + Total Profit.

Consumption Method

- It is also called the expenditure method. Income is either spent on consumption or saved. Hence national income is the addition of total consumption and total savings.

[In India, a combination of production method and income method is used for estimating national income.]

ESTIMATES OF NATIONAL INCOME IN INDIA

- In 1868, the first attempt was made by Dada Bhai Naoroji. He, in his book 'Poverty and Un-British Rule in India'. estimated Indian per capita annual income at a level of Rs. 20.

- Some Other economists followed it and gave various estimates of Indian national income, some of these estimates are as follows :

  Findlay Shirras (1911) - Rs.49

  Wadia & Joshi (1913-14) – Rs.44.30

  Dr. V.K.R.V. Rao (1925-29) – Rs.76

- After independence, the Government of India appointed the National Income Committee in August 1949 under the chairmanship of Prof. P.C. Mahalanobis, to compile authoritative estimates of national income.
- The government established the Central Statistical Organization(CSO) in 1949 for formulating National Income.

ORGANISATIONS RELATED TO NATIONAL INCOME ACCOUNTS

[Recently, the government has decided to merge the Central Statistical Organisation (CSO) and the National Sample Survey Office (NSSO) to form a National Statistical Office (NSO), under the Ministry of Statistics and Program Implementation.]

CENTRAL STATISTICAL OFFICE (CSO)

- It was set up in 1951, it is one of two wings of the National Statistical Office(NSO) along with National Sample Survey Office(NSSO).
- Activities include -GDP, Index of Industrial Production, Energy Statistics, Infrastructure Statistics, National Income Accounting, Conduct of Annual Survey of Industries, Consumer Price Indices for Urban NonManual Employees, Human Development Statistics, Gender Statistics, Imparting training in Official Statistics.
- **National Sample Survey Office (NSSO)-** Primarily data are collected through nation-wide household surveys on various socio-economic subjects, Annual Survey of Industries (ASI). Also collects data on rural and urban prices, crop statistics.

NATIONAL STATISTICAL OFFICE (NSO)

- Headed by a Director General, it is responsible for conducting large-scale sample surveys in diverse fields on an All India basis.
- Primarily data are collected through nationwide household surveys on various socioeconomic subjects, Annual Survey of Industries (ASI), etc.
- Besides these surveys, NSO collects data on rural and urban prices and plays a significant role in the improvement of crop statistics through supervision of the area enumeration and crop estimation surveys of the State agencies.

ECONOMIC GROWTH AND DEVELOPMENT

ECONOMIC GROWTH

- It is an increased economic capacity to produce goods and services.
- It is conventionally measured by an increase in a country's GDP or GNP or Per capita Net Domestic Product.
- If any one of the components of GDP- Consumption, Investments, net exports etc. increased, it is considered to be economic growth; hence this does not give a real picture of the prosperity of the country.
- It is Quantitative in nature, it is concerned with an increase in the economy's output.

ECONOMIC DEVELOPMENT

- Economic development is an increase in living standards, improvement in self esteem needs and freedom from oppression as well as a greater choice.
- It is associated with change in socio economic progress of the country.
- Development relates to growth of human capital index, decrease in inequality figures and structural changes that improve the general population's quality of life.
- It is generally measured by various indices such as HDI,HPI,GDI,etc.
- It is quantitative as well as qualitative in nature.

MEASUREMENT OF DEVELOPMENT

HUMAN DEVELOPMENT INDEX (HDI)

- The United Nations Development Programme**(UNDP) introduced HDI** in its first Human Development Report(HDR) prepared **under Mahbub-ul-Haq in 1990** (Amartya Sen is also associated).
- **3 indicators**:
  1. Health- life expectancy at birth
  2. Education- i) Mean years of schooling(for adults aged 25 years)

     ii) expected years of schooling(for children of school entering age)

  3. Standard of living- Gross National income, per capita at Purchasing Power Parity(PPP) in terms of US dollars

INEQUALITY ADJUSTED HUMAN DEVELOPMENT INDEX (IHDI)

- IHDI accounts for inequalities in HDI dimensions across the population.

- The IHDI equals HDI, when there is no inequality across people, but less than HDI as inequality rises.
- Parameters are the same as HDI but values are based on inequality.

GENDER INEQUALITY INDEX (GII)

- GII reflects women's disadvantage in **3 dimensions**:
  1.Reproductive Health

  2.Empowerment

  3.Labour Market

- It ranges from 0 to 1, 0 means women and men are fare equal; 1 means inequality.

GENDER DEVELOPMENT INDEX (GDI)

- GDI measures gender gap in human development achievements **in 3 dimensions**
  1.Health-male and female life expectancy at birth
  2.Education
  3.Command over economic resources

GROSS NATIONAL HAPPINESS (GNH)

- The term was **coined by Bhutan's king Jigme singye Wangchuck in 1972**.
- It is an attempt to define an indicator that measures quality of life or social progress in more holistic and psychological terms than economic indicator of GDP.
- GNH value is proposed to be an index function of the total average per capita of following measures:

i. Economic wellness
ii. Environmental wellness
iii. Physical wellness
iv. Mental wellness
v. Social wellness
vi. Political wellness

GENUINE PROGRESS INDICATOR

- GPI is the concept of green economics and welfare of economics.
- GPI attempts to measure whether or not a country's increased production of goods and expanding services have actually resulted in improvement of welfare of people of the country.

MULTIDIMENSIONAL POVERTY INDEX (MPI)

- MPI was developed in **2010, by Oxford Poverty and human development initiative and UNDP.**
- The index uses the same **3 dimensions** as the human development index such as health, education, standard of living.
  Dimensions and their **10 indicators**:
- Health- 1. child mortality; 2. Nutrition
- Education- 3. Years of schooling; 4. Children enrolled
- Living standards- 5. Cooking fuel; 6. Sanitation; 7. Water; 8. Electricity; 9. Floor; 10. Assets
- Each dimension and each indicator is equally weighted.

GLOBAL HUNGER INDEX (GHI)

- GHI designed to measure and track hunger globally and country wise.
- It is calculated by International Food Policy Research Institute(IFPRI), first released in 2006.
- **4 component indicators in Index**:

1. Under nourishment
2. Child wasting
3. Child stunting
4. Child mortality

GREEN GROSS DOMESTIC PRODUCT (GREEN GDP)

- Green GDP is an index of economic growth with the environmental consequences of that growth factor.
- Green GDP monetizes the loss of biodiversity and accounts for costs caused by climate change.
- Indicator- per capita carbon dioxide emission per year

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

- At the United Nations Sustainable Development Summit on 25 September 2015, World Leaders adopted the 2030 Agenda for sustainable Development, which includes a set of 17 sustainable Development Goals to end poverty, fight inequality and injustice and tackle climate change by 2030.

17 SDGs are–

1. End poverty in all its forms everywhere.
2. End hunger, achieve food security and improve nutrition and promote sustainable agriculture.
3. Ensure healthy lives and promote well-being for all at all ages.
4. Ensure inclusive and equitable Quality Education and promote lifelong learning opportunities for all.
5. Achieve gender equality and empower all women and girls.
6. Ensure availability and sustainable management of water and sanitation for all.
7. Ensure access to affordable, reliable, sustainable and modern energy for all.
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Build resilient infrastructure, promote inclusive and Sustainable industrialization and foster innovation.
10. Reduce inequality within and among countries.
11. Make cities and human settlements inclusive, safe, resilient and sustainable.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action To combat climate change and its impacts.
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainable manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. Strengthen the means of implementation and revitalize the global partnership for Sustainable development.

ECONOMIC PLANNING IN INDIA

- Economic planning refers to the path of actions in terms of policy measures for a consciously and judiciously carried out process for optimum utilization of existing resources in order to fulfill some well defined economic objectives.

History of planning in India

- 1934: M. Visvesvaryya, in his book ‘Planned Economy of India’, advocates the necessity of planning in the country much before Independence.

- 1944: Bombay Plan, published in January 1944, prepared by eight leading industrialists of Bombay.

- Gandhian Plan put forward by S.N. Agrawal (1944).
- 1944: Planning Development Council was set up under the chairmanship of A. Dalal.
- Peoples Plan drafted by M.N. Roy (1945).
- 1946: Interim Government sets up the Planning Advisory Board.
- 1947: The Economic Programme Committee was set up under the chairmanship of Jawaharlal Nehru.
- 1950: Planning Commission was set up.
- 2015: Formation of NITI Aayog.

STRATEGIES OF PLANNING

HARROD DOMAR STRATEGY

- The first five year plan 1951-56 was based on this strategy. It emphasized the role of capital accumulation of dual character, which will increase the national income as well as increase the production capacity.
- According to the model, the economic growth rate is dependent on the level of savings and capital output ratio.

NEHRU-MAHALANOBIS STRATEGY

- This strategy was a two sector model that is the consumer good sector and capital good sector. This strategy focused on investment in heavy industry **to achieve industrialisation for Rapid economic development.**
- The objective was to become self reliant and capital constraint. This strategy was adopted in the second five year plan 1956-61.

GANDHIAN STRATEGY

- It was given **by Aacharya Shriman Narayan Agrawal** in his Gandhian plan in 1944.
- The basic objective of the Gandhian model is to raise the material as well as cultural level of masses so as to provide a basic standard of life.
- It laid emphasis on scientific development of agriculture and Rapid growth of Cottage and village industries.

LPG STRATEGY

- Liberalization privatization and globalization strategy of planning was **introduced by Finance Minister Dr Manmohan Singh under Narsimha Rao government.**
- It allowed for foreign direct investment and followed an export promotion policy to boost economic growth. It changed the nature of planning from centralized to indicated where in Planning was to play a facilitating role.

TYPES OF ECONOMIC PLANNING

Imperative planning

- It is also called directive totalitarian or authority planning or planning by direction or command.
- It is generally practiced in socialist economy

Planning inducement

- Also called as indicator for market incentives planning
- Take regulate the private sector to achieve the set targets

Centralized planning

- All economic decisions taken by the central authority; government formulates economic plans determines objectives set targets and priorities

Short term planning

- Also known as a controlling plan it encompasses the period of one year therefore known as annual plan.
- Main objective- raise revenue, attend short term economic targets, bring price stability and remove balance of payment deficit.

Rolling plan

- It is a concept given by Gunnar Mydral.
- It refers to the Rolling of a plan at intervals of usually one year so that it continues to be a plan for a certain number of years.

Planning Commission

- The Planning Commission was established in 1950, in accordance with Article 39 of the Directive Principles of the Constitution of India headed by the Prime Minister.
- The Commission is independent of the Cabinet.

- A staff drafts plans under the guidance of the Commission; the draft plans are presented for approval to the National Development Council, which consists of members of the Planning Commission, the Chief Ministers of the States and Administrators of UTs and All Union Ministers.
- The Council can make changes in the draft plan. After Council approval, the draft is presented to the Cabinet and subsequently to Parliament, whose approval makes the plan an operating document for Central and State governments. .

Functions

- Assessment of the material, capital and human resources of the country, including technical personnel and formulation of proposals for the augmentation of such resources;
- Formulation of plans for effective and balanced utilization of resources;
- Defining stages in which the plan should be carried out
- Determination of the resources necessary for implementation of the plans
- Appraisal from time to time of the progress achieved
- Public co-operation in national development
- Perspective planning

National Planning Council

- Is an advisory body attached to the Planning Commission It was established in 1965. It includes experts representing a cross-section of the Indian economy.

National Development Council (NDC)

- The National Development Council is neither a constitutional body nor a statutory body.
- The Union Cabinet set up NDC in 1952 through an executive order.
- It is mainly concerned with approval of five year plans. NDC is headed by central ministers, chief ministers of the state and Lieutenant governors administrators of union territories and members of the Planning Commission.
- The secretary of the Planning Commission acts as secretary of Council. NDC is only an advisory body.

NITI Aayog

- The government of India has replaced the Planning Commission with a new institution named NITI Aayog (**National Institution for Transforming India).**
- The institution will serve as **'Think Tank' of the Government** - a directional and policy dynamo.
- NITI Aayog will provide Governments at the Central and State Levels with relevant strategic and technical advice across the spectrum of key elements of policy, this includes matters of national and international importance on the economic front, dissemination of

best practices from within the country as well as from other nations, the infusion of new policy ideas and specific issue-based support.

- **Composition:** NITI Aayog will have a Prime Minister as its chairman, one Vice-Chairman cum chief-executive officer, 5 fulltime members and 2 part time members, apart from 4 central government ministers.

FIVE YEAR PLANS

First Plan (1951-56)

- Major Objective: Agriculture, Price Stability, Power & Transport.
- The first five year plan focused on to stimulate balanced economic development while correcting imbalances caused by World War II and partition various objectives were.
- It was based on the Harrod Domar Model.

Second Plan (1956-61)

- Major objective: Rapid Industrialization.
- It was based on Mahalanobis Model.
- It targeted a 25% increase in national income through rapid industrialisation. Actual achievement was only 20%.
- Goal of establishing the socialistic pattern of society
- Rapid industrialization with particular emphasis on development of basic and heavy industries. Large industries including steel plants (Durgapur, Bhilai and Rourkela) were set up. The locomotive factory at Chittaranjan and Coach factory at Perambur were other major projects of this period.

Third Plan (1961-66)

- Major Objective : Self sustaining growth.
- Emphasis on basic industries continued but agriculture and allied sectors (irrigation and power) were allocated 35% of the outlay.
- A series of crises - China war (1962), Nehru's death (1964), Pakistan war (1965) and Shastri's death (1966), major drought (1965-66) - marred the smooth implementation of the plan.
- Growth rate of only 2.2% achieved as against a target of 5% per annum.

Holiday Plan (1966-69)

- After the disastrous experience of the Third Plan, a planned holiday was declared for three years. All available resources were mobilized for building a buffer stock and for stepping up food production learning from the experience of near-famine years (1965-66).
- Favorable monsoons and technological break-through in wheat popularly known as 'green revolution' reduced the inflationary pressure.
- Nationalization Banks were another major step during this period.

Fourth Plan (1969-74)

- Major objective: Growth with stability and progress towards self-reliance.
- Emphasis on growth with distributive justice.
- Adoption of import substitution policy and export promotion policy widened the industrial base.
- Targeted growth 5.7% but achieved growth 3.3%

Fifth Plan (1974-79)

- Major objective: Poverty eradication and attainment of self reliance.
- Twin objectives of poverty eradication and attainment of self-reliance.
- A National Programme for Minimum Needs including elementary education, safe drinking water, health care, and shelter for landless.
- Adequate collection and distribution system in order to provide the commodities of necessary consumption to the poor people at reasonable and stable prices.
- Stress on Export Promotion and Import Substitution.
- A growth rate of 5.2% (against a target of 4.4%) achieved.
- Agricultural production increased by 4.2% – the highest so far.
- The Janata Government terminated the Plan in 1978

Rolling plan (1978-80)

- Rolling plan was brought out by the Janata government under Morarji Desai in 1978.
- Focused on employment potential in agriculture and allied activities to raise income of lowest class

Sixth Plan (1980-85)

- Major objective : Poverty Alleviation.
- The Janata Government had adopted a Sixth Plan (1978-83), which was conceived as a rolling plan. Mrs. Gandhi's Government in 1980 abandoned this and a new sixth plan was drafted.
- Poverty alleviation is the top priority.
- Qualitative improvement in the living standards of people by means of Minimum Need Programme (MNP).

Seventh Plan (1985-90)

- Major objective: Growth, modernisation, Self-reliance and Social justice.
- Strong emphasis on creation of productive employment on farms as well as rural subsidiary occupations.
- Stress on increasing the production of food grains, oilseeds, sugar, textiles, domestic fuel and housing.
- Outward-looking strategy with exports receiving high priority.

Annual plan (1990-92)

- Due to fast changing political situations at center, therefore annual plans formulated.

Eighth Plan (1992-97)

- Major objective: Human development.
- The plan was launched in 1992 after the plan holiday during the economically and politically difficult days of 1990-91 and 91-92.
- It was the Manmohan-Rao (F.M- P.M.) Era of economic liberalization.
- Modernisation of industries was focussed.
- India became a member of WTO to pace with world economics. The economic paradigm had also considerably shifted with the acceptance of liberalization and the need for market forces to play a greater role.
- The plan was explicitly indicative with a long-term policy approach replacing the target approach.

Ninth Plan (1997-2002)

- Major objective: Growth with Equity and Distributive social Justice.
- This objective was sought to be achieved through a policy of concentrating on agriculture and rural development to provide more employment; ensuring food and nutritional security to all, especially the vulnerable; providing basic minimum needs in a time-bound manner; curbing population growth; environmental sustainability of development; empowerment of women; promotion of Panchayati Raj institutions and strengthening efforts to build self reliance.
- The development strategy emphasized the role of markets and the need for the government to intervene to promote a degree of competition through suitable legislation. Licence Raj was to be ended.
- The Plan emphasized cooperative federalism. It also stressed the importance of infrastructural development.

Tenth Plan (2002-07)

- Major objective: 8% annual growth rate.
- The Tenth Plan laid down an ambitious target of 8% annual growth rate for the economy, against the prevailing rate of 5.5%.

Eleventh Plan (2007-12)

- Major objective: Faster and more Inclusive Growth
- The Eleventh Plan targets to resolve the regional imbalance still prevailing in the country. The Plan document, subtitled Inclusive Growth, outlines a strategy for making growth both faster and more inclusive

Twelfth Five Year Plan (2012-2017)

- Major objective: Faster, Sustainable and More Inclusive Growth.

<u>POVERTY</u>

- Poverty refers to a state in which an individual is unable to fulfill even the basic necessities of life.The minimum basic requirement include food, clothing, housing, education and health facilities.
- Poverty is defined in human development reports as denial of opportunities “to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self respect and the respect of others”.

Absolute Poverty

- Absolute Poverty is when a person cannot obtain certain absolute standards of minimum requirements, usually measured in terms of income. It refers to the total number of people living below Poverty line. As per this measure, around 30% of India’s population is below the poverty line.
- **Calorie criteria:** the energy that an individual gets from food that he eats everyday is measured in terms of calorie. In India, the planning commission is of the opinion that an individual in rural areas must get 2400 kilocalories and in urban areas 2100 Kcal per day.

Relative Poverty

- Relative Poverty is when a person falls behind others. It is thus a measure of inequality of income. It refers to Poverty of people, in comparison to other people, regions or nations.

<u>Measurement of Poverty</u>

- The overall estimation of poverty is based on the data available from NSSO, all-India sample survey of household consumption expenditure, where poverty is defined with reference to a poverty line which is the level of monthly per capita consumption expenditure considered to be a minimum necessary for living.

- **Poverty line**: this indicates the level of purchasing power required to satisfy minimum needs of a person. This line divides the population in two groups who are having purchasing power or more and others who do not have purchasing power. Such people are considered as below poverty line(BPL) group.

Committees constituted for measurement of Poverty

Dr. Y.K. Alagh (1977)
D.T. Lakdawala (1989)
Suresh D.Tendulkar (2005)
N.C. Saxena (2008)
S.R. Hashim (2010)
Dr. C. Rangarajan (2012)

TENDULKAR COMMITTEE REPORT

- It was set up in march 2009 and submitted its report in December 2009.

- Committee moved away from just calorie criteria to a broader definition of poverty that also includes expenditure on **Health, Education, Clothing, Food.**
- Committee has used the '**Uniform Recall Period' method** to below poverty line data.

[According to the World Bank (2014), the national poverty line for 2011-12, after adjusting it to Indian currency using PPP (Purchasing Power Parity) Conversion factor is $1.94 a day. India, with 17.5 % of the world's population, had 20.6% share of the world's poorest in 2011 (World Bank, 2014).]

GINI COEFFICIENT

- Gini coefficient is a measure of inequality among values of a frequency distribution (e.g. levels of income)
- It is used as a measure of inequality of income or wealth.
- Zero value expresses perfect equality
- The Gini coefficient is usually defined mathematically **based on the Lorenz curve,** which plots the proportion of the total income of the population against total population.

UNEMPLOYMENT

- Nature of Unemployment in India Employment refers to a situation when a labor does not obtain employment opportunities despite his willingness to work at an existing wage rate.

- India is a developing economy where the nature of unemployment is entirely different from that of developed nations. In India, the unemployment rate measures the number of people actively looking for a job as a percentage of the Labor force.

- As per the ministry of Labor and Employment, the unemployment rate for the year 2014 is 4.90%.

Different types of Unemployment in India

(1) Structural Unemployment- In this type of unemployment demand for labor falls short to the supply of labor due to rapidly growing population and their immobility.

(2) Disguised Unemployment -It refers to a state of unemployment in which more people are engaged in work than are really needed.

3) Seasonal Unemployment- It refers to an unemployment that occurs at certain seasons of the year. The period of such unemployment varies from state to state, depending upon the methods of farming, the condition of soil, the type and numbers of crops grown, etc.

(4) Open Unemployment- It refers to that economic phenomenon in which persons are able and willing to work at the prevailing wage rate, but fail to get work. It is called open unemployment because such unemployment can be seen and corrected in terms of the number of unemployed people.

(5) Industrial Unemployment- It refers to the unemployment among the illiterates, who wish to work in industrial establishments. The slow pace of industrialisation is unable to generate sufficient employment opportunities. As a result, there is a huge industrial unemployment in the country.

(6) Frictional Unemployment -It refers to temporary unemployment which exists during the period, wherein workers leave one job and join some other.

(7) Cyclical Unemployment -It is associated with the down-swing and depression phases of the business cycle. It is the most common type of unemployment in the developed capitalist economies.

Magnitude of Unemployment

National Sample Survey Organization (NSSO) conducts more detailed sample surveys every five years on employment and unemployment.

It uses three different tests for measuring:

•**The Usual Status (US)** concept which has a reference period of one year and classifies a person was unemployed if she was not working but was available for work for most or all of the period of one year.

•**The Current Weekly Status (CWS)** includes a person if she has not worked even for one hour during the week, though available for work.

• **The Current Daily Status (CDS)** measures the employment status during the seven days preceding the survey and adds up all the hours of work undertaken during this reference period to decide the underemployment status of the person.

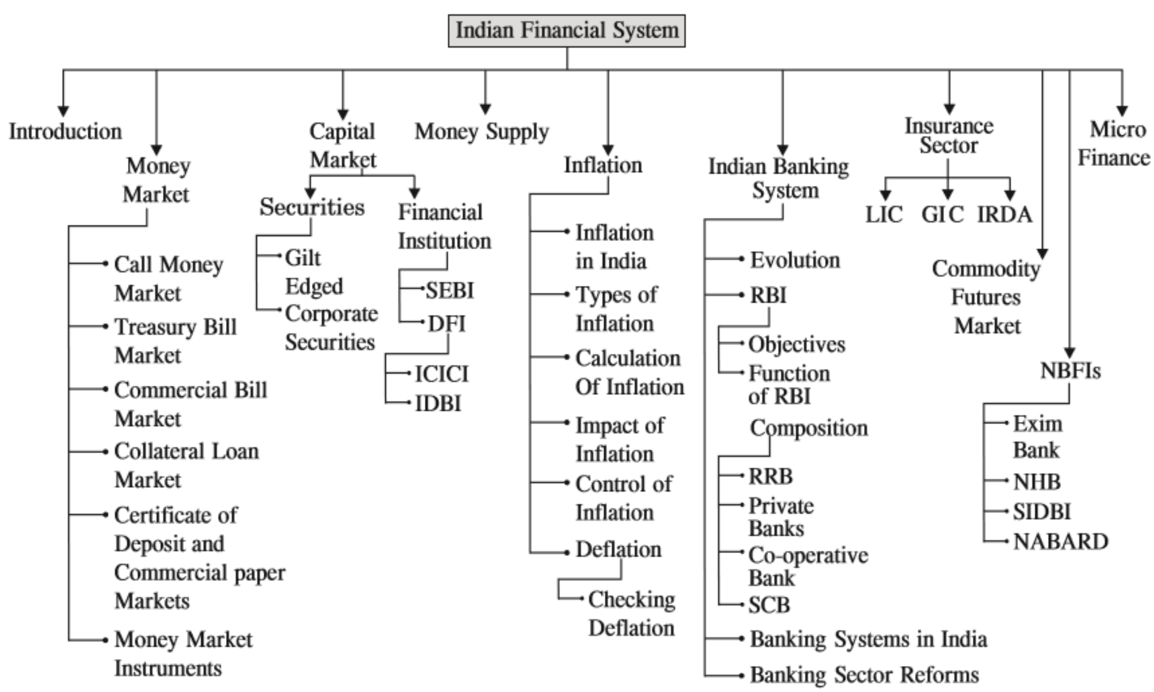
MONEY AND BANKING

MONEY

- **Fiat money** derives its value by being declared by a government to be legal tender; i.e. it must be accepted as a form of payment within the boundaries of the country for all debts, public and private.
- Money supply of a country consists of currency(bank notes and coins) and bank money(the balance held in checking accounts and savings accounts).
- It includes all economic units (households, firms and institutions) but excludes the producers of money (such as the government and the banking system as this is not in circulation).
- As it excludes the money held by the government in its treasuries and the money with the banking system, money supply is bound to be smaller than the total stock of money in the country's economic system.
- The four concepts of money used in calculating money supply are known as the money stock measures or measures of monetary aggregates.
  These are

1. M1 → Money with the Public (currency notes and coins) + Demand deposits of banks (on current and saving bank accounts) + Other demand deposits with RBI. It is highly liquid and banks will not be able to run their lending programmes on this basis.
2. M2 → M1 + Saving bank deposits with Post-offices.
3. M3 → M1 + Term deposits with the bank.
4. M4 → M3 + All deposits of Post-offices.

- M1 measure represents the most liquid form of money among four money stock measures adopted by RBI. **As we move from M1 to M4, the liquidity gets reduced.**
- In other words, M4 possesses the lowest liquidity among all these measures. The reduction in liquidity indicates the shifting from 'medium of exchange' to 'store of value'.
- All these four money stock measures are not of equal importance. Their relative importance varies from the point of view of monetary policy
- M3 is the most important component among all money stock measures and is generally termed as **'Broad money'.**
- In economics, the money supply or money stock is the total amount of monetary assets available in an economy at a specific time. There are several ways to define 'money' but standard measures usually include currency in circulation and demand deposits.
- Demand deposits are those deposits payable by the bank on demand by a customer like current and saving account (CASA)
- Money supply data are usually recorded and published by the government or the central bank of the country.
- **The decreasing order of liquidity of these monetary aggregates is M0>M1>M2>M3.**



FINANCIAL SECTOR

Financial sector in India comprises of financial intermediaries or financial institutions are as follows:

- Financial institutions are the institutions which are primarily engaged in collection and mobilization of savings and convert into investment. Financial institutions include all banks and non banking financial institutions.
- Financial markets are the markets, which are engaged in the collection of savings from the surplus units of the economy and lending to the deficit units of the economy for the investments and other purposes. Financial markets consist of the money market and capital market.
- Financial assets include unit shares, debentures, certificate of deposits, life insurance policies etc.

MONEY MARKET

- The cluster of financial institutions that deal in short term securities and loans, gold and foreign exchange are termed as money market.
- Short term money is bought and sold on the money market and long term money on the capital market.
- The money market is a key component of the financial system, as it is the function of money operations conducted by the central bank in its pursuit of monetary policy objectives.
- It is a market for short term funds with maturity ranging from overnight to 1 year.

Functions of money market

The money market performs three broad functions are as follows:
i) it provides and equilibrating mechanism for demand and supply of short term funds
ii) it enables borrowers and lenders of short term funds to fulfill their borrowing and investment requirements at an Efficient market clearing price
iii) it provides an Avenue for Central Bank intervention in influencing both quantum and cost of liquidity in the financial system thereby transmitting monetary policy impulses to the real economy.

- Under the Indian money market, the Reserve Bank of India occupies the central position because it regulates and controls the credit supply of the country.
- Ordinarily, the Indian money market is divided into two parts: 1. The Unorganized sector. 2. The Organized sector.

- Unorganized Sector- The Unorganized sector is formed of the unregulated non-bank financial intermediaries, indigenous bankers, and moneylenders.
- Organized Sector -The organized sector includes the State Bank of India and its associated banks, 19 nationalized banks, Regional Rural Banks, Co-operative Banks, Non-governmental sectors and other banks, whereas the unorganized sector includes the money-lenders and indigenous bankers.
- Organized sector includes Reserve bank of India, Private banks, public sector banks, developmental banks and other non banking financial companies (NBFCs) such as life insurance corporation of India (LIC), Unit trust of India (UTI), the International Finance Corporation, IDBI and the co-operative sector.

- The RBI is the apex Organization in the Indian money market it carries out Regulation and development of the Indian money market through instruments such as call notice or term money market,Repo market, certificate of deposit, commercial paper and collateralized borrowing and lending obligation(CBLO)

The organized sector of Indian money market can be further classified into the following sub-markets:

1. **Call Money Market**
    - The most important component of an organized money market is the call money market. It deals in call loans or call money granted for one day. Since the participants in the call money market are mostly banks, it is also called the interbank call money market.
    - The banks with temporary deficit of funds form the demand side and the banks with temporary excess of funds form the supply side of the call money market.

The main features of Indian call money market are as follows:

- Call money market provides the institutional arrangement for making the temporary surplus of some banks available to other banks which are temporarily short of funds.
- Mainly the banks participate in the call money market. The State Bank of India is always on the lenders' side of the market.
- The call money market operates through brokers who always keep in touch with banks and establish a link between the borrowing and lending banks.
- The call money market is a highly sensitive and competitive market. As such, it acts as the best indicator of the liquidity position of the organized money market.
- The rate of interest in the call money market is highly unstable. It quickly rises under the pressures of excess demand for funds and quickly falls under the pressures of excess supply of funds.

2. **Treasury Bill Market**
    - The Treasury bill market deals in treasury bills which are the short-term (i.e. 91, 182 and 364 days) liability of the Government of India.

- Theoretically, these bills are issued to meet the short-term financial requirements of the government. But, in reality, they have become a permanent source of funds to the government.
- These are discounted securities and thus issues at a discount to face value.
- These are lowest risk category instruments for the short term. RBI issues T bills at a prefixed day and for a fixed amount.
- **There are 4 types of T bills:**
  14 days T bill; 91 days T bill; 182 days T bill; 364 days T bill
- These are bought by the reserve bank, commercial banks, non banking financial intermediaries, LIC,UTI,and GIC.
- Treasury bills are most liquid, because the reserve bank is always ready to buy and discount them.
- Every year, a portion of treasury bills are converted into long-term bonds. Treasury bills are of two types: (i) Ad hoc (ii) Regular
- Ad hoc : Ad hoc treasury bills are issued to the state governments, semi-government departments and foreign central banks. They are not sold to the banks and the general public, and are not marketable.
- Regular : The regular treasury bills are sold to the banks and public and are freely marketable. Both types of ad hoc and regular treasury bills are sold by the Reserve Bank of India on behalf of the Central Government.

3. **Commercial Bill Market**
   - Commercial bill market deals in commercial bills issued by the firms engaged in business. These bills are generally of three months maturity. A commercial bill is a promise to pay a specified amount in a specified period by the buyer of goods to the seller of the goods.
   - The seller, who has sold his goods on credit, draws the bill and sends it to the buyer for acceptance. After the buyer or his bank writes the word ‘accepted’ on the bill, it becomes a marketable instrument and is sent to the seller.
   - These bills are called trade bills, and when these bills are accepted by commercial banks they are called commercial bills.
   - Maturity period varies from 30 days, 60 days or 90b days depending on the credit extended in the industry.

4. **Certificate of Deposit and Commercial Paper Markets**
   - Certificate of Deposit (CD) and Commercial Paper (CP) markets deal with certificates of deposit and commercial papers. These two instruments (CD and CP) were introduced by the Reserve Bank of India in March 1989 in order to widen the range of money market instruments and give investors greater flexibility in the deployment of their short-term surplus funds.
   - CD is negotiable promissory note, secure and short term, up to a year in nature.

- Commercial papers are negotiable short term unsecured promissory notes with fixed maturity.

5. **Collateral loan Market**

- In this market loans are often secured against Collateral security. security may be in the form pledge, mortgages etc.
- The market for loans secured by Collateral security is called the Collateral loan market.

6. **Repo Market**

- Repo is a money market instrument which helps in collateralized short term borrowing and lending through sale or purchase operations in debt instruments.

Unorganized money market

- The sector consists of regulated non-bank financial intermediaries such as money lenders,chit funds,Nidhi etc.
- Chit funds are saving institutions. They are of various types and don't have any standardized form. Chit funds have regular members who make periodic contributions.
- Organized chit funds are regulated by the register of Chit funds and the relevant legislation in this regard is the chit funds act 1982.
- Nidh is a kind of mutual benefit fund whose dealings are restricted to members only and they operate in the unregulated credit market.

