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- **Corporate Office**

45, 2nd Floor, Maharishi Dayanand Marg, Corner Market,
Malviya Nagar, New Delhi-110017
Tel. : 011-49842349 / 49842350

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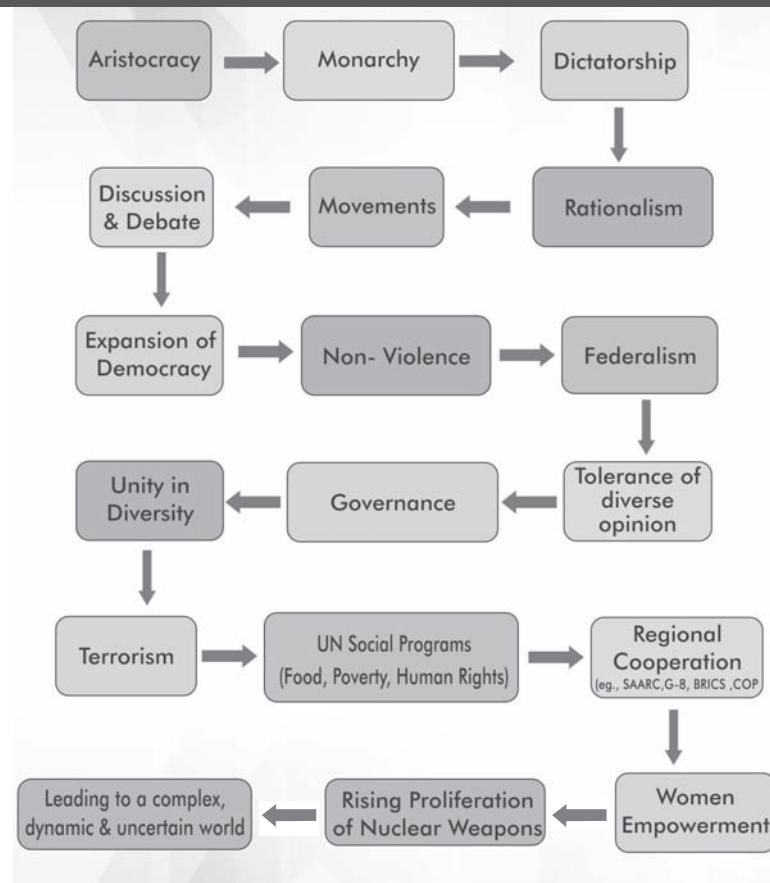
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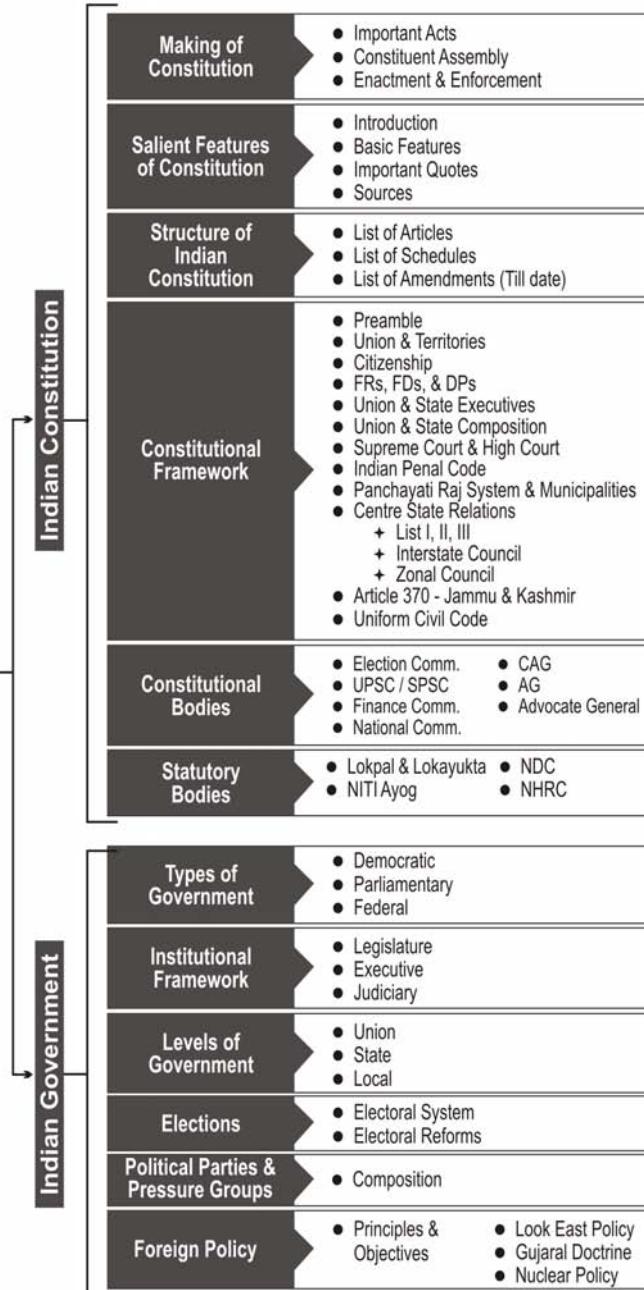


POLITY

TOP POLITICAL TRENDS/ EVENTS/ DEVELOPMENTS THAT CHANGED THE WORLD



INDIAN POLITY- MIND MAP



INDIAN CONSTITUTION

Making of Constitution

Important ACTS

Constitutional Landmark	Important Provisions
Pitt's India Act, 1784	<ul style="list-style-type: none"> • Indian affairs under direct control of British government. • Board of control was established.
Government of India Act, 1858	<ul style="list-style-type: none"> • Company rule replaced by British crown. • Secretary of state for India appointed to exercise the power of the crown. He was a member of British cabinet, responsible to it & was assisted by Council with 15 members. • Governor General became the agent of the crown and now known as Viceroy of India.
Indian Councils Act, 1861	<ul style="list-style-type: none"> • Parliamentary system started in India. • Indians became non-official members of the legislature. • Started decentralization of power.
Indian Councils Act, 1909 (Morley-Minto Reforms. Lord Morley was the then Secretary of State for India and Lord Minto was then Viceroy of India).	<ul style="list-style-type: none"> • Central Legislative Council becomes Imperial Legislative Council with officials forming the majority. • Provincial Legislative Councils had a majority of non-official members. • Introduced communal representation for Muslims with a separate electorate system. Legalized communalism. Lord Minto created a communal electorate.
Government of India Act, 1919 / Montagu - Chelmsford Reforms. Montagu was the Secretary of State for India and Lord Chelmsford was the Viceroy of India.	<ul style="list-style-type: none"> • Separated central subjects from provincial subjects. • Provincial subjects were transferred and reserved. • Transferred subjects were administered by Governor with the help of ministers who were responsible to the legislature. • Reserved subjects were administered by Governor and Executive Council who were not responsible to the legislature. • Diarchy/ Dual system of government was introduced. • Bicameral legislature with upper and lower houses were formed with direct elections. • Majority of members in both houses were directly elected. • 3 of the 6 members of Governor-General's council had to be Indians.
Government of India Act, 1935	<ul style="list-style-type: none"> • Established Federation of India of provinces & princely states as constituent units. • Federal, provincial & concurrent lists were introduced. • Abolished diarchy in provinces which now had provincial autonomy. • Introduced diarchy at the Centre & bicameralism in the provinces. • Introduced responsible governments in provinces.
The August Offer, 1940	<ul style="list-style-type: none"> • Expansion of the Governor-General's Executive Council to include more Indians. • Establishment of an advisory war council.
Cripps Proposal, 1942	<ul style="list-style-type: none"> • Provision made up for participation of Indian states in the constitution making body. • The leaders of the principal sections of the Indian people were invited to take active and effective participation in the councils of their country.
Cabinet Mission Plan, 1946	<ul style="list-style-type: none"> • There should be a Union of India, embracing both British India and the states which should deal with foreign affairs. • A Constituent Assembly should be set up to draw up the future constitution of the country.

The Andhra Pradesh Reorganisation Act was passed in the year 2014.

Indian Independence Act, 1947	<ul style="list-style-type: none"> Declared India as independent & sovereign state. Established responsible government at the Center & provinces. Designated Governor General of India & Provincial Governors as Constitutional heads or nominal heads.
Objective Resolution	<ul style="list-style-type: none"> On Jan 22, 1947 the Constituent Assembly adopted Objective resolution as advocated by Jawahar Lal Nehru. It contained fundamental propositions of the constitution & set forth the political ideas that should guide its deliberations.

Constituent Assembly

- The Constituent Assembly was founded on 6 December 1946 under the scheme formulated by the Cabinet Mission Plan 1946.
- Total members - 389(December 1946 - June 1947)
- Members elected indirectly from British India - 296
- Members nominated by princely states. - 93
- Total members - 299 (June 1947-Jan 1950)
- The Constituent Assembly had both Nominated & Elected members. The elected members were indirectly elected

- by members of the Provincial Assemblies.
- 1st meeting of Constituent Assembly – Dec.9, 1946.
 - Muslim League boycotted the Constituent Assembly.
 - Temporary president of the Assembly – Dr. Sachidanand Sinha.
 - Permanent President of the Assembly – Dr. Rajendra Prasad.
 - Vice President of the Assembly – H.C. Mookerjee.
 - Constitutional Advisor to the Assembly – Sir B.N. Rau

Important Committees

COMMITTEE	CHAIRMAN
Drafting Committee	Dr. B.R. Ambedkar
Flag Committee	J. B. Kriplani
Union Constitution Committee	Jawahar Lal Nehru
Provincial Constitution Committee	Sardar Vallabh Bhai Patel
Union Powers Committee	Jawahar Lal Nehru
Committee on Fundamental Rights and Minorities	Sardar Vallabh Bhai Patel
Special Committee to Examine the Draft Constitution	(Chairman: Alladi Krishnaswamy Iyer)
Expert Committee on Financial Provisions	
Ad-hoc Committee on Supreme Court	S. Varada Chariar
Ad-hoc Committee on National Flag	Rajendra Prasad
Committee on Chief Commissioners' Provinces	

Drafting Committee

- It consisted of 7 members –
- 1 Dr. B.R. Ambedkar (Chairman)
 - 2 N. Gopalaswami Ayyangar
 - 3 Alladi Krishnaswamy Iyer
 - 4 Dr. K.M. Munshi
 - 5 Syed Mohammad Saadullah.
 - 6 N. Madhava Rao
 - 7 T.T Krishnamachari

The Drafting Committee took less than 6 months to prepare its draft. In all it sat

only for 141 days. Indian Constitution was framed by the Constituent Assembly in a long time of **2 years, 11 months & 18 days**.

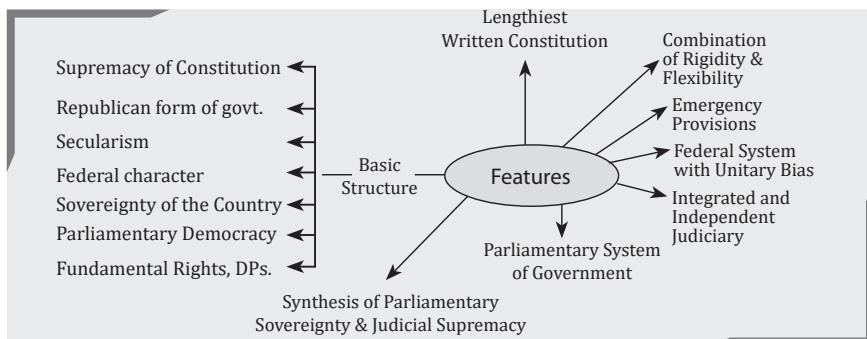
Enactment & Enforcement of the Constitution

The Constitution was adopted on Nov. 26, 1949, contained a Preamble, 395 Articles & 8 Schedules. Now, it increased to 448 Articles & 12 Schedules. It came into force on January 26, 1950. This day is celebrated as the **Republic Day**.

The Constituent Assembly has 11 sessions and incurred ₹64 lakh on making the constitution.

Salient features of the Constitution

The term Constitution is derived from **Latin word “Constitution”** which means “to establish”. A Constitution is something established as the basis of government (whether by a constitutional convention or by process of evolution). The Constitution of our country is a collection of legal rules which provides the framework of the governmental machinery & also it is an effective instrument of orderly social change.