Promissory note

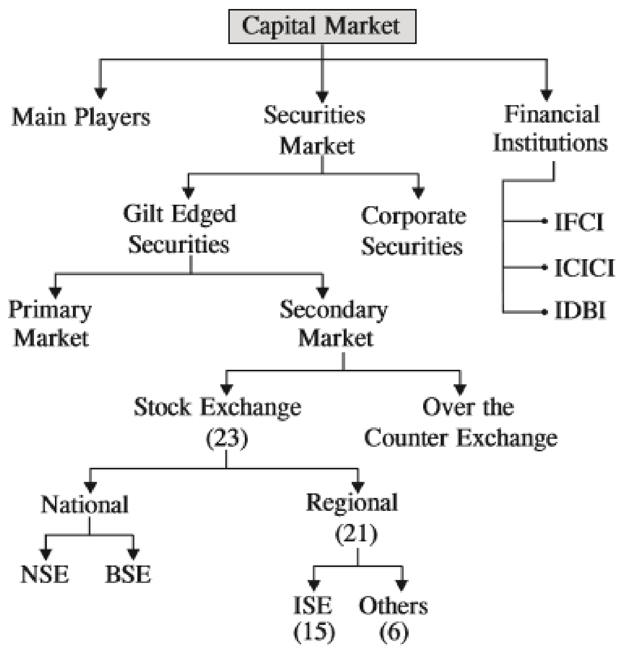
- It is a legal document between a lender and a borrower whereby the latter agrees to certain conditions for the repayment of the sum of money borrowed.
- Promissory note is signed when one borrows from a commercial bank.
- Particular forms of promissory notes known as commercial paper can be bought and sold.

Masala Bond

- Masala bonds are rupee denominated overseas bonds.
- Masala bonds will help to Internationalize the Indian Rupee and also deepen the Indian financial system public and private sector.
- By issuing bonds in Rupees and Indian companies shielded against the risk of currency fluctuation typically associated with borrowing in the foreign currency.
- Masala Bond will help the Indian corporates to reduce its interest cost burden on the debt amount on its balance sheet.
- In 2013 the first masala Bond was issued by the international Finance Corporation IFC, an arm of World Bank.

CAPITAL MARKET

- Capital market deals with long-term finance (more than 365 days) funds.
- It includes all facilities and institutional arrangements available for borrowing and lending of term funds (including medium-term).
- The difference between money market and capital market is not so much in the institutions involved as in their terms of borrowing or lending.
- Long-term funds are raised either by borrowing from certain institutions or by issuing securities.
- The Indian capital market is broadly divided into the industrial securities market and gilt edged market.



1.Industrial securities Market

- The industrial securities market refers to the market which deals in equities and debentures of the Corporates. It is further divided into primary market and secondary market.

Primary market

- Primary market deals with new securities that are securities which were not previously available and are offered to the investing public for the first time. It is the market for raising fresh capital in the forms of shares and debentures.

- It provides the issuing company with additional funds for starting a new enterprise for either expansion or diversification of existing one and thus its contribution to company financing is direct. The new offerings by companies are made either as an initial public offering IPO or rights issue.

Secondary market /stock market

- Secondary market or stock market is the market for buying and selling securities of the existing companies. Under this secretaries are credited after being initially offered to the public in the primary market and listed on the stock exchange.
- The stock exchanges are the Exclusive centers for trading of securities. It is a sensitive barometer and reflects the trends in the economy Through fluctuations in the prices of various securities.

2. Gilt Edged Market

- The gilt edged market refers to the market for government and semi government securities backed by the Reserve Bank of India RBI. Government securities are tradable debt instruments issued by the government for meeting its financial requirements.
- The term gilt-edged means 'of the best quality'. This is because the government securities do not suffer from the risk of default and are highly liquid as they can be easily sold in the market at the current price. Open market operations of RBI are also conducted in such securities.

Other instruments of capital market

- **Derivatives-** the term derivative indicates that it has no independent value, that is its value is entirely derived from an underlying asset. Derivative is a forward future option or any other hybrid contract of fixed duration link for the purpose of contact fulfillment to the value of an acid.
- **Futures contract** means a legally binding agreement to buy or sell the underlying security on a future date.
- Options contract is a type of derivatives contract which gives the buyer or holder of the contract the right but not the obligation to buy or sell the underlying asset at a predetermined price within or at the end of specific period 'Call' and 'Put' are the two types of options contract.
- **Forward contract** is also an agreement to buy or sell an asset on a future date however unlike a future contract it is between two private parties and there is no guarantee of fulfillment of the contract.

Regulatory framework

- In India the capital market is regulated by the capital markets division of the department of economic affairs under the Ministry of Finance.

- The division is responsible for formulating the policies related to the orderly growth and development of the security market that is shares,debts and derivatives as well as protecting the interests of the investors.
- Framework is responsible for institutional reforms in the securities market also building regulatory and market institutions.
- It helps to strengthen investor protection mechanisms and provide efficient legislative Framework for securities market such as Securities and Exchange Board of India Act 1992 (SEBI Act 1992); Securities contract Regulation Act 1956; and the depositories act 1996.

Securities and exchange Board of India SEBI

- It is the regulatory authority established under the SEBI Act 1992 in order to protect interests of the investors' insecurities as well as promote the development of the capital market.
- It involves regulating the business in stock exchanges supervising the working stock brokers, share transfer agents,merchant banks etc. As well as prohibiting unfair trade practices in the securities market.

Reforms in capital market of India

- The capital market has witnessed major reforms in the 1990 and thereafter. It is on the average of growth, thus the Government of India and SEBI have taken a number of measures in order to improve the working of Indian stock exchanges and to make it more progressive and vibrant.
- major reforms undertaken include are as follows :
  - **Credit rating agencies 3** -credit rating agencies: credit rating information services of India Limited CRISIL1988, credit analysis and Research Limited CARL, was set up in order to assess the financial health of different Financial Institutions and agencies related to stock market activities.
  - **Merchant banking activities**- many Indian and foreign commercial banks have set up their merchant banking divisions. It has improved as a helping hand for the factors related to the capital market.
  - Growth of electronic transactions- it saves money, time and energy of investors.
  - Growing mutual fund industry and stock exchanges.
  - In August 2014 the Securities Laws Amendment Act, 2014 gave SEBI additional powers including to order the arrest of violators and seek call data records of individuals under investigation.
  - The government notified on 1st September 2015 the merger of commodities market regulator forward markets Commission FMC with SEBI effect 28 September 2015
  - As a result of this notification foreign contribution Regulation Act 1952 will get repealed and regulation of commodity derivatives market will ship to the securities and exchange

Board of India SEBI under securities contract Regulation Act SCRA a 1956 with effect from 28 September 2015.

Qualified foreign investor QFI

- QFI shall mean a person who fulfills the following criteria are as follows:
  - resident in a country that is a member of the financial action task force FATF Arab country that is a member of a group which is a member of FATF.
  - resident in a country that is signatory to IOSCOs MoU or signatories of a bilateral MoU with securities and exchange Board of India SEBI.
  - A qualified foreign investor should neither be a person resident in India nor should be registered with the SEBI as foreign institutional investor or foreign venture capital investor.

Stock Exchange

- A stock exchange is an organized market, i.e. association of persons or firms to regulate and supervise all transactions, rules, regulations and standard practices to govern all market transactions, authorized stock brokers and an exchange floor where stock brokers or their authorized agents meet during fixed business hours to buy and sell securities. The stock exchange is an institution for orderly buying and selling of listed securities. Listed securities are those that appear on the approved list of a stock exchange. (A particular security is listed or quoted when it is incorporated in the register of the stock exchange so that it can be bought / sold there.) There are 23 stock exchanges in the country out of which 20 (including Bombay Stock Exchange) are regional and two national.

NSE

- The National Stock Exchange (NSE) was set up in 1984. NSE grew rapidly to become India's biggest exchange. The NSE share index is known as Nifty. There is a 50 share index, S and P CNX 50 (Nifty fifty), S & P CNX 500 (500 share index). Nifty junior is the second-tier index of 50 stocks. The NSE became the first stock exchange in India to admit overseas shareholders.

BSE

- Bombay Stock Exchange (BSE), India's oldest stock exchange formally came into being in 1887 and was a regional exchange till 2002 when it became a national exchange. It became a corporate entity, BSE Ltd. in 2005. The BSE has four indices. Sensex or sensitive Index has 30 stocks. BSE-200 is a 200 stock share index (including the Sensex stocks). Dollex is its dollar version. BSE-500 is a 500-stock index which was developed in 1999 and represents several major industries, with special emphasis on the IT sector.

The National Index of 100 stocks quoted on a national level gives a wider representation of the stock market. It includes the Sensex stocks.

[**Over the Counter Exchange of India (OTCEI)** was set up in 1989, but began to trade only in 1992. The OTCEI deals in securities that are not listed on a stock exchange. These unlisted securities are basically securities of small companies (with paid -up capital between 30 lakh and 25 crore) and have a limited market. Their prices are determined through direct negotiations between stock brokers and not by bidding as in stock exchanges. With the prevalence of screen-based trading, the relevance of regional stock exchanges has diminished.]

- **Interconnected Stock Exchange of India (ISE)** is a collaboration of India's 15 regional stock exchanges (RSEs), and was set up in 1998. The RSEs were provided more power and reach through this. It is a web based exchange.

[Indo Next is a new stock exchange, set up to promote liquidity to stocks of small and medium enterprises (SMEs) was launched in 2005 jointly by the BSE and FISE (Federation of Indian Stock Exchanges, representing 18 regional stock exchanges). It is better known as BSE IndoNext.]

Development Finance Institutions (DFIs)

The Industrial Finance Corporation of India (IFCI):

- The IFCI was the first DFI to be established in 1948 under an Act of Parliament. It was originally a shareholders' Corporation, but in 1993 it was converted into a company under the Companies Act.
- It grants loans and advances to industrial concerns, repayable normally within 25 years; guarantees loans raised by industrial units; subscribes to and underwrites the issue of stocks and shares by industrial concerns; and extends guarantees for deferred payments by importers. It was converted into a public limited company in 1993 to provide it with more operational freedom. However, huge NPAs have made IFCI a sick financial institution.

Industrial Credit and Investment Corporation of India (ICICI):

- The ICICI was established in 1955 for promoting and modernizing industrial enterprises; encouraging private capital participation (both domestic and external) and helping to develop capital markets. Its main aim was to give term loans in rupee and foreign exchange, underwrite issue of shares and debentures and directly subscribe to these issues.
- Among all the DFIs, ICICI had the most spectacular growth. In a 'reverse merger', ICICI was merged with the ICICI Bank in March 2002 and became the first 'universal bank' in the country.

Industrial Development Bank of India (IDBI)

- The IDBI was established under an Act of Parliament in 1964 for providing direct term finance to large industrial units and assisting small and medium units through banks and State Finance Corporations (SFCs).
- It was converted into a company by the 2003 Act and became a universal bank like ICICI through reverse merger with the IDBI Bank.

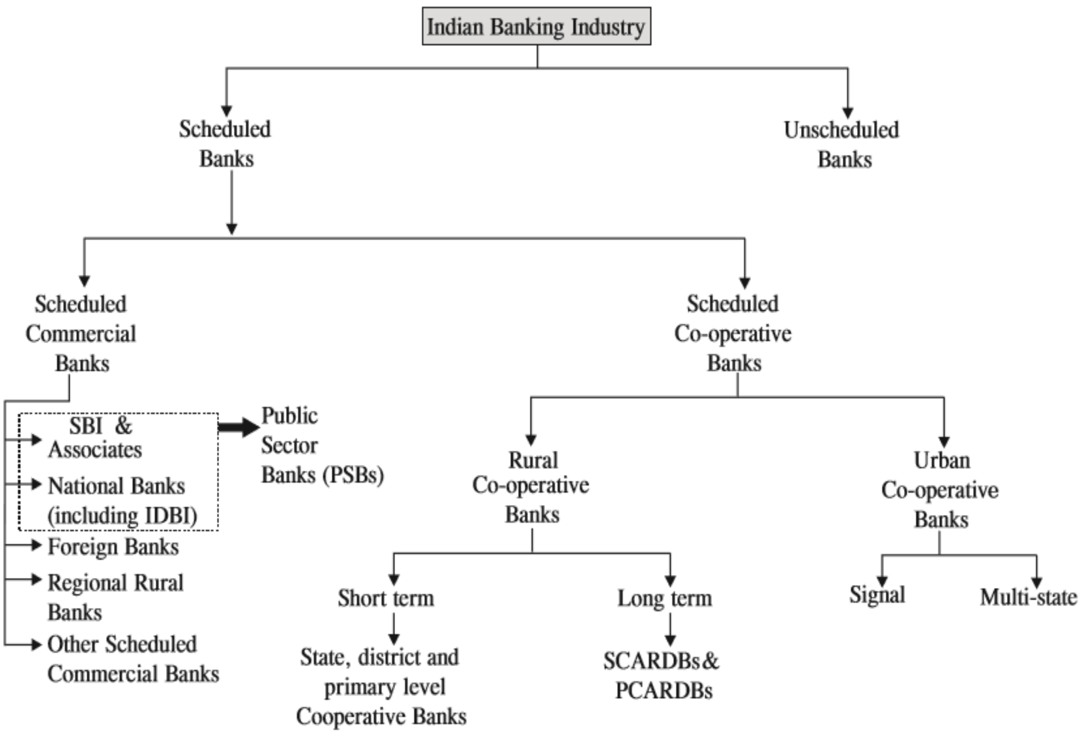
Other investment agent

- **Venture capital fund** -it is a type of fund which provides early stage, high risk, high potential growth startup companies, their funding requirements. The funding is based on the hope that a successful venture will provide Supernormal Returns the funding is usually made after the seed funding round and in the growth funding round that is at the stage in which a company just starts to grow but after it has created a certain base.
- **Angel investor**- it is an individual with large financial resources who provides capital to a business startup in exchange of equity or convertible debt. They provide the initial seed money or ongoing support to the company to carry it through difficult times. They are more interested in helping the business succeed than making super profits and in this sense they are different from venture capital.
- **Hedge fund**- it is an aggressively managed portfolio of Investments that uses advanced investment strategies such as Long short leverage and derivative positions in both domestic and international markets to generate high returns. Hedge funds are typically not open for investment to the general public and only accept investments from a small group of people who can provide very large initial minimum investment.
- **Bank Sathi**- it enables the beneficiaries in rural areas to make deposits and withdrawals this facility is available in branch less areas of the bank.
- Participatory notes are financial instruments used by wealthy investors to diversify their Investments, these are not regulated and usually form part of a hedge fund.

Banking in India

- History of Indian banking goes back to the 19th century. The first successful bank in India was the Bank of Bengal set up in 1806. The first commercial bank in the country was Avadh commercial bank established in 1881.
- In 192, Imperial Bank, of limited liability of India was set up.There were two important steps in the banking sector after independence in 1949. Nationalization of Reserve Bank of India and the Banking Regulation Act which empowered RBI to regulate the banking sector in the country.
- The Punjab National Bank was established in Lahore in 1895.

- The largest bank Imperial Bank of India was nationalized in 1955 and renamed as State Bank of India followed by formation of its seven associates in 1959.
- The step towards social banking was taken with the nationalization of 14 commercial banks on 19th July 1969. 6 more commercial banks were nationalized on 15th August 1980.
- The banking Companies Act was passed in February 1949 which was subsequently amended to read as Banking Regulation Act 1949. This act provided the legal Framework for regulation of the banking system in India.



Reserve Bank of India (RBI)

- It is the Central Bank of the country.
- The Reserve Bank of India was established in 1935 with a capital of 5 crore.
- In the beginning the ownership of almost all the share capital was with the non-government shareholders. In order to prevent the centralisation of the equity shares in the hands of a few people, the Reserve Bank of India was nationalized on January 1, 1949.
- The general administration and direction of RBI is managed by a Central Board ofDirectors consisting of 20 members which includes 1 Governor, 4 Deputy Governors,1 Government official

appointed by the Union Government of India to give representation to important stratas in economic life of the country.

- Besides, 4 directors are nominated by the Union Government to represent local boards. Apart from the central board there are 4 local boards also and their head offices are situated in Mumbai, Chennai, Kolkata and New Delhi.
- 5 members of local boards are appointed by the Union Government for a period of 4 years. The local boards work according to the instructions and orders given by the Central Board of Directors, and from time to time they also tender useful advice on important matters.
- The head office of Reserve Bank of India is in Mumbai.

Objectives of RBI

• The objective of the RBI is to regulate the issue of bank notes and keeping of reserves with a view of securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage.

• The formulation, framework and institutional architecture of monetary policy in India have evolved around these objectives - maintaining price stability, ensuring adequate flow of credit to sustain growth momentum and securing financial stability.

• The responsibility for ensuring financial stability has involved the vesting of extensive power in and operational objectives for the RBI for regulation and supervision of the financial system and its constituents, the money, debt and foreign exchange segments of the financial markets in India and the payment and settlement system.

RBI GOVERNOR

- **APPOINTMENT**: Appointed after the proposal made by the Financial Sector Regulatory Appointments Search Committee (FSRASC), headed by the Cabinet Secretary.
- **TERM:** According to Section 8 (4) of the RBI Act the Governor and Deputy Governors shall hold office for such term not exceeding five years as the Central Government may fix when appointing them.
- They are eligible for re-appointment.
- **QUALIFICATION:** The RBI Act does not provide for any specific qualification for the governor.
- **REMOVAL:** The governor can be removed by the central government.

Role of Reserve Bank of India

1. **Issue of Notes :**

- The Reserve Bank has the monopoly over issuing of notes in the country. It has the sole right to issue currency notes of various denominations except one rupee note.
- The Reserve Bank acts as the only source of legal tender of money because even the one rupee notes issued by the Ministry of Finance are circulated through it.
- The Reserve Bank has adopted the Minimum Reserve System for the note issue. Since 1957, it maintains gold and foreign exchange reserves of 200 crores, of which at least 115 crores should be in gold.

2. **Banker to the Government** :

- The second important function of the Reserve Bank is to act as the Banker, Agent and Adviser to the Government.
- It performs all the banking functions of the State and Central Government and it also tenders useful advice to the Government on matters related to economic and monetary policy.
- It also manages the public debt for the Government. The RBI also channelised bank credit in favor of priority sectors.
- RBI has thus developed institutions like IDBI, SIDBI, NABARD, NHB, etc. The RBI also promotes cooperative banking and the bill market.

3. **Banker's Bank :**

- The Reserve Bank performs the same function for other banks as these banks ordinarily perform for their customers. It regulates, penalizes and helps banks as and when needed.
- RBI has a special relationship with the banks it controls the amount of their SLR and CRR and holds all or part of their Reserves. Banks borrow from RBI in times of need and RBI is in effect the lender of last resort RBI is the ultimate source of money and credit in India.

4. **Controller of Credit :**

- The Reserve Bank undertakes the responsibility of controlling credit created by the commercial banks. To achieve this objective it makes extensive use of quantitative and qualitative techniques to control and regulate the credit effectively in the country.
- It is an important tool used by the RBI, the major weapon of the monetary policy used to control the demand and supply of money (liquidity) in the economy.

Need for credit control

- to keep a check over the channelization of credit

- to achieve the objective of controlling inflation as well as deflation

- to boost the economy by facilitating the flow of adequate volume of bank credit to different sectors

Stability in the exchange rate and money market of the country.

5. **Custodian of Foreign Reserves** :

- For the purpose of keeping the foreign exchange rates stable, the Reserve Bank buys and sells foreign currencies and also protects the country's foreign exchange funds.

6. **Other Functions** : The bank performs a number of other developmental works. These works include the function of being a clearing house, arranging credit for agriculture (which has been transferred to NABARD), collecting and publishing the economic data, (weekly, monthly and annual reports are published by the RBI in the field of the country's currency and finance status), buying and selling of Government securities and trade bills, giving loans to the Government, buying and selling of valuable commodities, etc. It also acts as the representative of Government in I.M.F. and represents the membership of India.

Methods of credit control

RBI acts as Controller of Credit, and in this role makes extensive use of quantitative and qualitative techniques.

These are as follows :Quantitative Credit Control Measures These measures are those through which the Central bank of Country regulates and controls the total quantum. i.e. volume of loans and credit given by commercial banks.

Bank Rate :

- It is that rate of interest at which the Central Bank provides financial assistance to commercial banks. When the bank rate is raised, it is called "dear money policy"which implies that commercial banks would also raise the rate of interest at which they would lend to various sectors in the economy.
- It is the rate of interest charged by the RBI for lending money to banks against eligible securities. In the era of controlled and regulated banking, bank rates were raised to discourage banks from borrowing from RBI for increasing liquidity as a way to reduce liquidity. It also served as a benchmark for determining other rates of interest by the RBI.
- On the other hand, when the bank rate is lowered, it is called "cheap money policy" Generally, bank rate may be raised during periods of inflation, and may be lowered during a period of slowdown and recession.

Cash Reserve Ratio (CRR) :

- It is that ratio of total deposits of a bank which a bank has to keep in cash with the central bank. When this ratio is raised, it is called a policy of "credit squeeze" and when lowered, it is known as a policy of “credit liberalization” ; it may generally be raised during inflation and lowered during a slowdown.

- Every bank has to retain a certain percentage of its demands and time liabilities in cash with the RBI which can be raised by the RBI to drain out excess liquidity or reduced to release the liquidity in the economy

Open market Operations:

- These are conducted by the RBI by selling and buying government securities from banks. Generally, the RBI may sell government securities during inflation, so as to mop up excess funds lying with banks. It may buy these during a period of slowdown to release liquidity in the banking system.
- This is sale/purchase of secondary government securities by RBI through the auction route and not binding on the banks unlike the CRR and SLR. In periods of excess liquidity RBI resorts to ‘sale’ of government securities to banks draining out the money from banks thus reducing liquidity.
- For increasing liquidity, it purchases’ securities from banks thereby transferring money to banks to lend resulting in liquidity increase. These OMO are performed at quarterly intervals.

Statutory Liquidity Ratio (SLR):

- It is that ratio of the total deposits of liquid funds, consisting mainly of government securities and, to some extent, cash in hand. It mainly serves the purpose of lending to the government , and to a lesser extent, it also prevents a panic run on the banks.
- This is another monetary tool of the RBI, in terms of which every bank is required to set aside again a certain percentage of their demand and time liabilities and retain as cash with RBI, or in gold with the RBI or invested in government securities. The banks prefer to invest in government securities as it earns them interest

Repo and Reverse Repo rate:

- Under repo rate, the RBI undertakes to repurchase government securities from banks, with a commitment that it will give them back to the banks. Thus, under Repos, the RBI lends to commercial banks by repurchasing government securities lying with them and therefore, repos imply injection of liquidity in the banking system.
- This is the most frequently used tool by the RBI for managing short-term liquidity even overnight. It is the same as the OMO except that there is an inbuilt clause of automatic ‘repurchase’ after a specified period. Banks can keep eligible government securities, over and above those kept for maintaining SLR, with RBI and borrow for a short period (generally overnight) and interest paid by banks on such borrowings is called ‘Repo rate.’

- RBI also has a window where it offers government securities, which banks can subscribe to, and the rate of interest now paid by the RBI to banks is referred to as 'Reverse repo.' Both of these will involve repurchase after the contracted period automatically. Both these rates are determined by RBI.

[**Marginal standing Facility MSF :** MSF scheme came into effect in 2011. It is a very short term loan for scheduled commercial banks. MSF rate is the rate at which these banks can borrow funds overnight from RBI against government securities. Banks can use MSF during severe cash shortage or acute shortage of liquidity. MSF reduces volatility in the overnight lending rate in the interbank market and enables smooth transmission of monetary policy. Under MSF banks can borrow up to 2% of the net demand and time liabilities of NDTL.]

Marginal cost of funds based lending rate (MCLR)

- The Reserve Bank of India has brought a new methodology of offsetting lending rate by commercial banks under the name marginal cost of funds based lending rate.
- As per new guidelines by RBI banks have to prepare marginal cost of funds based lending rate which will be the internal benchmark lending rates.
- Based upon this MCLR, interest rates for different types of customers should be fixed in accordance with their riskiness. The Base Rate will be determined on the basis of MCLR calculations.

Liquidity adjustment facility LAF

- Repo rate and reverse repo rate are the parts of liquidity adjustment facility of RBI.
- Liquidity adjustment facility allows the RBI to manage market liquidating on a daily basis and to send interest rate signals to the market.
- LAF operates through Repo and reverse repo auctions.

Qualitative credit control

- **Margin requirements**

  Qualitative tool used by the RBI in order to regulate the credit flow to a particular sector. When a bank advances credit to its customers it does so against collateral. However there is a difference between the value of the security and the loan offered. This difference is called 'Margin'. The margin requirements against specific securities are determined by the Central Bank which will in turn influence the flow of credit.

- **Consumer Credit Regulation :** RBI can issue rules to set the minimum/maximum level of down-payments and periods of payments for purchase of certain goods.

- **Guidelines:** RBI issues oral, written statements, appeals, guidelines, and warnings to the banks.

- **Rationing of credit:** Rationing of credit is a method by which the RBI seeks to limit the maximum amount of loans and advances and, also in certain cases, fix ceilings for specific categories of loans and advances.

- **Moral Suasion:** Is a milder form of credit control in which the RBI can persuade the the commercial banks to cooperate with the general monetary policy. Since it involves no administrative compulsion or threats of punitive action it is a psychological and informal means of selective credit control.

- **Direct Action:** This step is taken by the RBI against banks that don't fulfill conditions and requirements. RBI may refuse to rediscount their papers or may give excess credits or charge a penal rate of interest over and above the Bank rate, for credit demanded beyond a limit.

RBI controls inflation and growth

- RBI can influence inflation and growth in the economy to a large extent through its instruments of control. If RBI squeezes out liquidity from the economy by selling securities, increasing Repo rates, increasing CRR etc. then the demand in the economy is reduced and inflation is brought under control.
- However in case inflation is due to supply side shortages RBI controls have less influence. Similarly increasing liquidity in the economy means that households have more money to consume, Industries have more money to invest all of which lead to increase in economic activity. Thus it can be seen that measures taken by RBI which control inflation can hurt growth and measures which boost growth can cause inflation.
- If interest rates increases- Rupee gets stronger; Encourages saving; Loan repayments increase; Higher inflation
- If interest rates decreases- Rupee weakens; Encourages spending; More disposable income; Low inflation

LIQUIDITY

- A bank accepts deposits from the public which are lent in the economy. The money which can potentially be lent by the banks is known to be liquidity.
- Banks leverage the deposit manifold for lending in the economy known as 'credit creation' by banks. This credit creation is almost like fresh money injected in the economy and contributes to inflationary pressures.
- Thus, liquidity in the economy should strike a balance between requirements of growth and at the same time keep the prices under check. Managing liquidity is a major aspect of the RBI functions.
- Money deposited could either be 'demand' deposits (payable by the bank on demand by a customer like money retained in your savings account in the bank can be withdrawn by you at any time) or, 'time' deposits (can be withdrawn after a fixed period only like fixed deposits).

- Both demand as well as time deposits are the liabilities of the bank as the bank has to pay it back to the customer Thus, both are known as 'demand and time liabilities' of banks. These demand and time liabilities of the banking system are the source of increasing liquidity

Money Multiplier

- It is the ratio of Broad money (M3) divided by Reserve Money (M0). It represents money supply as in, for each rupee of money of the Central Bank in India, how many rupees get generated in the Indian Economy.

WAYS AND MEANS ADVANCES

- Ways and Means advances is the loan facility of the RBI to the central and state governments to meet their cash requirements.
- This facility is availed by the Government due to the temporary mismatches in their receipts and expenditure.
- The loan taken by the government through ways and means advances need to be paid back in 90 days.
- The interest rate of WMA currently is the repo rate.
- When the WMA limit is crossed the government takes recourse to overdrafts, which are not allowed beyond 10 consecutive working days.

Scheduled commercial banks

- All banks which are mainly sent in the second schedule of RBI act 1934 are known as scheduled banks.
- These banks comprise scheduled commercial banks and Scheduled cooperative banks.
- Scheduled commercial banks in India are categorized into five different groups according to their ownership or Nature of operation.

- State Bank of India and its Associates
- Nationalized banks
- private sector banks
- foreign banks
- regional rural banks

Public sector banks

- After 1969 commercial banks were broadly classified into Nationalized or public sector banks and private sector banks.
- The State Bank of India and its associate banks along with Nationalized banks are the public sector banks.

Nationalized banks

- From 1st February 1969 the government imposed social control on banks by introducing certain provisions in the Banking Regulation Act 1949.
- It imposed severe restrictions on the composition of the board of directors and internal management and administration of Banking companies.
- It also introduced restrictions on advances by banking companies. This way intended to ensure that the bank advances were not confined to large scale industries and big business houses but were also directed in due proportion to other important sectors like agriculture, small scale industries and Exports.
- On 15th April 1980, 6 banks having demand and time liabilities of not less than 200 crores were Nationalized. The undertakings of these banks are taken under the banking companies acquisition and transfer of undertakings act 1980.

State Bank of India

- State Bank of India SBI was previously called Imperial Bank of India in 1921.
- It was created by amalgamation of three Presidency banks Bank of Bengal, Bank of Bombay and Bank of Madras.
- it was Nationalized in 1955

Private Sector Banks

- These banks in India are of two kinds- Indian and foreign.The Indian private sector banks are those which have been incorporated in India and so have their head offices in India. Foreign banks, on the other hand, have been incorporated in foreign countries and have their head offices outside India.
- The banks which came in Operation after 1991 with the introduction of economic reforms and financial sector reforms and known as new private sector banks. The Banking Regulation Act was then amended in 1993, which permitted the entry of new private sector banks.

New Licencing Norms for Private Sector Banks

- Minimum paid-Up capital: Rs. 500 cr, of which promoter should have at least 51% share.
- Eligibility: Indian residents with at least 10 years of experience in banking and finance at a senior level.
- Large industrial houses are not eligible but are permitted to invest up to 10%.
- Foreign shareholding: Currently, the maximum foreign shareholding limit including (FDI, FII, and NRI) is 74% of paid-up capital in private sector banks. 49% foreign investment is allowed under the automatic route.
- At least 25% branches should be in unbanked rural areas
- Priority Sector Lending - 40% of total adjusted net bank credit.

License to new private banks

IDFC bank
Bandhan Bank

Foreign Banks

- Banks, registered and headquartered in a foreign country, and operate their branches in India. Eg: HSBC, Citibank, Standard Chartered Bank.

Regional rural banks

- Established under RRB Act, 1976 to ensure institutional credit for agriculture and other rural sectors.
- The area of operation of RRBs is limited to the area as notified by GoI covering one or more districts in the State.
- Jointly owned by Central government (50%) , the respective state government (15%) and sponsor bank (35%)
- The objective of the RRBs is to develop the rural economy by providing for the purpose of development of agriculture trade, commerce, industry and other productive activities in rural areas credit, and other facilities particularly to small and marginal farmers and agricultural laborers.
- Banking regulations act empowers NABARD National bank for Agriculture and Rural Development to undertake the inspection of RRBs.

Scheduled cooperative banks

- Scheduled cooperative banks consist of Scheduled state cooperative banks and Scheduled urban cooperative Banks.
- Services offered: Accept deposits, granting loans to members and non-members, savings and current account, safekeeping of valuables (locker facility), mortgage facility to the customers.
- Co-operative banks in India are categorized into following main 5 categories:
  o Primary Urban Co-op Banks
  o Primary Agricultural Credit Societies
  o District Central Co-op Banks
  o State Co-operative Banks
  o Land Development Banks

State cooperative banks

- State Cooperative Bank means the principal cooperative society in a state the primary objective of which is the financing of other cooperative societies in the state.

- The banking ombudsman scheme 1995 notified by RBI in June 1995 was in terms of powers conferred on the bank bi section 35a of the Banking Regulation Act 1949 to provide for a system of redressal of grievances against banks.

Urban cooperative banks

- The UCBs are registered under the cooperative societies act of respective state governments.

Payment banks

- Primarily for facilitating payments and remittance flows.
- Set up based on the **recommendation of the NachiketMor Committee**.

SERVICES

- It can accept demand deposits only, savings and current accounts, and not time deposits like Fixed Deposit.
- Maximum balance an individual customer can have in Payment Bank is Rs. 1,00,000
- Cannot accept Non-Resident Indian (NRI) deposits.
- Cannot set up subsidiaries to undertake non-banking financial services activities.
- Can offer payments and remittance services, issue prepaid payment instruments, internet banking etc.
- Cannot issue loans or credit cards.

STATUTORY REQUIREMENTS FOR PAYMENTS BANK

- Capital requirement: The minimum paid-up equity capital for payments banks is Rs. 100 crores.
- Leverage ratio: The payments bank should have a leverage ratio of not less than 3%, i.e., its outside liabilities should not exceed 33.33 times its net worth (paid-up capital and reserves).
- Promoter's contribution: The promoter's minimum initial contribution to the paid-up equity capital of such payments banks shall be at least 40% for the first five years from the commencement of its business.
- Foreign shareholding: As per the Foreign Direct Investment (FDI) policy for private sector banks (74% maximum and 49% under automatic route)
- Reserve Requirements

o Cash Reserve Ratio (CRR) as per RBI rate o Required to invest minimum 75% of its "demand deposit balances" in Statutory Liquidity Ratio(SLR) eligible Government securities/treasury bills with maturity up to one year and hold maximum 25% in current and time/fixed deposits with other scheduled commercial banks for operational purposes and liquidity management.

INDIA POST PAYMENTS BANK (IPPB)

• Public sector company under the department of posts, Ministry of communication with 100% equity of the government of India, and regulated by the Reserve Bank of India (RBI).

• Instead of Debit cards, IPPB issues Quick Response (QR) cards.

• It provides a unique, secure and convenient way to access one's account without the need to remember PIN/Password.

• A transaction can be initiated by scanning the QR code followed by OTP authentication and verification by an OVD (Officially Valid Document).

SMALL FINANCE BANKS

- Differentiated banks aimed at providing basic banking services to unserved and underserved sections including unorganized sector, small business units, small and marginal farmers, micro and small industries and unorganized sector entities.

SERVICES

- Accept small deposits
- Disburse loans
- Maximum loan size would be 10% of capital funds to a single borrower, 15% to a group.
- Minimum 50% of loans should be up to 25 lakhs.
- Priority Sector Lending - 75% of total adjusted net bank credit.
- Distribute mutual funds, insurance products

SERVICES NOT COVERED:

- Cannot lend to big corporations and groups.
- Cannot open branches with prior RBI approval for the first five years.
- Cannot set up subsidiaries to undertake non-banking financial services activities.
- Cannot be a business correspondent of any bank.

CRITERIA

- Minimum paid-up capital would be Rs 200 cr.(earlier Rs.100 Cr)
- Promoters should hold a minimum of 40% of the paid-up voting equity capital for five years and should be brought down to 30% within 10 years and 15% in 15 years.

NON-BANKING FINANCIAL COMPANY (NBFC)

- Financial institutions engaged in non-banking activities like leasing, microfinance, chit fund, gold loan etc.
- Besides, companies whose principal business is receiving deposits also constitute NBFC.
- These Cannot accept demand deposits.

- Foreign investments upto 100% applicable
- CRR- Not Applicable
- SLR-Applicable only to Deposit-taking NBFCs (SLR - 15%)

Banking sector reforms

Narsimhan committee I

- The purpose of the nursing ma'am committee was to study all aspects relating to the structure, organization functions and procedures of financial systems and to recommend increments in their efficiency and productivity.
- the committee submitted its report to the finance minister in 1991 and suggested deregulation of interest rates, reduction in reserve requirements, supervision of commercial banks and measures to improve the competitive efficiency in the banking sector .

Narasimham Committee II

- Committee was tasked with the progress review of the implementation of the banking reforms since 1992 with the aim of further strengthening The Financial Institutions of India.
- It focused on issues like ties of banks and capital adequacy ratio.
- There should be a phased reduction of CRR and SLR
- Speedy computerization of banks.
- Setting up of special " debt recovery tribunals"
- Setting up of Asset Reconstruction of companies for not performing assets (NPAs).

Damodaran committee

- The committee was set up by the Central Bank to look into the issue of customer services and evaluate the existing system of grievances redressal mechanism prevalent in banks, its structure and efficacy and recommend measures for speedy resolution of complaints.
- It recommended that banks should offer no frill savings accounts with the certain basic facilities such as cheque book and ATM card without prescribing any minimum balance.

Khandelwal Committee report

- The government constituted A committee on human resources issues of public sector banks under the chairmanship of Dr Khandelwal who has submitted its report.
- It recommended matters related to manpower and recruitment planning, training, career planning, performance management, development, professionalism of HR wages, service conditions and welfare etc.

Bimal Jalan committee for new Bank license 2014

- a committee was constituted to scrutinize the application for new banks in India .
- It recommended for the' in principle approval' of banking license to Bandhan microfinance and IDFC infrastructure development and Finance Corporation .

Nachiket Mor committee

- Dal be appointed committee on comprehensive financial services for small business and low income under the chairmanship of Mr Nachiket Mor.
- It recommended that every adult above 18 years of age should have a bank account and this account will be known as the universal electronic bank account UEBA.
- Every resident should be issued an account at the time of receiving an Aadhar number by a bank itself.
- It also proposed the creation of payment banks to provide payment services including credit, insurance and risk management products.

Indradhanush to revamp PSU banks

- To revive the fortunes of public sector banks the government unveiled a 7 point plan indradhanush encompassing immediate fund infusion of single holding companies and minimizing political interference on August 14th, 2015.
- **Bank Board Bureau**- Constitution of BBB for appointment of whole-time Directors as well as non Executive Chairman of PSBs. The BBB will be a body of eminent professionals and officials, which will replace the Appointments Board for appointment of Whole-time Directors as well as non-Executive Chairman of PSBs. They will also constantly engage with the Board of Directors of all the PSBs to formulate appropriate strategies for their growth and development

Basel norms

- It was in 1988 that Central banking bodies of the developed economies agreed upon the provision of capital adequacy ratio CAR also known as the Basel Accord.
- This record provides recommendations on banking, Regulation with regard to Capital risk, market risk and operational risk.
- Its objective was to ensure that Financial Institutions have enough capital to meet obligations and absorb unexpected losses.

CAPITAL ADEQUACY RATIO

- Capital Adequacy Ratio or Capital to Risky Asset Ratio is the ratio of total capital to total risk weighted assets (factoring in the risks given above)
- It is the capital needed for a bank measured in terms of the assets (mostly loans) disbursed by the banks.
- Higher the assets, higher should be the capital by the bank.
- CCB is designed to ensure that banks build up capital buffers during normal times (i.e. outside periods of stress) which can be drawn down as losses are incurred during a stressed period.
- Capital adequacy is a part of the larger global framework of banking committee for financial supervision (BCFC), also known as Basel I and II and now also III norms postglobal crisis. (Basel is a place in Switzerland where BCFC prescribed norms applicable to all banks across countries and thus known as Basel norms).
- Capital adequacy implies that any bank, being engaged in a business of lending, has normal risks' associated and should have some minimum own funds to meet such risks.
- Capital of banks being defined as the banks own capital and reserves as the core capital (Tier I) and also a component of supplementary capital (Tier II) is available to banks but less readily, like the revaluation of its assets (taken at a discount), provisions held for standard assets and long-term bonds raised by the bank (subordinated debt).

LEVERAGE RATIO

- Leverage ratio is the ratio of total core capital (Tier 1) to the total consolidated assets (loans) of the bank.
- It is primarily a measure of total indebtedness of a bank.
- The ratio uses tier 1 capital to judge how leveraged a bank is as Tier 1 capital are ones that can be easily liquidated if a bank needs capital in the event of a financial crisis.

Banking ombudsman

The Banking ombudsman scheme was introduced by the RBI in 1995 under the Banking Regulation Act 1949.

- It is a senior Official appointed by the RBI to redress customer complaints against deficiency in certain banking services.
- Banking ombudsman can award compensation to the complaints.
- It has jurisdiction over all commercial banks, RRBs, scheduled primary cooperative banks, NBFCs etc.
- It deals with matters less than or equal to 10 lakh .

Prompt corrective Action Framework

- PCA is a framework under which banks with weak financial metrics are put under watch by the RBI.
- Introduced by RBI in 2002 as a structured early-intervention mechanism for banks that become undercapitalised due to poor asset quality, or vulnerable due to loss of profitability

NPA

- What are NPAs -A non performing asset (NPA) is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.
- Banks are required to classify NPAs further into Substandard, Doubtful and Loss assets.
  1**. Substandard assets:** Assets which have remained NPA for a period less than or equal to 12 months.
  2. **Doubtful assets**: An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
  3. **Loss assets**: As per RBI, "Loss asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted, although there may be some salvage or recovery value."
- **Twin Balance Sheet (TBS)** challenge deals with balance sheets of Indian companies and Indian Banks.
  1. Overleveraged companies: Debt accumulation on companies is very high and thus they are unable to pay interest payments on loans.
  2. Bad-loan-encumbered-banks: NonPerforming Assets (NPA) of the banks is 9% for the total banking system of India. It is as high as 12.1% for Public Sector Banks. As companies fail to pay back principal or interest, banks are also in trouble.

SARFAESI Act

- The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 is a legislation that helps financial institutions to ensure asset quality in multiple ways.
- This means that the Act was framed to address the problem of NPAs (Non-Performing Assets) or bad assets through different processes and mechanisms.
- The SARFAESI Act gives detailed provisions for the formation and activities of Asset Securitization Companies (SCs) and Reconstruction Companies (RCs).
- Scope of their activities, capital requirements, funding etc. are given by the Act. RBI is the regulator for these institutions.
- Following are the main objectives of the SARFAESI Act.
  - The Act provides the legal framework for securitization activities in India
  - It gives the procedures for the transfer of NPAs to asset reconstruction companies for the reconstruction of the assets.
  - The Act enforces the security interest without Court's intervention
  - The Act give powers to banks and financial institutions to take over the immovable property that is hypothecated or charged to enforce the recovery of debt

Insolvency and Bankruptcy Code, 2016

- IBC is considered as one of the biggest insolvency reforms in the economic history of India. This was enacted for reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time-bound manner for maximization of the value of assets of such persons.
- The Code creates time-bound processes for insolvency resolution of companies and individuals. These processes will be completed within 180 days. If insolvency cannot be resolved,
- The resolution processes will be conducted by licensed insolvency professionals (IPs). These IPs will be members of insolvency professional agencies (IPAs). IPAs also furnish performance bonds equal to the assets of a company under insolvency resolution.
- Information utilities (IUs) are established to collect, collate and disseminate financial information to facilitate insolvency resolution.
- The National Company Law Tribunal (NCLT) adjudicates insolvency resolutions for companies. The Debt Recovery Tribunal (DRT) adjudicates insolvency resolution for individuals.
- The Insolvency and Bankruptcy Board of India regulates functioning of IPs, IPAs and IUs.

IBC, 2019 amendments: The entire procedure of IBC must finish within 330 days. If there are too many financial creditors, they may appoint a representative to attend a committee of creditors on their behalf. Ring fencing from any risk of criminal proceedings.

Insolvency and Bankruptcy Board of India (IBBI)

- Insolvency and Bankruptcy Board of India (IBBI) has amended its Corporate Insolvency Resolution Process Regulations to ensure that as part of due diligence, prior to approval of a Resolution Plan, the antecedents, credit worthiness and credibility of a Resolution Applicant, including promoters, arc taken into account by the Committee of Creditors.
- Insolvency and Bankruptcy Board of India was set up on 1st October 2016 under the Insolvency and Bankruptcy Code, 2016 (Code).
- It is a unique regulator: regulates a profession as well as transactions.
- Functions:
    - It has regulatory oversight over the Insolvency Professionals, Insolvency Professional Agencies and Information Utilities.
    - It writes and enforces rules for transactions, namely, corporate insolvency resolution, corporate liquidation, individual insolvency resolution and individual bankruptcy under the Code.
    - It is a key pillar of the ecosystem responsible for implementation of the Code that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals.
    - This is done in a time bound manner for maximization of the value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders

Asset Reconstruction Company

- It is a special type of financial institution that buys the debtors of the bank at a mutually agreed value and attempts to recover the debts or associated securities by itself.

- Narasimham Committee 1 envisaged setting up an Asset Reconstruction Fund to facilitate banks to improve their balance sheets by clearing NPAs.

COMMODITY FUTURES MARKET

- A commodity exchange which is an association or a company or any corporate body organizing future trading in commodities.
- A future contract is a type of 'forward contract' which means a contract for the delivery of goods that is not a ready delivery contract.
- A ready delivery contract provides delivery of goods and payment of price either immediately or within a period not exceeding 11 days. The ready delivery contracts are known as "spot" or "cash" contracts.
- There are four commodity exchanges working in the country. They are NMCE (National Multi Commodity Exchange) - the oldest commodity exchange in the country which became operational in 2002, MCX (Multi Commodity Exchange), NCDEX (National commodity and Derivatives Exchange) and ICEX (Indian Commodity Exchange).
- ICEX is the latest commodity exchange which became operational on November 27, 2009. India bulls of the private sector and MMT of the public sector are the main promoter companies of this exchange.
- The MCX recorded the highest turnover in terms of value of trade during 2009, followed by National Commodity and Derivatives Exchange Ltd. (NCDEX) and National MultiCommodity Exchange of India Ltd. (NMCE) respectively.
- Forwards Market Commission (FMC)- FMC is a statutory body set up by the Forwards Contracts (Regulation) Act, 1952. It functions under the administrative control of the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution. The Commission is a Regulatory body set up to ensure financial integrity, market integrity and protection and promotion of the interest of consumers.

Foreign Portfolio Investments

- The government has allowed Foreign Institutional Investors (FIIs) to invest in Indian stock markets since September 1992. These FIIs are foreign pension funds, mutual funds, investment trusts, asset management companies (AMCs) and portfolio managers.
- FIIs have generally been actively participating in the Portfolio Investment Scheme, although there are charges that they have brought greater volatility to the Indian stock market.

NON-BANKING FINANCIAL INSTITUTIONS (NBFIS)

Export-Import Bank of India (EXIM Bank)

- EXIM bank in India was established on January 1, 1982 for financing, facilitating and promoting foreign trade in India. Besides, EXIM Bank also discharges duties of co-ordinating the activities of various financial institutions, providing finances for export and imports of goods and services

National Housing Bank (NHB)

- National Housing Bank was established in July 1988 as a wholly owned subsidiary of RBI. NHB is the apex banking institution providing finances for houses. The statutory mandate of NHB covers promotional, developmental and regulatory aspects of housing finance with focus on developing a sound housing finance system. NHB amended its Act called NHB (Amendment) Act, 2000 which came into force on June 12, 2000. NHB has made a number of efforts to promote the supply of real resources like land and building material.

Small Industries Development Bank of India (SIDBI)

- Small Industries Development Bank of India (SIDBI) was established as a wholly owned subsidiary of IDBI under the Small Industries Development Bank of India Act, 1989 as the principal financial institution for promotion, financing and development of industries in the small-scale sector.
- SIDBI provides assistance to the small scale industrial sector in the country through other institutions like State Financial Corporations (SFC), Commercial Banks, and State Industrial Development Corporations, etc.
- Besides share capital, SIDBI can increase its resources by taking loans from the Government of India and RBI. SIDBI can also obtain loans from the Indian Capital market.
- SIDBI will provide loans (both in Indian and Foreign Currencies) under its ‘Single Window Service’.

National Bank for Agriculture and Rural Development (NABARD)

- It is an apex development bank in India. Setting up of NABARD was recommended by the committee to review arrangements for institutional credit for agriculture and rural development, set up by the RBI, under the chairmanship of Shri B.Sivaraman.
- It was established in 1982 and its main focus has been on the upliftment of rural India by increasing credit flow into agriculture and rural non-farm sector.
- It has been entrusted with matters concerning policy, planning and operations in the field of credit for agriculture and other economic activities in rural areas in India.

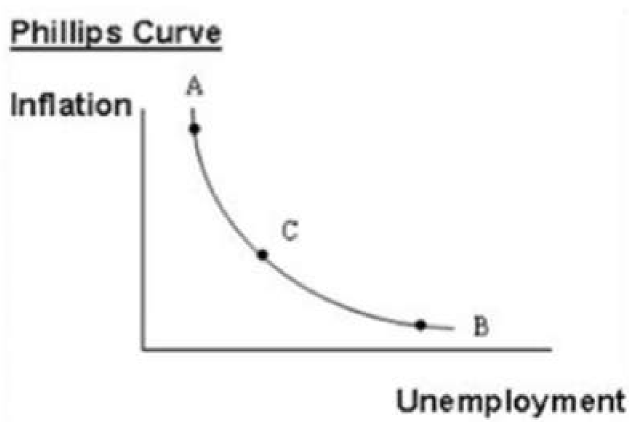
MUDRA Bank

- Micro units development and refinance agency bank was launched on 8th April, 2015.
- It is a public sector financial institution in India. It provides loans at low rates to small entrepreneurs.
- Gives loans up to Rs 10 lakh while loans of higher amount is given by SIDBI.
- Mudra issues a Mudra Card which permits access to Working Capital through ATMs and Card Machines

INFLATION

- **Inflation** refers to a sustained rise in general level of prices over a period of time in the economy. This results in a fall in the value of money i.e., purchasing power of money over a period of time.

- **Deflation:** Refers to a fall in the general level of prices over a period of time. (negative rate of inflation)
- **Disinflation:** slowing down of rate of inflation
- **Skewflation:** General price rise over a sustained period of time is skewed to one or a small group of commodities
- **Galloping inflation:** Very high inflation running in the range of double-digit or triple–digit (20%, 200% per year). It is also known as hopping inflation, jumping inflation, and running or runaway inflation.
- **Hyperinflation**: Hyperinflation is large and accelerating inflation, when prices rise by more than 50% a month. It is very rare. Examples of hyperinflation include Germany in the 1920s, Zimbabwe in the 2000s, and Venezuela in the 2010s.
- **Creeping Inflation:** Also called mild inflation, it refers to gradual rise in price levels along time. (good for the economy)
- **Bottleneck Inflation:** Also called structural inflation, it occurs when supply falls drastically and the demand remains at the same level.
- **Inflation Tax:** It refers to the penalty for holding cash at a time of high inflation due to erosion of the value of money.
- **Stagflation -** It is a situation characterized by slow economic growth and high unemployment (stagnation) accompanied by inflation.
- **Phillips Curve** -Establishes the inverse relation between inflation and unemployment; Accordingly as levels of unemployment decrease, inflation increases



Types of Inflation

1. **Demand Pull Inflation** occurs when excessive demand for commodities increases their prices. This is the conventional inflationary situation of ‘too much money chasing too few goods’. The main demand-pull factors in India are:
   (i) Mounting government expenditure
   (ii) Deficit financing and increase in money supply
   (iii) Role of black money
   (iv) Rapid population growth.

2. **Cost Push Inflation** occurs when wages and other costs rise and the producers are successful in passing on the higher costs to the consumers in the shape of higher prices.
   The main cost -push factors in India are :
   (i) Fluctuations in output and supply in both agriculture and industry sectors. Fluctuations in output of food grains have been a major factor responsible for rise in food-grain prices as well as general price. In the same way, the supply of manufactured goods also did not increase adequately in the last few years. Power breakdowns, strikes and lock-outs and shortage of transport facilities have been the major constraints responsible for lowering production of manufactured goods. With ever-rising demand for manufactured goods, the producers are in a position to hike the prices of their products
   (ii) Problem of hoarding by traders and black marketeers.
   (iii) Taxation which gives the traders an opportunity to raise the prices of goods, the proportion of which is often more than the levy of taxes.
   (iv) Administered Prices.
   (v) Hike in Oil Prices.

CALCULATION OF INFLATION

Changes in price level are measured by the following:
Wholesale Price Index
Consumer Price Index
Gross Domestic Product (GDP) Deflator

The Wholesale Price Index (WPI)

- It is a weighted average of indices covering 676 commodities, which are traded in primary, manufacturing and fuel and power-sectors.
- WPI is thus a measure of inflation on an economy-wide scale. Services do not figure in this, as there is usually no wholesale price for services. The weightage for primary articles is only 20 percent. A revised WPI with 1993-94 as the base year has been adopted. WPI figures are available on a weekly basis with a gap of about two weeks, and are, therefore, useful in continuous monitoring of prices for policy making.

COMPONENTS OF WPI

1.Primary articles (Weight: 22.6%)
   o Food: Cereals, Paddy, Wheat, Pulses, Vegetables, Fruits, Milk, Eggs, Meat & Fish, etc.
   o Non-Food: Oil Seeds, Minerals and Crude Petroleum
2. Fuel & Power (Weight: 13.15%)
3. Manufactured Products (64.23%)
   o Food and Non-Food

Consumer Price Index (CPI)

- It is the retail price average of a basket of goods and services directly consumed by the people
- The Central Statistics Office (CSO) of the Ministry of Statistics and Programme Implementation has started compiling a new series of CPI: (a) CPI for the entire urban population viz CPI (Urban); 225 commodities. (b) CPI for the entire rural population viz CPI (Rural) 250 commodities. (c) Consolidated CPI for Urban + Rural will also be compiled based on the above two CPIs These reflect the changes in the price level of various goods and services consumed by the Urban and rural population.

- While WPI includes Goods only; CPI includes both goods and services.
- These new indices are now compiled at State / UT and all India levels.
- The CPI inflation series is wider in scope than the one based on the wholesale price index (WPI), as it has both rural and urban figures, besides state-wise data. The new series, with 2010 as the base year, also includes services, which is not the case with the WPI series.

GDP Deflator

- GDP deflator, which distinguishes between physical growth in output and price rise, and gives an accurate picture of the overall price level.
- The GDP Deflator is arrived at by dividing GDP at current prices by GDP at constant prices in terms of base year prices (1993-94 in India).
- This indicates how much of the growth in GDP in a year is due to price rise and how much due to increase in output.

HEADLINE V/S CORE INFLATION

HEADLINE INFLATION

- It is a measure of the total inflation in an economy as reflected in the CPI and WPI.
- It includes all commodities including those that are subject to seasonality such as food and fuel prices and those that are structural in nature.
- In other words it includes both core and non-core inflation.

CORE INFLATION

- Also called underlying inflation it excludes transitory seasonal inflation elements such as food and fuel. Thus it measures inflation due to structural factors in an economy and thus relatively less volatile.

- NOTE: CPI-Combined which reflects the headline inflation is used as anchor for inflation targeting under Monetary Policy Framework

Producer Price Index (PPI)

- It measures the average change in the prices of both goods and services, either as they leave the place of production called Output PPI or as they enter the input production process called input PPI; thus, PPI estimates the change in average prices that a producer receives.
- WPI does not include services, but PPI includes services thus making the index more inclusive.
- PPI eliminates the multiple counting bias which is inherent in the Wholesale Price Index.
- In PPI the weights of the items are derived based on Supply use Tables.
- PPI is considered as a better measure of inflation as the price change at the primary and intermediate stage can be tracked before it gets built in the finished good stage and due to this reason, many countries have switched over to the PPI.

IIP

- The Index of Industrial Production (IIP) is an index which shows the growth rates in different industry groups of the economy in a stipulated period of time.

- The IIP index is computed and published by the Central Statistical Organization (CSO) on a monthly basis.
- Description: IIP is a composite indicator that measures the growth rate of industry groups classified under,
  1. Broad sectors, namely, Mining, Manufacturing and Electricity
  2. Use-based sectors, namely Basic Goods, Capital Goods and Intermediate Goods

Index of Eight Core Industries (Base: 2011-12 = 100)

The Eight Core Industries comprise 40.27 per cent of the weight of items included in the Index of Industrial Production (IIP).
The eight core industries are :-
1. Coal Coal production (weight: 10.33 %)
2. Crude Oil Crude Oil production (weight: 8.98 %)
3. Natural Gas The Natural Gas production (weight: 6.88 %)
4. Refinery Products Petroleum Refinery production (weight: 28.04%)
5. Fertilizers Fertilizer production (weight: 2.63 %)
6. Steel Steel production (weight: 17.92 %)
7. Cement Cement production (weight: 5.37%)
8. Electricity Electricity generation (weight: 19.85%)

Deflation

- "Deflation is that state in which the value of money rises and the price of goods and services falls."
- The state of deflation may appear in the economy due to following reasons
  (i) When the Government withdraws money from circulation.
  (ii) When the Government imposes heavy direct taxes or takes heavy loans from the public (voluntary or compulsory or both).
  (iii) When the Central Bank sells the securities in the open market (which reduces the quantity of money in circulation).
  (iv) When the Central Bank controls the credit money and adopts various measures such as increase in CRR, credit rationing and direct action.
  (v) When the Central Bank increases the Bank rate (which curtails the quantity of credit in the economy).
  (vi) When a state of overproduction (excess supply over demand) takes place in the economy.

Measures of Checking Deflation

(i) Increasing money supply.
(ii) Promote credit creation by the banks.
(iii) Curtailment in taxes so as to increase the purchasing power of the people.
(iv) Increasing the public expenditure and the employment opportunities in the economy.
(v) Increasing the money supply in circulation by repayment of old public debts.
(vi) Providing economic subsidy by the Government to the industrial sector of the economy.

MONETARY POLICY COMMITTEE (MPC)

- Monetary Policy Committee was constituted in 2016 as a statutory body under the RBI Act in order to formulate monetary policy in India
- The Reserve Bank of India is the nodal agency for implementing the monetary policy.
- MPC is entrusted with the responsibility of fixing the benchmark policy rate (repo rate) required to contain inflation as defined in the Monetary Policy Framework Agreement.
- The Monetary Policy Framework provides for inflation targeting to be set by GoI every 5 years.
- RBI has various quantitative as well as qualitative instruments to execute the monetary policy targets set by the monetary policy framework.
- **Monetary Policy Objectives**
    - o Stability of external value Fluctuation in the exchange rate of a currency affects foreign trade and investment. It is, therefore, important that the rate of exchange is maintained without violent fluctuations.
    - o Maintenance of domestic price level Fluctuation in prices affects investment decisions. It also leads to increasing income disparities. However, monetary policy alone cannot ensure the maintenance of domestic prices, as several other factors such as erratic monsoons, changes in tastes, fluctuation in world prices, etc. affect domestic prices.
    - o Reducing the impact of business cycles (slumps and booms) by manipulation of credit and interest policy. However, economists are not of the same opinion on whether business cycles are primarily caused by monetary factors.

COMPOSITION

- Monetary Policy Committee is a 6-member body including 3 members from RBI and 3 members to be appointed by the Central Government.
- The members include -

o RBI Governor - ex-officio chairperson
o RBI Deputy Governor
o One more member from RBI to be nominated by the Central Board of Directors.
o 3 other members are appointed by the Central Government.

TERM - Members of MPC hold office for a period of four years and are not eligible for re-appointment. The Central Government has the power to remove any of its nominated members from MPC.

REPO AND REVERSE REPO

- o Repo (Repurchase Option) and Reverse Repo are instruments used by RBI in day-to-day liquidity management.
- o Repo rate is the rate at which RBI lends to commercial banks and Reverse Repo is the rate at which RBI borrows from commercial banks.
- o In inflationary situations, RBI can hike the Reverse Repo rate and absorb the excess liquidity in the market. Similarly, in case there is a requirement to increase liquidity into the system, RBI can reduce the Repo rate which will lead to release of money into the market.

- o RBI occasionally resorts to the Repo rate to fine-tune the liquidity position, without resorting to major policy instruments such as changes in CRR and Bank Rate.
- o However, markets are bound to react to frequent changes in the Repo rates and this will be reflected in corresponding changes in the deposit and lending rates of commercial banks.

PUBLIC FINANCE AND FISCAL POLICY

- The study of government's revenue and expenditure is called public finance.
- It also studies public debt, financial administration and fiscal policy of economy.
- Public finance can be divided into five sections:
  - i. Public revenue
  - ii. Public expenditure
  - iii. Public debt
  - iv. Fiscal policy
  - v. Financial administration

PUBLIC REVENUE

- It includes all income and receipts of the government through various sources.
- Sources of public revenue can be broadly divided into- earned and unearned revenues.
- Earned revenues- it is a kind of revenue received from assured sources and kept under complete disposal of government's ownership.
  - o It includes commercial revenues like profits of PSU's, public utility services, etc.
- Unearned revenues- it is mobilized by the government without any contractual obligations to payee.
  - o It includes taxes, fines,levies,escheats, gifts and grants, etc.

TAX REVENUE

Types of taxes

(A) Direct taxes

- A direct tax is that, which is borne by the person on whom it is levied.

Income Tax

- It is the tax levied directly on the income of the people by the Central Government.

Corporation tax

- It is the tax on income (profit) of the companies. In 1996, the government introduced Minimum Alternate Tax (MAT) on companies which escaped the corporation tax net by using the provisions of exemptions, deductions, incentives, depreciation and so on.

Wealth Tax

- This tax is levied on the net worth of individuals.

(B) Indirect Taxes

Central excise duty

- The commodities which are produced within the country levied by central excise duty. However, commodities on which state governments impose excise duties (e.g. liquor, drugs) are exempted from the central excise duty.

Customs duty

- It is the tax imposed on commodities imported into India (import duty) or those exported from India (export duty). Since imposing duties on exports reduced the competitive position of the country, the government withdrew export duties.
- In recent times; there has been considerable increase in revenue from import duties because of heavy imports of iron and steel, petroleum products, chemicals, etc. In the new requirements under WTO, import duty will be the only means to curb inputs.
- Custom duty had been the target revenue generator since independence. But in recent years the excise duty has overtaken the custom duty as the largest revenue earner.

Service tax

- It is a tax imposed on the person, who avails any specified service. It was introduced in 1994-95 to address the asymmetric and distortionary treatment of goods and services in the tax framework and to widen the tax net.
- The number of services liable for taxation was raised from 3 in 1994-95 to 119 in 2011-12. However, this concept of a list of services liable for taxation was changed by the Budget 2012. In this budget, the government revamped the taxation provisions for services by introducing a new system of taxation of services in India. In the new system all services, except those specified in the negative list, are subject to taxation.

Value Added Tax (VAT)

- It was introduced in France to overcome the cascading effect of several taxes-from raw material to the final product in the process of production.
- In VAT, the tax on all inputs can be deducted from the excise paid on the output so taxes are levied on the value added to each stage in the production process.
- The VAT system of taxation is adopted in more than 150 countries including Australia and Canada. The main advantage of VAT over any other form of indirect tax is that it shifts the tax base towards the point of final consumption from the first point of sale.
- It thus ensures the “tax neutrality” of the production decisions. VAT was introduced in India in 2005.

Goods and Services Tax

- The introduction of the GST would be a significant step in the field of indirect tax reforms in India. GOI implemented GST from 1st July 2017.
- By subsuming a large number of central and state taxes into a single tax, it would mitigate cascading or double taxation in a major way and pave the way for a common national market.
- From the consumer's point of view, the biggest advantage would be in terms of a reduction in the overall tax burden on goods, which is currently estimated at 25%- 30%.
- Introduction of the GST is also expected to make Indian products competitive in domestic and international markets.
- Because of its transparent character, it is expected that the GST would be easier to administer. The broad features of the GST model are as follows:
  (i) GST would be applicable on supply of goods or services as against the present concept of tax on the manufacture or on sale of goods or on provision of services.
  (ii) GST would be a destination-based tax as against the present concept of origin-based tax.
  (iii) It would be a dual GST with the Center and the states simultaneously levying it on a common base. The GST to be levied by the Center would be called Central GST (CGST) and that to be levied by the states would be called State GST (SGST).
  (iv) An integrated GST (IGST) would be levied on inter-state supply (including stock transfers) of goods or services. This would be collected by the Center so that the credit chain is not disrupted.
  (v) Import of goods or services would be treated as interstate supplies and would be subject to IGST in addition to the applicable customs duties.
  (vi) Central taxes replaced by GST- central excise duty, additional duties of excise and custom, service tax and cesses and surcharges on supply of goods and services.
  (vii) State taxes subsumed in GST- VAT,Central sales tax, purchase tax, entry tax, entertainment tax, taxes on lotteries, advertisements.
  (viii) CGST, SGST, and IGST would be levied at rates to be recommended by the Goods and Services Tax Council (GSTC) which will be chaired by the Union Finance Minister and will have Finance Ministers of states as its members.
  (ix) GST would apply to all goods and services except alcohol for human consumption.
  (x) GST on petroleum products would be applicable from a date to be recommended by the GST Council.
  (xi) Tobacco and tobacco products would be subject to the CST. In addition, the Center could continue to levy Central excise duty.

  [**TAXES OUT OF GST-** taxes that are not included in any of the provisions of GST contain Alcohol, real estate, crude oil, petrol, natural gas and fuel for turbines.]

- **101ST CONSTITUTIONAL AMENDMENT ACT** - Insertion of Article 279 A: Creation of GST Council ; Insertion of Article 246 (A): Both Union and States in India now have "concurrent powers" to make law with respect to goods & services.

- The intra-state trade is under the jurisdiction of both center and state
- Inter-state trade and commerce is "exclusively" under the center's jurisdiction.