Doctrine of Basic Features

- Certain features of constitution cannot be amended under Article 368.
- Laws shall not be void if intended to implement directive principles in Article 39 (b)-(c), as per 25th Amendment Act.
- No referendum or reference required to Constituent Assembly for the amendment of Constitution.

Sources of Indian Constitution

Indian Constitution has borrowed its provisions from following sources.

Country	Provisions Borrowed
Government of India Act, 1935	Federal scheme Declaration of emergency powers Ordinance defining the power of the President and Governors Office of the Governor Power of federal judiciary Administration at the centre and state level
United Kingdom	Parliamentary system Bicameral parliament Prime Minister Council of Ministers Single citizenship Office of CAG Writ jurisdiction of courts Rule of law

USA	Written constitution Fundamental rights Supreme Court President as executive head of the state Impeachment of the president, removal of SC and HC judges Vice President as chairman of Rajya Sabha Judicial review, independence of judiciary
Australia	Concurrent list Cooperative federalism Centre State relationship Joint sitting of two houses of Parliament
USSR	Fundamental duties
Weimar Constitution of Germany	Suspension of fundamental rights during emergency Ballot system
Canada	Federal system Residuary powers Appointment of Governor Advisory jurisdiction of S.C
South Africa	Procedure of Constitutional amendment Elected member to Rajya Sabha
Ireland	Concept of Directive Principles of State Policy Nomination of members to Rajya Sabha by the President Presidential election

The concept of written constitution was first born in the USA.

Article List

Part / Schedule	Chapter	Articles	Subject matter
I		1-4	The Union and its Territory
II		5-11	Citizenship
III		12-35	Fundamental Rights
IV		36-51	Directive Principles of State Policy
IVA		51A	Fundamental Duties
V		52-151	The Union
	I	52-78	The Executive – The President and Vice President, Council of Ministers, The Attorney-General for India, Conduct of Government Business, Duties of Prime Minister with respect to the furnishing of information to the President, etc.
	II	79-122	Parliament, Conduct of business, Disqualifications of Members, Legislative procedure etc.
	III	123	Legislative powers of the President.
	IV	124-147	The Union Judiciary.
	V	148-151	Comptroller and Auditor-General of India.
VI		152-237	The States
	I	152	Definition
	II	153-167	The Executive - The Governor, Council of Ministers, The Advocate-General for the State, Conduct of Government business, Duties of Chief Minister in respects of furnishing information to Governor, etc.
	III	168-212	The State Legislature, Disqualification of Members, Legislative Procedure, etc.
	IV	213	Legislative power of the Governor.
	V	214-232	The High Courts in the States.
	VI	233-237	Subordinate Courts.
VII		238	Repeals.
VIII		239-242	The Union Territories – administration, High Courts for Union Territories etc.
IX		243-2430	The Panchayats.
IXA		243P-243ZG	The Municipalities.
X		244-244A	The Scheduled and Tribal Areas.
	I	245-255	Legislative Relations – distribution of legislative powers, residuary powers of legislation, etc.
	II	256-263	Administrative Relations.
XII		264-300A	Finance, Property, Contracts and Suits
	I	264-291	Finance – taxes, grants, Finance Commission, recommendations of Finance Commission, exemption from taxes etc.
	II	292-293	Borrowing – by the Government of India and by States.
	III	294-300	Property, Contracts, Rights, Liabilities, Obligations and Suits and proceedings.

The first woman to become the Prime Minister of a country was Sirimavo Bandaranaike of Sri Lanka.

	IV	300A	Right to Property.
XIII		301-307	Trade, Commerce and Intercourse within the territory of India.
XIV		308-323	Services under the Union and the States.
	I	308-314	Services – recruitment and conditions of service of persons serving the Union or State.
	II	315-323	Public Service Commissions.
XIVA		323A-323B	Tribunals.
XV		324-329A	Elections.
XVI		330-342	Special Provisions relating to certain Classes- Scheduled Castes and Scheduled Tribes in House of the People, etc.
XVII		343-351	Official Language
	I	343-344	Language of the Union.
	II	345-347	Regional Languages.
	III	348-349	Language of the Supreme Court, High Court, etc.
	IV	350-351	Special Directives.
XVIII		352-360	Emergency Provisions.
XIX		361-367	Miscellaneous – protection of President, Governors and Rajpramukhs, abolition of privy purses, special provisions as to major ports and aerodromes, etc.
XX		368	Amendment of the Constitution - Power of Parliament and procedure.
XXI		369-392	Temporary, Transitional and Special Provisions.
XXII		393-395	Short Title, Commencement, Authoritative text in Hindi and Repeals.

Schedules of the Constitution

Numbers	Subject Matter	Articles Covered
First	Names of the States and their territorial jurisdiction.	1 and 4
Schedule	Name of the Union Territories and their extent.	
Second Schedule	Provisions relating to the emoluments, allowances, privileges and so on of:	59, 65, 75, 97, 125, 148, 158, 164, 186 & 221
	The President of India	
	The Governors of States	
	The Speaker and the Deputy Speaker of the Lok Sabha	
	The Chairman and the Deputy Chairman of the Rajya Sabha	
	The Speaker and the Deputy Speaker of the Legislative Assembly in the states	
	The Chairman and the Deputy Chairman of the Legislative Council in the states	
	The judges of the Supreme Court	
	The judges of the High Courts	
	The Comptroller and Auditor - General of India	

The total strength of the Constituent Assembly was to be 389.

Third Schedule	Forms of Oaths or Affirmations for:	75, 99, 124, 148, 164, 188 and 219
	The Union Ministers	
	The candidates for election to the Parliament	
	The members of Parliament	
	The judges of the Supreme Court	
	The Comptroller of Auditor - General of India	
	The State Ministers	
	The candidates for election to the state legislature	
	The members of the state legislature	
	The judges of the High Courts	
Fourth Schedule	Allocation of seats in the Rajya Sabha to the states and the Union Territories.	4 and 80
Fifth Schedule	Provisions relating to the administration and control of scheduled areas and scheduled tribes.	244
Sixth Schedule	Provisions relating to the administration of tribal areas in the states of Assam, Meghalaya, Tripura and Mizoram.	244 and 275
Seventh Schedule	Division of power between the Union and the States in terms of List I (Union List), List II (State List) and List III (Concurrent List). Presently, The Union List contains 100 subjects (originally 97). The State list contains 61 subjects (Originally 66) and the concurrent list contains 52 subjects (originally 47).	246
Eighth Schedule	Languages recognized by the Constitution. Originally, it had 14 languages but presently there are 22 languages. They are: Assamese, Bengali, Bodo Dogri (Dongri), Gujarati, Hindi, Kannada, Kashmiri, Konkani, Maithili(Maithili), Malayalam, Manipuri, Marathi, Nepali, Oriya, Punjabi, Sanskrit, Santhali, Sindhi, Tamil, Telugu and Urdu. Sindhi was added by the 21 st Amendment Act of 1967. Konkani, Manipuri and Nepali were added by the 71 st Amendment Act of 1967; Konkani, Manipuri and Nepali were added by the 71 st Amendment Act of 1992; And Bodo, Dongri, Maithili and Santhali were added by the 92 nd Amendment Act of 2003.	344 and 351
Ninth Schedule	Acts and Regulations (originally 13 but presently 284) of the state legislatures dealing with land reforms and abolition of the zamindari system and of the Parliament dealing with other matters. This schedule was added by the 1 st Amendment (1951) to protect the laws included in it from judicial scrutiny on the ground of violation of fundamental rights. However, in 2007, the Supreme Court ruled that the laws included in this schedule after April 24, 1973, are open to judicial review.	31 - B
Tenth Schedule	Provisions relating to disqualification of the members of Parliament and State Legislatures on the ground of defection. This schedule was added by the 52 nd Amendment Act of 1985, also known as Anti Defection Law.	102 and 191

Dr. Sachidanand Sinha, the oldest member, was elected as the temporary President of the Assembly.

Eleventh Schedule	Specifies the powers, authority and responsibilities of Panchayats. It has 29 matters. This Schedule was added by the 73 rd Amendment Act of 1992.	243 - G
Twelfth Schedule	Specifies the powers, authority and responsibilities of Municipalities. It has 18 matters. This Schedule was added by the 74 th Amendment Act of 1992.	243 - W

Amending the Constitution

- To be amended by the process prescribed under Article 368.
- Approval of legislatures of half of states required in case of federal structure change.
- Amendment initiated by the introduction of a bill in either House of the Parliament.
- The bill to be approved by 50% of members of each house and by a majority of at least two-thirds of the members of that house

List of Important Amendments

	Amendments	Enforced since	Objectives
11 th – 1961	Amend articles 66 and 71.	19 December 1961	Election of Vice President by Electoral College consisting of members of both Houses of Parliament, instead of election by a Joint Sitting of Parliament. Indemnify the President and Vice President Election procedure from challenge on grounds of existence of any vacancies in the electoral college.
25 th – 1971	Amend article 31. Insert article 31C.	20 April 1972	Restrict property rights and compensation in case the state takes over private property.
31 st – 1973	Amend articles 81, 330 and 332.	17 October 1973	Increase size of Parliament from 525 to 545 seats. Increased seats going to the new states formed in North East India and minor adjustment consequent to 1971 Delimitation exercise.
32 nd – 1973	Amend article 371. Insert articles 371D and 371E. Amend schedule 7.	1 July 1974	Protection of regional rights in Telangana and Andhra regions of State of Andhra Pradesh.
42 nd – 1976	Amend articles 31, 31C, 39, 55, 74, 77, 81, 82, 83, 100, 102, 103, 105, 118, 145, 150, 166, 170, 172, 189, 191, 192, 194, 208, 217, 225, 226, 227, 228, 311, 312, 330, 352, 353, 356, 357, 358, 359, 366, 368 and 371F. Insert articles 31D, 32A, 39A, 43A, 48A, 131A, 139A, 144A, 226A, 228A and 257A. Insert parts 4A and 14A. Amend schedule 7.	1 April 1977	Amendment passed during internal emergency by Indira Gandhi. Provides for curtailment of fundamental rights, imposes fundamental duties and changes to the basic structure of the Constitution by making India a "Socialist Secular" Democratic Republic.

National flag was adopted on July 22, 1947.

51 st – 1984	Amend articles 330 and 332.	16 June 1986	Provide reservation to Scheduled Tribes in Nagaland, Meghalaya, Mizoram and Arunachal Pradesh Legislative Assemblies.
61 st – 1988	Amend article 326.	28 March 1989	Reduce age for voting rights from 21 to 18
64 th – 1990	Amend article 356.	16 April 1990	Article 356 amended to permit President's rule up to three years and six months in the State of Punjab.
65 th – 1990	Amend article 338.	12 March 1990	National Commission for Scheduled Castes and Scheduled Tribes formed and its statutory powers specified in the Constitution.
81 st – 2000	Amend article 16.	9 June 2000	Protect SC / ST reservation in filling backlog of vacancies.
82 nd – 2000	Amend article 335.	8 September 2000	Permit relaxation of qualifying marks and other criteria in reservation in promotion for SC / ST candidates.
86 th – 2002	Amend articles 45 and 51A. Insert article 21A.	12 December 2002	Provides Right to Education until the age of fourteen and Early childhood care until the age of six.
89 th – 2003	Amend article 338. Insert article 338A.	28 September 2003	The National Commission for Scheduled Castes and Scheduled Tribes was bifurcated into The National Commission for Scheduled Castes and the National Commission for Scheduled Tribes.
97 th – 2011	Amend Art 19 and added Part IXB.	12 January 2012	Added the words "or Co-operative Societies" after the word "or Unions" in Article 19(l) (c) and insertion of article 43B i.e., Promotion of Co-operative Societies and added Part-IXB, i.e. the Co-operative Societies. The amendment objective is to encourage economic activities of cooperatives which in turn help progress of rural India. It is expected to not only ensure autonomous and democratic functioning of cooperatives, but also the accountability of the management of the members and other stakeholders.