GST COUNCIL - Created under Article 279A ; Highest decision making body under

COMPOSITION
- Representatives of both center and states
- Chairperson: Union finance minister
- Deputy Chairman: Finance Minister of State
- The Union Minister of State, in-charge of Revenue of finance
- The Minister In-charge of finance or taxation ; State Finance Ministers ; Two representatives from UTs

VOTING UNDER THE GST COUNCIL
- Every decision is taken by a majority of not less than 3/4th of the weighted votes of the members present and voting
- Votes of the Central Government have a weightage of 1/3rd of the total votes.
- Votes of State Governments have a weightage of 2/3rd of the total votes.
- Thus, the Central Government has an effective veto on all decisions of the GST Council.
- Quorum: ½ of the total members

GST NETWORK (GSTN)
- Digital infrastructure to administer GST transactions
- It is a non-profit fully-owned Government company with 50% equity of the company to be held by the Central Government and the balance 50% to be held by various States and Union Territories

<u>NATIONAL ANTI-PROFITEERING AUTHORITY</u>

- National Anti-profiteering Authority under GST will be the apex body, which is mandated to ensure that the benefits of the reduction in GST rates on goods or services are passed on to the ultimate consumers by way of a reduction in prices.
- The National Antiprofiteering Authority (NAA) will be headed by a senior officer of the level of Secretary to the Government of India with four Technical Members from the Centre and/or the States.
- NAA aims at comforting consumers that the Government is fully committed to taking all possible steps to make sure the benefits of implementation of GST in terms of lower prices of the goods and services reach them.
- The "anti-profiteering" measures are enshrined in the GST law, which provides an institutional mechanism to make sure that the full benefits of input tax credits and reduced GST rates on the supply of goods or services flow to the consumers.

DIRECT TAX CODE (DTC)

- DTC was proposed to consolidate the law relating to the direct taxes.
- The bill seeks to replace the Income Tax act,1961 and wealth Tax act,1957.
- It widened the tax slabs and lowered corporate tax rates.
- DTC provision introduced in budget 2012-13 are: General Anti- Avoidance Rule (GAAR); Advance Pricing Agreement

NON TAX REVENUES

- Non tax revenues are those receipts, which are received from sources other than taxes like fees, fines etc.
- Fees, license and permit- one of the main sources of non tax revenue of the government.
- Escheats- it refers to that income of the state, which arises out of the property that comes to it for want of a legal heir. Such a property has no complaint and the state alone has the legal right over it.
- Fines and Penalties-which are made by law breakers to the government.
- Income from public enterprises- profits from sale of the products of these enterprises constitute the income of the government.

IMPORTANT TERMS RELATED TO TAXATION

- **Tax heaven-** it is a country or territory where certain taxes are levied at a low rate or not at all. Tax havens lead to loss of revenue for governments, money laundering, etc.

- **Pigouvian Tax-** it is a tax which is imposed on bodies having negative externalities. Eg. Pigouvian tax is the carbon tax levied in some countries for causing pollution.

- **Tobin tax-** it is tax levied on foreign exchange transactions both when foreign capital enters a country and when it leaves.

- **Transfer Pricing**-Pricing of goods and services between two related companies is called transfer pricing. If the price paid intra-firm is artificially set to avoid taxes it is called transfer mispricing.

- **Specific duty**- tax is levied based on weight or quantity.

- **Ad valorem**- tax is levied based on value and not on weight or quantity.

- **CAPITAL GAINS TAX** -Tax levied on gains made by buying and selling of assets.

- **Long-term capital gains tax:** Tax on gains made in assets held for over 3 years. For shares and mutual funds it is 1 years.

- **Short-term capital gains tax:** Tax on gains made in assets held for 3 years or less.

- **ADVANCE PRICE AGREEMENT -** Price arrangement signed between the tax department and an MNC to determine the transfer pricing in advance. It is aimed at tackling transfer mispricing and hence tax avoidance and potential transfer pricing disputes in a proactive manner.

- **DOUBLE TAXATION AVOIDANCE AGREEMENT -** Agreement signed between 2 countries to avoid taxing the same income twice.
    - It is applied in cases where a tax-payer resides in one country and earns income in another.
    - DTAAs are intended to make a country an attractive investment destination by providing relief on dual taxation.
    - India has signed DTAA with more than 80 countries.
    - India has signed DTAA with the tax havens such as Mauritius, Singapore, Cayman Islands etc.
    - These DTAAs have been misused by the MNCs in order to reduce their tax liability in India.

- **ANGEL TAX -** Tax on capital raised by unlisted companies via issue of shares if the share price is sold in excess of the fair market value of the shares It is applicable on excess capital (the difference) and is treated as income and taxed accordingly. This tax predominantly affects start-ups and the angel investments they attract.

- **GAFA TAX -** Digital service tax introduced by France ; Named after Google, Apple, Facebook, Amazon. It is Imposed on large technology and internet companies with worldwide revenues of more than 750 million euros providing services to French consumers. 3% of the total revenues is levied in the form of GAFA tax.

DIVIDEND DISTRIBUTION TAX AND BUYBACK TAX

- 2 ways companies reward their shareholders
- Dividends: Companies distribute after-tax profits to their shareholders in proportion of their share-holding
- Buy-Back: Company repurchases certain amount of its outstanding shares from the shareholders at a price higher than market price
- When a company buys back its shares the share value increases which is beneficial to continuing shareholders

DIFFERENCE BETWEEN DIVIDEND DISTRIBUTION AND BUYBACK

- Dividend distribution forms a part of taxable income in the same year
- Buyback leads to increased share value which attracts taxes but only when it is sold

DIVIDEND DISTRIBUTION TAX

- Tax on dividend that is distributed by the company to its shareholders
- It was paid by the companies before distributing dividends
- In Budget 2020 DDT was abolished
- Now the dividend will become a part of the investor's income which may be taxed in accordance with income tax slabs.

BUYBACK TAX

- In order to reduce the tax burden imposed through dividend distribution, more companies started offering buybacks rather than distributing dividends.
- To discourage this, the Budget has introduced tax on buybacks for listed companies as well.

- **INVERTED DUTY STRUCTURE -** Refers to the tariff structure where the customs duty on finished goods is lower than the customs duty on raw materials. It promotes import of cheaper finished goods and discourages domestic manufacturing.

- **LAFFER CURVE -** Illustrates the relationship between tax rates and tax revenue. Initially an increase in tax rates results in increased tax revenue. But beyond a point increased tax rates acts as a disincentive to tax-generating activities and thus results in decreased tax revenue. The Indian economy is on the Laffer curve which means any increase in tax rates would lower the tax revenue.

- **Tax buoyancy:** It refers to the responsiveness of tax revenue to GDP growth. A tax is said to be buoyant if an increase in GDP results in increase in tax revenue without increasing the tax rate. Direct taxes are more responsive to GDP growth than indirect taxes

- **Tax elasticity:** Refers to change in tax revenue with change in tax rate

- **Tax-GDP ratio:** Proportion of tax revenue in GDP
  - High Tax-GDP ratio -> High government exchequer -> High government spending -> High Consumption -> High demand -> High investment -> High Growth

- **Progressive taxation**: System of taxation based on the ability to pay ; Higher the income more is the tax rate leading to more revenue. Direct taxes are by nature progressive

- **Regressive taxation:** System of taxation where there is an inverse relation between level of income and rate of taxation.

- **Fiscal Drag**: High inflation and high tax rates.

- **Tax Evasion**- it is an illegal evasion of taxes; deliberately misrepresenting the true state of their financial affairs to tax authorities to reduce their tax liabilities, it includes dishonest tax reporting.

Steps taken by the government to reduce tax avoidance in India

1. Renegotiating Double taxation avoidance agreement (DTAA)

- DTAA also referred to as Tax Treaty is a bilateral economic agreement between two nations that aims to avoid or eliminate double taxation of the same income in two countries.
- India has DTAA with 84 nations.

2. Advanced pricing agreements (APA)

- An APA is a contract, usually for multiple years, between a taxpayer and at least one tax authority specifying the pricing method that the taxpayer will apply to its related company transactions
- APAs give certainty to taxpayers, reduce disputes, and avoid tax avoidance.

3. General Anti Avoidance Rules

- GAAR usually consists of a set of broad rules which are based on general principles to check the potential avoidance of the tax in general.
- The government set up a panel under Parthasarathy Shome to review the proposals with regards to GAAR.

4. Base Erosion and Profit Shifting (BEPS)

- BEPS refers to tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity.
- OECD and G20 countries along with developing countries that participated in the development of the BEPS Package are establishing a modern international tax framework under which profits are taxed where economic activity and value creation occur.

PUBLIC DEBT

- Public debt refers to the borrowings of the central and state governments.
- Public debt of the central government consists of internal and external debt.

INTERNAL DEBT

- Includes market borrowings, money raised by issuing bonds, treasury bills,special securities issues to the RBI etc.
- It includes market loans from banks and financial institutions, short-term borrowings on treasury bills and other bonds and certificates issued by the government.

EXTERNAL DEBT

- Includes borrowing from foreign countries and international financial institutions
- Non government external debt includes NRI deposits, trade credit, external commercial borrowings etc.
- It includes loans from foreign countries and international financial institutions like the World Bank, IMF, ADB, etc.

FISCAL POLICY

- Fiscal Policy deals with the taxation and expenditure decisions of the government covered in the annual budget. Monetary Policy deals with the supply of money in the economy and the rate of interest. In India, the government deals with fiscal policy, while the Central bank (RBI) is responsible for monetary policy.
- Fiscal policy or budgetary policy refers to the use by the government of various instruments such as taxation, expenditure and borrowing in order to achieve the objectives of balanced economic development, full employment or to establish a welfare state.
- The budget or the annual financial statement of the government gives expression to its fiscal policy. Under Article 112 of the Indian Constitution, the President shall cause, before both the Houses of Parliament, a financial statement at the commencement of every financial year.
- The General Budget is presented in Lok Sabha by the Minister of Finance.
- Union budget or Annual financial statement is a statement of estimated receipts and expenditures of the Government of India. It has to be placed before Parliament for every financial year, i.e. April 1 to March 31.

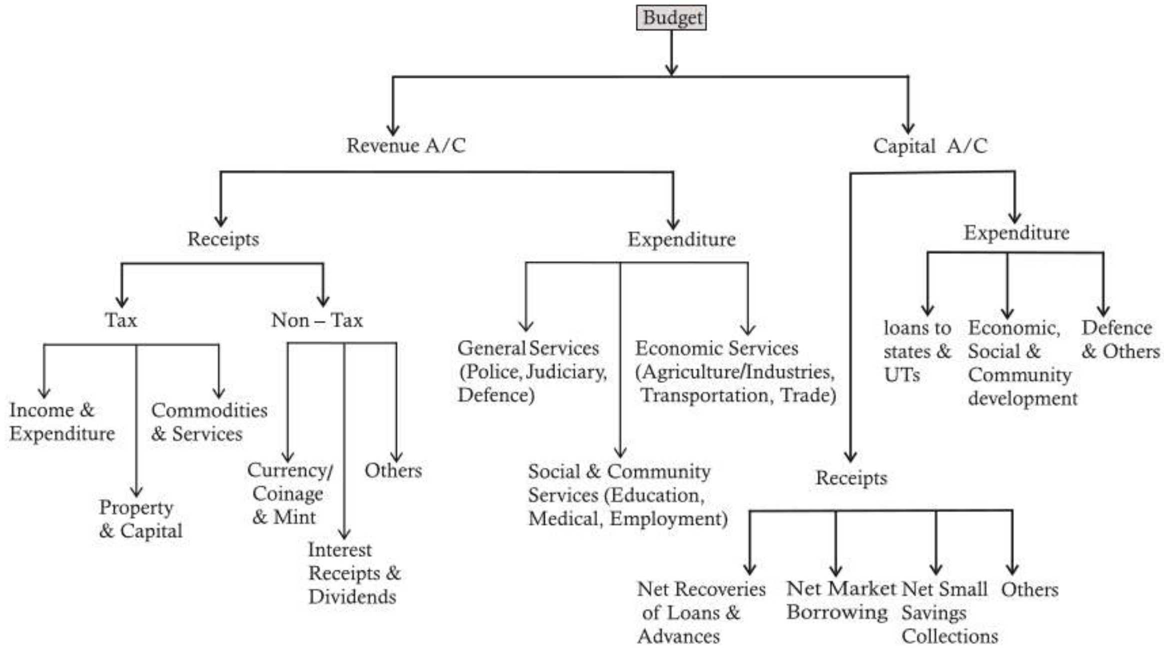
Types of Fiscal Policy

Expansionary Fiscal Policy

- **Lower Taxes** – effects on economy :Decreasing tax, savings increases, available funds for spending increases, so consumers and businesses purchase more. Demand increases.
- **Increase Government Spending-** effects on economy : Increasing government spending provides the funds needed for consumers and businesses to purchase goods and services. Demand has increased.

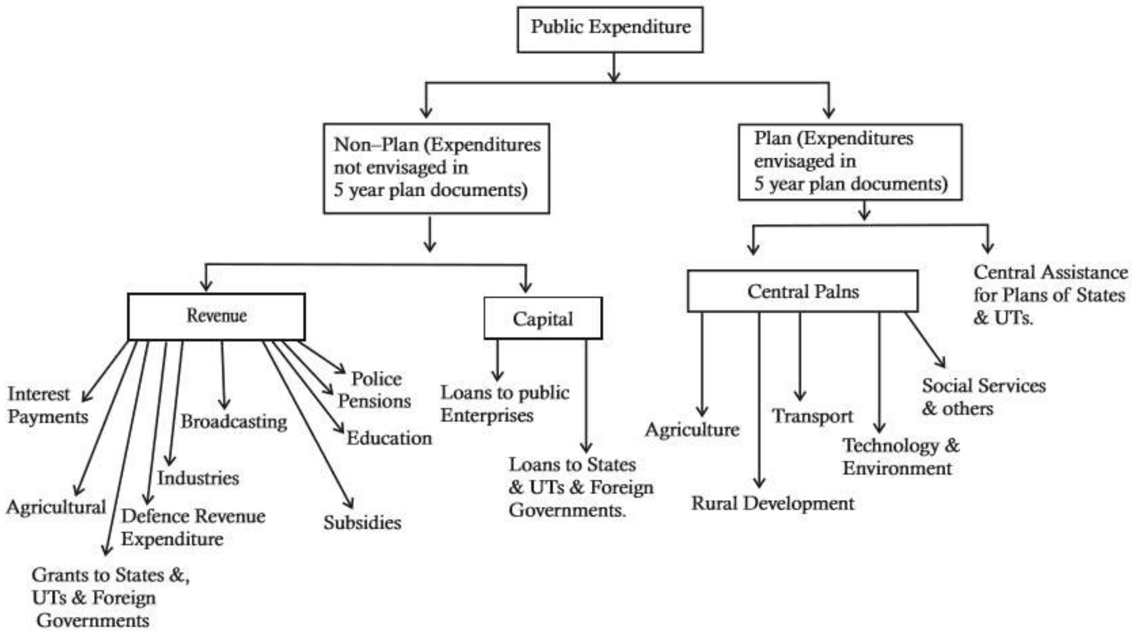
Contractionary Fiscal Policy

- **If Raise Taxes-** effect on economy : Increasing tax, expenditures decrease, money available for spending decreases, so consumers and businesses spend less. Demand has decreased.
- **If Decrease Government Spending** – effect on economy :Decreasing government spending reduces the funds needed for consumers and businesses to purchase goods and services. demand has decreased.



- **The budget shows the receipts and payments of the Government under three heads:**
  - (i) Consolidated fund It consists of all revenues and loans received by the government. Article 114(3) of the Constitution declares that no money can be taken out of the Consolidated Fund in India without the approval of the Lok Sabha.
  - (ii) Contingency fund It comprises the sum placed at the disposal of the President to meet unforeseen expenditure.
  - (iii) Public Account It consists of receipts and payments, which are in the form of a deposit account with the Government, such as provident funds, small savings, etc.

- There are two parts of budget, i.e. Revenue Account and Capital Account.
- Revenue Account contains all current receipts, such as taxation, (central excise, custom duty, corporation tax) dividends of public sector units (PSU's) and expenditure of the Government.
- Capital Account consists of all capital receipts and expenditure such as domestic and foreign loans, loan repayment, foreign, etc.



REVENUE RECEIPTS(RR)- (need not to pay again to payee)

- **Tax-** generated by tax and duties
  - Union excise tax
  - Custom duties- on imports and exports
  - Corporate tax- on company's profit
  - Income tax
  - Service tax
- **Non tax**
  - Interest payments- on loans given by center
  - Dividend and profit- shares held by the government in private and semi government entities.
- **Currency, mint- profit from currency circulation**
- **Grants in Aid, fees, gift**

CAPITAL RECEIPTS (CR)- (it creates liability for government, need to pay back or it reduces assets)

- Receipt due to disposal of permanent assets
- Fresh loans borrowed
- Two types- Debt and Non Debt capital receipts

1. **DEBT CR**
   - Internal borrowing
     i. Market loan- by issuing bonds to public

ii. T Bills to RBI and banks- zero coupon bonds
iii. Funded securities of government
iv. RBI acts banker to government- ways and means advances

- External Borrowing- bilateral or multilateral loans
- Other liabilities at government- small saving schemes ; provident funds

2. **NON DEBT CR**
    - Amount received by disposal of assets
    - Recoveries of loans given by government to other entities
    - Disinvestments shares in PSU's or PSE's (Reduce assets)

REVENUE EXPENDITURE

- It is one way payment; money invested will not come back to government as receipt
- It includes- interest paid on borrowings
- Expenditure on defense/ police
- Subsidies given
- Grants to states
- Pensions and salaries- charged expenditure
- Social service schemes

CAPITAL EXPENDITURE

- This is periodic income of government, whatever is spend now will come back as receipt in future
- Eg. Expenditure for asset creation, create permanent asset(capital creation)
- It is long term expenditure

TYPES OF BUDGETING

- **Zero based budgeting**- it is a method in which all budgetary allocations are set to nil at the beginning of a financial year.
- **Gender budgeting**-it came into being in 2004-05. To contribute towards the women empowerment and removal of inequality based on gender.
- **Capital budgeting**- investment appraisal is planning process used to determine whether long term investments such as new machinery, new plants, new products worth the funding of ash through capitalization structure debt, equity). Capital budget includes capital receipts and payments of the government.
- **Outcome budget**- measures the development outcomes of all government programmes. It was introduced by P Chidambaram in 2005-06 budget.

Components of budget

1. Annual Financial Statement [Article 112]: This document comprises the receipts and expenditures of the government of current year, previous year and budget year in three separate parts viz. Consolidated Fund of India, Contingency Fund of India and Public Account of India.

2. Demands for Grants [Article 113]: The estimates of expenditures are presented to Lok Sabha in the form of Demands for Grants. Ministry wise demand for grants is presented to Lok Sabha.

3. Appropriation Bill [Article 114(3)]: The article 114(3) stipulates that no amount can be withdrawn from the Consolidated Fund of India without enactment of appropriation bill.

4. Finance Bill [Article 110(a)]: It is presented to enact a law for imposition, abolition, remission, alteration or regulation of taxes proposed in the Budget

DEFICIT

- It means shortage. The gap between Revenue and Expenditure is called Deficit.
  Types of Deficit
  Revenue deficit
  - It means the excess of current revenue expenditure over current revenue receipts. Revenue deficit indicates that the government cannot meet its current expenditure from its current revenue.
  - Revenue Deficit= Revenue expenditure – Revenue receipts

Budget deficit

- It is the overall deficit, i.e. the excess of total expenditure over total revenues.
- It includes both capital and revenue items in receipts and expenditure.
- Traditionally, deficit financing in Indian budgets had meant filling this gap.
- Budget Deficit= Total expenditure – Total receipts

Fiscal deficit

- It is a budget deficit plus borrowings and other liabilities.
- Previously, when budgetary deficit was the prime consideration, borrowings from the market and receipts from national savings, provident funds, etc. were being treated as capital receipts. To this extent, the government's actual deficit was being understood.
- In other words, the fiscal deficit indicates the total borrowing requirements of the government from all sources, whereas the budgetary deficit only indicates the government's borrowing from RBI.
- Fiscal deficit = Revenue receipts (net tax revenue and non tax revenue capital receipts (only recoveries of loans and other receipts) – Total expenditure (Plan and non-plan)
- Fiscal deficit = Budget deficit + Government's market borrowing and liabilities.

- In India, a high fiscal deficit is mainly due to high revenue deficit which implies that it is mainly due to the government's day to day expenditure being more than its day to day income, such that it has to borrow to meet its daily requirements which, by definition, is unhealthy and dangerous, because borrowing is good only if it is for productive purposes.
- Hence, the FRBM Act, 2004 laid down that the government's revenue deficit should be brought down to zero and its fiscal deficit should not be allowed to exceed 3% of the GDP by 2008-09, but this has still not been achieved.
- A high fiscal deficit is also inflationary because it is mainly due to the government's high non plan expenditure which is unproductive.
- Besides, a high fiscal deficit imposes a huge burden by way of repayment of interest and principal.
- such, the Kelkar panel in 2012 on fiscal consolidation recommended a series of measures like disinvestment, raising diesel prices, auction of spectrum, pruning some plan schemes and rationalization of subsidies

Primary deficit

- Primary deficit is considered a very useful tool in helping bring more transparency in the government's pattern of expenditure. It shows the current state of government finances. If interest payments are deducted from the fiscal deficit, then it will obviously show a lesser deficit for that year as the interest payments are on account of loans taken in the past and not in the present year.
- Primary Deficit = Fiscal Deficit–Interest Payments.

Effective Revenue deficit (ERD)

- It is defined as the difference between the revenue deficit and creation of capital assets.

<u>TERMINOLOGIES</u>

- **Fiscal drag**: It is a situation where inflation pushes income into a higher tax bracket. The result is increase in income taxes but no increase in real purchasing power
- **Fiscal neutrality:** When the net effect of taxation and public spending is neutral
- **Crowding out:** Excessive government borrowing can lead to shrinkage of the liquidity in the market, it forces the interest rates to go up which in turn affect private investment.
- **Pump-priming:** Deficit financing and spending by the government on public works in an attempt to revive economy during recession
- **Twin deficit:** Worsening of both Current Account deficit (CAD) and Fiscal deficit (FD) simultaneously in the economy.

- **Fiscal cliff:** The fiscal cliff refers to a combination of expiring tax cuts and across-the-board government spending cuts
- Economic stimulus refers to coordinated efforts to boost economic growth, especially during a recession.
- Fiscal stimulus measures are those enacted by the government, such as lowering taxes.
- Monetary stimulus measures are produced by central banks and may include lowering interest rates
- **Sovereign Debt Crisis (SDC):** It is the term that describes the difficulties that a nation faces to service the loans it takes from the foreign sources in foreign currency.

DEMOGRAPHIC PROFILE OF INDIA

- Demography is a statistical study of the human population. It studies a variety of variables related to population like size, growth, distribution, density, composition and their variations.

THEORY OF DEMOGRAPHIC TRANSITION

- The demographic transition theory is a generalized description of the changing pattern of mortality, fertility and growth rates as societies move from one demographic regime to another.
- According to this theory, all countries pass through stages of demographic transition, which is accompanied by industrialization and economic development.
- While Notestein gave three stages of demographic transition, sex expanded them into four stages

FIRST STAGE OF STABLE OR SLOW POPULATION GROWTH

- Due to the high death rate which nullified the high birth rate. In this stage, these economies were primitive and primarily agrarian, with widespread illiteracy, poor sanitation and health care conditions, negligible knowledge of family planning and large family sizes which contributed to factors such as high fertility rate and high death rate.
- In the period between the first and the second stages, the death rates start reducing and birth rates remain stable which brings an imbalance in the economy.
- Measures like disease control, improving nutrition levels, and sanitation improvement are implemented to reduce death rates, but the measures for controlling birth rates are not implemented, which results in population explosion. This required a period of transition for adjustment, thus bringing the second stage of transition.
- Birth Rate is High; Death Rate is High

SECOND STAGE OF POPULATION EXPLOSIONS

- In this stage rise in income levels contributed to improvement in health-care, education, disease control and so on which in turn contributed to reducing the death rates.

- The family size reduced and improved trade and economic conditions resulted in more food and better food habits which further helped the population to grow at a much higher rate than in the first stage.
- High Birth Rate and Low Death Rate.

THIRD STAGE OF LOW BIRTH RATES AND LOW DEATH RATES

- Modernization and industrialization changed the living pattern in such nations, the rural population shifted to cities and family sizes reduced to become nuclear families.
- The standard of living increased which further brought down mortality rates and birth rates. As a result, the growth of population declined.
- Declining of Birth Rate and low Death rates

FOURTH STAGE(Low Fluctuating)

- Stage of low birth rates and low death rates
- This leads to stationary or declining population
- This stage can be seen in developed economies like western European nations at present.

OPTIMUM THEORY OF POPULATION

- This theory states that in every country, there is an optimum level of population
- Optimum population is that, which gives the maximum income per head(per head natural resource's availability is inversely proportional to population).
- If the population exceeds the optimum level there is the problem of overpopulation.

POPULATION THEORY OF MALTHUS

- Malthus argued that while food production could only increase in arithmetic progression, human population grows exponentially.
- Malthus supported preventive and positive checks on population growth.

National Population Policy 2000

- The problem of over population can be solved by two ways –
    i. An effective employment policy, which can absorb the growing number of workers and promote economic growth.
    ii. An imaginative family planning programme to encourage families to adopt the small family norm.

The Government in February 2000, announced the National Population Policy (NPP) with the following objectives:

(i) The immediate objective is to address the unmet needs for contraception, health care infrastructure and basic reproductive and child health care.
(ii) The medium-term objective is to bring the Total Fertility Rate (TFR) to replacement levels of 2.1 by 2010.
(iii) The long-term objective is to achieve a stable population by 2045, at a level consistent with the requirement of sustainable economic growth, social development and environmental protection.

BALANCE OF PAYMENT AND FOREIGN TRADE

- Balance of Payment (BoP) is a statement **that records all the monetary transactions made between residents of a country and the rest of the world during any given period.**
- This statement includes all the transactions made by/to individuals, corporates, and the government and helps in monitoring the flow of funds to develop the economy.
- When all the elements are correctly included in the BOP, it should sum up to zero in a perfect scenario.
- This means the inflows and outflows of funds should balance out. However, this does not ideally happen in most cases.
- BOP statement of a country indicates whether the country has a surplus or a deficit of funds i.e. when a country's export is more than its import, its BOP is said to be in surplus.
- On the other hand, the BOP deficit indicates that a country's imports are more than its exports.
- Tracking the transactions under BOP is something similar to the double-entry system of accounting. This means, all the transactions will have a debit entry and a corresponding credit entry.

Structure of Payment

Balance of payment (BoP) account broadly comprises of the following components:

CURRENT ACCOUNT

- Current account balance of payment consists of all transactions relating to goods, services and income.
- Current account deficit is the situation where payments on the current account out of the country are more than payments into the country.
- In current account surplus, there is a net inward payment into the country on the current account.
- India is the biggest receiver of remittances in the world, remittances are also included in the current account.
- The current account is used to monitor the inflow and outflow of goods and services between countries.

- This account covers all the receipts and payments made with respect to raw materials and manufactured goods.
- It also includes receipts from engineering, tourism, transportation, business services, stocks, and royalties from patents and copyrights.
- When all the goods and services are combined, together they make up a country's Balance of Trade (BoT).
- There are various categories of trade and transfers which happen across countries.It could be merchandise or invisible trading, unilateral transfers, or other payments/receipts.
- Trading in goods between countries are referred to as merchandise and import/export of services (banking, information technology, etc) are referred to as invisible items.
- Unilateral transfers refer to money sent as gifts or donations to residents of foreign countries. This can also be personal transfers like – money sent by relatives to their family located in another country.

CAPITAL ACCOUNT

- Capital account is that account which records all such transactions between residents of a country and the rest of the world, which causes a change in the assets or liability status of the residents of a country or its government.
- Investments (FDI and FII) and borrowings external commercial borrowings are part of the capital account.
- This account is the summary of foreign capital transactions.
  On the credit side of this account receipt of foreign exchange due to Foreign Direct Investment (FDI), Foreign Capital Investment (FCI) and Foreign Borrowing (FB) is recorded.
  On the debit side of capital account payment of foreign exchange due to Direct Investment Abroad (DIA), Portfolio Investment Abroad (PIA) and Foreign Lending (FL) is recorded.
- There are three major elements of capital account –

1. Investment
2. Loans & Borrowings
3. Foreign Exchange Reserve

Components of Capital Account

- **Foreign investment**- it has two sub components which are as follows:

  1. **Foreign Direct Investment(FDI)**
     -FDI refers to purchase of assets in the rest of the world, which allows control over those assets.

     -FDI is the (more than 10% equity / share) investment made by a foreign entity into an Indian company, with the objective to get involved in the management / production of that Indian company

     -Foreign Investment is prohibited: in atomic energy, railway operations (except Metro & infra dev.); Tobacco Products, Real Estate Business, Farm Houses, Chit Funds, Nidhi Companies, Betting Gambling Casino & Lottery.

-For the remaining sectors, Foreign Investment is permitted either through:

- **Automatic Route-** Foreign entity doesn't require Indian Govt's approval
- **Government Route-** Prior to investment, they have to get approval from the Govt of India's respective Administrative Ministry/ Department (and Commerce Ministry).

100% Foreign Investment by Automatic route permitted in:

- Agriculture, Animal Husbandry, Plantation Sector, Food Processing companies
- Asset Reconstruction Companies (ARC), Credit Information Companies, Core Investment Company, White Label ATM Operation and Other Financial Services
- Pharma & Biotechnology(Greenfield), Healthcare (Greenfield), Medical Devices
- Satellites, Broadcast of non-NEWS TV Channels, Printing of scientific and technical magazines; Wholesale Trading, Single Brand Retail, E-Commerce (market-place)
- IT and Business process management (BPM); Township Construction, Housing, Infrastructure; Gems & Jewelry, Duty Free Shops, Tourism & Hospitality
- Leather, Textiles & Garments, Manufacturing, Capital Goods, Industrial Parks
- Mining and Exploration of metal and non-metal,
- Petroleum & Natural Gas, Chemicals, Coal & Lignite, Thermal & Renewable Energy
- Civil Aviation Selected services), Airports (Greenfield & Brownfield)
- Ports and Shipping, Railway Infrastructure, Roads & Highways

2. **Portfolio Investment**
   - referring to purchase of an asset in the rest of the world without any control over that asset.

   -Portfolio investment into India also consists of Foreign Institutional Investment(FII).
   - It is a foreign entity registered with SEBI, and who buys upto 10% in equity / shares of an Indian Company.

-For Corporate Bonds and G-Sec these percentages are different.

-Originally, these were called Foreign Institutional Investor (FII) and Qualified Foreign Investors (QFIs), but in 2013 SEBI merged them all into a single category- FPI, based on the recommendations of M. Chandrasekhar committee.

-FPI's primary objective is to make money from buying and selling of shares through the capital market / share market. They even help the SEBI-non-registered foreign investors by issuing them Participatory notes (P-Notes).

-FPIs are not involved in the actual operations / production / management / business policy making of a company (unlike Walmart is for Flipkart).

-If FPI investor is hopeful to get better returns in the other countries' share/bond market, he may quickly sell his Indian securities and run away. The flight of such money is called 'hot money', It results into weakening of Indian Rupee and falling of Sensex.

-FII may invest in both primary and secondary markets in shares, debentures of listed and unlisted companies

Means of FII investment

- FII can invest through a registered broker on recognised Indian stock exchanges. They can purchase shares or convertible debentures either through private placement or through offer for sale.
- FII can also issue Offshore Derivatives Instruments(ODIs) to persons who are regulated by an appropriate foreign regulatory authority and after compliance with KYC norms.
- Large amount of FII investments into India comes through Participatory notes.
    - Participatory Notes- These are financial instruments used by investors or hedge funds that are not registered with the securities and exchange board of India to invest in Indian securities. Indian based brokers buy these Indian based securities and then issue participatory notes to foreign investors. Any dividend or capital gains collected from the underlying securities go back to investors.

- **Qualified Foreign Investor (QFI)**

-QFI is a person resident in a country or group who is a member of the Financial Action Task Force(FATF).
-Resident in a country that is signatory of bilateral MoU with SEBI.
-such a person should not be resident of India or registered with SEBI as an FII or sub account of FII.
-QFIs are distinct from FII and Non resident Indians. They are allowed to invest directly into mutual funds and stocks of Indian Companies.

- **Loans:** it has two sub components which are as follows:
    i. Commercial borrowings- referring to borrowings by a country (including government and the private sector) from the international money market.
    ii. Borrowing as External Assistance- referring to borrowing by a country with considerations of assistance.

    Composition of India's external debt

    External borrowing by Pvt. Sector >> Government.

    Further, majority of India's external debt is denominated in **USD currency** > Indian Rupee > IMF's SDR > (Yen, Euro, Pound Sterling, etc)

Reserve Account Balance -This is the adjusting account in balance of payment. It makes an adjustment between current account balance and capital account balance.

If the deficit in the current account is followed by surplus in the capital account then the excess foreign exchange is diverted into the capital account to the current account so that deficit in the current account is eliminated. The remaining surplus in the capital account is transferred to the Reserve account and recorded on the credit of the reserve account. Therefore both Current Account and Capital Account is always balanced.