99 th – 2014	Insertion of new articles 124A, 124B and 124C Amendments to Articles 127, 128, 217, 222, 224A, 231.	13 April 2015	The amendment provides for the formation of a National Judicial Appointments Commission. 16 State assemblies out of 29 States including Goa, Rajasthan, Tripura, Gujarat and Telangana ratified the Central Legislation, enabling the President of India to give assent to the bill. The amendment is in toto quashed by Supreme Court on 16 October 2015.
100 th – 2015	Amendment of First Schedule to Constitution	1 August 2015	Exchange of certain enclave territories with Bangladesh and conferment of citizenship rights to residents of enclaves consequent to signing of Land Boundary Agreement (LBA) Treaty between India and Bangladesh.
101 th -2016	Addition of articles 246A, 269A, 279A. Deletion of Article 268A. Amendment of articles 248, 249, 250, 268, 269, 270, 271, 286, 366, 368, sixth schedule, seventh schedule	1 July 2017	Goods and Services Tax Act

PREAMBLE

Meaning	Introduction or preface to the Constitution. Summary or essence of the Constitution
Components	Source of Authority – People of India Nature of Indian State – Sovereign, Socialist, Secular, Democratic & Republican. Objectives of Constitution –Justice, Liberty, Equality & Fraternity.
Amendment	42 nd Amnd Act 1976 added 3 new words – Socialist, Secular & Integrity.
Part of the Constitution	In Kesavananda Bharati Case (1973), Supreme Court held that Preamble is an integral part of the Constitution.

- The Preamble of Indian Constitution is based on the Objectives Resolution drafted by Pandit Nehru and adopted by the Constituent Assembly.
- The idea of Liberty, Equality and Fraternity has been taken from the French Revolution.

Integration and Merger of Indian States

- 216 states merged into respective provinces and 61 states converted into centrally administered areas.
- 275 states integrated into 5 Unions (Madhya Bharat, Patiala, East Punjab States Union, Rajasthan, Saurashtra and Travancore-Cochin).
- Jammu & Kashmir acceded to India on October 26, 1947.

The Constitution deals with the Citizenship from article 5 to 11 under Part II.

THE UNION & ITS TERRITORIES

- Article 1 stipulates that India, that is Bharat, shall be Union of states.
- The country is described as 'Union' because it is indestructible.
- The 'territory of India' includes the entire area over which the Sovereignty of India extends.
- Under Articles 2 &3, Parliament has the power to establish new States, form a new State from the territory of any State or by uniting two or more States, increase or decrease the area of any State, or alter the boundaries or the name of any State.
- First Linguistic State – Andhra Pradesh.
- The Union Territories are not included in the Union of States.
- The States and their territories are specified in the First Schedule of the Constitution. The Parliament has been granted power to establish new states.
- The Parliament has admitted the French settlement of Pondicherry, Karaikal, Mahe and Yenam, the Portuguese settlement of Goa, Diu and Daman and Sikkim into India after independence.

Reorganisation of States

- A Bill intended to create a new State or alter boundaries of existing States is introduced in either House of the Parliament, only on the recommendation of the President.
- President sends the State Reorganization Bill to the State Legislature concerned for its opinion, fixing a time limit.
- Parliament is not bound to accept the views of the State Legislature on a State Reorganization Bill. The State Reorganization Bill requires simple majority in both Houses of the Parliament.
- It is not necessary to obtain the approval of legislatures of Union Territories before a bill affecting their boundaries or names is introduced.
- The States Reorganization Act, 1956 reorganised the boundaries of different States to establish a new State of Kerala and merge the former States of Madhya Bharat, Pepsu, Saurashtra, Travancore, Cochin, Ajmer, Bhopal, Coorg, Kutch and Vindhya Pradesh in other adjoining States.
- The Bombay Reorganization Act, 1960, divided the State of Bombay to establish States of Gujarat and Maharashtra.

List of New States & UTs Created After 1956

STATES/UTs	YEAR
Maharashtra & Gujarat	1960
Dadra & Nagar Haveli	1961
Goa, Daman & Diu	1962
Goa (Statehood)	1987
Puducherry	1962
Nagaland	1963
Haryana, Chandigarh	1966
Himachal Pradesh (Statehood)	1971

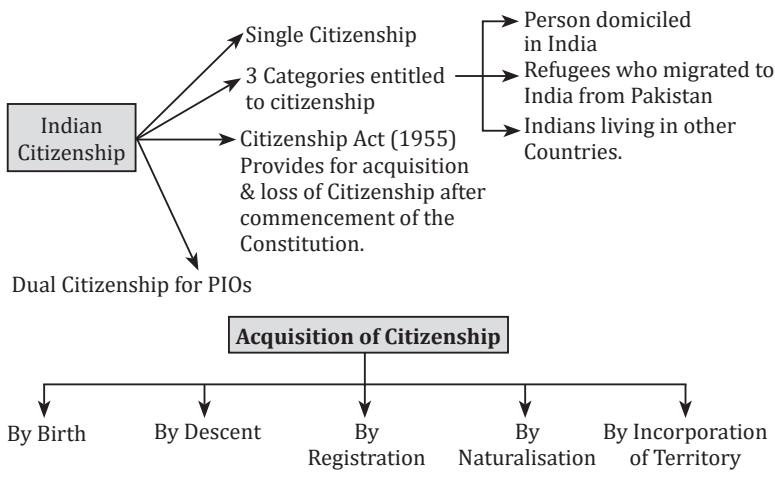
Article 39, 39A, 43A and 48A of Directive Principles were added by 42nd Amendment Act of 1976.

POLITY

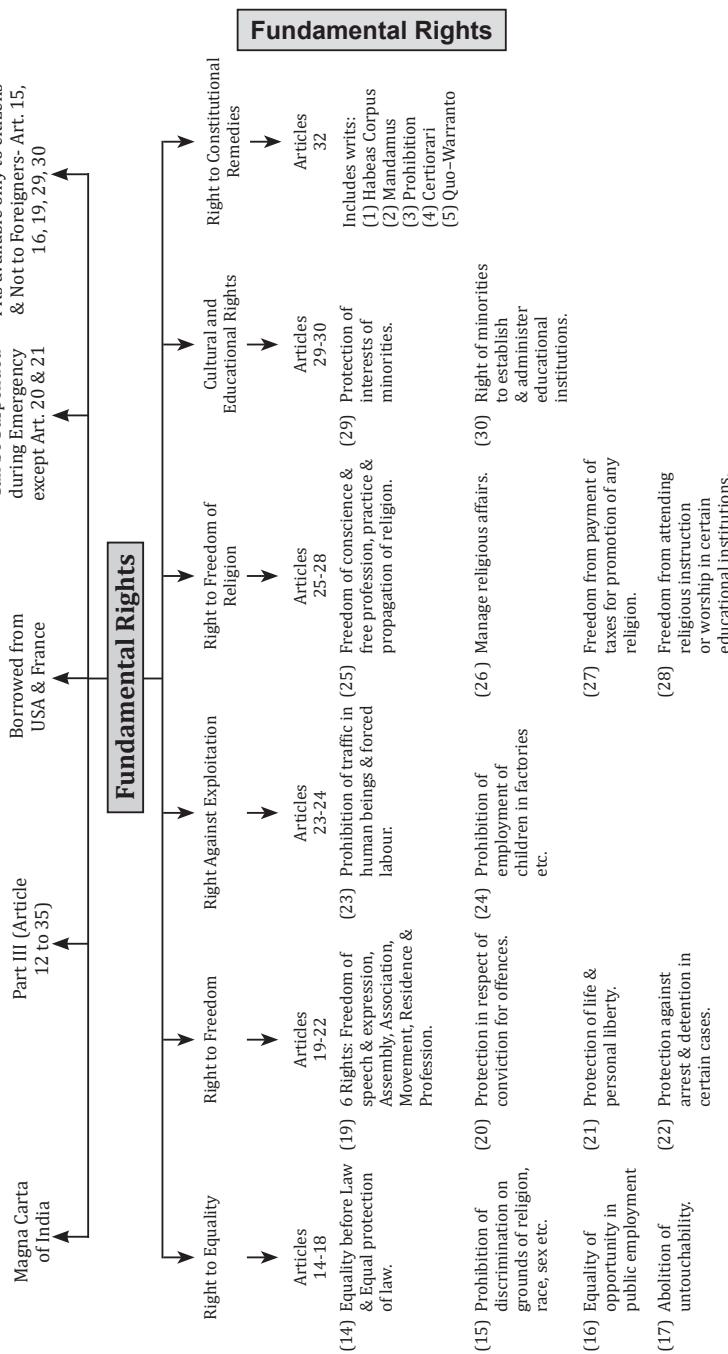
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Manipur, Tripura & Meghalaya (Statehood)	1972
Sikkim (full – fledged State)	1975
Arunachal Pradesh & Mizoram	1987
Chhattisgarh, Uttarakhand & Jharkhand	2000
Telangana	2014

Citizenship



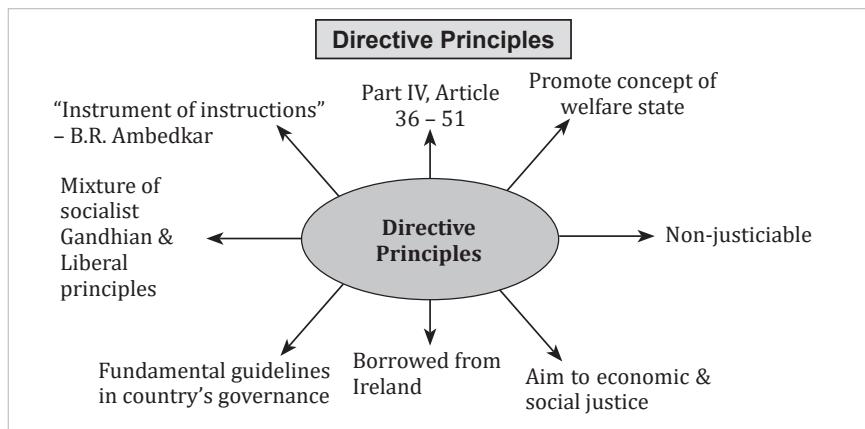
- Only Indian citizens have the following rights under the Constitution:
 - Some of the Fundamental Rights mentioned in part III of the Constitution. e.g. Articles 15, 16, 19, 29, 30.
 - Only Citizens are eligible for offices of the President, Vice-President, Judge of the Supreme Court or a High Court, Attorney – General, Governor of a State, Member of a legislature.
 - Only citizens have the right to vote.
- The Citizenship Act, 1955, provides for the acquisition of Indian citizenship in the following ways:
 - Every person born in India on or after January, 1950, shall be a citizen of India if either of his parents was a citizen of India at the time of his birth.
 - A person who lived outside India on or after 26 January, 1950, shall be a citizen of India by descent, if his father was a citizen of India at the time of that person's birth.
 - A person residing in India for more than 7 years and having adequate knowledge of a recognised Indian language can seek citizenship by naturalisation, provided he is not a citizen of a country where Indian citizens are prevented from becoming citizens by



The concept of Five Year Plan was taken from USSR.

Mandal Commission

In 1979, the Government of Morarji Desai appointed the Backward Classes Commission under the Chairmanship of BP Mandal, a Member of Parliament, to investigate the conditions of the socially and educationally backward classes and suggest measures for their advancement. The commission submitted its report in 1980 and recommended 27% jobs reservation for Other Backward Classes (OBCs).



ARTICLES RELATED TO DIRECTIVE PRINCIPLES OF STATE POLICY AT A GLANCE

Article No.	Subject - matter
36	Definition of State
37	Application of the principles contained in this part
38	State to secure a social order for the promotion of welfare of the people
39	Certain principles of policy to be followed by the State Means of livelihood to all. Use of resources for common good. Prevention of concentration of wealth Equal pay for equal work Protection of workers, children & youth
39 A	Equal justice and free legal aid
40	Organisation of village panchayats
41	Right to work, to education and to public assistance in certain cases
42	Provision for just and humane conditions of work and maternity relief
43	Living wage, etc. for workers
43 A	Participation of workers in management of industries
43 B	Promotion of co-operative societies
44	Uniform Civil Code for the citizens
45	Provision for early childhood care and education to children below the age of six years

46	Promotion of educational and economic interests of Scheduled Castes, Scheduled Tribes and other weaker section.
47	Duty of the State to raise the level of nutrition and the standard of living and to improve public health
48	Organisation of agriculture and animal husbandry
48 A	Protection and improvement of environment and safeguarding of forests and wildlife
49	Protection of monuments and places and objects of national importance
50	Separation of judiciary from executive
51	Promotion of international peace security

DIFFERENCE BETWEEN FUNDAMENTAL RIGHTS AND DIRECTIVE PRINCIPLES

Fundamental Rights	Directive Principles
These are negative as they prohibit the state from doing certain things.	These are positive as they require the state to do certain things.
These are Justiciable , i.e. they are legally enforceable by the courts in case of their violation.	These are non-justiciable , i.e. they are not legally enforceable by the courts for their violation.
They focus on establishing political democracy in the country.	They focus on establishing social and economic democracy in the country.
These have legal sanctions.	These have moral and political sanctions.
They promote the welfare of the individual . Hence, they are personal and individualistic.	They promote the welfare of the community . Hence, they are sectarian and socialistic.
The courts are bound to declare a law violative of any of the Fundamental Rights as unconstitutional and invalid.	The courts cannot declare a law violative of any of the Directive Principles as unconstitutional and invalid. However, they can uphold the validity of a law on the ground that it was enacted to give effect to a directive

Fundamental Duties	
	Fundamental Duties
Covered	Part IV A, Article 51-A
Borrowed from	USSR
Amendment	42 nd Amendment 1976, introduced Article 51 A in the Constitution.
Recommended by	Swaran Singh Committee.
Numbers	Originally-10 duties Now-12 duties (added by 86 th Amendment ACT, 2002)

The election commission of India is not concerned with the election of panchayats and municipalities.

List of FDs	51 A (a)	Abide by the Constitution and respect National Flag & National Anthem
	B	Follow ideals of the freedom struggle
	C	Protect sovereignty & integrity of India
	D	Defend the country and render national services when called upon
	E	Spirit of common brotherhood
	F	Preserve composite culture
	G	Protect natural environment
	H	Develop scientific temper
	I	Safeguard public property
	J	Strive for excellence
	K	Duty of all parents & guardians to send their children in the age group of 6-14 years to school.

Justice Verma Committee

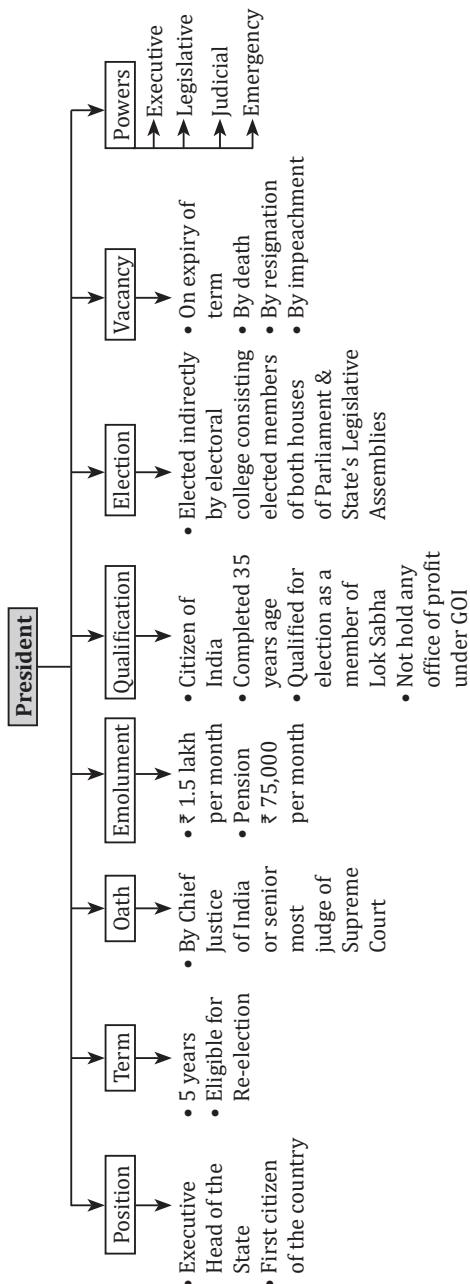
- Justice Verma Committee on Fundamental Duties was set up in 1999 and the report was presented in 2000. It recommended reorienting approaches to school curriculum and teacher's education programmes and incorporating Fundamental Duties in higher and professional education.
- **National Commission to Review the Working of the Constitution** report in 2002 recommended to implement the Justice Verma Committee recommendations.
- In 2003, Supreme Court directed the Central Government to enact a Law for the enforcement of Fundamental Duties by citizens as suggested by the Justice Verma Committee.

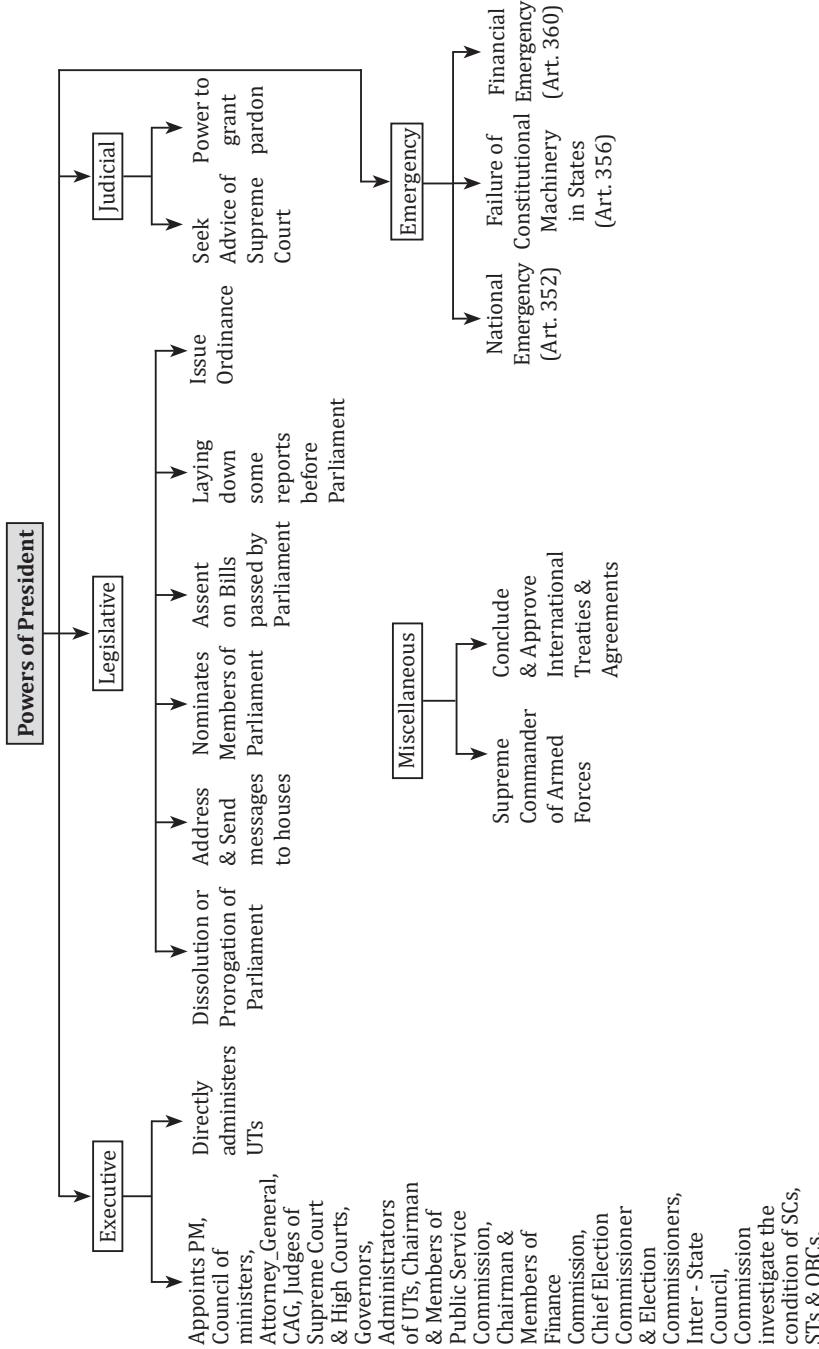
The Writs

- For enforcement of fundamental rights, the judiciary has been given power to issue the writs.
- Supreme Court has the power to issue writs only for the enforcement of the Fundamental Rights whereas under Art. 226 a High Court can issue writs for the enforcement of Fundamental Rights and/or for the redress of any other injury or illegality.
- Supreme Court can issue a writ against any person or Government within the territory of India, whereas High Court can issue a writ against a person, Government or other authority only if they lie within the territorial jurisdiction of the High Court.
- A writ of Habeas Corpus calls upon the person who has detained another to produce the latter before the court, in order to let the court know on what ground he has been confined and to set him free if there is no legal justification for the imprisonment.
- Mandamus commands the person to perform some public or quasi-public legal duty which he has refused to perform and the performance of which cannot be enforced by any other adequate legal remedy. Mandamus cannot be granted against the President, or the Governor of a state, for the exercise and performance of the powers and duties of his office.
- The writ of prohibition is issued by the Supreme Court or a High Court to an inferior court forbidding the latter to continue proceeding therein in excess of its jurisdiction.
- While mandamus is available not only against judicial authorities but also against administrative authorities, prohibition and certiorari are issued only against judicial or quasi-judicial authorities.

The interpretation of the Constitution falls within the domain of the Constitutional Bench which must consist of at least 5 judges.

President





Only the president can save a person guilty in the Supreme Court who has been given the death sentence.

List of Presidents		
President	Joining date	Leaving date
Dr. Rajendra Prasad	1/26/1950	5/13/1962
Sarvepalli Radhakrishnan	5/13/1962	5/13/1967
Zakir Hussain	5/13/1967	5/3/1969
Varahagiri Venkata Giri	5/3/1969	7/20/1969
Muhammad Hidayatullah	7/20/1969	8/24/1969
Varahagiri Venkata Giri	8/24/1969	8/24/1974
Fakhruddin Ali Ahmed	8/24/1974	2/11/1977
Basappa Danappa Jatti	2/11/1977	7/25/1977
Neelam Sanjiva Reddy	7/25/1977	7/25/1982
Giani Zail Singh	7/25/1982	7/25/1987
Ramaswamy Venkataraman	7/25/1987	7/25/1992
Shankar Dayal Sharma	7/25/1992	7/25/1997
Kocheril Raman Narayanan	7/25/1997	7/25/2002
A.P.J. Abdul Kalam	7/25/2002	7/25/2007
Smt. Pratibha Patil	7/25/2007	7/25/2012
Pranab Mukherjee	7/25/2012	7/25/2017
Ram Nath Kovind	7/25/2017	Incumbent

Vice President**Qualification**

- (1) Citizen of India.
- (2) Completed 35 years.
- (3) Qualified for election as a member of Rajya Sabha.
- (4) Not hold any office of profit under Union/ State government or any Local Authority.

Term

- (1) 5 years.
- (2) Eligible for re-election.

Oath

- (1) Administered by the President.

Emoluments

- (1) ₹ 1.25 Lakh per month salary.

Election

- (1) Indirectly elected.
- (2) Elected by an electoral college consisting of the members of both Houses of Parliament & in accordance with the system of proportional representation by means of the single transferable vote.

Functions

- (1) Ex-officio chairman of Rajya Sabha.
- (2) Suspend or adjourn the business of the

House(Rajya Sabha).

- (3) Issues direction to the Chairman of various committees.
- (4) Acts as President when vacancy occurs in the office of the President due to his resignation, removal, death, or otherwise.
- (5) Chief Justice of India acts as the President in the absence of both President and Vice President.
- (6) Dispute regarding the election of President or Vice President is decided by the Supreme Court.

Removal

- (1) Vice President can be removed by a resolution of the Rajya Sabha passed by an absolute majority & agreed to by the Lok Sabha. But, no such resolution can be moved unless at least 14 days advance notice has been given.

Prime Minister**Appointment**

- (1) By President

Position

- (1) Real executive authority (de facto executive).
- (2) Head of the Government.

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- (3) Leader of the majority party in the Lok Sabha.

Election

- (1) Elected directly by the people.

Term

- (1) 5 years
 (2) The PM actually stays in office as long as he enjoys the confidence of the parliament, but the normal term is automatically reduced if the Lok Sabha is dissolved earlier.

Powers

- (1) Advise the President to summon & prorogue the Parliament & dissolve the Lok Sabha.
 (2) Act as a link between the cabinet & the President.
 (3) All the members of the Council of Ministers are appointed by the President on the recommendations of the Prime Minister.
 (4) Allocates Portfolios among the various ministers & reshuffles them.
 (5) Presides over the meetings of the Council of Ministers.

- (6) Ask a minister to resign.
 (7) Coordinates the policies of the various departments & ministries.