The Reserve Account is also the indicator of Forex Reserves of the country. If surplus in the Capital Account is more than deficit in the Current Account, there is net increase in the Forex Reserves of the country at the end of the year. On the other hand if the deficit in the current account is more than surplus in the Capital Account then there is a net decrease in Foreign Reserves of the country at the end of the year.

FINANCIAL ACCOUNT

- In the financial account, international monetary flows related to investment in a business, real estate, bonds, and stocks are documented.
- Also included are government-owned assets such as foreign reserves, gold, special drawing rights (SDRs) held with the International Monetary Fund, private assets held abroad, and direct foreign investment.
- Assets owned by foreigners, private and official, are also recorded in the financial account.

<u>FOREIGN EXCHANGE</u>

FOREIGN EXCHANGE RESERVES

- Foreign exchange reserves also called forex reserves or FX reserves are assets held by a central bank or other monetary authority, usually in various reserve currencies and used to back its liabilities e.g. the local currency issued, and the various bank reserves deposited with the central bank by the government or by financial institutions.

- Reserves are now generally maintained by countries for meeting their international payment obligations — both short and long terms, including sovereign and commercial debts, financing of imports, for intervention in the foreign currency markets during periods of volatility, besides helping to boost the confidence of the market in the ability of a country to meet its external obligations and to absorb any unforeseen external shocks, contingencies or unexpected capital movements.
- The foreign exchange reserves of India comprise of three elements: (i) Gold, (ii) Special Drawing Rights (SDR), (iii) Foreign Currency Assets (FCA).

Special Drawing Rights (SDR)

- An international type of monetary reserve currency, created by the International Monetary Fund (IMF) in 1969 which operates as a supplement to the existing reserves of member countries. It is also known as "paper gold".
- Created in response to concerns about the limitations of gold and dollars as the sole means of settling international accounts, SDRs are designed to augment international liquidity by supplementing the standard reserve currencies.
- Its value is based on a basket of five key international currencies and SDRs can be exchanged for freely usable currencies. The basket of five international currencies includes US dollar, euro, Chinese yuan, Japanese yen and British pound.

Foreign Currency Assets (FCAs)

- Foreign currency assets include foreign exchange reserves, less gold holdings, special drawing rights and India's reserve position in the IMF.

NEER and REER

- The Nominal effective exchange rate(NEER) and Real effective exchange rate(REER) indices are used as indicators of external competitiveness of the country over a period of time.
- NEER is the weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies, while REER is defined as weighted average of nominal exchange rates, adjusted for home and foreign country relative price differential.
- REER captures movements in cross currency exchange rates as well as inflation differentials between India and its major trading partner and reflects the degree of external competitiveness of Indian products.

FERA AND FEMA

- FERA (foreign Exchange Regulation Act) 1974 imposed stringent regulation which deals with foreign exchange and transactions which had an impact on the foreign exchange and import and export of currency.
- FERA did not succeed in activities such as the expansion of trans national corporations, hence after an amendment the Foreign Exchange Management Act (FEMA) was passed which replaced FERA.

- This was done in order to relax the controls on foreign exchange in India, as a result of economic liberalization.
- FEMA served to make transactions for external trade (exports and imports) easier. Involving current accounts for external trade no longer required RBI's permission.

Features of FEMA:
- Activities such as payments made to any person outside India or receipts from them , along with the deal in foreign security is restricted. It is the FEMA that gives the Central government the power to impose the restrictions.
- Restrictions are imposed on people living in India, who carry out transactions in foreign exchange or who hold immovable property abroad.
- FEMA deals in forein exchange under the current account by an authorized person can be restricted by the central government.

What could be other types of transactions in foreign exchange other than for import and export of goods and services covered in balance of invisibles.

These could be for the following:

(1) Inward and Outward Tourism—tourists arriving to India (inward) would require rupees to spend for which they would like to exchange their respective foreign currencies into rupees. Similarly, Indians going abroad (outward) would require foreign currency.

(2) Inward and Outward Remittances—many Indians, about 35 million are settled overseas in different countries also known as the 'Indian diaspora'. Many of them send money to their family. As they are earning in foreign currency they would send the money in foreign currency (inward remittance) which would be exchanged in rupees in India and given to the beneficiary. Similarly, Foreign residents in India may also like to remit money overseas (outward remittance).

(3) Inward and Outward Education—there is an increasing trend of Indian students seeking higher education abroad (outward education). They would need to cover for their fees in foreign currency.

<u>FOREIGN TRADE</u>

- Balance of Trade (BoT) is also known as Trade Balance.

- Balance of Trade (Merchandise) = Export of goods – Import of goods

- Balance of Trade (Services) = Export of services – Import of services

- **Top Export Items:** Petroleum products, precious stones, drug formulations & biologicals, gold and other precious metals are the top exported commodities.
- **Top Import Items:** Crude petroleum, gold, petroleum products, coal, coke & briquettes constitute top import items.

- India's top five trading partners continue to be the USA, China, UAE, Saudi Arabia and Hong Kong.

- **Top 5 Countries to which India exports the most**

1. U S A
2. UAE
3. China PRP
4. Hong Kong
5. Singapore

- **Top 5 Countries from which India imports the most**

1. China PRP
2. USA
3. UAE
4. Saudi Arabia
5. Iraq

FOREIGN TRADE POLICY (2015-20)

- Aiming to nearly double India's exports of goods and services to $900 billion by 2020, the government has announced several incentives in the five-year Foreign Trade Policy for exporters and units in the Special Economic Zones (SEZ).
- FTP (2015-20) will introduce Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) to boost outward shipments.
- **Trade Policy (2015-20) Key Features**
    - India to be made a significant participant in world trade by 2020.
    - Merchandize exports from India (MEIS) to promote specific services for specific Markets Foreign Trade Policy- incentives available on exports of notified goods to notified markets at notified rates
    - FTP 2015-20 introduces two new schemes, namely "Merchandise Exports from India Scheme (MEIS)" and "Services Exports from India Scheme (SEIS)". The 'Services Exports from India Scheme' (SEIS) is for increasing exports of notified services. These schemes (MEIS and SEIS) replace multiple schemes earlier in place, each with different conditions for eligibility and usage. Incentives (MEIS and SEIS) to be available for SEZs also e-Commerce of handicrafts, handlooms, books, etc. eligible for benefits of MEIS.
    - Served from India Scheme (SFIS) will be replaced with Service Export from India Scheme (SEIS)

AGRICULTURE

- Agriculture is the primary occupation in India as it provides direct livelihood to more than 49% (2015) of its labor force. In India, 75% of below the poverty line (BPL) population lives in rural areas, and is directly or indirectly dependent on agriculture.
- Agriculture contributes to more than 17.9% (2015) of GDP, although this share has progressively declined from 57% in 1950-51. In developed countries, like the UK and USA, the share of agriculture in GDP is only around 2%.
- India accounts for 7.68 % (2015) of total global agricultural output. India is the second largest producer of agricultural products in the world.

Major Crops in India

1) **Rice**
    - Plains of North and North Eastern India, coastal areas and the deltaic regions Punjab, Haryana, West UP and Parts of Rajasthan (with help of irrigation)
    - Temperature- above 25 degree cel. Rainfall- Above 100cm
    - India is 2^{nd} largest rice producing country followed by china.

2)Wheat

- Requires a cool growing season and bright sunshine at the time of ripening. Winter temperature from 10°-15° C and summer temperature from 21°-26° C.
- The Ganga-Satluj plains in the northwest and black soil region of the Deccan.
- The major wheat-producing states are Punjab, Haryana, Uttar Pradesh, Bihar, Rajasthan and parts of Madhya Pradesh.
- India is 2^{nd} largest wheat producing country followed by China.

3) Millets

- Jowar, bajra and ragi are important millets in India. (India- Rank 1^{st})
- Jowar is a rain-fed crop mostly grown in moist areas which hardly needs irrigation. (Kharif- 26°-33° C; Rabi- above 16°C)
- Bajra grows well on sandy soils and shallow black soil. (Temperature- 25°-30° C, rainfall- 40-50 cm)
- Ragi is a crop of dry regions and grows well on red, black, sandy, loamy and shallow black soils. (Temperature- 20°-30° C; rainfall- 50-100 cm)
- Major Jowar producing States were Maharashtra, Karnataka, Andhra Pradesh and Madhya Pradesh.
- Major Bajra producing States were: Rajasthan, Uttar Pradesh, Maharashtra, Gujarat and Haryana.
- Major ragi producing states are: Karnataka, Tamil Nadu, Himachal Pradesh, Uttarakhand, Sikkim, Jharkhand and Arunachal Pradesh.

4)Pulses

- Major source of protein in a vegetarian diet.
- Tur (arhar), urad, moong, masur, peas and gram are major pulses in India.
- less moisture and survive even in dry conditions. Gram prefers 20°-25° temperature and 40-50 cm rainfall
- Major pulse producing states in India are Madhya Pradesh, Uttar Pradesh, Rajasthan, Maharashtra and Karnataka.
- Being leguminous crops, all these crops except arhar help in restoring soil fertility by fixing nitrogen from the air.

5)Cotton

- Fiber Crop (India- Rank 1st)
- Kharif Crop and requires 6 to 8 months to mature.
- Cotton grows well in drier parts of the black cotton soil of the Deccan Plateau.
- It requires high temperature (21° -30° C), light rainfall (50-100 cm) or irrigation, 210 frost-free days and bright sun-shines for its growth.
- Major cotton-producing states are– Maharashtra, Gujarat, Madhya Pradesh, Karnataka, Andhra Pradesh, Telangana, Tamil Nadu, Punjab, Haryana and Uttar Pradesh.

NATIONAL AGRICULTURAL POLICY

- The National Agriculture Policy aims to realize the vast untapped potential for growth in Indian agriculture, developing rural infrastructure, promote value addition, accelerate the growth of agro business, create employment in rural areas, secure a fair standard of living for the farmers and agricultural workers and their families, discourage migration to urban areas and face the challenges arising out of economic liberalization and globalization. The major features of the new agricultural policy are:
    1. Over 4 % annual growth rate aimed over the next two decades.
    2. Greater private sector participation through contract farming.
    3. Price protection for farmers.
    4. National agricultural insurance scheme to be launched.
    5. Dismantling of restrictions on movement of agricultural commodities throughout the country.
    6. Rational utilization of the country's water resources for optimum use of irrigation potential.
    7. High priority to development of animal husbandry, poultry, dairy and aquaculture.
    8. Capital inflow and assured markets for crop production.
    9. Exemption from payment of capital gains tax on compulsory acquisition of agricultural land.
    10. Minimize fluctuations in commodity prices.

11. Continuous monitoring of international prices.
12. Plant varieties to be protected through legislation.
13. Adequate and timely supply of quality inputs to farmers.
14. High priority to rural electrification.
15. Setting up of agro-processing units and creation of on farm employment in rural areas.

LAND REFORMS

- Factors like the size of holdings, the pattern of ownership, the method of inheritance and security of tenure have a definite impact on investment in agriculture. In pre-Independent India the following three types of land tenure system existed:
  - The Zamindari System prevailed in Bengal, Bihar, Orissa and North Madras. It was introduced by the East India Company and under it a class of revenue collectors, called zamindars, was created. These zamindars acted as intermediaries between the cultivators and the government. Revenue was 'settled' by the government with zamindars, either permanently or temporarily. As long as the zamindar assured the remittance of the settled revenue to the government he was free to fix and extort any revenue from the tenant. This led to gross abuses and exploitation and spread of rural poverty in Bengal and Bihar.
  - Mahalwari System : It was introduced in North India in terms of which the village community was jointly responsible for payment of rent.
  - Ryotwari System: It was prevalent in parts of Madras, Bombay province and Assam. Under this system, the cultivator paid the revenues directly to the state without an intermediary.

Major Land Reform Measures Taken after Independence

Several important land reform measures were brought about by the government after Independence, like.

- **Abolition of intermediaries** like zamindars, jagirdars, etc. It resulted in several states promulgating laws for putting an end to 'absentee landlordism'. As a result, about 30 lakh tenants acquired land ownership over an area of 62 lakh acres throughout the country.
- **Imposition of ceiling laws** It laid down the maximum land that can be owned by a land holder (which was subsequently amended to 'holding' by a family with effect from 1972). The excess land was to be surrendered to the government.
- **Consolidation of holding** It was introduced as a measure of improving farming efficiency. It made considerable progress in Punjab, Haryana and Western U.P. However, it did not have much effect in the southern and eastern states.
  [The land reforms are included in the Ninth Schedule of the Constitution, thereby making these laws immune to judicial challenge. However, implementation of these laws requires far stronger political will than is required in including them in the Ninth Schedule.]

<u>CO-OPERATIVE FARMING</u>

Co-operative farming had been advocated by Mahatma Gandhi as far back as in 1942. Complete benefits of agriculture can be acquired through co-operative farming. Co-operative farming can take the form of:

- Co-operative tenant farming, where the society holds the land and leases it to individual members;
- Co-operative collective farming, where land is irrevocably surrendered to the collective;
- Co-operative joint farming, where the farmers pool their land and reap the economies of scale, although the ownership continues to remain with the individual farmer

LAND ACQUISITION ACT

- The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013 (also Land Acquisition Act, 2013) is an Act of Indian Parliament that regulates land acquisition and lays down the procedure and rules for granting compensation, rehabilitation and resettlement to the affected persons in India.
- The Act establishes regulations for land acquisition as a part of India's massive industrialisation drive driven by public-private partnership.
- The Act replaced the Land Acquisition Act, 1894, a nearly 120-year-old law enacted during British rule. The Land Acquisition, Rehabilitation and Resettlement Bill, 2011 was introduced in Lok Sabha on 7 September 2011.
- **The aims and objectives of the Act include:**
    - To ensure, in consultation with institutions of local self-government and Gram Sabhas established under the Constitution of India, a humane, participative, informed and transparent process for land acquisition for industrialisation, development of essential infrastructural facilities and urbanization with the least disturbance to the owners of the land and other affected families
    - Provide just and fair compensation to the affected families whose land has been acquired or proposed to be acquired or are affected by such acquisition
    - Make adequate provisions for such affected persons for their rehabilitation and resettlement
    - Ensure that the cumulative outcome of compulsory acquisition should be that affected persons become partners in development leading to an improvement in their post acquisition social and economic status and for matters connected therewith or incidental thereto.

NATIONAL LAND RECORDS MODERNISATION PROGRAMME

- It is a centrally sponsored scheme by merging two existing centrally sponsored schemes of Computerisation of Land Records and Strengthening of Revenue Administration and Updating of Land Records.

- This programme seeks to achieve- modernize land records; transparency in land records maintenance; minimum scope of land /property disputes.

MAJOR AGRICULTURAL REVOLUTIONS

GREEN REVOLUTION

- The world's worst recorded disaster, the Bengal famine, which hit India in 1943 claimed approximately 4 million lives. It was, therefore, the first priority of the government to ensure food security for all. This led to various measures taken by the government to increase production of food grain in the country.
- The green Revolution which began in 1967/68 focused on expansion of farming areas and use of high yield variety seeds along with adoption of double cropping in the existing farmland.
- It included a technology package.
- Comprising use of HYV of two staple cereals (rice and wheat), improved irrigation, proper utilization of fertilizer and pesticides and associate management skills.
- M.S. Swaminathan is considered the father of the Green Revolution in India.
- Objectives of the Green Revolution - To ensure food security by increasing production of main crops like wheat, rice, etc.; To increase agriculture productivity; To enhance modernisation of farm practices.
- DRAWBACKS: Negative impact on environment and health due to excessive fertilizers and pesticides; depletion of soil nutrients; depletion of water resources including ground water.

SECOND GREEN REVOLUTION

- The Second Green Revolution seeks to minimize post-harvest wastage, improve storage and help Indian farmers meet the phyto-sanitary conditions so that they can participate productively in the global agricultural trade. The first Green Revolution was assisted by research undertaken by public institutions such as Universities. However, the Second Green Revolution (appropriately also called Gene Revolution, because of the predominance of Biotechnology) will be directed by proprietary research and governed by Intellectual Property Rights.
- SOME INITIATIVE-
    - Increasing crop yield in eastern states
    - Organic farming and contract farming
    - Amending the APMC acts
    - Research to drought proof crops
    - Plant breeding and biotechnology
    - Soil quality and land reclamation

RAINBOW REVOLUTION

- In july 2000, the government announced the first ever national agriculture policy. The policy aimed at achieving a growth rate of over 4% per annum by introducing Rainbow Revolution.

Protein revolution	Higher agricultural production
Yellow revolution	Oil Seed production; edible oil
Blue revolution	Fish production
Brown revolution	Non-conventional energy
Golden revolution	Fruits/honey/horticulture
Golden fiber revolution	Jute production
Grey revolution	Fertilizers
Pink revolution	Meat
Silver revolution	Eggs/poultry
White revolution/operation flood	Milk production
Red revolution	Tomatoes
Round revolution	Potato
Silver Fiber Revolution	cotton
Tricolor revolution	i. Saffron Energy Revolution- promote solar energy ii. White Revolution- cattle welfare iii.Blue Revolution- fishermen's welfare, cleaning rivers and conserving water

EVERGREEN REVOLUTION

- The emphasis in this revolution is on sustainable agriculture by means of organic and green agriculture. Dr. MS Swaminathan gave this concept. It includes the use of integrated pest management, nutrient supply and resource management.
- Bringing green revolution to Eastern India, initiated in 2010-11, intends to address the constraints limiting the productivity of rice based cropping system in Eastern India comprising seven states- Assam, Bihar, Chattisgarh, Jharkhand, Odisha, Eastern Uttar Pradesh, west Bengal.

<u>AGRICULTURE INPUTS</u>

SEEDS

- Indian seed programme involving the participation of central and state governments, the Indian council of Agriculture research (ICAR), the state agriculture universities and private sector and farmers and plant breeders in seed development.
- The Protection of Plant varieties and Farmers rights(PPV and FRs) authority was established in Nov. 2005, to implement provisions of PPV and FR act, 2001.

[PPVFR ACT, 2001 Recently, PepsiCo filed a case against the potato farmers in Gujarat for allegedly growing its registered potato variety "FC5" which is used to make 'Lays' chips. The Company sought a compensation of around Rs 1 crore from the farmers for the violation of its rights under the Protection of Plant Varieties and Farmers' Rights Act, 2001.

PPVFR ACT, 2001

- The PPVFR Act, 2001 was enacted to grant intellectual property rights to plant breeders, researchers and farmers who have developed any new or extant plant varieties.
- It seeks to balance the interests of the breeders with the farmers wherein it promotes research in the development of new plant varieties without adversely affecting the interests of the farmers.
- TRIPS agreement provides for a flexibility mechanism to the countries wherein that new plant variety can be protected either by issuing patents or an effective "sui generis" system or a combination of the two. The "sui generis" system means that the country may adopt its own law in order to meet its special needs.
- The TRIPS agreement provides that Union for protection of Plant Varieties (UPOV) may be used as the basis for "sui generis" system.
- India decided to enact domestic law in the form of PPVFR Act, 2001 without becoming a member of UPOV. This was specifically done in order to protect the interest of the farmers since the UPOV denies the farmers the freedom to re-use farm saved seeds and to exchange them with their neighbors.

▪ PPV and FR act passed within the context of Sui Generis System of the WTO, so as to effectively block the efforts of MNCs to capture the seed market by getting patents in their favor and gradually buying out small seed growers in the country.
▪ **Sui Generis System**- TRIPS agreement offers three options of plant varieties and their protection- patent system, sui generis system, and combination of two. Under the sui generis system, farmers has the right to save, use, exchange or share or sell the farm produce including seeds. However, farmers can not sell branded seeds.
▪ **SEED BANK**- establishment and maintenance of seed bank is being implemented through National Seed Corporation of India.

FERTILIZERS

▪ India is meeting 85% Urea requirement through indigenous production, but depends heavily on imports for its phosphate and potash fertilizer.
▪ Since 2010, the government has been implementing a Nutrient based Subsidy Scheme(NBS) in which a fixed subsidy is announced on per kg of nutrients annually. Additional subsidies are given to micro-nutrients.

IRRIGATION

- It is one of the most important inputs for enhancing productivity and required for plant growth of various crops.
- **INITIATION OF ACCELERATED IRRIGATION BENEFIT PROGRAMME(AIBP)**
  From 1996-97 to extend assistance for the completion of incomplete irrigation schemes. In budget 2012-13, a government owned water resources finance company is being operationalized to mobilize large resources to fund irrigation.
- **NATIONAL MISSION ON MICRO IRRIGATION (NMMI)**
  This mission will result in 2.85 million hectare to be brought under micro irrigation; savings in use of irrigation water, fertilizer and electricity; increase in production and productivity of crops; convergence with other ongoing schemes of the Department of Agriculture and Cooperation and other ministries on creation of water harvesting.
- **NEERANCHAL WATERSHED YOJANA**
  This project was implemented by the union ministry of Rural development over a six year period(2016-21) to achieve the objectives of PM Krishi Sinchai Yojana.
- **RAINFED AREA DEVELOPMENT PROGRAMME**
  It was launched by the government as a pilot scheme under Rastriya Krishi Vikas Yojana (RKVY) focusing on small and marginal farmers and farming system, in order to enhance farmer’s income in rainfed areas.

AGRICULTURE FINANCE AND CREDIT FACILITIES

- Agriculture credit is disbursed through a multi agency network of commercial banks, regional rural banks and cooperative societies.
- National Bank for Agriculture and Rural Development (NABARD) has been established as an agricultural finance institution.

  National Bank for Agriculture and Rural Development (NABARD)
  - NABARD is the apex institution for providing credit facilities to agricultural and rural areas. It came into existence on July 12, 1982 and took over the functions of the erstwhile Agricultural Credit Development (ACD), Rural Planning and Credit Cell (RPCC) of RBI and the Agricultural Refinance Development Corporation (ARDC).
  - NABARD is associated with policy, planning, operation and even monitoring levels for providing agricultural credit. It has been jointly set up by the government and the Reserve Bank of India.
  - **Objectives of NABARD**
    - To provide refinance to banks and other credit institutions in rural areas.
    - To promote institutional development.
    - To evaluate, monitor and inspect client banks.
    - To act as a coordinator of a rural credit institution.
    - To act as a regulator for cooperative banks and RRBs.
    - To maintain close links with the RBI.

    Most of the functions of RBI in the area of agricultural credit have been taken over by NABARD.

Function of NABARD

1. It frames policies and guidelines for rural financial institutions.
2. It provides credit facilities to issuing organizations and monitors flow of ground level rural credit.
3. It helps RRBs to prepare development action plans.
4. It provides financial support for the training institutes of co-operative banks, commercial banks and RRBs.
5. It undertakes inspection of RRBs, Co-operative banks, rural development banks and apex credit co-operative societies.

Co-operative Credit Societies (CCS)

- These are the most important sources of rural credit..
- Co-operatives are organized on a three-tier system. Each state has a State Co-operative Bank (SCB) and Central Co-operative Banks (CCBs) in each district with the Primary Agricultural Credit Societies (PACS) as the lower tier.
- NABARD funding to PACS is routed only through state co-operative banks. In addition to the above, Land Development Banks (LDBs) provide long-term rural credit for land improvement, soil conservation and other investments of a capital nature.
- LDBs have now been renamed as State Co-operative Agricultural and Rural Development Banks (SCARDBs).
- They raise their funds through long-term debentures offering state government guarantee, and refinancing from NABARD.

Commercial Banks and RRBs

- The CBs finance rural credit directly through Regional Rural Banks (RRBs).
- Direct financing is mainly through crop loans and term loans for equipment and machinery.
- In 1975, five RRBs were set up to provide direct loans to small and marginal farmers, rural artisans and agricultural laborers under RRB act 1976.
- The RRBs were co-sponsored by the Central Government (50%), State Government (15%) and the sponsoring bank (35%).
- With a view towards consolidating and strengthening RRBs, the Government of India initiated a process of amalgamation of RRBs, in a phased manner.

NAFED

- National Agricultural Cooperative Marketing Federation of India was established in 1958. It is the highest co-operative organization at the national level.
- Its major functions are procurement, distribution, export and import of selected agricultural commodities.

TRIFED

- The Tribal Cooperative Marketing Development Federation of India Limited came into existence in 1987.
- It is a national level apex organization functioning under the administrative control of Ministry of Tribal Affairs, Govt. of India.

NCDC

- The National Cooperative Development Corporation was set up by an Act of Parliament in 1963 as a statutory Corporation under the Ministry of Agriculture and Farmers Welfare.
- It aims to provide financial assistance to cooperatives for infrastructure and business development, for their economic upliftment, along with capacity building interventions.

AGRICULTURAL INSURANCE

AICIL

- Agriculture Insurance Company of India Limited was incorporated in 2002 and is under the administrative control of the Ministry of Finance, Government of India, and under the operational supervision of Ministry of Agriculture, Government of India.
- It seeks to provide insurance coverage and financial support to the farmers in the failure of any of the notified crops, to encourage the farmers to adopt progressive farming practices, high value in-puts and higher technology; to help stabilize farm incomes, particularly in disaster years.

NAIS

- National Agricultural Insurance Scheme is a central sector, government sponsored crop insurance scheme, in operation since 1999.
- This scheme aims at tackling the issue of production risk faced by the agricultural sector.
- It provides financial support to the farmers in the failure of any of the crops.
- The AICIL is the implementing agency of this scheme.
- NAIS has been further modified as MNAIS with the aim of further helping the farm sector.

PILOT WEATHER BASED CROP INSURANCE SCHEME(PWBCIS)

- It is being implemented as a central sector scheme from kharif season 2007.
- It is intended to provide insurance protection to farmers against adverse weather incidences such as deficit and excess rainfall, high to low temperature and humidity that are deemed to adversely impact crop production.

AGRICULTURE MARKET

PRESENT STATUS OF MARKETS

- Produce sold by the farmer to the moneylender cum village trader
- Selling the goods in weekly village markets called haats.
- Selling the goods through mandis in towns or to the wholesalers.
- Selling to cooperative market societies.

DEFECTS IN AGRI MARKETS

- Many intermediaries and middlemen leading to less margin.
- Lack of proper storage at mandis before selling
- Poor transport conditions in rural areas
- Poor storage facilities leading to wastage
- Poor and indebted conditions of farmers
- Strong lobbying by trader or middleman group

COOPERATIVE MARKETS- Consists of a group of people who come together to organize a society which facilitates the selling of agricultural produce to mandis and provide the group members assured remunerative prices.

ADVANTAGES OF CO-OP. MARKETS

1)Better storage facilities and warehousing- reducing damage and wastage of produce

2)Increase communication among farmers hence lead to better Agri information dissemination

3)Collective decision hence increase bargain power which assure better prices to farmers

4)Eliminate middlemen from the system- it helps farmers as well as consumers from exploitation.

5)Co-operatives helps providing loans and advances to farmers- prevent from moneylenders

6)Co-operatives can act to break social barriers at the grassroot level.

DIFFERENT TECHNOLOGIES IN AIDS OF FARMERS

● Kisan Call Center, laser leveling, satellite based geographical mapping.

● e-Choupal like initiatives to connect farmers to the agricultural markets

● SMS based facilities to give farmers useful tips and alert them regarding weather developments.

● Programs like 'Krishi Darshan' to guide farmers on new agricultural developments.

● Government is also rolling out the National Optical Fiber Plan (NOFN) to connect all the villages with broadband. It will facilitate faster connectivity for villagers.

● A new channel has also been launched in 2014 dedicated to agriculture.

ROLE OF NAFED

- apex cooperative organization
- helps in procurement, distribution and export of selected agricultural commodities
- acts as alink between producer and consumer
- stabilizes prices through market intervention
- undertakes movement of essential commodities from surplus region to scarce- role in disaster management
- understand price support operation for pulses, horticulture

ROLE OF APEDA

- promotion of export oriented production
- registration of persons as exporters of products
- improving of packaging and marketing of specified products
- development of industries related to specified products by providing financial assistance/expertise
- fixing of standards and specifics for specified products for the purpose of exports.

ROLE OF TRIFED

- crating a brand for tribal products
- capacity building of tribals by training them
- exploring market possibilities in the national/international market.
- marketing development of tribals by empowering them with knowledge , tools, expertise.
- make their agriculture operations more systematic and scientific.

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● Agricultural Marketing Information Network – AGMARKNET was launched in March 2000, it links around 7,000 agricultural wholesale markets in India with the State Agricultural Marketing Boards and Directorates for effective information exchange.

● This e-governance portal facilitates generation and transmission of prices, commodity arrival information from agricultural produce markets, and web-based dissemination to producers, consumers, traders, and policy makers transparently and quickly. The AGMARKNET is a G2C e-governance portal that caters to the needs of various stakeholders such as farmers, industry, policy makers and academic institutions by providing agricultural marketing related information from a single window.

● The NAM Portal provides a single window service for all APMC related information and services. This includes commodity arrivals & prices, buy & sell trade offers, provision to respond to trade offers, among other services.

● The Agriculture Ministry has come up with a new model APMC Act proposing single-point levy of market fee across a State and a united single trading license for cost-effectiveness.

● National Mission on Agricultural Extension and Technology: Its aim is to restructure and strengthen agricultural extension to enable delivery of appropriate technology and improved agronomic practices to the farmers.

IFFCO iMandi:

● IFFCO iMandi is a Social Commerce app for rural India. It has been built for large communities with commerce, content and communication enabled in a simple, seamless and secure manner.

● It is a one-stop shop for agricultural inputs and produce, FMCG, electronics, loans, insurance, etc.

<u>AGRICULTURE PRICE POLICY</u>

- The main objectives of an agriculture price policy are:
  - To ensure that the producer gets a minimum remunerative price.
  - To maintain a reasonable terms of trade between agricultural sectors;
  - To maintain the general price level and protect the non producing consumer from violent fluctuations in price of food grains.
- The Commission for Agricultural Costs and Prices (CACP) formerly known as the Agricultural Prices Commission analyzes the input costs and recommends the minimum support prices for 24 major crops.
- The MSP announced by the government is the price at which the government is ready to purchase the crop from farmers directly if the crop prices become lower than MSP. As a result, the market price of the crop never comes down from the level of MSP.

[Commission for Agricultural Costs and Prices (CACP) :The CACP takes into account demand and supply, the cost of production and price trends in the market among other things when fixing MSPs.

The Cabinet Committee on Economic Affairs has approved the increase in the Minimum Support Prices (MSPs) for all kharif crops for 2018-19.

Government announces MSP on 23 crops. These include seven cereal crops (paddy, wheat, jowar, bajra, maize, ragi and barley), five pulse crops (gram, tur, moong, urad and lentil), seven oilseeds (groundnut, sunflower seed, soyabean, rapeseed, mustard, safflower, niger seed and sesame), copra (dried coconut), cotton, raw jute and sugarcane.]

[**MSP EXTENDED TO MINOR FOREST PRODUCE** - The Ministry of Tribal Affairs has declared inclusion of 17 new minor forest produce (MFP) under the government's minimum support price scheme. Currently, MSP is announced for 50 Minor Forest Produce.

The new MFP under the scheme includes AMahua flowers (dried), Tejpatta (dried) and Kokum (dry).

The Pricing Cell, constituted by the Tribal Cooperative Marketing Development Federation of India Ltd (TRIFED), recommended inclusion of new MFPs under the scheme, given their importance to the economy of local communities.]

- The minimum price security gives incentives to farmers to increase their production. However, historically, the actual support prices are fixed far above the recommended prices due to intense lobbying by the interested parties.
- Procurement price and minimum support price are different from each other.
- Procurement price (PP) is the price at which the government purchases the crop after harvesting, while Minimum Support price (MSP) is the minimum price at which the government declares it will buy the crop.
- Since 1968-69, the MSP is usually the procurement price. Apart from fixing support prices, government action in holding the price consists of:
  -Buffer stocking, which is the practice of holding large stocks by government agencies like Food Corporation of India (FCI) and releasing the stocks in the market to counter price rise.
  -The buffer stock also helps to maintain the Public Distribution System (PDS).
  - Import of food grains in case shortage is apprehended. There has not been an occasion to resort to imports since 1996 largely because of the vast stock of food grain accumulated by the FCI.

FARMERS PRODUCER ORGANISATION (FPOS)

- In the Budget, 2019-20, the government had announced the formation of 10,000 new FPOs.
- A new Central Sector Scheme has been created by the Department of Agriculture Cooperation and Farmers Welfare (DACFW) titled 'Formation and Promotion of Farmers Produce Organizations'.
- Aims to create 10,000 new FPOs to be formed in a 5 years period from 2019-20 to 2023-24. Each FPO will be supported for 5 years from its year of inception.
- There will be three implementing agencies to form and promote FPOs - SFAC, NCDC and NABARD. States may also nominate their implementing agency in consultation with DACFW.