Prime Ministers of India	
Narendra Modi	2014 till date
Manmohan Singh	2004-14
Atal Bihari Vajpayee	1998-2004
IK Gujral	1997-98
HD Deve Gowda	1996-97
AB Vajpayee	1996-96
PV Narasimha Rao	1991-96
Chandra Shekhar	1990-91
VP Singh	1989-90
Rajiv Gandhi	1984-89
Indira Gandhi	1980-84
Charan Singh	1979-80
Morarji Desai	1977-79
Indira Gandhi	1966-77
Gulzarilal Nanda	1966-66
Lal Bahadur Shastri	1964-66
Gulzarilal Nanda	1964-64
Jawaharlal Nehru	1947-64

Governor

Position	Chief Executive of the State. Act as head agent of the Central Government.
Qualification	<ul style="list-style-type: none"> Citizen of India. Completed 35 years. Not hold any office of profit under government. Not a member of Parliament or State legislature.
Appointment & Tenure	<ul style="list-style-type: none"> Appointed by President. Term is 5 years.
Oath	Administered by Chief Justice of High Court
Powers and Functions	<p>(A) Executive Powers –</p> <ul style="list-style-type: none"> Appoints Chief Minister & other ministers, Advocate General, Chairman & Members of State PSC, State Election Commissioner & Finance Commission, Vice Chancellors of Universities in State. Nominate one member of Anglo Indian Community to the Legislative Assembly of his State & 1/6th members of State Legislative Council. Recommend President that government of the State cannot be carried on in accordance with the Provisions of the Constitution. <p>(B) Legislative Powers –</p> <ul style="list-style-type: none"> Summon, adjourn & prorogue State legislature & dissolve the State Legislative Assembly. Address the state legislature at the commencement of the first session after each general election and the first session of each year. Give or withhold Assent to the bill.

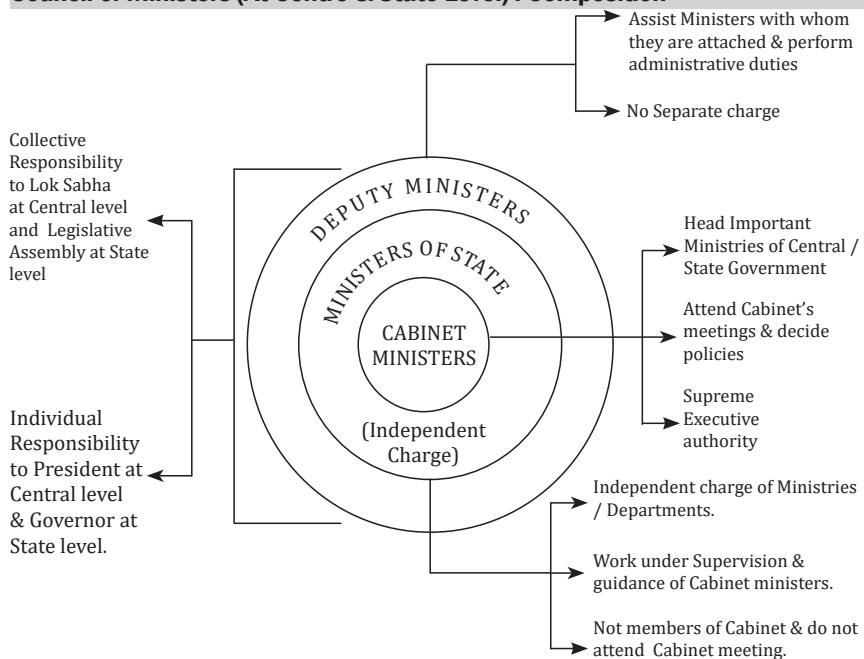
The presiding officer (Speaker or Chairman) declares the house adjourned sine die, when the business of a session is completed.

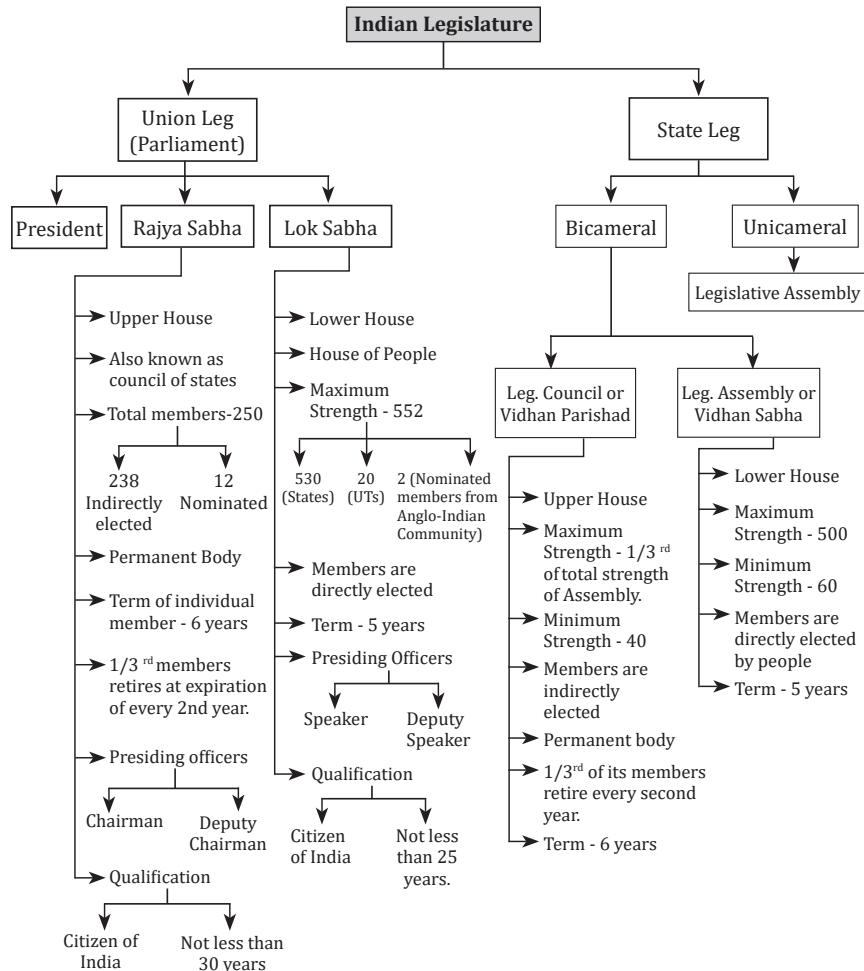
- Return or reserve the Bill.
 - Submission reports from auditor General, State PSC, State Finance Commission before the legislature.
- (C) Discretionary Powers –
- Appointing a new Chief Minister when no Single Party commands a clear-cut majority in Legislative Assembly.
 - Dismissal of ministry if he is convinced that it has lost majority support.
- (D) Other powers –
- Grant Pardons & Suspend the sentence of any person but cannot Pardon in case of death sentence.
 - No demand of grants can be made except on the recommendation of the Governor.
 - Ensures that Budget of State is laid before State Legislature every year.

Chief Minister

Appointment	By Governor
Tenure	5 years
Qualification	Member of either house of the State legislature
Powers & Functions	<ul style="list-style-type: none"> (1) Chief link between the Governor & the Council of Ministers. (2) Head of the Council of Ministers. (3) Recommends to the Governor the names of persons to be appointed as members of the Council of Ministers (4) Allocates portfolios among Ministers. (5) Supervises & coordinates Policies of the several Ministries & Departments.

Council of Ministers (At Centre & State Level) : Composition



Parliament**Representation of States and Union Territories in the Rajya Sabha**

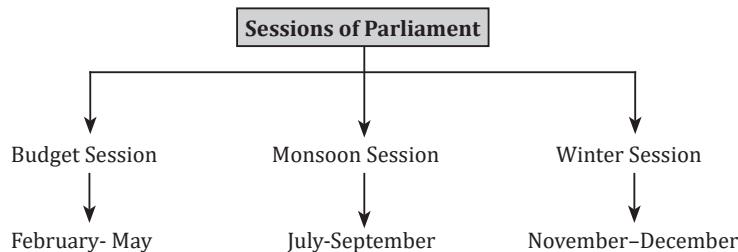
State	No.	State	No.
Uttar Pradesh	31	Chhattisgarh	5
Maharashtra	19	Haryana	5
Tamil Nadu	18	Jammu & Kashmir	4
West Bengal	16	Himachal Pradesh	3
Bihar	16	Uttarakhand	3
Karnataka	12	Goa	1
Andhra Pradesh	11	Manipur	1
Gujarat	11	Nagaland	1

Jammu and Kashmir has its own constitution and its own flag.

Madhya Pradesh	11	Sikkim	1
Rajasthan	10	Tripura	1
Odisha (Orissa)	10	Arunachal Pradesh	1
Kerala	9	Mizoram	1
Assam	7	Meghalaya	1
Punjab	7	Union Territories	
Telangana	7	Delhi	3
Jharkhand	6	Puducherry	1

Representation of States and Union Territories in the Lok Sabha

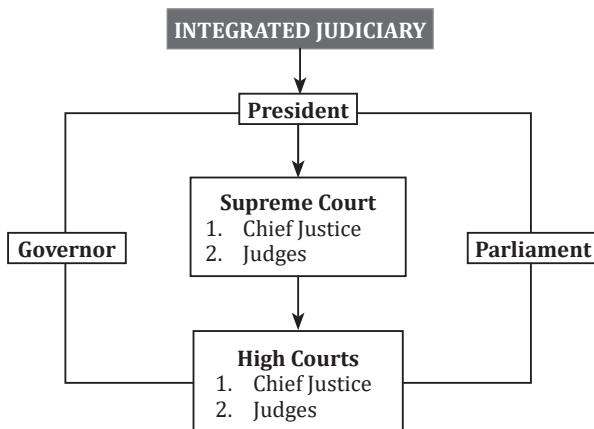
State	No.	State	No.
Uttar Pradesh	80	Uttarakhand	5
Maharashtra	48	Himachal Pradesh	4
West Bengal	42	Tripura	2
Bihar	40	Manipur	2
Tamil Nadu	39	Meghalaya	2
Madhya Pradesh	29	Goa	2
Karnataka	28	Arunachal Pradesh	2
Gujarat	26	Nagaland	1
Rajasthan	25	Sikkim	1
Andhra Pradesh	25	Mizoram	1
Odisha (Orissa)	21		
Kerala	20	Union Territories	
Telangana	17	Delhi	7
Jharkhand	14	Puducherry	1
Assam	14	Chandigarh	1
Punjab	13	Lakshadweep	1
Chhattisgarh	11	Dadra & Nagar Haveli	1
Haryana	10	Daman & Diu	1
Jammu & Kashmir	6	Andaman & Nicobar	1



The first Speaker of Lok Sabha was Ganesh Vasudev Mavalankar who served as the speaker from 1952 to 1956.