WTO AND AGRICULTURAL SUBSIDIES

- **The WTO Agreement on Agriculture (AoA**), 1995 permitted the developed countries to continue to provide farm subsidies, but under certain restrictions. In WTO terminology, agricultural subsidies have been segregated into various 'boxes':
    - **Green Box subsidies** -It includes amounts spent on research, disease control, infrastructure and food security. These also include direct payments made to farmers such as income support that do not stimulate production. These are not considered trade distorting and are encouraged.
    - **Blue Box subsidies-** It includes direct payments to farmers to limit production and certain government assistance to encourage agriculture and rural development in developing countries. Blue Box subsidies are seen as being trade distorting.
    - **Amber Box subsidies** -It includes all agricultural subsidies that do not fall into either blue or green boxes. These include government policies of Minimum support Prices (MSP) for agricultural products or any help directly related to production quantities (e.g. power, fertilizer, seeds, pesticides, irrigation, etc.). These are subject to reduction commitment to the de-minimis level of agricultural outputs- to 5% for developed and 10% for developing countries.

<u>PUBLIC DISTRIBUTION SYSTEM</u>

- The objectives of "public Distribution system" are as follows:
  - To protect the low income groups by guaranteeing the supply of a certain minimum quantity of food grains at affordable price.
  - To ensure equitable distribution of food grains.
  - To control price fluctuation of essential commodities in the open market.

  Features of Public Distribution system are:
  1. PDS is a system of distribution of selected essential commodities through 'fair price shops' which are operated by private dealers.
  2. Items which are distributed through PDS are rice, wheat, Sugar, edible oil and kerosine
  3. The purpose of PDS is to offer a basic minimum quantity of essential commodities at lowest price to poorer sections of society.
  4. The required commodities are acquired by the government through procurement or import and a buffer stock is maintained.

The Public Distribution System (PDS) was conceived as a primary social welfare and poverty alleviation programme of the government to ensure price stabilization in the grain market.

Food Corporation of India (FCI)

- The Food Corporation of India (FCI) was established in 1965, as the public sector marketing agency responsible for implementing government price policy through procurement and public distribution operations.

- It was responsible for securing for the government a commanding position in the food-grain trade. By 1979, the Corporation was operating in all states as the sole agent of the central government in foodgrain procurement.
- The Corporation uses the services of state government agencies and co-operatives in its operations. FCI is the sole repository of food-grains reserved for the Public Distribution System. Food-grains, primarily wheat and rice, account for between 60 and 75 % of the Corporation's total annual purchases.

TPDS Targeted PDS

- Targeted PDS (TPDS) means targeting the PDS to the poor. This system started when the procurement and issue prices of PDS items saw a rise with the ushering in of economic reforms in the 1990s.
- Thus, while till 1992 any one could avail of the PDS, beginning from 1996-97, the TPDS targeted only poor households across all regions.
- The below poverty line (BPL) households were identified and were provided with food-grains at very low prices. From March 2000, the above poverty line (APL) cardholders had to pay a much increased price.
- The 'poorest of the poor' category was established by the 'Antyodaya' programme. Those under this category are entitled to avail rice and wheat at prices lower than those for BPL households.

MAJOR SCHEMES AND POLICIES OF AGRICULTURE

AGRI EXPORT POLICY

- In spite of being among the largest producers of agricultural commodities, India's share in global exports of agricultural products is quite marginal at 2.2 %.
- World agricultural trade has been relatively stagnant in the last five years (2013-2017). India's agricultural trade dropped from US$ 36 Billion in 2013 to US$ 31 Billion in 2017.
- No other country has a more diverse food and non-food agriculture base as India and this generates the optimism that India can be a leading player in the world agricultural trade.
- India's export basket is basically led by marine products, meat and rice which together constitute 52% of its total agri exports.
- The share of India's high value and value added agri produce in its agri export basket is less than 15% compared to 49% in China.
- MAJOR OBJECTIVES -To double agricultural exports from present US$ 30 Billion to US$ 60 Billion by 2022 and reach US$ 100 Billion in the next few years thereafter, with a stable trade policy regime. To diversify our export basket, destinations and boost high value and value added agricultural exports including focus on perishables.

GREEN REVOLUTION – KRISHONNATI YOJANA

- To develop the agriculture and allied sector in a holistic and scientific manner to increase the income of farmers by enhancing production, productivity and better returns on produce.
- It is a Centrally Sponsored Umbrella Scheme that has been implemented since 2016-17. It comprises of 11 schemes / missions:
    1. Mission for Integrated Development of Horticulture (MIDH)- to promote holistic growth of horticulture sector
    2. National Food Security Mission (NFSM) including National Mission on Oilseeds and Oil Palm (NMOOP)- to increase production of rice, wheat, pulses, coarse cereals, oilseeds and commercial crops through area expansion, restoring soil fertility and improving productivity.
    3. National Mission for Sustainable Agriculture (NMSA)- to promote sustainable agriculture practices focusing on integrated farming, appropriate soil health management and synergizing resource conservation technology.
    4. Sub-Mission on Agriculture Extension (SMAE)- to strengthen ongoing programmes of states/local bodies to achieve food security, empower farmers, strengthen programme planning, ICT usage etc.
    5. Sub-Mission on Seeds and Planting Material (SMSP)- to increase production of certified / quality seed, increase seed replacement rate (SRR) and upgrade the quality of farm saved seeds.
    6. Sub-Mission on Agricultural Mechanization (SMAM)- to increase the reach of farm mechanization, promote 'Custom Hiring Centers' to offset the adverse economies of scale arising due to small landholding and high cost.
    7. Sub-Mission on Plant Protection and Plan Quarantine- to minimize loss to quality and yield of agricultural crops, shield agricultural biosecurity, facilitate exports and promote good agricultural practices.
    8. Integrated Scheme on Agriculture Census, Economics and Statistics- to undertake the agriculture census, study the cost of cultivation of principal crops, to undertake research studies on agro-economic problems etc.
    9. Integrated Scheme on Agricultural Cooperation (ISAC)- to provide financial assistance for improving the economic conditions of cooperatives, removing regional imbalances.
    10. Integrated Scheme on Agricultural Marketing (ISAM)- to develop and provide agricultural marketing infrastructure, promote innovative and latest technologies and integrate markets through a common online market platform.
    11. National e-Governance Plan (NeGP-A)- to improve access of farmers to information & services, making available timely and relevant information to the farmers for increasing their agriculture productivity.

PARAMPARAGAT KRISHI VIKAS YOJANA

- To promote natural resource based integrated and climate resilient sustainable farming systems.

- To reduce cost of agriculture to farmers through sustainable integrated organic farming systems thereby enhancing farmer's net income per unit of land.
- To protect the environment from hazardous inorganic chemicals by adoption of eco-friendly low-cost traditional techniques and farmer friendly technologies.
- Paramparagat Krishi Vikas Yojana is an elaborated component of Soil Health Management (SHM) under National Mission of Sustainable Agriculture (NMSA).

RASHTRIYA KRISHI VIKAS YOJANA – RAFTAAR (RKVY-RAFTAAR)

- To strengthen the farmers‟ efforts through creation of required pre and postharvest agri infrastructure that increases access to quality inputs, storage, market facilities etc. and enables farmers to make informed choices.
- RKVY initiated in 2007 as an umbrella scheme for holistic development of agriculture and allied sectors, has been recently revamped as RKVY-RAFTAAR – Remunerative Approaches for Agriculture and Allied sector Rejuvenation for 2017-19 and 2019-20. Its tenure has been increased to 31st March 2021.
- Fund Allocation - 60:40 grants between Center and States in states and 90:10 for North Eastern States and Himalayan States.
- Sub-schemes under RKVY include
  1. Bringing Green Revolution to Eastern India (BGREI)
  2. Additional Fodder Development Programme (AFDP)
  3. Saffron Mission
  4. Crop Diversification Program
  5. Livestock Health & Disease Control / Foot & Mouth Disease (FMD)
  6. Beekeeping
  7. Targeting Rice Fallow Areas (TRFA)

BRINGING GREEN REVOLUTION TO EASTERN INDIA (BGREI)

- To increase production and productivity of rice and wheat by adopting latest crop production technologies
- To promote cultivation in rice fallow area to increase cropping intensity & income of the farmers.
- This was launched in 2010-11 to address constraints limiting the productivity of “rice based cropping system” in eastern India comprising seven states – Assam, Bihar, Chattisgarh, Jharkhand, Orissa, Eastern Uttar Pradesh (Purvanchal) and West Bengal.

SOIL HEALTH CARD SCHEME

- It was launched in 2015 in Rajasthan.
- The card informs farmers about the nutrients status of the soils along with the recommendation on appropriate dosage of nutrients to improve soil health and fertility.

- The card will be issued once in every 3 years to a farm so that nutrients deficiency can be regularly detected and improved.
- The aim is to provide Soil Health Cards to all 120 million farm holdings by Dec, 2017.
- Recently, the government has updated the funding pattern for the soil health card scheme implemented by the Ministry of Agriculture under National Mission for Sustainable Agriculture.
- Accordingly, the fund sharing pattern would be 90:10 for North Eastern and Himalayan States and 60:40 for other states and 100% borne by the central government in UTs.

NATIONAL FOOD SECURITY MISSION

- It is a centrally sponsored scheme.
- It is launched to enhance the production of Rice, Wheat, Pulses, Coarse Cereals and commercial crops (Cotton, jute and Sugarcane).
- Targets - Production of rice, wheat and pulses would be increased by 10, 8, 4 million tons respectively and Coarse cereals by 3 million tons.
- Funding - 50:50 by Center and State for food crops and 100% center funding for cash crops.
- It would be implemented through cluster demonstration, distribution of high yield seeds with farm mechanization, Integrated pest management.
- NFSM will have eight components viz. (i) NFSM- Rice; (ii) NFSM-Wheat; (iii) NFSM-Pulses; (iv) NFSM-Coarse Cereals (Maize, Barley), (v) NFSM-Sub Mission on Nutri Cereals; (vi) NFSM-Commercial Crops; (vii) NFSM-Oilseeds and Oil Palm; and (viii) NFSM-Seed Village Programme

NATIONAL MISSION FOR SUSTAINABLE AGRICULTURE

- NMSA seeks to transform Indian agriculture into a climate resilient production system through suitable adaptation and mitigation measures in domains of both crops and animal husbandry.
- Features –
  1. Promotes location specific integrated/Composite Farming Systems;
  2. Conserve natural resources through appropriate soil and moisture conservation measures;
  3. Adopt comprehensive soil health management practices;
  4. Optimize utilization of water resources through efficient water management to expand coverage for achieving more crop per drop;
  5. Develop capacity of farmers & stakeholders.
- There are three major components of the mission such as
  1. Rainfed Area Development (RAD)
  2. Soil Health Management (SHM)
  3. Climate Change and Sustainable Agriculture: Monitoring, Modeling and Networking (CCSAMMN).

PRADHAN MANTRI KRISHI SINCHAYEE YOJANA

- Main objectives are - 1. Extending the coverage of irrigation 2. Improving water use efficiency
- End to end solution on source creation, distribution, management, field application and extension activities.
- It is formulated by amalgamating ongoing schemes
- Accelerated Irrigation Benefit Programme (AIBP) - Ministry of Water Resources, River Development & Ganga Rejuvenation (MoWR,RD GR).
- Integrated Watershed Management Programme (IWMP) - Department of Land Resources (DoLR), Ministry of Rural Development.
- On Farm Water Management (OFWM) - Department of Agriculture and Cooperation (DAC).
- Implementation - Decentralized manner through State Irrigation Plan and District Irrigation Plan.
- Micro Irrigation Fund - The fund was set up with an initial corpus of Rs.5,000 crore under the scheme with NABARD.
- NABARD will extend the loan to State Governments to mobilize resources to achieve the annual target of about 2 million ha/year during the remaining period of 14th Finance commission.
- It would supplement the efforts of Per Drop More Crop Component (PDMC) of Pradhan Mantri Krishi Sinchayee Yojana.

PM FASAL BIMA YOJANA

- To provide insurance coverage and financial support to the farmers in the event of natural calamities, pests & diseases.
- Benefit to-All farmers including sharecroppers and tenant farmers growing notified crops in a notified area during the season who have insurable interest in the crop are eligible.
- It is a Centrally sponsored scheme and it replaced all other existing insurance schemes except the Restructured Weather-Based Crop Insurance Scheme.
- A uniform premium of only 2% to be paid by farmers for all Kharif crops and 1.5% for all Rabi crops.
- In case of annual commercial and horticultural crops, the premium to be paid by farmers will be only 5%.
- Post-harvest losses are also covered which include losses from unseasonal and cyclonic rainfalls and hailstorms.

NATIONAL AGRICULTURAL MARKET (NAM)

- To promote genuine price discovery;Liberal licensing of traders / buyers and commission agents. One license for a trader valid across all markets in the State. Harmonization of quality standards of agricultural produce; Single point levy of market fees, i.e. on the first wholesale purchase from the farmer.
- It is a Central Sector scheme with funding coming from Agri-Tech Infrastructure Fund (AITF).
- NAM is a pan-India electronic trading portal which seeks to network the existing APMCs and other market yards to create a unified national market for agricultural commodities.

PRADHAN MANTRI KISAN SAMMAN NIDHI (PM-KISAN)

- To provide income support to all Small and Marginal land holding farmer families having cultivable land.
- It is a Central Sector Scheme.
- Income support of Rs.6000/- per year is provided to all land holding farmer families across the country, irrespective of land size, in three equal installments of Rs.2000/- every four months.
- Definition of family for the Scheme is husband, wife and minor children.
- Responsibility of identification of beneficiary farmer families rests with the State / UT Governments.
- Fund is directly transferred to the bank accounts of the beneficiaries.
- Farmers can do their self-registration through the Farmers Corner in the portal or through Common Service Centers.
- The benefit shall be paid to only those farmers families whose names are entered into the land records except for Forest dwellers, North-eastern states and Jharkhand which has separate provisions for land records.

PRADHAN MANTRI KISAN MAAN-DHAN YOJANA (PM-KMY)

- It is an old age pension scheme to provide social security net to around 3 crore Small and Marginal old age farmers as they have minimal or no savings to provide for old age and to support them in the event of consequent loss of livelihood.
- Benefit to- Small and Marginal Farmer (SMF) of age of 18- 40 years - a farmer who owns cultivable land up to 2 hectares as per land records of the concerned State/UT
- It is a central sector Scheme.
- It is a voluntary and contribution-based pension scheme for farmers in the entry age group of 18 to 40 years and a minimum monthly pension of Rs. 3000 will be provided to them on attaining the age of 60 years.
- The Life Insurance Corporation of India (LIC) will be the Pension Fund Manager and responsible for Pension pay out.

PRADHAN MANTRI ANNADATA AAY SANRAKSHAN ABHIYAN (PMAASHA)

- To ensure that farmers get remunerative prices for their produce.
- It has three components complementing the existing schemes of the Department of Food and Public Distribution for procurement of paddy, wheat and other cereals and coarse grains where procurement takes place at MSP:
- **Price Support Scheme (PSS):** Under this, physical procurement of pulses, oilseeds and copra will be done by Central Nodal Agencies. Besides National Agricultural Cooperative Marketing Federation of India Ltd (NAFED), FCI will also take up procurement of crops under PSS. The expenditure and losses due to procurement would be borne by the Center.

- **Price Deficiency Payment Scheme (PDPS):** This will cover all oilseeds for which MSP is notified and Center will pay the difference between the MSP and actual selling/ model price to the farmer directly into his bank account. Farmers who sell their crops in recognized mandis within the notified period can benefit from it.
- **Pilot of Private Procurement and Stockist Scheme (PPSS):** In the case of oilseeds, the States will have the option to roll out PPSS in select districts where a private player can procure crops at MSP when market prices drop below MSP. The private player will then be compensated through a service charge up to a maximum of 15% of the MSP of the crop.

ZERO BUDGET NATURAL FARMING

- The budget document of 2019-20 and the Economic Survey 2018-19 focused on adoption of 'Zero Budget Natural Farming' (ZBNF) in order to double the farmers' income by the end of 2022.
- It is a set of farming methods, and also a grassroots peasant movement, which has spread to various states in India.
- It has attained wide success in southern India, especially the southern Indian state of Karnataka where it first evolved. The agricultural practices under ZBNF were put forward by Subhash Palekar.
- The word 'budget' refers to credit and expenses, thus the phrase "Zero Budget" means without using any credit, and without spending any money on purchased inputs. "Natural farming" means farming with Nature and without chemicals.
- **FOUR PILLARS OF ZBNF**
    - i. Jeevamrutham: a fermented microbial culture derived primarily from cow dung and urine, jaggery, pulse flour and uncontaminated soil
    - ii. Beejamrutham: microbial coating of seed/ seedlings, is based on cow dung and urine and lime.
    - iii. Acchadana-Mulching: the process of covering the top soil with cover crops and crop residues
    - iv. Whaphasa: soil aeration, a result of jivamrita and acchadana - represents the changes in water management brought about by improved soil structure and humus content

INDIAN INDUSTRY

<u>INDUSTRIAL POLICY</u>

THE INDUSTRIAL POLICY RESOLUTION,1948

- It clearly put forward the goal of the Government's policy with respect to industrialization. This was the first economic policy of our country. It declared that India would be a mixed economy. Following are the major highlights of this resolution.

- Those industries completely owned by the Government e.g. ordinance, atomic energy, railways and any industry of national importance were to be the exclusive domain of the Central government. Certain important industries like coal, iron and steel, aircraft manufacture, ship building, telephone, telegraphs and communications, were given the permission to operate for ten years, at the end of which the government would nationalize them.
- Salient features- development of mixed economy; promotion of small scale and large scale industries; foreign investment was allowed but effective control should be with Indians.
- Industries classified into four categories-
    i. Public sector
    ii. Mixed sector
    iii. Controlled private sector
    iv. Private and cooperative sector
- Industries can also be categorized across the following features:
  1. Products—basic industries (steel, cement), capital goods industries (manufacturing of plants and machineries). Intermediate goods industries (manufacture of dyes, tools, etc.,) and consumer goods industries (manufacture of cars, scooters, fridges, TV, etc.,). The consumer goods industries are also known as the ‘White Goods Industry’.
  2. Ownership—government (public sector), private and foreign (private sector), public and private sector (joint sector).
  3. Scale of investment in plant and machinery—large industries (investment in plant and machinery of over ₹10 crores), medium industries (T 1-10 crores), small -scale industries(₹10 lakh to ₹1 crores), village and cottage industries(less than ₹10 lakh).
  4. Capital/Labor intensity—capital intensive industries (larger capital intensive in relation to labor) and labor intensive industries (larger intensity of labor in relation to capital).

INDUSTRIAL POLICY IN 1956

- In 1956 a new policy for industrialization was initiated. All basic and sensitive industries in India were under the purview of public sector enterprises (PSUs) and were called as category A type of industries. The Center had complete monopoly over these industries. The then PM Pandit Jawaharlal Nehru termed the PSUs the “temples of modern India” in this industrial policy.
- In category B, industries were a joint venture of both public and private enterprises. 12 industrial areas were put under this category. This category also carried the provision of compulsory licensing. This provision led to the establishment of the so called ‘License- Quota- Permit raj’ in the economy.
- The remaining industries came under category C, to be under the control of private initiative.
- The policy of 1956, for the first time, recognized the contribution of small scale industries in the growth of the Indian economy. It laid stress on rational distribution of national income and effective utilization of resources. This policy is considered one of the most important industrial policies of India as it decided the nature and scope of the Indian economy till the reforms of 1991.

INDUSTRIAL LICENSING

- The Industries (Development and Regulation) act, 1951 empowered the government to issue licenses for the setting up new industries, expansion of existing ones and for diversification of products.
- Aim to development and control of industrial investments and production, checking the concentration of industries and ensuring balanced regional development.
- RK Hazari committee 1964, Dr Subimal Dutt Committee 1967 are related to industrial licensing. On the recommendations of Dr Subimal Dutt committee, the government enacted the Monopolies and restrictive Trade Practices (MRTP) Act, 1969.

  [India Year Book - Industrial licensing has been abolished for most of the industries except for those related to security, strategic and environmental concerns.
  - These are: (i) electronic aerospace and defense equipment;
    (ii) industrial explosives including detonating fuses, safety fuses, gunpowder, cellulose and matches;
    (iii) specified hazardous chemicals, i.e., hydrocyanic acid and its derivatives; phosgene and its derivatives and isocyanates and diisocyanates of hydrocarbon, not elsewhere specified (example methyl isocyanate); and
    (iv) cigars and cigarettes of tobacco and manufactured tobacco substitutes
  - The number of industries reserved for the public sector has also been reduced. At present, only Atomic Energy and Railway Operations other than construction, operation and maintenance sectors are reserved for the public sector.
  - Industries not covered under compulsory licensing and not reserved for public sector are required to file an Industrial Entrepreneurs' Memorandum (IEM) with the Secretariat for Industrial Assistance (SIA), Department of Industrial Policy and Promotion (DIPP)]

MRTP Act -1969

- The Government of India appointed a Monopolies Inquiry Commission, under Justice K. C. Dasgupta, to study the presence and outcomes of concentration of economic power in the private sector.
- The Commission observed the presence of monopolistic and restrictive practices in certain key sectors of the economy.
- The Commission recommended the setting up of the Monopolies and Restrictive Trade Practices Commission and this eventually resulted in the MRTP Act in 1969.
- Act was enacted to prevent concentration of economic power and to prohibit unfair trade practices.
- Under the act companies having assets beyond 20 crores in 1985 were placed under purview of the act.

INDUSTRIALIZATION POST 1990

- Exemption from licensing was allowed for all start ups and for those with an investment worth Rs 2.5 crores in fixed assets and a right to import up to 30% of the total value of plant and machinery.
- Foreign equity investment was allowed up to 40%.
- Geographical restrictions and investment cap for small industries were Removed.
- At the time of liberalization the Indian industries were not competitive in the global scenario. They could not face the stiff competition from the foreign industries; hence many industries sold their companies to multinational corporations or entered into joint ventures with foreign companies or shut down the business.
- At the same time a new wave of service industries emerged, which positioned itself in the outsourcing segment. IT and ITEs industries flourished providing employment to millions of graduates.

FERA 1973

- The Foreign Exchange and Regulation Act (FERA) was passed in 1973. This resulted in a tremendous shift in the foreign investment policy of the Government of India. Foreign Investment was allowed in only those industries that were directly into exports.
- Restrictions were placed on foreign investments. International companies could hold a maximum of 40% equity. But some industries in the field of advanced technology were given permission for 51% foreign capital.
- This has often been called a draconian act which hampered the modernisation and growth of Indian industries.

INDUSTRIAL POLICY 1991

(A) Objectives

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

(B) Main Focus on

- deregulating Indian industry.
- allowing the industry freedom and flexibility in responding to market forces, and
- providing a policy regime which facilitates and fosters growth of Indian industry.

(C) Policy Measures

- Liberalization of Industrial Licensing Policy.

- Introduction of Industrial Entrepreneurs Memorandum (i.e. no industrial approval is required for industries not requiring compulsory licensing).
- Liberalization of Locational Policy.
- Liberalized policy for Small Scale Sectors.
- Non-Resident Indians Scheme (NRIs are allowed to invest up to 100% equity on non-repatriation basis in all activities except for a small negative list).
- Foreign investment promotion Board (FIPB) was established
- Electronic Hardware Technology Park (EHTP), Software Technology Park (STP) Scheme for building up a strong electronic industry to enhance exports.
- Liberalized policy for Foreign Direct Investment (FDI).
- Delicensing and Disinvestments of the shares of PSUs was initiated.
- Abolition of the MRTP limit- limit of 100 crores worth of assets limit removed
- FERA was replaced by highly liberal FEMA

LIBERALIZATION

- Liberalization as a policy basically dispensed with the earlier licensing and the registration system providing the freedom to the private sector to set up industries without either the need for a license or a need for registration.
- De-licensing was the most important aspect of the policy of liberalization. Two areas, atomic energy and railways would not be open for private sector participation.
- Even while doing away with the licensing system certain critical areas still require a license but opened up for private sector participation which are as follows:
    1. Any kind of firearms, ammunition, explosives.
    2. Drugs and pharmaceuticals.
    3. Coal mining.
    4. Defense equipment.
    5. All kinds of wines, cigarettes and spirits.
    6. Hazardous chemicals.

COMPETITION ACT, 2002

- In the present era of LPG (Liberalization, Privatization and Globalization), it was felt that the existing Monopolies and Restrictive Trade Practices Act, 1969 has become a hurdle in certain respects and there is a need to shift our focus from curbing monopolies to promoting competition.
- Hence a new law, the Competition Act has been enacted and published in the gazette of India on January 14,2003 for bringing competition in the Indian market.
- The main objectives of the Act are to establish a commission to prevent practices having adverse effect on competition, to promote and sustain competition in markets in India, to protect the interests of consumers and to ensure freedom of trade carried on by participants in markets in India and for related matters.
- The Act mainly covers the following aspects:
  (i) Prohibition of anti competitive agreements;

(ii) Prohibition of abuse of dominance;
(iii) Regulation of combination (acquisitions, mergers and amalgamations of certain size);
(iv) Establishment of Competition Commission of India (CCI); and
(v) Functions and powers of CCI.
The Act is expected to curb those practices, which would have an appreciable adverse effect on competition.

SALIENT FEATURES OF THE COMPANIES ACT 2013

1. **Class action suits for Shareholders:** The Companies Act 2013 has introduced new concept of class action suits with a view of making shareholders and other stakeholders, more informed and knowledgeable about their rights.
2. **Women empowerment in the corporate sector:** The Companies Act 2013 stipulates appointment of at least one woman Director on the Board (for certain class of companies).
3. **Corporate Social Responsibility:** The Companies Act 2013 stipulates certain class of Companies to spend a certain amount of money every year on activities/initiatives reflecting Corporate Social Responsibility.
4. **National Company Law Tribunal:** The Companies Act 2013 introduced National Company Law Tribunal and the National Company Law Appellate Tribunal to replace the Company Law Board and Board for Industrial and Financial Reconstruction. They would relieve the Courts of their burden while simultaneously providing specialized justice.
5. **Fast Track Mergers:** The Companies Act 2013 proposes a fast track and simplified procedure for mergers and amalgamations of certain class of companies such as holding and subsidiary, and small companies after obtaining approval of the Indian government.
6. **Prohibition on forward dealings and insider trading:** The Companies Act 2013 prohibits directors and key managerial personnel from purchasing call and put options of shares of the company, if such person is reasonably expected to have access to price-sensitive information.
7. **Limit on Maximum Partners:** The maximum number of persons/partners in any association/partnership may be upto such number as may be prescribed but not exceeding *one hundred.* This restriction will not apply to an association or partnership, constituted by professionals like lawyers, chartered accountants, company secretaries, etc. who are governed by their special laws. Under the Companies Act 1956, there was a limit of maximum 20 persons/partners and there was no exemption granted to the professionals.
8. **One Person Company:** The Companies Act 2013 provides new form of private company, i.e., one person company. It may have only one director and one shareholder. The Companies Act 1956 requires minimum two shareholders and two directors in case of a private company.
9. **Electronic Mode:** The Companies Act 2013 proposed E-Governance for various company processes like maintenance and inspection of documents in electronic form, option of keeping of books of accounts in electronic form, financial statements to be placed on company’s website, etc.
10. **Indian Resident as Director:** Every company shall have at least one director who has stayed in India for a total period of not less than 182 days in the previous calendar year.
11. **Prohibits Auditors from performing Non-Audit Services:** The Companies Act 2013 prohibits Auditors from performing non-audit services to the company where they are auditor to ensure independence and accountability of auditor.

12. **Rehabilitation and Liquidation Process:** The entire rehabilitation and liquidation process of the companies in financial crisis has been made time bound under Companies Act 2013.

NATIONAL MANUFACTURING POLICY, 2011

- In order to create a paradigm shift in the manufacturing sector, it is essential to consider the objectives over a longer timeframe, such as 15 years.
- The Policy is based on a principle of industrial growth in partnership with the States. The Central Government will create the enabling policy framework, provide incentives for infrastructure development on a PPP basis through appropriate financing instruments, while State Governments will identify the suitable land and be equity holders in the National Investment and Manufacturing Zones (NIMZs).
- The National Manufacturing Policy, which was introduced in 2011, states following objectives:

  1. Increase manufacturing sector growth to 12-14% over the medium term to make it an engine of growth for the economy. The 2 to 4 % differential over the medium term growth rate of the overall economy will enable manufacturing to contribute at least 25% of the National GDP by 2025.

  2. Increase the rate of job creation in manufacturing to create 100 million additional jobs by 2025. Emphasis should be given to creation of appropriate skill sets among the rural migrant and urban poor to make growth inclusive

PUBLIC SECTOR UNDERTAKINGS

- In India, a **government-owned corporation is termed as a public sector undertaking (PSU).**
- This term is used to refer to the companies in which the **government (either the federal, Union Government or the many state or territorial governments, or both) own a majority (51 percent or more) of the company equity.**
- Public Sector Undertakings are a **major part of the Indian economy** that comprises public services and enterprises and it provides services that benefit the entire society.

3 Major Classifications of Public Sector

The public sector can be classified into:-

- **Departmental Undertaking** – Directly managed by concerned ministry or department. (e.g. Railways, Posts, etc.)
- **Non-Departmental Undertaking** – PSU (e.g. HPCL, IOCL, etc.)
- **Financial Institution** (e.g. SBI, UTI, LIC, etc.)
- The rationale behind the establishment of PSU's was Industrialisation and the establishment of Capital Goods Industries and Basic Industries. The organizations that are not a part of the public sector are termed as the private sector that works to raise profit for the organization.

Objectives of Setting up Public Sector Unit (PSU)

- To **create an industrial base** in the country
- To generate a **better quality of employment**
- To develop basic **infrastructure** in the country
- To provide **resources** to the government
- To **promote exports and reduce imports**
- To **reduce inequalities and accelerate the economic growth and development** of a country.

CATEGORIES OF PUBLIC SECTOR ENTERPRISES IN INDIA

MAHARATNA CPSEs

- The **"Maharatna" category for CPSEs was introduced in 2009** with objective to empower mega CPSEs to expand their operations and emerge as global giants or become Indian Multinational Companies (MNCs).

CRITERIA

- Having Navratna status.
- Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations.
- Average annual turnover of more than Rs. 25,000 crore, during the last 3 years.
- Average annual net worth of more than Rs. 15,000 crore, during the last 3 years.
- Average annual net profit after tax of more than Rs. 5,000 crore, during the last 3 years.
- Should have significant global presence/international operations.

MAHARATNA PSEs

- Bharat Heavy Electricals Limited
- Coal India Limited
- GAIL (India) Limited
- Indian Oil Corporation Limited
- NTPC Limited
- Oil & Natural Gas Corporation Limited
- Steel Authority of India Limited

NAVRATNA CPSEs

- The Government had introduced the **Navratna scheme, in 1997,** to identify CPSEs that had comparative advantages and to support them in their drive to become global giants.

CRITERIA

- The **Miniratna Category – I and Schedule 'A' CPSEs**, which have obtained 'excellent' or 'very good' rating under the Memorandum of Understanding system in three of the last five years, and have a composite score of 60 or above in the six selected performance parameters, namely:
- Net Profit to Net Worth (Maximum: 25)
- Manpower cost to cost of production or services (Maximum: 15)

- Gross margin as capital employed (Maximum: 15)
- Gross profit as Turnover (Maximum: 15)
- Earnings per Share (Maximum: 10)
- Inter-Sectoral comparison based on Net profit to net worth (Maximum: 20)

NAVRATNA CPSEs (16 in Number)

1. Bharat Electronics Limited (BEL)
2. Container Corporation of India Limited
3. Engineers India Limited
4. Hindustan Aeronautics Limited
5. Hindustan Petroleum Corporation Limited
6. Mahanagar Telephone Nigam Limited
7. National Aluminum Company Limited
8. National Buildings Construction Corporation Limited
9. NMDC Limited
10. Neyveli Lignite Corporation Limited
11. Oil India Limited
12. Power Finance Corporation Limited
13. Power Grid Corporation of India Limited
14. Rashtriya Ispat Nigam Limited
15. Rural Electrification Corporation Limited
16. Shipping Corporation of India Limited

MINIRATNA CPSEs

- The **CPSEs that have shown profits in the last continuous three years and have positive net worth can be considered eligible for grant of Miniratna status**. Presently, there are **71 Miniratnas** in total. The Miniratnas are divided into two categories (I and II).
- **Category One:** The PSUs that have made profits in the previous three years or have generated a profit Rs 30 crore or more in one of the preceding three years
- **Category Two:** The PSUs that have made profits in the preceding three years and have a positive net worth in all three preceding years.