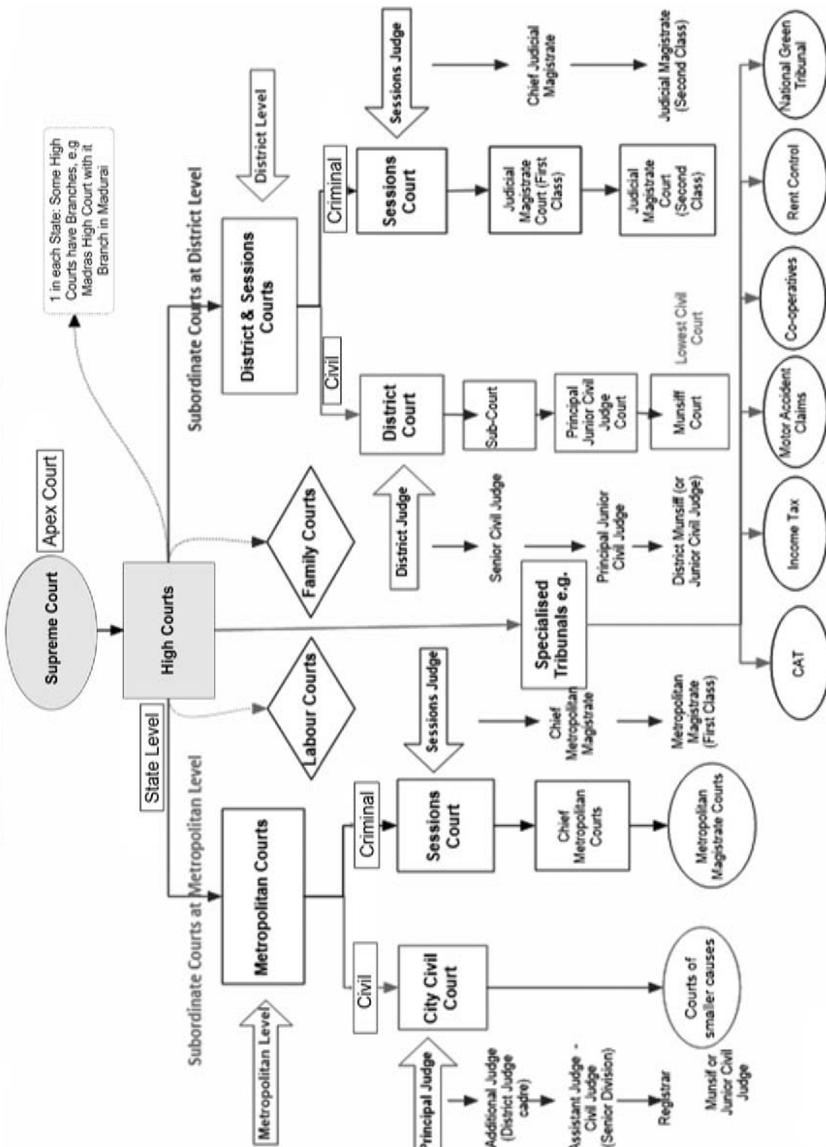
Control of the Parliament Over the Executive	
Question hour	<ul style="list-style-type: none"> First hour of every parliamentary sitting. Starred questions are answered orally and supplementary questions can follow. Unstarred questions are answered in writing. Short notice questions are asked giving less than 10 days notice.
Zero hour	<ul style="list-style-type: none"> Starts immediately after the question hour. Any matter can be discussed during the zero hour.
Half-an-hour discussion	<ul style="list-style-type: none"> To clear fact on matters of public importance on which lot of debate has occurred.
Short duration discussions	<ul style="list-style-type: none"> To discuss urgent matters. Also known as two hour discussion.
Calling Attention Motion	<ul style="list-style-type: none"> Moved to call the attention of a minister to matters of public importance.
Adjournment Motion	<ul style="list-style-type: none"> To draw attention of Parliament to a matter of urgent public importance. Motion needs the support of 50 members for admission. Rajya Sabha cannot move this motion.
No Confidence Motion	<ul style="list-style-type: none"> Moved to prove the confidence of Lok Sabha in the Council of Ministers. If No Confidence Motion is passed, Council of Ministers has to resign. No Confidence Motion needs the support of 50 members to be admitted. Can be moved only in Lok Sabha.
Censure Motion	<ul style="list-style-type: none"> This motion seeks to censure the government for its lapses. If the Censure Motion is passed against the government, it should pass a Confidence Motion as soon as possible to regain the confidence of the house. And government, does not need to resign immediately unlike in case of No-Confidence Motion. It can be moved against an individual minister for specific policies or actions. This motion should state the reason for its adoption. It is in practice since 1954.

INDIAN JUDICIARY



Balwant Rai Mehta Committee had recommended for the decentralization of the government in November 1957.

HIERARCHY OF COURTS IN INDIA - A Flow Diagram



Supreme Court

- Supreme court is the final interpreter & guardian of our Constitution. It is the highest court of appeal in India.
- Presently there are 31 judges (including Chief justice) in Supreme Court.
- The CJI is appointed by the President.
- There is no fixed period of office for SC judges. Once appointed, they hold office till the age of 65 years.

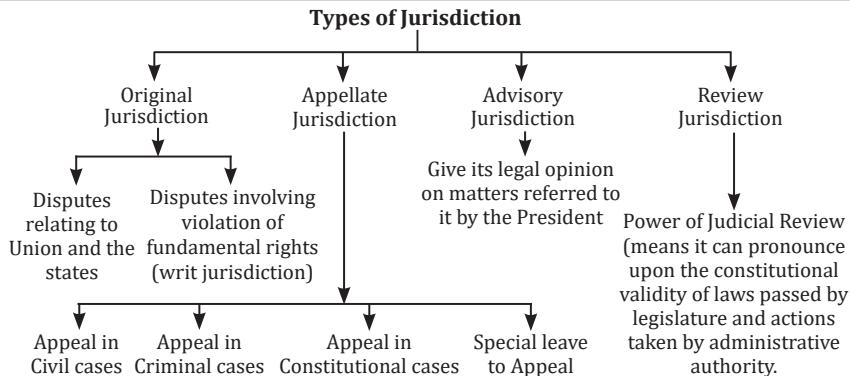
The Fifth Schedule of Indian Constitution which deals with Scheduled Tribes and administration of Scheduled Tribe areas do not hold for J&K.

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- A judge of SC can be removed from his office only by the process of impeachment.
- According to Article 129, SC is a “**Court of Record**”. It means:-
 - (a) Court records are admitted to be of evidentiary value.
 - (b) It can punish for Contempt of the Court.
- Qualification for appointment as a Judge of SC :-
 - (1) Citizen of India.
 - (2) Either be a distinguished jurist, or one who has been a High Court Judge for at least 5 years or an advocate of a High Court (or 2 or more such courts in Succession) for at least 10 years.

Jurisdiction of Supreme Court



Removal of Supreme Court Judge

1. A motion presented to the President signed by at least 100 members of the Lok Sabha or 50 members of Rajya Sabha is delivered to the Speaker or the Chairman.
2. The motion is investigated by a committee of 3 judges (2 judges of Supreme Court and a distinguish jurist).
3. The motion is passed in each House by majority of total membership of the House and by a majority of not less than two-thirds of the members present.
4. After retirement, a Judge of the Supreme Court cannot plead or act in any court in India.

Important Supreme Court Judgments in 2016-17

Date	Judgment	Parties
02-01-2017	<ul style="list-style-type: none"> • SC ruled out that no politician can seek votes in the name of caste, language, region or religion & it will be a corrupt practice and not permissible. • SC sacked Anurag Thakur, President, BCCI and Secretary Ajay Shirke from their posts. • A seven-judge Constitution Bench of the Supreme Court has held that re-promulgation of ordinances is a fraud on the Constitution and a subversion of democratic legislative processes. So, placing of Ordinance before Legislature is mandatory. • A High Court cannot initiate contempt proceedings or punish for contempt of the Supreme Court. A Bench headed by Chief Justice of India TS Thakur set aside an order of division bench of Delhi High. 	<ul style="list-style-type: none"> • Abhiram Singh vs. C.D. Commachen. • BCCI vs. Lodha Panel • Krishna Kumar Singh vs. State of Bihar. • Vitusah Oberoi vs. Court of Its Own Motion.

Justice M. Hidayatullah was the first and only Chief Justice of India to have become acting President of India from 20th July, 1969 to 24th August, 1969.

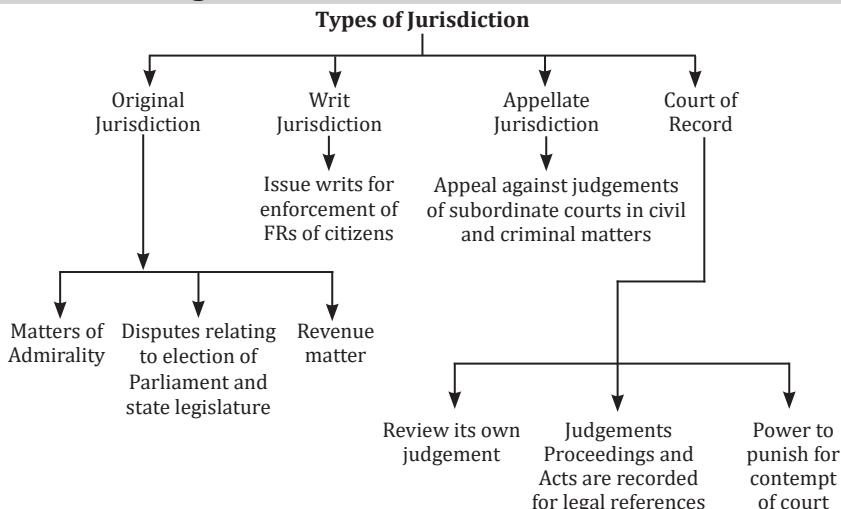
	<ul style="list-style-type: none"> Court, which found editors and cartoonists of Mid-Day newspaper guilty of contempt for maligning the former Chief Justice of India. The High court had suo motu initiated contempt after an advocate brought such cartoons and news reports to its notice 	
03-01-2017	<ul style="list-style-type: none"> The Supreme Court has imposed a cost of Rs. 1 lakh on a tenant who refused to handover possession to the landlord even after the apex court ordered it in 2012. 	<ul style="list-style-type: none"> Anil Sabharwal & ORS vs Girija Shankar.
07-01-2017	<ul style="list-style-type: none"> The Supreme Court reiterated that a person holding premises gratuitously (i.e. unjustifiably) won't acquire any legal right on the property. 	<ul style="list-style-type: none"> Behram Tejani vs. Azeem Jagani.
04-02-2017	<ul style="list-style-type: none"> SC declined to interfere in a Public Interest Litigation (PIL) for regulation of private coaching institutes. 	<ul style="list-style-type: none"> The Student Federation of India (SFI) vs. Union of India & ors.
01-03-2017	<ul style="list-style-type: none"> SC directed all universities to verify certificates of law degree holders without charging a fee. 	<ul style="list-style-type: none"> Ajayinder Sangwan vs. Bar Council of India & ors.
03-03-2017	<ul style="list-style-type: none"> SC notice to Centre, CBSE on plea to include urdu un NEET. 	<ul style="list-style-type: none"> Through its Secretary & ors vs. Union of India.
07-03-2017	<ul style="list-style-type: none"> SC Tells High Courts not to keep review petitions pending for long. 	<ul style="list-style-type: none"> Sasi (D) Through Lrs. vs. Aravindakshan Nair and Others
08-03-2017	<ul style="list-style-type: none"> SC declared trust can't file complaint before consumer forum. 	<ul style="list-style-type: none"> Pratibha Pratisthan vs. Manager, Canara Bank.
10-03-2017	<ul style="list-style-type: none"> SC ruled central PF authorities have no authority over 'exempted' establishments. 	<ul style="list-style-type: none"> Yeshwant Gramin Shikshan Sanstha vs. Assistant Provident Fund Commissioner.
31-03-2017	<ul style="list-style-type: none"> SC ban sale of Bharat Stage III (BS III) vehicles from April 1, 2017 	<ul style="list-style-type: none"> M.C. Mehta vs. Union of Indian & ORS
31-03-2017	<ul style="list-style-type: none"> NEET 2017 Supreme Court verdict: Students aged above 25 years can now appear for exam 	<ul style="list-style-type: none"> Rai Sabiasachi and ANR vs. Union of India and ORS

High Court

- The judiciary in a State consists of a HC & a hierarchy of Subordinate courts.
- The judges of HC are appointed by the President .
- The judge of a HC holds office until he attains the age of 62 years. He can be removed by the process of Impeachment.
- Qualification: a person appointed as a judge of HC should
 - Be a citizen of India.
 - Must have held a judicial office in the territory of India for 10 years or have been an advocate a high court for 10 years.

A High Court Judge can leave his office in the following cases

- By resignation in writing addressed to the President.
- By being appointed a Judge of the Supreme Court or being transferred to any other High Court by the President.
- By removal by the President.
- The mode of removal of a Judge of the High Court is same as that of a Judge of the Supreme Court.

Jurisdiction of High Court**THE HIGH COURTS: SEATS AND JURISDICTION**

Name	Established	Territorial Jurisdiction	Seat
Allahabad	1866	Uttar Pradesh	Allahabad (Bench at Lucknow)
Andhra Pradesh	1954	Andhra Pradesh, Telangana	Hyderabad
Bombay	1862	Maharastra, Dadra & Nagar Haveli, Goa, Daman & Diu.	Bombay (Benches at Nagpur, Panaji, Aurangabad)
Calcutta	1862	West Bengal, Andman & Nicobar Islands,	Kolkata (Bench at Port Blair)
Delhi	1966	Delhi	Delhi
Guwahati	1948	Assam, Nagaland, Mizoram and Arunachal Pradesh	Guwahati (Benches at Kohima, Aizawl and Itanagar)
Gujarat	1960	Gujarat	Ahmedabad
Himachal Pradesh	1966	Himachal Pradesh	Shimla
Jammu and Kashmir	1928	Jammu & Kashmir	Srinagar & Jammu
Karnataka	1884	Karnataka	Bengaluru (Bench-Dharwad and Gulbarga)
Kerala	1958	Kerala & Lakshadweep	Ernakulam
Madhya Pradesh	1956	Madhya Pradesh	Jabalpur (Bench - Indore, Gwalior)
Madras	1862	Tamil Nadu & Puducherry	Chennai (Bench-Madurai)
Orissa	1948	Odisha	Cuttack
Patna	1916	Bihar	Patna
Punjab & Haryana	1975	Punjab, Haryana, Chandigarh	Chandigarh
Rajasthan	1949	Rajasthan	Jodhpur (Bench-Jaipur)
Sikkim	1975	Sikkim	Gangtok

The Supreme Court has no jurisdiction in the state of Jammu and Kashmir.

Chhattisgarh	2000	Chhattisgarh	Bilaspur
Uttarakhand	2000	Uttarakhand	Nainital
Jharkhand	2000	Jharkhand	Ranchi
Manipur	2013	Manipur	Imphal
Meghalaya	2013	Meghalaya	Shillong
Tripura	2013	Tripura	Agartala

Crime

The **Indian Penal Code** was passed in the year 1860 and came into effect from January 1, 1862. The Indian Penal Code applies to the whole of India except for the state of Jammu & Kashmir. It contains 23 Chapters and 511 Sections. Before the Indian Penal Code came into effect, the **Mohammedan Criminal Law** was applied to both Mohammedans and Hindus in India.

LEGAL TERMS

- **Affidavit:** This is a sworn statement made by a party, in writing, in the presence of an oath commissioner or a notary public which is used either in support of applications to the Court or as evidence in court proceedings.
- **Alimony:** The maintenance given by a husband to his divorced wife.
- **Amicus curiae:** Translated from the Latin as 'friend of the Court'. An advocate appears in this capacity when asked to help with the case by the Court or on volunteering services to the Court.
- **Arbitration:** Settling disputes by referring them to independent third parties as an alternative to court proceedings.
- **Audi alteram partem:** This is a rule of natural justice which translates from the Latin as 'hear the other side' or 'hear both sides'.
- **Bequeath:** To dispose of personal property by Will.
- **Caveat:** Where it is apprehended that an opposite party may file a case, a party may file a document requesting the court that no order be made in the case without hearing the caveat.
- **Cognizable offence:** An offence in which arrest can be made without a warrant.
- **Dasti Notice:** Dasti is a Persian word, which means 'by hand'. Dast Notice means service of the notice by the Petitioner on the Respondent(s) in person, and not by the Registry through post.
- **Decree:** The formal expression of an adjudication which, so far as regards the Court expressing it.
- **EstoppeL:** A legal principle that bars a party from denying or alleging a certain fact owing to that party's previous conduct, allegation, or denial.
- **Habeas Corpus:** A writ requiring a person under arrest to be brought before a judge or into court, especially to secure the person's release unless lawful grounds are shown for their detention.
- **In pari delicto:** When both the parties are equally in fault.
- **Interim Order :** Any order by a court before a final order is made.
- **Interlocutory Application:** Petition seeking a relief even while the main petition remains in the Court.
- **Intervenor:** A person who is not a party to the proceedings may, with the permission of the court, intervene if it is shown that the outcome of the case will affect such person in some way.
- **Judgment-debtor:** Any person against whom a decree has been passed or an order capable of execution has been made;
- **Judicial Review:** A term that describes the function of the judiciary being able to examine and correct the actions of all the organs of State—the executive, the legislature and the judiciary itself.
- **Justiciable:** A matter is justiciable if it lends itself to adjudication by a court. This is determined by criteria laid down in law.

- **Litigation:** The totality of the legal proceedings in any dispute.
- **Locus Standi:** Translated from Latin as '*place of standing*', locus standi gives the right to pursue a litigation. Under this rule, only a person or group of persons affected by the issue may **petition the Court**.
- **Ordinance:** A codified law made, as a temporary measure, by the President of India or the Governor of a State when the Parliament or legislature of a state is not in session.
- **Perjury:** This occurs when a person gives false evidence or false affidavit in a case.
- **Petition:** A written document filed in a court asserting a claim or a right and seeking relief on legal grounds.
- **Pleadings:** A collective noun for all the petitions, affidavits, replies, rejoinders drafted by or on behalf of the parties to a case.
- **Prima facie:** At first sight; on the face of it.
- **Pro bono publico:** Translated from the Latin as 'for the public good'. In PIL, this refers to a petitioner acting bona fide in the public interest.
- **Respondent:** A party against whom a petition is filed. A pro forma respondent is a party against whom no relief is sought.
- **Stare decisis:** The principle that decisions of Courts in previous cases must be followed in subsequent cases of similar nature.
- **Statute:** A codified law that is enacted by the Parliament or a State Legislature.
- **Stay Order:** A party filing a petition may require some immediate relief, even before the respondents can be heard or a final decision given.
- **Suo Motu:** The Court may take action on its own when facts requiring legal intervention reach its notice. The Court is then said to be acting *Suo Motu*.
- **Void:** One that law regards as never having taken place.
- **Vox populi:** Translated from the Latin as 'the voice of the people'.
- **Writ:** A writ is a direction that the Court issues, which is to be obeyed by the authority/person to whom it is issued.
- **Writ Petition:** A petition seeking issuance of a writ is a writ petition.
- **Admonition:** It is a judicial or ecclesiastic censure or reprimand.
- **Affirmation :** It is a solemn declaration without oath.
- **Amendment :** It is a device to alter a motion moved or question under discussion in the legislature, includes omission, substitution, addition and insertion of certain words, figures or marks to the clause of a bill, a resolution or a motion or to an amendment made thereof.
- **Anglo-Indian :** It is of a British birth but living or having lived long in India.
- **Appeal :** It is the judicial examination of the decision by a higher court of the decision of an inferior court.
- **Appropriation Bill :** It is the act of devoting or reserving for special or distinct purpose or of destinng to a particular end; anything set aside especially money for a specific use.
- **Assent to Bill :** It is ratification, sovereign's formal acquiescence in a measure passed by legislature.
- **Ballot :** It is a small ball ticket or paper used in secret voting.
- **Begar :** It is a labour or service exacted by court or a person in power without giving remuneration.
- **Bulletin :** It is an official notice of a public transaction or matter of public importance.
- **Censure Motion:** It is a motion moved against the government censuring its policy in some direction or an individual minister or minister of the Government.
- **Certiorari:** It is a writ of High Court to an inferior court to call up the records of a case therein depending that conscientious justice may be therein administered.
- **Chief Whip:** It is the chief of the whips of different political parties in Parliament generally the Minister of Parliamentary Affairs).
- **Closure:** It is the Parliamentary Procedure by which debate is closed and the measure under discussion brought up for an immediate vote.
- **Comptroller and Auditor-General :** It is the officer who is responsible for the auditing of all public accounts.
- **Locus standi :** It means a place for standing, right to be heard.

- **Maiden speech :** It is one's first or earliest speech especially in Parliament.
- **Office of profit :** It is an employment with fees and emoluments attached to it; where pay or salary is attached to an office, it immediately and indisputably makes the office and office of profit.
- **Official gazette:** It means the Gazette of India or the Official Gazette of a State.
- **Ordinance :** It is a State paper operative as a fundamental law, yet not describable as either a Constitution or a statute.
- **Personal liberty :** It consists in the power of locomotion, of changing situation or moving one's person to whatever place one's own inclination may direct, without imprisonment or restraint unless by due course of law.
- **Pith and substance :** It is a doctrine relating to the interpretation of statutes, evolved by the Privy Council, to solve the problem of two competing legislatures.
- **Presumption of constitutionality :** It is an assumption made failing proof of the contrary that an enactment is in accordance with the Constitution.
- **Qua warranto :** It is a writ ordering a person to show by what right he exercises an office, franchise or privilege.
- **Quorum :** It is a minimum number required to be present at an assembly before it can validly proceed to transact business.
- **Repugnancy :** It is contradictory of each other, set of clauses in statutes, will etc.
- **Res Judicata :** It is final judgment already decided between the same parties or their privies on the same questions by a legally constituted court having jurisdiction is conclusive between the parties, and the issue cannot be raised again.
- **Shadow cabinet :** It is a body of opposition leaders meeting from time to time and ready to take office.

Panchayati Raj Institution (PRI)

The Panchayati Raj (PRI) in India was constitutionalised through the 73rd Constitutional Amendment Act 1992.

Committees on Panchayati Raj

Committee	Year	Important Recommendations
1. Balwant Rai Mehta Committee	1957	<ul style="list-style-type: none"> • Three – tier Panchayati Raj System – Gram Panchayat at Village level, Panchayat Samiti at Block level & Zila Parishad at district level.
2. Ashok Mehta Committee	1977	<ul style="list-style-type: none"> • Two – tier PR System – Mandal Panchayats at Village level & Zila Panchayat at district level. • Official representation of Political Parties at all levels of Panchayat elections. • Seat for SCs & STs should be reserved. • Constitutional recognition to PRIs.
3. GVK Rao Committee	1985	<ul style="list-style-type: none"> • Regular elections to the PRIs.
4. LM Singhvi Committee	1986	<ul style="list-style-type: none"> • Regular, Free & fair elections to PRIs. • Establishment of Nyaya Panchayats. • More financial resources to village Panchayats.

Constitutionalisation

73rd Amendment Act 1993

The Parliament has passed 73rd and 74th Constitutional Amendment Acts in 1993 to ensure the effective participation of rural & urban people in the institutions of local Self government.

- The important provisions of 73rd Constitutional Amendment Act are as follows –
 1. Reservation of seats for women, SCs, STs & OBCs in Panchayats, at all levels.
 2. Elections to the Panchayats shall be held within a period of 6 months from the date of dissolution.

Sikkim was made an integral part of India under the 36th Constitutional Amendment.

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- 3. Members of Block Panchayat & Zila Panchayats are to be elected by people directly along with the election of members of Gram Panchayat. The heads of Gram Panchayat shall be elected by directly elected members of these bodies.
- 4. Power of the Panchayats to impose and collect taxes in accordance with the provisions made by the State government.
- 5. Establishment of a State Finance Commission.
- 6. Prepare & implement the plans for economic development.
- The electorate is named 'Gram Sabha'.
- Out of the reserved seats, 1/3 is reserved for women belonging to Scheduled Castes and Scheduled Tribes. 1/3 of the total seats to be filled by direct election in every Panchayat is reserved for women.
- A State can make similar reservation for Chairpersons in the Panchayats.
- Every Panchayat can continue for 5 years from the date of its first meeting.
- All persons above 21 years of age and qualified to be a member of the State Legislature are qualified as a member of a Panchayat [Art. 243F].
- State Election Commission consisting of a State Election Commissioner is appointed by the Governor for superintendence, direction and control of elections to Panchayats [Art. 243K]
- The Democratic Decentralisation was implemented for the first time in 1958 in Andhra Pradesh on experimental basis.
- The Panchayati Raj was introduced for the first time on Oct. 2, 1959 in Nagaur District of Rajasthan.
- Rajasthan is the first state in India, where Panchayati Raj was implemented in the whole state.

Municipalities

- For the establishment of self-government in urban areas urban bodies have been established.
- The urban institutions have been granted constitutional status by **74th Constitutional Amendment** (enforced with effect from January 1,1993).
- In the **Part IX A** of the Constitution the provisions for Municipalities have been made from Article 243 P to 243 ZG. Besides a 12th Schedule also has been incorporated in the Constitution, which contains 18 subjects relating to the jurisdiction of Municipalities.
- As per this Constitutional Amendment 3 types of urban institutions have been established on the basis of population they are –
 1. Nagar Panchayat for a transitional area.
 2. Municipal Council for a smaller urban area.
 3. Municipal Corporation for a larger urban area.

CENTRE – STATE RELATIONS

- The basic provisions regarding the distribution of powers between the central & provincial governments are in Part XI & XII of the Constitution.
- Both the Union & the States derive their authority from the Constitution, which divides all legislative, executive & financial powers between them.
- Our Constitution makers elaborated provisions to govern centre state relations. A total of 56 Articles, from Article 245 to 300 deal with the centre state relations.
- Committees Appointed to study Centre -State relation.
 1. Setalvad Committee (1966).
 2. Rajamannar Committee (1969)
 3. Sarkaria Committee (1983).