CRITERIA

- The **CPSEs which have made profits in the last three years continuously and have positive net worth** are eligible to be considered for grant of Miniratna status

Strategic and non-strategic areas for public sector

- **On 16th March 1999, the Government classified the Public Sector Enterprises into strategic and non-strategic areas for the purpose of disinvestment**. It was decided that the **Strategic Public Sector Enterprises** would be those in the areas of:
    - **Arms and ammunitions** and the allied items of defense equipment, defense aircrafts and warships

   - **Atomic energy** (except in the areas related to the generation of nuclear power and applications of radiation and radio-isotopes to agriculture, medicine and nonstrategic industries)
   - **Railway transport.**

- **All other Public Sector Enterprises were to be considered non-strategic.** For the non-strategic Public Sector Enterprises, it was decided that the reduction of Government stake to 26% would not be automatic and the manner and pace of doing so would be worked out on a case-to-case basis.
- A decision in regard to the percentage of disinvestment i.e., Government stake going down to less than 51% or to 26%, would be taken on the following considerations:
   - **Whether the industrial sector requires the presence of the public sector** as a countervailing force to prevent concentration of power in private hands, and
   - **Whether the industrial sector requires a proper regulatory mechanism to protect the consumer interests** before Public Sector Enterprises are privatized.

CHAMPION SECTORS

- The Government has decided to give focused attention to 12 identified Champion Services Sectors for promoting their development, and realizing their potential. These champion sectors include Information Technology & Information Technology enabled Services (IT &ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services and Education Services

DISINVESTMENT

- Disinvestment is **selling or liquidating an asset or subsidiary by government**. It is also referred to as ‘divestment’ or ‘divestiture.’
- Disinvestment of an asset is either a strategic move for the company (or government), or used for raising resources to meet general/specific needs.
- The Cabinet has approved a new process of strategic disinvestment to expedite privatization of select PSUs.
- For this purpose**, Department of Investment and Public Asset Management**, DIPAM under the **Ministry of Financ**e has been made the **nodal**
- **DIPAM and NITI Aayog** will now jointly identify PSUs for strategic disinvestment.
- **Dr Rangarajan committee in 1992 recommended that upto 49% equity of PSU under exclusive participation of state could be disinvested** and for rest of industries disinvestment allowed upto 74%
- In May 2004, the government adopted the National **Common Minimum Programme** with respect to the Public sector- in case of privatization of profitable PSUs, the government will **retain at least 51%** of equity and the management and control of enterprises.

Types of Disinvestment

Disinvestment of a minority stake in PSUs can be done in the following ways:

- **Initial Public Offering (IPO)**: an offer of shares by an unlisted PSU to the public for the first time.
- **Follow-on Public Offering (FPO**): also known as Further Public Offering, it's an offer of shares by a listed PSU.
- **Offer for sale (OFS)**: shares of a PSU are auctioned on the platform provided by the stock exchange. This mode has been used extensively by the government since 2012.
- **Institutional Placement Programme (IPP)**: under this, only selected financial institutions are allowed to participate and the government stake is offered to only such institutions. E.g., mutual funds, insurance, and pension funds such as LIC etc.
- **Cross-holdings**: in this method, one listed PSU takes up the government stake in another listed PSU.
- **CPSE Exchange Traded Fund (ETF**): Through this route, the government can divest its stake in various PSUs across diverse sectors through a single offering. This mechanism allows the government to monetize its shareholding in those PSUs which form part of the ETF basket.

Disinvestment of a majority stake in PSUs:

- **Strategic sale**: it is the sale of a substantial portion of government shareholding, 50 percent or higher, in a PSU, along with the transfer of management control.
- **Privatization**: it's a type of strategic sale in which the government divests its entire shareholding, along with the transfer of management control, to a private entity.

NATIONAL INVESTMENT FUND

- Government had constituted the National Investment Fund (NIF) in November, 2005 into which the proceeds from disinvestment of Central Public Sector Enterprises were to be channelized.
- The corpus of NIF was to be of a permanent nature and NIF was to be professionally managed to provide sustainable returns to the Government, without depleting the corpus.
- Selected Public Sector Mutual Funds, namely UTI Asset Management Company Ltd., SBI Funds Management Private Ltd. and LIC Mutual Fund Asset Management Company Ltd. were entrusted with the management of the NIF corpus.
- As per this Scheme, 75% of the annual income of the NIF was to be used for financing selected social sector schemes which promote education, health and employment.
- The residual 25% of the annual income of NIF was to be used to meet the capital investment requirements of profitable and revivable PSUs.
- In order to align the NIF with the disinvestment Policy, Government decided (17th January 2013) that the disinvestment proceeds, with effect from the fiscal year 2013-14, will be credited to the existing NIF which is a 'Public Account' under the Government Accounts and the funds would remain there until withdrawn/invested for the approved purposes. It was also simultaneously decided that the NIF would be utilized for the following purposes:

    - Subscribing to the shares being issued by the CPSE on rights basis so as to ensure that 51% ownership of the Government in CPSEs is not diluted.
    - Preferential allotment of shares of the CPSE to promoters as per SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 so that Government shareholding does not go down below 51% in all cases where the CPSEs desire to raise fresh equity to meet their Capex programme.

- Recapitalization of public sector banks and public sector insurance companies so as to strengthen them by further capital infusion towards achieving the Basel III norms.

Exchange traded fund (ETF)

- It will cumulate the shares of selected PSUs proposed for disinvestment under a single fund. Then these accumulated shares are divided into different units/shares. The value of one unit depends upon prices of underlying PSU shares. These units can be listed in the stock exchange as an ETF and can be traded like ordinary shares.

Bharath -22

- Bharath -22 has 19 central public sector enterprises, government banks and some holdings of the government investment arm SUUTI.
- Public Private Partnership means an arrangement between a government / statutory entity / government owned entity on one side and a private sector entity on the other.

Investments through Participatory notes (PN), (ADR) and (GDR)

- Participatory notes also referred to as PNotes, or PNs, are financial instruments required by investors or hedge funds to invest in Indian securities without having to register with the Securities and Exchange Board of India (SEBI).
- ADR (American Depository receipts) and GDR (Global depository receipts) are commonly used by Indian companies to raise funds from the foreign capital market.
- While ADR is traded on US stock exchanges, GDR is traded on European stock exchanges. Department of Industrial policy and promotion (DIPP), Ministry of Commerce and industry The Department of Industrial Policy & Promotion was established in 1995 and has been reconstituted in the year 2000 with the merger of the Department of Industrial Development.

THE MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

- Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 which was notified on October 2, 2006, deals with the definition of MSMEs. The MSMED Act, 2006 defines the Micro, Small and Medium Enterprises based on

1. the investment in plant and machinery for those engaged in manufacturing or production, processing or preservation of **goods** and
2. the investment in equipment for enterprises engaged in providing or rendering of **services**.

New Classification:

- A micro enterprise will be defined as a unit where the annual turnover does not exceed five crore rupees;
- A small enterprise will be defined as a unit where the annual turnover is more than five crore rupees but does not exceed Rs 75 crore;
- A medium enterprise will be defined as a unit where the annual turnover is more than 75 crore rupees but does not exceed Rs 250 crore.

- Additionally, the Central Government may, by notification, vary turnover limits, which shall not exceed thrice the limits specified in Section 7 of the MSMED Act

Scheme for providing financial assistance to set up new enterprises under PMEGP

1.1. Prime Minister's Employment Generation Programme (PMEGP)

Related Scheme	Prime Minister Employment Generation Programme (PMEGP)
Description	The scheme is implemented by Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks. In such cases KVIC routes government subsidies through designated banks for eventual disbursal to the beneficiaries / entrepreneurs directly into their bank accounts.
Nature of assistance	The maximum cost of the project/unit admissible in the manufacturing sector is ₹ 25 lakhs and in the business/service sector, it is ₹ 10 lakhs. Categories of Beneficiary's Rate of subsidy under PMEGP (of project cost) Area (location of project/unit) General category 15%(Urban), 25%(Rural), Special 25%(Urban), 35%(Rural) (including SC/ ST/ OBC/ Minorities/Women, Ex-servicemen, Physically handicapped, NER, Hill and Border areas, etc.) The balance amount of the total project cost will be provided by the banks in the form of term loan and working capital.

1.2. Credit Guarantee Trust Fund for Micro & Small Enterprises (CGT SME)

Related Scheme	Credit Guarantee Trust Fund for Micro & Small Enterprises (CGT SME)
Description	Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) jointly established a Trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) in order to implement Credit Guarantee Scheme for Micro and Small Enterprises. The corpus of CGTMSE is contributed by Government of India and SIDBI. 75% of the loan amount to the bank is guaranteed by the Trust Fund.

Nature of assistance	Collateral free loan up to a limit of ₹ 100 lakh is available for individual MSE on payment of guarantee fee to bank by the MSE.

ZERO DEFECT AND ZERO EFFECT (ZED) SCHEME

- To develop and implement a 'ZED' culture in India based on the principles of: o Zero Defect (focus on customer) i.e. Zero non-conformance/non-compliance and Zero waste
- Zero Effect (focus on society) i.e. Zero air pollution/liquid discharge (ZLD)/solid waste and Zero wastage of natural resources
- To enable the advancement of Indian industry to a position of eminence in the global marketplace and leverage India's emergence as the world's supplier through the 'Made in India' mark.
- There are 50 parameters for ZED rating and additional 25 parameters for ZED Defence rating under ZED Maturity Assessment Model.
- The MSMEs are provided financial assistance for the activities to be carried out for ZED certification

A SCHEME OF FUND FOR REGENERATION OF TRADITIONAL (SFURTI)

- To develop clusters of traditional industries in the country over a period of five years.
- To make traditional industries more competitive, market-driven, productive and profitable.
- To strengthen the local governance system of industry clusters, with active participation of the local stakeholders, so that they are enabled to develop initiatives.
- To build up innovative and traditional skills, improved technologies, advanced processes, market intelligence and new models of public-private partnerships, so as to gradually replicate similar models of cluster based regenerated traditional industries.
- Khadi & Village Industries Commission (KVIC) is the nodal agency(NA) for Khadi and Village Industry clusters and Coir Board (CB) shall be the NA for Coir based clusters.

PUBLIC PROCUREMENT POLICY FOR MSME

- This order was first made in 2012 under the Micro, Small and Medium Enterprises Development Act, 2006. It was amended in 2018.
- The objective of the policy is promotion and development of Micro and Small Enterprises by supporting them in marketing of products and services rendered by them.
- Provisions under the order are:- Percentage of procurement of goods and services by Government departments/CPSEs to be at least 25% of their total procurement.
- Minimum 3% reservation for women owned MSEs within the 25% reserved for MSEs.
- 4% reservation out of the 25% is reserved for SC/ST entrepreneurs.
- For the effective implementation and monitoring of the policy MSME-SAMBANDH portal has been developed.

MISSION PURVODAYA

- It aims at accelerated development of eastern India through integrated steel hubs.
- The mission aims to create an integrated steel hub in Eastern India.
- More than 75% of India's envisioned incremental steel capacity will come from Eastern India, with Odisha alone crossing 100 MTPA. It is expected that out of the 300 MT capacity by 2030-31, over 200 MT can come from this region alone.
- Eastern states of India (Odisha, Jharkhand, Chhattisgarh, West Bengal) and Northern part of Andhra Pradesh collectively hold ~80% of the country's iron ore, ~100% of coking coal and a significant portion of chromite, bauxite and dolomite reserves.
- There is presence of major ports such as Paradip, Haldia, Vizag, Kolkata etc., with >30% of India's major port capacity.
- Proposed Integrated Steel Hub will encompass Odisha, Jharkhand, Chattisgarh, West Bengal and Northern Andhra Pradesh.

INFRASTRUCTURE

- Overall infrastructure basically comprises crude oil exploration and refining, electricity generation, coal, steel, cement, communications and transport (rail, road, ports and airports). Infrastructure is also segregated as rural infrastructure (comprises irrigation, roads, electricity and creation of social assets in villages) and urban infrastructure (comprises public transport, up-gradation of roads and civic amenities in urban areas).
- soft infrastructure which is education and skill development, human capital development
- It has set up the India Infrastructure Finance Company Ltd., (IIFCL) exclusively for leveraging investment in infrastructure projects. It is expected to leverage an investment of over ₹ 50,000 crores over a period of time.

Urban Infrastructure

The Government of India has launched the following schemes for development of urban infrastructure:

1. Smart Cities: The Government of India has launched a mission on Smart Cities, with the collaboration of states and UTs for implementation of the flagship programme for urban development. The purpose of the Smart Cities Mission is to drive economic growth and improve the quality of life of people by enabling local area development and harnessing technology, especially technology that leads to smart outcomes.

2. Swachh Bharat Mission (SBM): The SBM aims at making India free from open defecation and at achieving 100 percent scientific management of municipal solid waste in 4041 statutory towns/cities in the country. The targets set for the mission which have to be achieved by 2 nd October 2019 are: construction of 1.04 crore Individual Household Latrines (1HHL), 2.52 lakh Community Toilet (CT) seats and 2.56 lakh Public Toilet (PT) seats; and achieving 100 percent door-to-door collection and scientific management of Municipal Solid Waste (MSW).

3. National Heritage City Development And Augmentation Yojana (HRIDAY): The Government has announced the vision of a slum-free India through a new scheme, the Rajiv Awas Yojana. The HRIDAY scheme aims at preserving and revitalizing the soul and unique character of heritage cities in India

4. Atal Mission For Rejuvenation And Urban Transformation (AMRUT): Owns which will be known as mission cities/towns. The total outlay for AMRUT, which is being operated as a Centrally Sponsored Scheme (CSS), is ₹50,000 crore for five years from financial year 2015-16 to 2019-20

5. HRIDAY: North Eastern Region Urban Development Programme -NERUDP: The North Eastern Region Urban Development Programme (NERUDP)has been taken up by the Ministry of Urban Development (MoUD) with the financial assistance from Asian Development Bank (ADB). ADB contribution is 70% of the cost as loan to the Government of India. The scheme is being implemented in the capital cities of 5 North Eastern States viz. Agartala (Tripura), Aizawl (Mizoram), Gangtok (Sikkim), and Kohima (Nagaland) covering priority urban services viz. (i) Water Supply, (ii) Sewerage and Sanitation, and (iii) Solid Waste Management besides capacity building, institutional and financial reforms

6. Setu Bharatam Program: Setu Bharatam program aims at building bridges for seamless and safe National Highways and make all National Highways free of railway level crossings by 2019.

7. Bharatmala Pariyojana: Bharatmala Pariyojana is a new umbrella program for the highways sector that focuses on optimizing efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps through effective interventions like development of Economic Corridors, Inter Corridors and Feeder Routes, National Corridor Efficiency Improvement, Border and International connectivity roads, Coastal and Port connectivity roads and Green-field expressways.

8. Pradhan Mantri Awas Yojana (Urban): Pradhan Mantri Awas Yojana - Housing for All (Urban) is launched by the Central Government with an aim to provide housing to all urban people by 2022.

PORTS IN INDIA

- India’s fact sheet of ports consists of twelve major ports (two additionally approved— one in West Bengal and the second at Andhra Pradesh) and two hundred odd minor ports accounting for 95 per cent of cargo movement by volume and 70 per cent by value. The present port capacity is around 1000 million tons (MT).
- Realizing the importance of developing our ports to handle large volumes and increase cargo movement, the government has allowed 100 per cent private sector and 100 per cent FDI participation in this sector. Further, a ‘Maritime Agenda 2010-2020’
- In order to promote private participation and foreign direct investment (FDI) in the country, the Government of India has allowed 100 per cent FDI under the automatic route
- There are 14,500 km of navigable and potentially navigable inland waterways in the country of which the following five inland waterways have been declared as National Waterways and the details are listed below.

  1. **National Waterway-1**—Allahabad-Haldia stretch of the Ganga-Bhagirathi-Hooghly river (Total length 1620 km) in the states of Uttar Pradesh, Bihar, Jharkhand and West Bengal.

2. **National Waterway-2**—Sadiya-Dhubri stretch of the Brahmaputra river (Total length 891 km) in the state of Assam.

3. **National Waterway-3**—Kollam-Kottapuram stretch of West Coast Canal and Champakara and Udyogmandal canals (Total length 205 km) in the state of Kerala.

4. **National Waterway-4**: (Total length 1027 km) in the states of Andhra Pradesh and Tamil Nadu and the Union Territory of Puducherry.

5. **National Waterway-5**: (Total length 588 km) in the states of West Bengal and Orissa.

6. **National Waterway 6**: National Waterway 6 is the proposed waterway which connects Assam with Mizoram on the river Barak. The 121 km long waterway will help in trading between the town of Silchar to Mizoram State.

Sagarmala Programme

- This initiative is a series of projects to leverage coastline and inland waterways to drive industrial development.
- The Project was originally mooted in 2003 as the waterways equivalent of the Golden Quadrilateral. This Project is expected to reduce cost and time for transporting goods, thereby benefiting industries and export and import.
- The project includes modernization of port infrastructure, improving port connectivity through rail corridors, freight-friendly expressways and inland waterways, creating coastal economic zones and development of skills of fishermen and other coastal and island communities.
- The Sagarmala project is expected to boost India's merchandise exports to $110 billion by 2025 and create an estimated 10 million new jobs.

INDIAN RAILWAYS

- The first train in India was started on a small rail route of 34 kilometers between Bombay and Thane on April 16, 1853.
- At present, the Indian Railway consists of an extensive network spread over 63974 km comprising Broad Gauge (54257 km) , Meter Gauge (7180 km) and Narrow Gauge (2537 km).With such a large rail route, the Indian Railway network has become the biggest railway of Asia and the third in the world.
- Out of this, about 30% of the route kilometer, 41% of running track kilometer and 43% of total track kilometer has been electrified
- Indian railways has announced opening up of freight train and terminal operations to private firms. Under the new private freight terminal (PFT) and special freight train operator (SFTO) scheme, the ministry has allowed private firms to use the IR's network for commodity transport and to develop freight terminals. Private players will be allowed to set up PFTs and also to operate freight trains.

Dedicated Freight Corridor (DFC)

- The western corridor from Dadri in Uttar Pradesh to JNPT near Mumbai will be 1499 .
- on and will connect Haryana, Rajasthan, Gujarat and Maharashtra with an exclusive high speed railway track.
- The Eastern DFC from Ludhiana (Punjab) to Dankuni (West Bengal) will be 1839 km long and will connect Punjab, Uttar Pradesh, Bihar and West Bengal.
- A major part of western corridor will be funded with Japanese assistance and nearly two thirds of the eastern corridor will be constructed with World Bank assistance.
- Western DFC is funded by a loan from the Japan International Cooperation Agency. While part of Eastern DFC, of LudhianaKhurja-Dadri-Kanpur-Mughalsaraisection is funded by World Bank

▪ **KISAN RAIL SCHEME**

- Objective Features To build a seamless national cold supply chain for perishables, inclusive of milk, meat and fish
- It will be set up by Indian Railways through PPP arrangements.

CIVIL AVIATION

REGIONAL AIR CONNECTIVITY- UDAN (Ude Desh Ka Aam Nagrik)

- Aim to enhance the connectivity to remote and regional areas of the country was launched. The focus in this round will be North East Region, Hilly States, Jammu and Kashmir, Ladakh and Islands.
- UDAN (Ude Desh Ka Aam Nagrik) is the Government's initiative to make air travel to India's tier II and tier III cities affordable. Incentivises domestic airlines to ply more on regional routes (Viability Gap Funding) to make these routes profitable.
- Airlines are required to bid for exclusive rights to fly on the regional routes opened up under the scheme.
- **KEY FEATURES OF UDAN 4.0 Some of the key features of the Scheme are:**

▪ Revision of (Viability Gap Funding) VGF cap – The provision of VGF for Category 2 / 3 aircraft (more than 20 seater) has been enhanced for operation of RCS flights in Priority Area(s) (Union Territories [UT] of Ladakh and Jammu & Kashmir; the States of Himachal Pradesh, Uttrakhand, North Eastern State; UT of Lakshadweep and Andaman & Nicobar). The VGF cap applicable for various stage lengths for operation through category 1 / 1 A aircraft (below 20 seater) has also been revised to further incentivize the operation of small aircraft under the Scheme.
▪ Promoting short-haul routes – The provision of VGF would be restricted for routes with stage length up to 600 km, for operation of Category 2 / 3 aircraft, beyond which no monetary support would be provided.
▪ Well defined Prioritization framework – Airports that has already been developed by AAI would be given higher priority for award of VGF under the Scheme, followed by airports not part of the above list but located Priority Area(s) would be given a priority, followed by airports located in areas other than Priority Area(s).
▪ Flexibility to change the frequency of flight operation - The Selected Airline Operator (SAO) would be allowed to change the frequency of flight operation, during the tenure of flight

operation of the given route, provided that the total scheduled flight operation submitted as part of the Technical Proposal, is conformed and adhered to within a period of one year.

- Inclusion of helicopter and seaplane operation under NSOP license.

New Sectors

- The new sectors has been identified by the Government of India to foster vision 2020. FDI is acknowledged as a game changer for the economy.
- Major FDI reforms

1. Defense: Up to 49% under automatic route and above 49% through Government route.

2. Civil Aviation: 100% FDI under automatic route in Greenfield Projects, 74% FDI in Brownfield Projects, and beyond 74% for Brownfield Projects is under government route.

3. Broadcasting: 100% FDI in Broadcasting Carriage Services and down-linking of news channels. Cable Networks: 100% FDI and in News channels: 49% FDI.

4. Banking: FDI up to 74% with 49% under automatic route rest through government route.

5. Railways: 100% FDI under automatic route permitted in construction, operation and maintenance of Rail Infrastructure projects.

6. Construction: 100% FDI through automatic route and removal of minimum floor area and minimum capital requirement.

7. Pharmaceuticals: The extant FDI policy on pharmaceutical sector provides for 100% under automatic route in Greenfield pharma, up to 74% under automatic route and 100% under government approval in Brownfield pharma.

8. Plantation: Coffee, rubber, cardamom, palm oil tree and olive oil tree plantations have opened for 100% under automatic route.

9. Telecom: FDI up to 100% with 49% under automatic route.

10. Insurance & Pension: New sectoral cap of 49% with foreign investment up to 26% to be under automatic route.

11. Medical Devices: 100% FDI under automatic route for manufacturing of medical devices has been permitted.

12. E-Commerce: 100% FDI in B2B e-commerce, Single brand retail trading entity permitted for B2C e-commerce and e-commerce food retailing.

13. Retail: 100% FDI and 49% under automatic route. In case of 'state-of-art' and 'cutting-edge technology' sourcing norms can be relaxed subject to Government approval. 100% FDI is under automatic route in Duty Free Shops located and operated in the Customs bonded areas.

14. Allied Agriculture: Requirement of 'controlled conditions' for FDI in Animal Husbandry (including breeding of dogs), Pisciculture, Aquaculture and Apiculture has been waived off.

MINERALS

Ministry of Mines

- Ministry of Mines is responsible for survey and exploration of all minerals, other than natural gas, petroleum and atomic minerals; for mining and metallurgy of non-ferrous metals like aluminum, copper, zinc, lead, gold, nickel, etc. and for administration of the Mines and Minerals (Regulation and Development) Act, 1957 and rules made thereunder in respect of all mines and minerals other than coal, natural gas and petroleum as well as Offshore Areas Mineral (Development and Regulation) Act, 2002 and rules made there under Ministry of Mines is responsible for legislation for regulation of mines and development of minerals within the territory of India, including mines and minerals underlying the ocean within the territorial waters or the continental shelf, or the exclusive economic zone and other maritime zones of India as may be specified, from time to time by or under any law made by Parliament

National Mineral Exploration Policy

- The Government unveiled National Mineral Exploration Policy, 2016 (NMEP) which spells out the strategy and outlines the action plan that the Government will adopt to ensure comprehensive exploration of the country's mineral resources (non-fuel and non-coal). 🎬 The NMEP primarily aims at accelerating the exploration activity in the country through enhanced participation of the private sector

Intellectual Property Rights

- To make Indians recognize their own IPs, as also respect others' IPs a policy was drafted after key stakeholder's consultation with nearly 300 stakeholders, individuals by an IPR Think Tank, 31 departments of the Gol and 5 foreign Governments.
- The Vision Statement "Creative India; Innovative India', an India where intellectual property promotes advancement in science and technology, arts and culture, traditional knowledge and biodiversity resources.
- The 'Cell for IPR Promotion Management (CIPAM)', set up under a professional body under the guidelines of DIPP, is a single point of reference for implementation of objectives laid for National IPR Policy.
- **Types of IPR In India are as follows:**

Patent

A patent is granted for an invention which is a new product or process involving an inventive step and capable of industrial application. "New invention ' means the subject matter has not fallen in public domain or that it does not form part of the state of the art; Inventive step is the feature(s) of the invention that involves technical advance as compared to the existing knowledge or having economic significance or both and that makes the invention not obvious to a person skilled in the art. Capable of industrial application means that the invention is capable of being made or used in an industry.

Design

Definition and significance: a design refers only to the features of shape, configuration, pattern, ornamentation, composition of color or line or a combination thereof, applied to any article, whether two or three dimensional or in both forms by any industrial process or means which, in the finished article, appeal to and are judged solely by the eye.

Trade Mark

A trademark means a mark capable of being represented graphically and which is capable of distinguishing the goods or services of one undertaking from those of other undertakings. A trademark can be a sign, words, letters, numbers, drawings, pictures, emblem, colors or combination of colors, shape of goods, graphic representation or packaging or sound or any combination of the above as applied to goods or services.

Geographical Indications

A geographical indication identifies agricultural or natural or manufactured goods as originating or manufactured in the territory of a country or region or locality in that territory, where a given quality, reputation or other characteristic of such goods is essentially attributable to its geographical origin and, in case where such goods are manufactured goods. One of the activities of either the production or processing or preparation of the goods concerned takes place in such territory, region, or locality, as the case may be.

Copyright

Copyright is a right given by the law to creators of literary, dramatic, musical and artistic works and producers of cinematograph films and sound recordings. In fact, it is a bundle of rights including, inter alia, rights of reproduction, communication to the public, adaptation and translation of the work

Cell for IPR Promotion and Management (CIPAM)

- CIPAM is created to address the 7 identified objectives of the policy. It is a professional body under the aegis of DIPP to ensure focused action on issues related to IPRs.
- Assist in simplifying and streamlining of IP processes, apart from undertaking steps for furthering IPR awareness, commercialization and enforcement National Design Policy
- Announced in 2007, this Policy envisages a key role for design in enhancing competitiveness of Indian industry. Focus is on spread of design education, branding of Indian designs and establishment of a Design Council

INTERNATIONAL FINANCIAL AND ECONOMIC ORGANISATION

BRETTON WOODS CONFERENCE

- The Bretton Woods conference, officially known as the United Nations monetary and financial conference.
- The two major accomplishments of conference-
    - The creation of the International Monetary Fund (IMF)
    - The creation of the International Bank for Reconstruction and Development (IBRD) also known as the World Bank.

INTERNATIONAL MONETARY FUND (IMF)

- The International Monetary Fund (IMF) and the World Bank Group (WB) are multilateral financial institutions having their genesis in the Bretton Wood Conference during 1944.
- The IMF was set up, first for post-war reconstruction and for greater economic cooperation amongst the countries. Subsequently, its role changed to achieve exchange rate stability of different economies.
- Availability of loan facilities from the IMF requires membership, (presently 189 members) by buying a ‘quota’ usually in relation to the output of economies and their stature in the world.
- The quota in turn determines voting rights for various policy decisions including loans to be provided to the affected economies by the IMF.
- The quota is bought by paying 25 per cent in any of the Widely Accepted Currency (WAC) comprising the USD, Euro, Pound Sterling and Japanese Yen.
- The remaining 75 per cent can be bought in the home currency and maintained with the central bank of that country but cannot be withdrawn without authorization from the IMF.
- All loan facilities are short-term, provide interim relief and are linked as a percentage to the quota, which carry commercial interest rates with varying repayment periods and strict conditionalities like reforms in the domestic sector for long-term structural adjustment. All the accounts of the IMF are maintained in a neutral accounting currency known as ‘special drawing rights (SDR)’ also referred to as' paper gold’. SDRs can be converted into any Widely Accepted Currency at predetermined rates by the IMF.
- Special drawing rights are not a currency but only an accounting unit of the IMF and the quota can also be purchased in SDRs. IMF besides lending for trade imbalances and currency-related issues of economies also publishes country papers for use by various governments for qualitative improvements in policy-making.
- World Economic Outlook Report: The IMF releases the World Economic Outlook Report which ranks over 200 countries in terms of per capita GDP based on purchasing power parity (PPP).
- IMF Resources Most resources for IMF loans are provided by member countries, primarily through their payment of quotas.

- **Quotas:** Quota subscriptions are a central component of the IMF's financial resources. Each member country of the IMF is assigned a quota, based broadly on its relative position in the world economy.
- **Special Drawing Rights (SDR):** The SDR is an international reserve asset, created by the IMF in 1969 to supplement its member countries' official reserves. SDR can be used to obtain other foreign currencies. Hence, it is also called "Paper Gold".
- **Gold:** Gold remains an important asset in the reserve holdings of several countries, and the IMF is still one of the world's largest official holders of gold.

▪ **IMF Quota and Voting**

- It reviews its quota every 5 years
- Each member is assigned a Quota on the basis of relative position in World economy and other variables
- GDP-50%, (blend of GDP on market rates(60%) and GDP on PPP basis) Openness -30%, Economic variability -15%, International reserves - 15%
- Quotas are denominated in SDRs
- Each member has some basic voting rights +one additional vote for every 1 lakh SDRs
- USA>JAPAN> China> Germany > France > UK >Italy > India > Russia > Brazil

▪ The quota determines the country's financial contribution to the IMF, its voting power and ability to access IMF financing
▪ SDRs- is an international reserve asset, created by IMF in 1969, to supplement its members country's official reserves. Its value is based on basket of five international currencies (US dollar, Japanese yen, pound sterling, Euro, Chinese Renminbi).
▪ The SDR of the IMF is not a currency, it is a claim on the currencies of member countries.

THE WORLD BANK GROUP

- The World Bank Group also set up first, for rebuilding of economies post-World War II. Gradually, the emphasis was shifted to development oriented for developing countries and addressing issues of growing poverty' and poor countries in Asia and Africa.
- The WB provides financial and technical assistance to developing countries through multiple sister institutions playing a complementary role, for eradication of poverty, education, public health, public administration, agriculture, addressing environmental issues and funding projects which have predominant social-welfare considerations covering schools, hospitals, dams, etc.
- As mentioned previously, World Bank comprises of complementary institutions of International Bank for Reconstruction and Development (IBRD) the International Development Agency (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agreement (MIGA) and International Center for Settlement of Investment Disputes (ICSID).
- The IBRD is more focused on reducing poverty in middle income credit worthy relatively poor countries through income generation activities and capacity building measures.
- Ease of Doing business rankings is annually given by World Bank
- It is responsible for the preparation of the World Development Report.

International Development Association (IDA)

- It helps the world's poorest countries.
- Established in 1960, its aim is to reduce poverty by providing interest- free credits and grants that boost economic growth and reduce inequalities.
- Presently IDA has more than 170 countries.
- It is one of the largest sources of assistance for the world's poorest countries, including Africa's 39 countries.
- It is also known as the Soft Window of the World Bank.
- India has been the biggest beneficiary of the IDA support.

International Finance Corporation (IFC)

- IFC promotes sustainable private sector investment in developing countries.
- Headquarter is in Washington DC.
- It has 184 members

Multilateral Investment Guarantee Agency (MIGA)

- MIGA offers political risk insurance.
- It is established to promote foreign direct investment into developing countries by insuring investors against political risk and mediating disputes between investors and government.
- 181 member countries

International Center For Settlement of Investment Disputes (ICSID)

- It is established in 1966, based in Washington DC
- It is pursuant to the convention on settlement of investment disputes between states and nationals of other states.
- It has an administrative council chaired by the world bank's president and a secretariat.
- It facilitates the conciliation and arbitration of investment disputes.

THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD)

- It was established in 1964, as a permanent inter- governmental body.
- Principal organ dealing with trade, investment and development issues.
- Goal- maximize trade, investment and development opportunities of developing countries and integrate the world economy on an equitable basis.
- UNCTAD conference Every four years- quadrennial conference- it is subsidiary organ of UN general assembly

GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT)

- It is a multilateral agreement, whose purpose was to substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis.

- GATT was signed in 1947 and lasted until 1994, when it was replaced by the World Trade Organisation in 1995.

WORLD TRADE ORGANISATION (WTO)

- It is an intergovernmental organization.
- Officially commenced on 1st January 1995 under Marrakesh Agreement, signed by 123 nations.
- Most of the WTO agreements such as AoA, GATS, TRIPS etc. are multilateral agreements which the member countries are obliged to follow.
- A Multilateral agreement is an agreement under the WTO which is adopted through consensus among all the member countries. The provisions of the multilateral agreements are applicable to all the member countries.
- A plurilateral agreement is an agreement between a limited number of WTO member countries wherein the countries would be given the choice to agree to new rules on a voluntary basis. In other words, the provisions of plurilateral agreement would not be applicable to all the member countries.
- Since the multilateral agreements are consensus driven, normally the trade negotiations under multilateral framework tend to be slow paced and lead to unnecessary delay. However, the good aspect about the multilateral agreements is that they take into account the special needs and interests of poor and developing countries
- The debate has arisen between the developed and developing countries with respect to the nature of trade negotiations under the WTO.
- It regulates trade agreements, form for trade negotiations.
- Monitors trade policies and handling trade disputes.

SPECIAL AND DIFFERENTIAL PROVISIONS

- Some developed countries have been arguing for the discontinuation of Special and differential provisions provided to the developing countries in the WTO Agreements. In this regard, India along with other countries such as China and Brazil has argued for its continuation stating that discontinuation of this provision would adversely affect the interests of Least Developed countries (LDCs) as well as developing Countries.
- The WTO agreements contain special provisions which give developing countries special rights and allow other members to treat them more favorably. These are “special and differential treatment provisions”. The special provisions include:

  - longer time periods for implementing agreements and commitments;

  - measures to increase trading opportunities for these countries, provisions requiring all WTO members to safeguard the trade interests of developing countries.

WTO CRITERIA FOR DEVELOPING COUNTRIES

-USA has advocated for revocation of developing country status to India and China.

- There are no WTO definitions of 'developed' and 'developing' countries. Members announce for themselves whether they are developed or developing countries. However, other members can challenge the decision of a member to make use of provisions available to developing countries.

AGREEMENT ON AGRICULTURE (AOA)

- The AoA came into being in 1995 at the end of Uruguay Round of General Agreement on Tariffs and Trade (GATT). This agreement basically aims to facilitate international trade in agricultural goods by putting a cap on the agricultural subsidies given by the member countries.
- Categories of subsidies:

Green Box: These subsidies do not distort trade or at most cause minimal distortion. They have to be government funded and must not involve price support. They are not targeted towards a particular product and include direct income support for farmers that are not related to current production levels or prices.

Blue Box: Any support that would normally be in the amber box is placed in the blue box if the support also requires farmers to limit production. At present there are no limits on spending on blue box subsidies.

Amber Box: Those domestic support outside of the blue and green box. There are seen to be trade distorting and include measures that support prices or subsidies that go related to production quantities.

GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

- Banks, insurance firms, telecom companies, hotel chains, tour operators, transport etc. looking to business abroad can now enjoy the same principle of free and fairer trade that originally only applied to trade in goods.

TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS (TRIPS)

- In 1995, TRIPS agreement provided for both product patent and process patent.
- Product patents are meant to protect the individual product, while process patent protects the process used to create the product.
- The agreement gave developing countries 10 years to enact laws to protect intellectual property, thus India enacted its Patent (amendment) Act, 2005 to confirm the agreement.
- On other hand, developed countries had to enact laws immediately in 1995.
- Agreement gave protection to patents for 20 years.

G 20

- The G20 comprise 19 countries namely, Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, the Republic of Korea, Turkey, the United Kingdom, the United States of America and the European Union, Which is represented by the rotating council presidency and the European Central bank as the 20th member.

- It represents 90% of the global gross national product, 80% of the world's trade and two – third of the world's population.
- India is a member of the G-20, since it was established as the Finance Minister Forum in 1999.
- Currently, India is co – chair of the working group on the G-20 framework for strong, sustainable and balanced growth along with Canada.

G7

- It is an intergovernmental economic group consisting of 7 largest IMF advanced economies such as Canada, France, Germany, Italy, Japan, the UK, and the US.
- The EU is also represented within the G7 as an invitee.
- These countries are the seven major advanced economies as reported by the IMF.
- Formerly called G8 with Russia in it, but due to Crimean crisis, Russia was ejected from the group.
- The organization was founded to facilitate shared macroeconomic initiatives by its members in response to the collapse of the exchange rate 1971.

The Organization of the Petroleum Exporting Countries (OPEC)

- It is an intergovernmental organization or cartel of 13 countries. Founded on 14 September 1960 in Baghdad by the first five members (Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela).
- As of September 2018, the 13 member countries accounted for an estimated 44 percent of global oil production and 81.5 percent of the world's "proven" oil reserves, giving OPEC a major influence on global oil prices that were previously determined by the so-called "Seven Sisters" grouping of multinational oil companies.
- HQ – Vienna
- Members -Iran, Iraq, Kuwait, Saudi Arabia, Venezuela Libya, UAE, Algeria, Nigeria, Gabon, Angola, Ecuador, Equatorial Guinea and Congo.
- Russia is not a member of OPEC

Asia Pacific Economic Cooperation (APEC)

- It is a regional forum for 21 Pacific Rim member economies established in 1989.
- It aims to promote balanced, inclusive, sustainable, innovative and secure growth by accelerating regional economic integration.
- HQ - Singapore.
- Members - Australia, Brunei, Canada, Indonesia, Japan, South Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, United States, Taiwan, Hong Kong, China, Mexico, Papua New Guinea, Chile, Peru, Russian and Vietnam.
- These countries collectively account for nearly 50% of world's trade and about 57% of GDP.
- 3 official observers - ASEAN, the Pacific Islands Forum and the Pacific Economic Cooperation Council.
- India is not in the grouping and has applied for membership. It was invited to be an observer for the first time in 2011.

World Intellectual Property Organization

- It is designed to promote the worldwide protection of both industrial property (inventions, trademarks, and designs) and copyrighted materials (literary, musical, photographic, and other artistic works).
- HQ - Geneva, Switzerland
- WIPO's predecessor was the United International Bureaux for the Protection of Intellectual Property (BIPRI).
- BIPRI administered two conventions such as the Paris Convention for the Protection of Industrial Property and the Berne Convention for the Protection of Literary and Artistic Works. BIRPI is thus transformed to become WIPO.
- Marrakesh Treaty of WIPO - It is to facilitate access to published works ; for persons who are blind, visually impaired and print disabled.
- India was the first country to sign this treaty.
- Union Cabinet has approved the proposal regarding accession to the WIPO Copyright Treaty and WIPO Performers and Phonograms Treaty.
- The treaty extends coverage of copyright to the internet and digital environment.
- It is seen as a step towards the objective laid in the National Intellectual Property Rights (IPR) Policy, 2016.
- The treaty came to force in 2002 and has been adopted by 96 contracting parties till date.
- It is a Special agreement under Berne Convention

New Development Bank

- It is a multilateral development bank jointly founded by the BRICS countries.
- Its focus is to finance infrastructure and sustainable development in emerging markets and developing countries.
- It supports sovereign and non-sovereign projects through loans, guarantees, equity participation and other financial instruments
- HQ - Shanghai, China.
- The first regional office of the NDB will be opened in Johannesburg, South Africa.

Asian Development Bank

- It was conceived in 1966 as a financial institution that would be Asian in character and foster economic growth and cooperation in one of the poorest regions in the world.
- HQ - Manila, Philippines
- ADB now has 67 members of which 48 from within Asia and Pacific while remaining 19 from outside.
- The bank admits member countries from Asian region and non-regional developed countries.
- Some of the non-regional member countries are Austria, Belgium, Canada, Denmark, United States, United Kingdom, France, Italy, Germany etc.
- ADB assists its members, and partners, by providing loans, technical assistance, grants, and equity investments to promote social and economic development.

Asian Infrastructure Investment Bank

- It is a multilateral financial institution which brings countries together to address the daunting infrastructure needs across Asia.
- HQ - Beijing, China.
- The membership is open to members of the International Bank for Reconstruction and Development or the Asian Development Bank.
- China is the largest shareholder in AIIB with a 26.06% voting power, followed by India with 7.62% and Russia with 5.92% voting power.
- US & Japan are not its members

Bank for International Settlements

- It is a bank for central banks.
- HQ - Basel, Switzerland
- The mission of the BIS is to serve central banks in their pursuit of monetary and financial stability, to foster international cooperation in those areas and to act as a bank for central banks.
- The BIS has 60-member central banks, representing countries from around the world that together make up about 95% of world GDP.

World Customs Organization

- WCO established in 1952, is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of Customs administrations.
- It is the only international organization with competence in Customs matters.
- It represents 182 Customs administrations across the globe that collectively process approximately 98% of world trade.

World Economic Forum

- It was established in 1971 as a not-for-profit foundation and is headquartered in Geneva, Switzerland.
- The Annual Meeting of the World Economic Forum is held in Davos, Switzerland.
- The theme of WEF 2019 is ―Globalization 4.0: Shaping a New Architecture in the Age of the Fourth Industrial Revolution.
- The key reports & indices by WEF are Global Competitiveness Report, Global Enabling trade Report, Global Gender Gap Index, Human Capital Index and Inclusive Development Index

European Union

- It is a political and economic union of 27 member states that are located primarily in Europe.
- The United Kingdom withdrew from the European Union on 31 January 2020.
- The Maastricht Treaty established the European Union in 1993 and introduced European citizenship.
- The latest major amendment to the constitutional basis of the EU, the Treaty of Lisbon, came into force in 2009.
- The EU has developed an internal single market through a standardized system of laws that apply in all member states.

- EU policies aim to ensure the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development.
- Within the Schengen Area, passport controls have been abolished
- Of 27 member states, only 19 EU member states use the euro currency.
- The Lisbon Treaty now contains a clause under Article 50, providing for a member to leave the EU.

Eurasia Economic Union

- It is a political and economic union of 5 states located in central and northern Eurasia i.e Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia.
- It facilitates the free movement of goods, capital, services, and people among its member countries.
- India is holding negotiations to finalize a free trade agreement with the EEU.

Eastern Economic Forum

- EEF was established by a decree of the President of the Russian Federation, in 2015. 🎬 It aims to support economic development of Russia's Far East' and to expand international cooperation in the Asia-Pacific region.
- It takes place each year in Vladivostok.
- It serves as a platform for the discussion of key issues inWorld economy, regional integration and the development of new industrial and technological sectors.
- The Far East' is the easternmost part of Russia.
- The macro-region borders 2 oceans, the Pacific and the Arctic, and 5 countries,China, Japan, Mongolia, the United States and N.Korea.

European Free Trade Association

- It is a bloc comprising four countries - Switzerland, Norway, Iceland and Liechtenstein.
- The four EFTA countries are not part of the EU.
- India EFTA Pact - India and EFTA started negotiating a broad-based Trade and Investment Agreement in 2008, shortly after India started FTA talks with the European Union.
- The agreement is expected to promote economic ties between the countries.

Financial Action Task Force

- It was set up in 1989 by the G7 countries, with headquarters in Paris.
- Members - It has 39 members that include all 5 permanent members of UNSC and 2 regional organizations - Gulf Cooperation Council and the European Commission.
- Saudi Arabia and Israel are —observer countries (partial membership).
- India became a full member in 2010.
- Objectives - To set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system.

- It is therefore a ―policy-making body which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.
- It is empowered to curtail financing of UN-designated terrorist groups.It can publicly sensor countries that are not abiding by its norms.
- Grey List - A country is put on the grey list that are ―Monitored Jurisdictions when it fails to curb terrorism financing and money laundering.
- Grey list countries - Pakistan, Myanmar, Cambodia, Syria, Mongolia and Yemen in Asia along with few other countries.
- Blacklisting a country refers to countries facing a ―call to action or severe banking structures, sanctions and difficulties in accessing loans.
- It means shutting all doors to international finance for that country. Black list Countries - North Korea and Iran.

Shanghai Cooperation Organization

- It is a Eurasian political, economic, and military organization which was founded by the leaders of China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan.
- Current member states (8) - China, Kazakhstan, Kyrgyzstan, Russia, Tajikistan, Uzbekistan, India and Pakistan.
- Observer States (4) - Afghanistan, Belarus, Iran and Mongolia.
- Dialogue Partners (6) - Azerbaijan, Armenia, Cambodia, Nepal, Turkey, Sri Lanka.

Association of Southeast Asian Nations (ASEAN)

- It is a regional organization comprising 10 Southeast Asian states which promotes intergovernmental cooperation and facilitates economic integration amongst its members.
- Its principal aim is to accelerate economic growth, social progress, and socio-cultural evolution, promote Southeast Asian studies, alongside the protection of regional stability.
- Member nations are Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar, and Vietnam.
- ASEAN shares land borders with India, China, Bangladesh, East Timor, and Papua New Guinea, and maritime borders with India, China, Palau, and Australia.
- ASEAN plus Three was created to improve existing ties with the People's Republic of China, Japan, and South Korea.
- ASEAN became ASEAN Plus Six with additional countries: Australia, New Zealand and India

Regional Comprehensive Economic Partnership (RCEP)

- It is a trade deal that is currently under negotiation among 16 countries.
- These countries include 10 member countries of the Association of Southeast Asian Nations (ASEAN) and 6 countries with which the ASEAN bloc has free trade agreements (FTA).
- The ASEAN countries have FTAs with India, Australia, China, South Korea, Japan and New Zealand.
- Negotiations on the details of the RCEP have been ongoing since 2013.
- RCEP is viewed as an alternative to the Trans-Pacific Partnership (TPP), a proposed trade agreement which includes several Asian and American nations but excludes China and India.

BRICS

- It is an association of 5 major emerging national economies: Brazil, Russia, India, China and South Africa.
- All five are G-20 members.
- It represents over 40% of the world's population and accounts for 22% of global GDP.

BIMSTEC

- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) is a regional organization that came into being in 1997 through the Bangkok Declaration.
- The objective was to harness growth through mutual cooperation in different areas of common interests by mitigating the onslaught of globalization and by utilizing regional resources and geographical advantages.
- It comprises India, Bangladesh, Myanmar, Sri Lanka, Thailand, Bhutan and Nepal.

South Asian Association of Regional Cooperation (SAARC)

- It is the regional intergovernmental organization and geopolitical union of nations in South Asia.
- Members - Afghanistan, Bangladesh, Bhutan, India, Nepal, the Maldives, Pakistan and Sri Lanka.
- Its secretariat is based in Kathmandu, Nepal.
- It launched the South Asian Free Trade Area (SAFTA) in 2006.
- States with observer status include Australia, China, European Union, Iran, Japan, Mauritius, Myanmar, South Korea and the United States.

REPORTS AND INDICES

Ease of Doing Business Index

- It is being released as part of the World Bank every year.
- It was introduced in 2004 and this year with the theme ―Doing Business 2018: Reforming to Create Jobs.
- The ranking of the country is based on index averages the country's percentile rankings on 10 indicators each having equal weightage.
- The indicators are –

  1. Ease of starting business

  2. Getting electricity

  3. Dealing with construction permits

  4. Registering property

  5. Protecting investors

6. Access to credit

7. Employing workers

8. Trading across borders

9. Paying taxes

10. Enforcing contracts &

11. Resolving insolvency

A higher ranking of country in this list means that its regulatory environment is more conducive and favorable for the starting and operation of firms

World Competitiveness Index

- The World Competitiveness Index was topped by Switzerland, while India maintained 43rdrank.
- This list is compiled annually by the Institute for Management Development (IMD) World Competitiveness Center.
- The Index ranks 64 economies and assesses the extent to which a country promotes the prosperity of its people by measuring economic well-being through hard data and survey responses from executives.
- It measures the prosperity and competitiveness of nations by examining four factors -- economic performance, government efficiency, business efficiency, and infrastructure.

Global Innovation Index

- The World Intellectual Property Organization (WIPO) has released GII 2020.
- GII ranks global economies according to their innovation capabilities, including roughly 80 indicators, grouped into innovation inputs and outputs.
- Switzerland is the world‘s most-innovative economy followed by Sweden, the United States of America (U.S.), the United Kingdom (U.K.) and the Netherlands.
- India has been ranked 48th on the Global Innovation Index (GII) 2020 among 131 economies, breaking into the top 50 countries for the first time.
- According to recent reports India has made the most significant progress in the GII together with three other economies China, Vietnam and Philippines

World Economic Situation and Prospects 2021

- The World Economic Situation and Prospects 2021 was released by the United Nations Department of Economic and Social Affairs (UN DESA).

Financial Stability Report

- This report was released by the Reserve Bank of India (RBI).

World Economic Outlook

- The International Monetary Fund (IMF) releases its World Economic Outlook report.

World Employment and Social Outlook 2021

- The UN's International Labor Organization (ILO) published its flagship report World Employment and Social Outlook (WESO) 2021.
- The theme of the report was, 'The role of digital labor platforms in transforming the world of work.'

Asian Development Outlook 2021

- The Asian Development Outlook 2021 is a report released by the Asian Development Bank (ADB).

Global Wealth Report

- It is released by Credit Suisse
- The Credit Suisse Global Wealth Report provides the most comprehensive and up-to-date coverage of information on household wealth worldwide.

Global Wage Report 2020

- It was published by the International Labor Organization (ILO).

World Investment Report 2021

- The World Investment Report 2021 was released by the UN Conference on Trade and Development (UNCTAD).

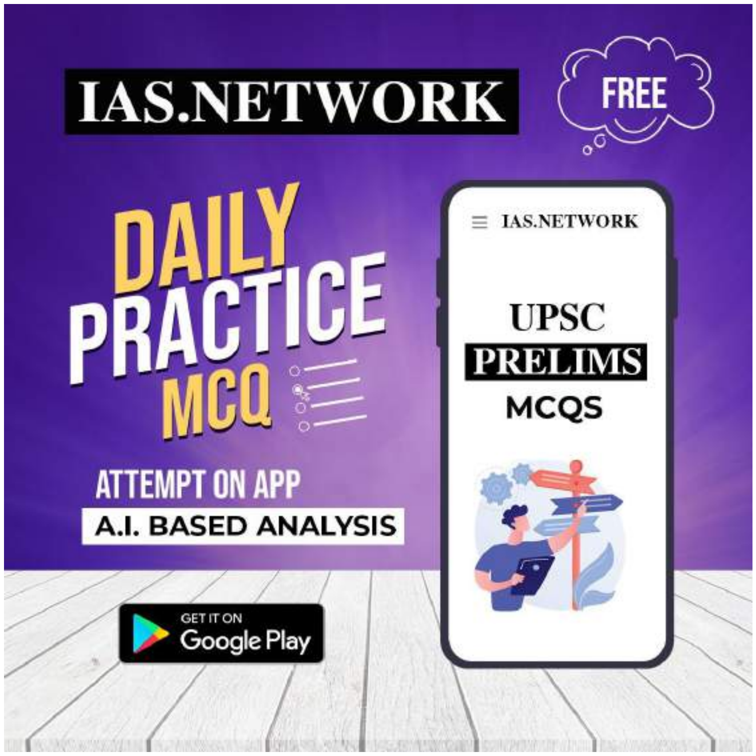
MULTIDIMENSIONAL POVERTY INDEX (MPI)

- Global Multidimensional Poverty Index - 2019 (MPI), released by the United Nation Development Programme (UNDP).
- The MPI captures both the incidence and intensity of poverty and tracks 101 countries on deprivations across ten indicators in health, education, and standard of living.
- Index is developed by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Programme (UNDP).
- As per report a single measure is not a sufficient guide to both inequality and multidimensional poverty, and studies such as the MPI, Human Development Index, and the Gini coefficient (which measures countries wealth- income distribution), can contribute important and distinctive information for policy action to effectively reduce poverty.

IMPORTANT REPORTS

ORGANISATION	REPORTS

World Trade Organisation	1.World Trade Outlook Report 2.World Trade Report 3.World Trade Statistical Review
International Monetary Fund (IMF)	1.World Economic Outlook 2. Global Financial Stability Report 3. Fiscal Monitor 4. External Sector Report 5.Global Housing Watch (Global Real House Price Index)
World Bank	1. Ease of Doing Business 2. World Development Report 3. Universal Health Coverage Index 4. Remittance Report 5. Ease of Living Index 6. India Development Update 7. Global Economic Prospect (GEP) report 8. Global Financial Development Report 9. Logistics Performance Index
World Economic Forum	1.The Global Risks Report 2.Global Competitiveness Report 3. Top 10 Emerging Technologies 4.Global gender gap report



Google Play Store :

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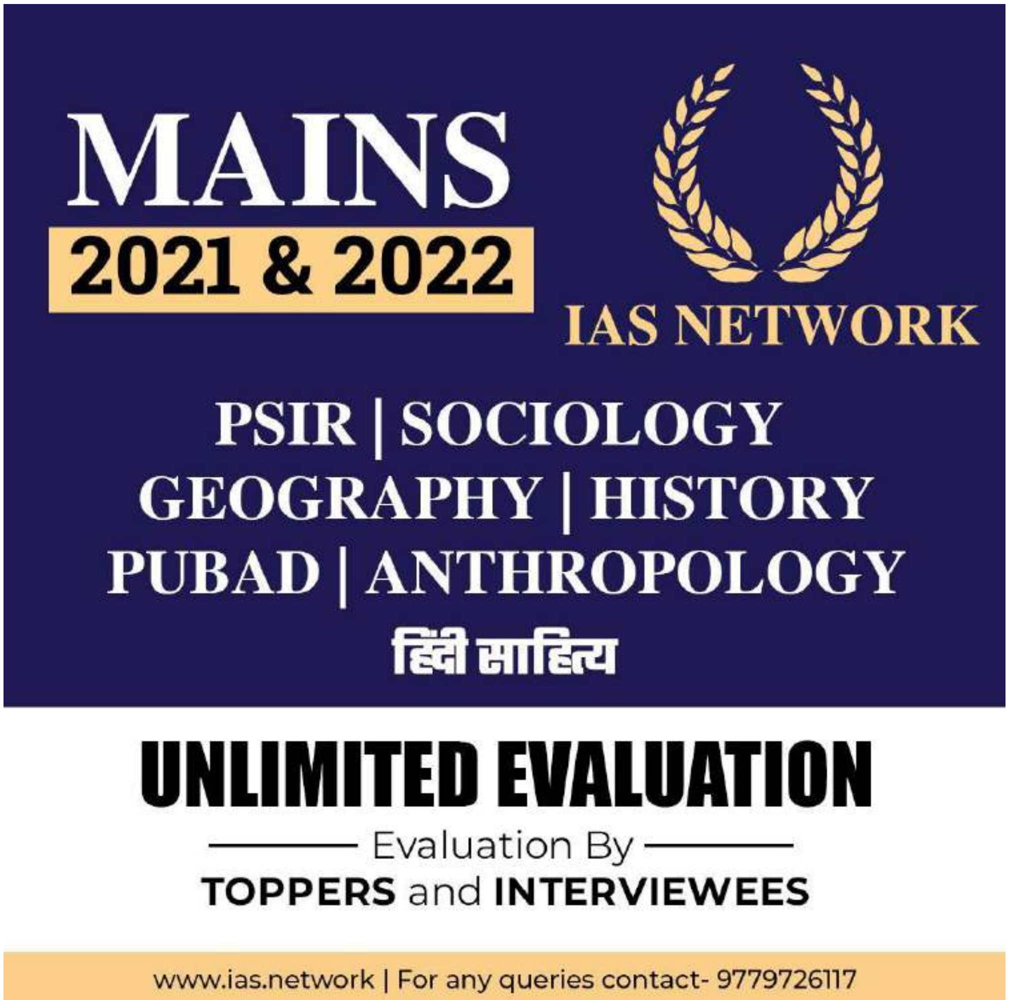
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1
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RANK 1
65TH BPSC
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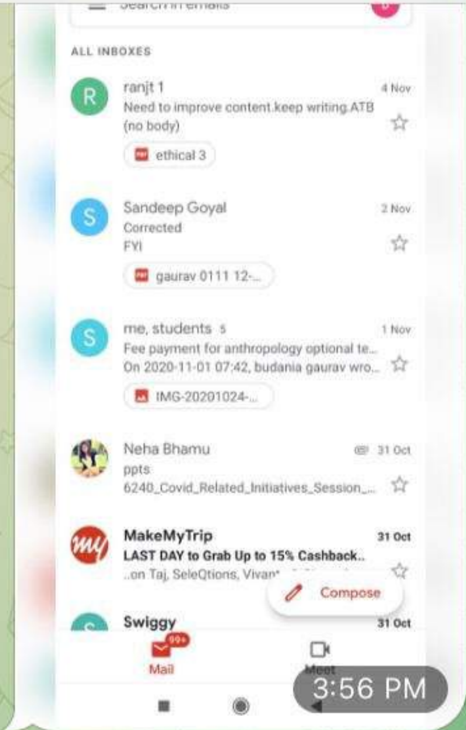

3:56 PM

November 29, 2020

Hey 9:54 AM

January 20

Thank you sir to you and your team 7:06 PM

For answer writing 7:06 PM

We all the friends got benefited from your team and their analysis ....now hoping for good results 7:07 PM

986 Back

Gaurav Budania GS ANTHRO...

last seen recently

YouTube channel link for our video series 9:44 PM

https://m.youtube.com/c/IASNETWORK 9:44 PM

Can use questions from any source though 9:44 PM

Yes sir , rest i know all about procedure 9:45 PM

Ok sir 9:49 PM

September 24

Hey 8:32 PM

Congratulations 9:27 PM

If I am correct 9:27 PM

Rank 13 9:27 PM

Hearty congratulations 9:38 PM

September 25

Thank you sir 4:40 AM

1853

Gaurav Singh Rank 1 BPSC

last seen recently

Sir.. 65th BPSC AIR-1 6:04 PM

You secured 1st rank ? 6:06 PM

Whoa !!!! 6:06 PM

Congratulations 🎉 6:07 PM

IAS NETWORK
You secured 1st rank ?
Yes sir 6:22 PM

Congratulations, Enjoy your moments 6:22 PM

IAS NETWORK
Atleast clearing exam
Also this 6:23 PM

You should be happy now 😀😀 6:23 PM

☺️☺️ 6:23 PM

Yes sir 6:23 PM

Enjoy Bro, You deserve it 👍👍

IPS Shahnaz AIR 217 U...

Yes 20:40

AIR 217 20:40

Congratulations 20:41

Thank you so kuch. Ias network was an important part of my preperation 21:13

Thanks 21:18

29 September 2021

I wanted to thank your team. I have scored 140 in essay. I was very happy. Particularly Rachita Singh. Her criticism were the words in my head on the way to exam..

I kept in my mind all that her mails had conveyed. 12:56

And incorporated them while writing... i didnt make the mistakes i made while practusing...

Your team's quick reply and elaborate response in essays were very helpful. 12:57

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Your team's quick reply and elaborate response in essays were very helpful. 12:57

O have referred you to couple of aspirants!

Keep up the good work! Kudos tp u and ur team 12:58

Thanks 👍 12:57

Swathika GS PSIR 10K

Can you please resend your queries 14:07

20 December 2020

?? 10:34

Today

Good evening Sir 00:12

I am Swathika. Got 593 rank 00:12

I am truly grateful for your timely evaluation of my GS and PSIR answer papers 😀 00:13

I will need your continued support to improve the rank further Sir 😀 00:13

Congratulations 00:36

👍 00:36

> Swathika GS PSIR 10k
> I will need your continued support to improve the rank further Sir 😀

Sure 00:47

997 Back

Vaibhav Bangar AIR 442

last seen recently

VB

Congratulations 7:07 PM

Thank you friend 7:21 PM

442 rank 7:21 PM

Today

Getting good marks in mains is very vital for getting into the final list. For this, continuous practice is a must. But practice without unbiased assessment fails to explain to us our mistakes. This is where IAS NETWORK has helped me. It provided a precise, unbiased, and to the point evaluation of my answers. Which helped me to improve the content and structure of my answers. The eassy and optional evaluation also helped me tremendously. Moreover, they provide the evaluation in less than 2 days, which helps in constantly modifying and improving our answers in accordance with the feedback. Thank you IAS NETWORK! 3:14 PM

Thanks 3:15 PM

Pranjal AIR 529

typing...

Meaning ?

So I took this attempt very lightly (being my first one). Didn't study even Vision Mains 365 or monthlies, didn't take a single test series for GS or PSIR. Only thing I did for GS was go through IAS Network's GS 1,2,3,4 notes, and SR Ma'am notes for PSIR. Along with it, I made my frameworks and short notes of 45 pages for all the papers of GS. So this was my Mains prep last time, don't want to commit the mistake again 16:19

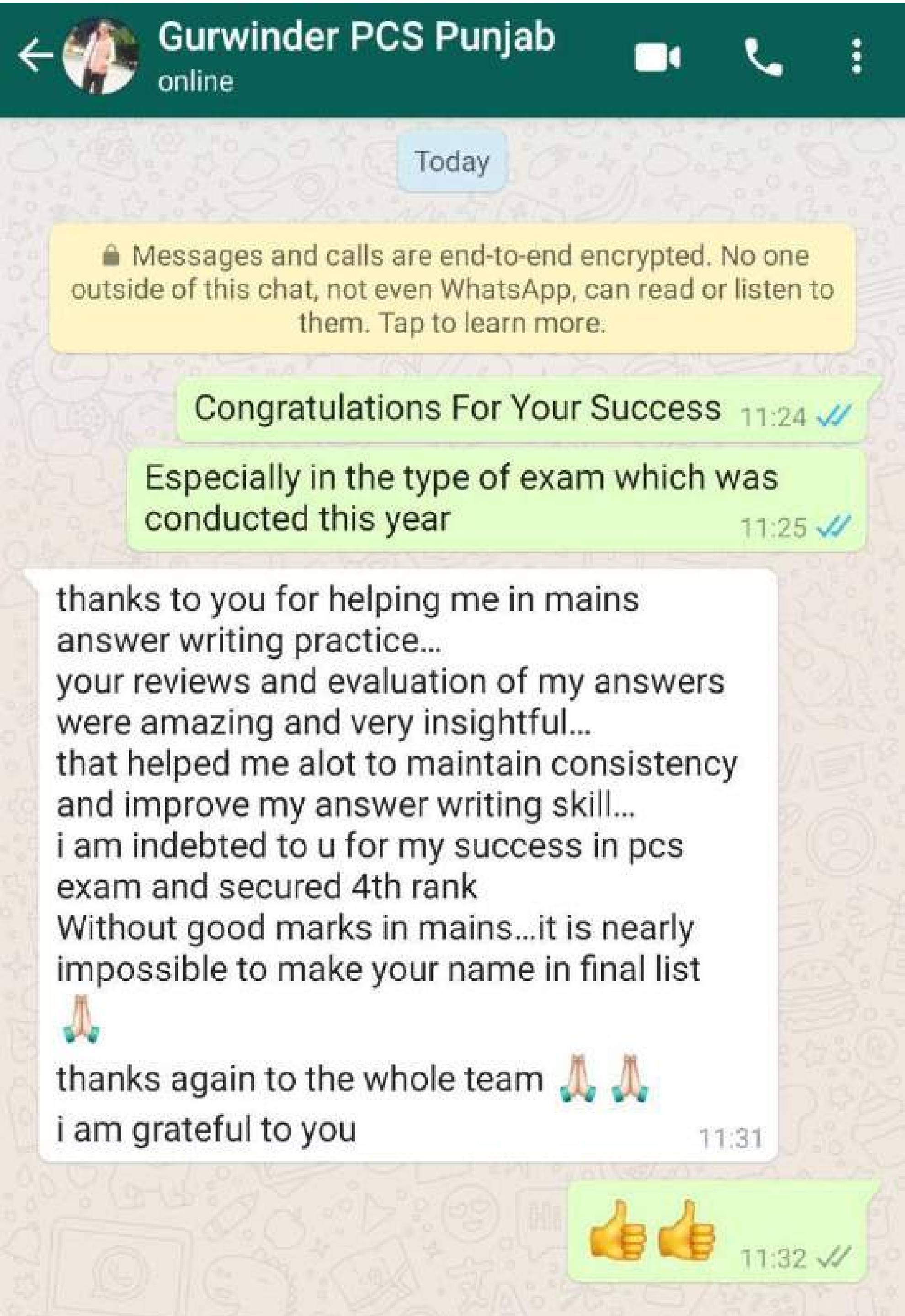
Hmm, Thanks 16:20

BTW good to see that you got a rank from our notes only, don't know how many more toppers we have, whom we are not in touch with, are notes were freely shared 16:21

You

BTW good to see that you got a rank from our notes only, don't know how many more toppers we have, whom we are not in touch with, are not...

You are doing a great service. I also used to watch the daily answer writing videos of Nagesh Sir, and one more person, sometimes during the 3 months of Mains prep. That was helpful too. 16:23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Today
Messages and calls are end-to-end encrypted. No one outside of this chat, not even WhatsApp, can read or listen to them. Tap to learn more.
Congratulations For Your Success 11:24
Especially in the type of exam which was conducted this year 11:25
thanks to you for helping me in mains answer writing practice...
your reviews and evaluation of my answers were amazing and very insightful...
that helped me alot to maintain consistency and improve my answer writing skill...
i am indebted to u for my success in pcs exam and secured 4th rank
Without good marks in mains...it is nearly impossible to make your name in final list
🙏
thanks again to the whole team 🙏🙏
i am grateful to you 11:31
👍👍 11:32