Inter State Council

- Inter-State Council is one of the important extra judicial bodies formed in 1990 on the recommendation of Sarkaria Commission.
- The Article 263 of Constitution empowers the President to appoint or

The Constituent Assembly had 15 women members - Ammu Swaminathan, Dakshayani Velayudhan, Begum Aizaz Rasul, Vijalakshmi Pandit and Sarojini Naidu to name a few.

- establish an Inter-State Council for: (1) enquiring into & advising upon inter-state disputes. (2) Investigate & Discuss on subjects in which states alone or states & union have common interest.
- The Council is headed by the Prime Minister & its members include 6 Cabinet Ministers & Chief Ministers of States.

Zonal Council

- Zonal Councils were constituted on the recommendation of States Reorganization Commission 1956.
- In 1956, five zonal councils were established – North, South, East, West & Central.
- In 1971, the 6th zonal council was established i.e. North-east zonal council. Its objectives are:-
 - To promote collective approach & sorting out common problems of the member states.
 - For providing cooperation for the implementation of development plans & progress.

Article 370

- Under Article 370 of the Indian Constitution, Jammu & Kashmir is granted autonomy.
- It is a 'temporary provision' that accords special status to the state. All the provisions of the Constitution are not applicable to J&K, unlike other states.
- Except finance, defence, communications, and foreign affairs, central government needs the state

government's consensus for applying all other laws.

- Because of this article, residents of Kashmir follow separate set of laws in terms of citizenship, property ownership, and other rights.
- Moreover, as per Article 370, the power of Parliament to make laws for the said State is "limited to those matters in the Union List and the Concurrent List."
- It doesn't have the authority to increase or reduce the borders of the state.
- For those uninitiated, the article was drafted by N. Gopalaswami Ayyangar in 1949 against the wish of Dr BR Ambedkar, who found it discriminatory and against the interest of India.

How J & K Different from Other States?

- Directive Principles of State Policy (DPSP) are not applied to J&K but applied to other states.
- President can't declare financial emergency (salaries and allowances reduction etc.) in relation to J&K.
- High Court of J&K can issue writs only for enforcement of Fundamental Rights.
- Right to property is still guaranteed in J&K.
- Permanent residents of J&K have some special fundamental rights.
- Supreme Court, EC and CAG are applicable to J&K along with all other states.

CONSTITUTIONAL BODIES

Election Commission

It is a permanent & an independent body established by the Constitution of India directly to ensure free & fair elections in the country. Elections to Parliament, State legislatures, President & Vice-President are vested in it.

Composition

The Election Commission consists of a Chief Election Commissioner & such other commissioners as the President may form

time to time to decide.

Appointment & Term

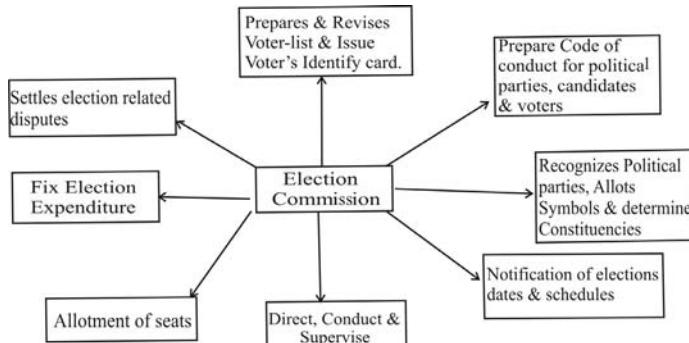
- The CEC & other Election Commissioners are appointed by the President for a term of 6 years.
- The Regional Commissioners may also be appointed by the President in consultation with the Election Commission for assisting the Election Commission.

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- The CEC can be removed from office before expiry of his term by the President on the basis of a Resolution passed by the Parliament by a special majority on the ground of proved misbehavior or incapacity.
- The other Election Commissioners may be removed by the President on the recommendation of the CEC.

POWERS & FUNCTIONS



LIST OF CHIEF ELECTION COMMISSIONERS OF INDIA

S.No.	Name	Tenure
1.	Sukumar Sen	21 March, 1950-19 Dec, 1958
2.	K. V. K. Sundaram	20 Dec., 1958-30 Sep., 1967
3.	S.P. Sen Verma	01 Oct., 1967-30 Sep., 1972
4.	Dr. Nagendra Singh	01 Oct., 1972-06 Feb., 1973
5.	T. Swaminathan	07 Feb., 1973-17 June, 1977
6.	S.L. Shakdhar	18 June, 1977-17 June, 1982
7.	R.K. Trivedi	18 June, 1982-31 Dec., 1985
8.	R.V.S. Peri Shastri	01 Jan., 1986-25 Nov, 1990
9.	Smt. V.S. Rama Devi	26 Nov., 1990-11 Dec., 1990
10.	T.N. Seshan	12 Dec., 1990-11 Dec., 1996
11.	M.S. Gill	12 Dec., 1996-13 June, 2001
12.	J.M. Lyngdoh	14 June, 2001-07 Feb., 2004
13.	T.S. Krishna Murthy	08 Feb., 2004-15 May., 2005
14.	B.B. Tandon	16 May, 2005-07 Feb., 2006
15.	N. Gopalaswami	08 Feb., 2006-19 April, 2009
16.	Naveen Chawla	20 April, 2009-29 July, 2010
17.	S.Y. Quraishi	30 July, 2010-10 June, 2012
18.	V.S. Sampath	11 June, 2012-15 January, 2015
19.	H.S. Brahma	16 January 2015-18 April, 2015
20.	Nasim Zaidi	19 April, 2015-5 July, 2017
21	Achal Kumar Jyoti	6 July, 2017-

The idea of the suspension of Fundamental Rights during the emergency was taken from Weimar Constitution of Germany.

Public Service Commissions

Union Public Service Commissions (UPSC)

- Independent Constitutional body.
- Recruitment of civil servants at the Union level.
- Chairman & members are appointed by the President & have tenure of 6 years or until age of 65 years.
- The President can also remove them before expiry of their term on grounds of proved misbehaviour. The President can issue orders for the removal of the members of the UPSC only after the Supreme court makes such a recommendation on the basis of an enquiry.

Functions

1. Conduct examinations for appointment to the services of the Union.
2. Assists the states in framing & operating schemes of joint recruitment.
3. Advises the President of India-
 - (a) All matters relating to methods of recruitment in civil services & for civil posts.
 - (b) Suitability of Candidates for appointments, for promotions.
 - (c) On all disciplinary matters person serving under the government of India.
4. Presents annually to the President a report on its performance. The President places this report before both the Houses of Parliament.

State Public Service Commission

- Recruitment of Civil Services at the state level.
- Two or more states, if parliament provides by law, may have a Joint Public Service Commission.
- Service conditions of SPSC's members are determined by Governor whereas service conditions of Joint PSC are determined by President.
- Chairman & members of SPSC are appointed by Governor & in case of JPSC by the President.
- Chairman & members of SPSC & JPSC have tenure of 6 years or until age of 62 years.

- Members may resign by writing to Governor. It is only the President who can make a reference to the Supreme Court & make an order of removal in pursuance of the report of the Supreme Court.

Functions

1. Conduct examinations for appointments to the services of the state.
2. Advise on matter that may be referred by the Governor.
3. Present Annual report to the Governor who shall cause it to be laid before the state legislature.
4. Any other function that state legislature may by law assign.

Finance Commission

An instrument which the Constitution has evolved for the purpose of distributing financial resources between Centre & states is the Finance Commission.

- According to Article 280 of the Constitution, it is to be constituted by the President once every 5 years consisting of a chairman & four other members appointed by the President.

Functions

The duty of the Commission is to make recommendations to the President as to-

1. The distribution between the Union & the states of the net proceeds of taxes which are to be divided between them and the allocation between the states themselves of the respective shares of such proceeds.
2. The principles which should govern the grant-in-aid of the revenue of the states out of the Consolidated Fund of India.
3. The measures needed to augment the consolidated fund of a state to supplement the resources of the Panchayats & the Municipalities in the state on the basis of the recommendation by the State Finance Commission.
4. Any other matter referred to the Commission by the President in the interests of sound finances.

National Commission for Scheduled Castes & Tribes

The President has power to appoint a National Commission for SCs & STs.

- The Commission shall consist of a Chairman, a Vice-Chairman & 5 other members.
- This Commission was given constitutional status by the 65th Amendment Act 1990.

Functions

1. To investigate & monitor all matters relating to the safeguards provided for SCs & STs under the Constitution of India & to evaluate the working of such safeguards.
2. To enquire specific complaints with respect to the deprivation of rights & safeguards of SCs & STs.

3. To submit its annual report to the President.

National Commission for Backward Classes

Article 340 empowers the President to appoint a Commission to investigate the conditions of the socially & educationally backward classes.

- The Commission recommends removal of all difficulties of Backward Classes & raising them to a higher social, educational & economic standard.
- After Constitution was adopted two 'Backward Class Commissions' were appointed – (1) Kaka Saheb Kalelkar Committee & (2) B.P. Mandal Committee.

RESERVATION

Meaning	Percentage of seats reserved for the socially and educationally backward communities.
Constitutional Provision	Article 16(4)— Nothing in this article shall prevent the state from making any provision for the reservation of appointments or posts in favor of any backward class of citizens which, in the opinion of the state, is not adequately represented in the services under the state.
Commissions	Kaka Kalelkar Commission (1955): <ul style="list-style-type: none"> • First Backward Classes Commission • Relate social backwardness of a class to its law position in the traditional caste hierarchy of Hindu society. • Report was rejected by Central Government. • Mandal Commission (1979): • Established to assess the situation of socially and educationally backward classes. • Recommended 27% reservation for people belonging to OBC in government jobs.
Current Scenario	<ul style="list-style-type: none"> • Out of 543 seats in parliament, 84 are reserved for SC and 47 for ST. • In Central Govt. funded higher education institutions— —7.5% reservation to ST. —15% reservation to SC. —27% reservation to OBC.
Demand for a separate Quota	<ul style="list-style-type: none"> • Protests by the people from SC, ST and OBC communities who were not benefited properly from the current reservation system. • They demand a separate quota within the SC/ST quota.
Recent Examples	<ul style="list-style-type: none"> • Conflict of Mala and Madiga caste in Andhra Pradesh. • Gujjar agitation in Rajasthan. • Jat community in Haryana demanded inclusion of Jats in OBC category. • Patel or Patidar community in Gujarat aggressively campaigned for reservation.

Comptroller & Auditor – General (CAG)

- The CAG is the custodian of public purse & controls the entire financial system of the country.
- He is appointed by the President for a period of 6 years or till he attains the age of 65 years whichever is earlier.
- It is his/her duty to see that no money is spent out of the Consolidated Fund of India or of a State without the authority of the appropriate legislation.
- The reports of the CAG are presented to the President or the Governor, as the case may be, & laid before the Parliament & the respective State legislatures. In Lok Sabha, the Public Accounts Committee considers this Report.

Functions

He can audit & report on:

1. All expenditure from Consolidated Fund of India & each state & each Union Territories having a legislative Assembly & see whether expenditure has been in accordance with the law.
2. All expenditure from the Contingency Funds & Public Accounts of the Union & the states.
3. All trading, manufacturing, profit & loss accounts, etc. kept by any Department of the Union or a State.
4. The receipts & expenditure of the Union & of each state to satisfy himself that the rules & procedures are designed to secure an effective check on the assessment, collection & proper allocation of revenue.
5. The receipts & expenditure of all bodies & authorities substantially financed from the Union or state revenues.

Attorney General (AG)

- The AG is the highest legal officer of the Government of India.
- He is appointed by the President & holds office during the pleasure of the President.
- He must have the same qualifications as are required to be a judge of the Supreme Court.
- Though the AG of India is not a member

of the Cabinet, he has the right to address in the House of Parliament but has no right to vote.

- In the performance of his official duties the AG is entitled to audience in all Courts in the territory of India.

Functions

1. Give advice on all such legal matters & to perform all such other duties of a legal character as may, from time to time, be referred to him by the President.
2. Discharge the functions conferred on him by the Constitution or any other law for the time being in force.
3. Appear before the Supreme Court & various High Courts in cases involving the Government of India.

Advocate General

- Each state shall have an Advocate General. He is the state's counter part of the Attorney General of India.
- He is appointed by the Governor of the State who holds office during the pleasure of the Governor.
- A person qualified to be a High Court Judge can be appointed Advocate-General.
- He has the right to address & take part in the proceedings of the House of the State Legislature. But he has no right to vote.
- His functions are similar to those of the Attorney – General.

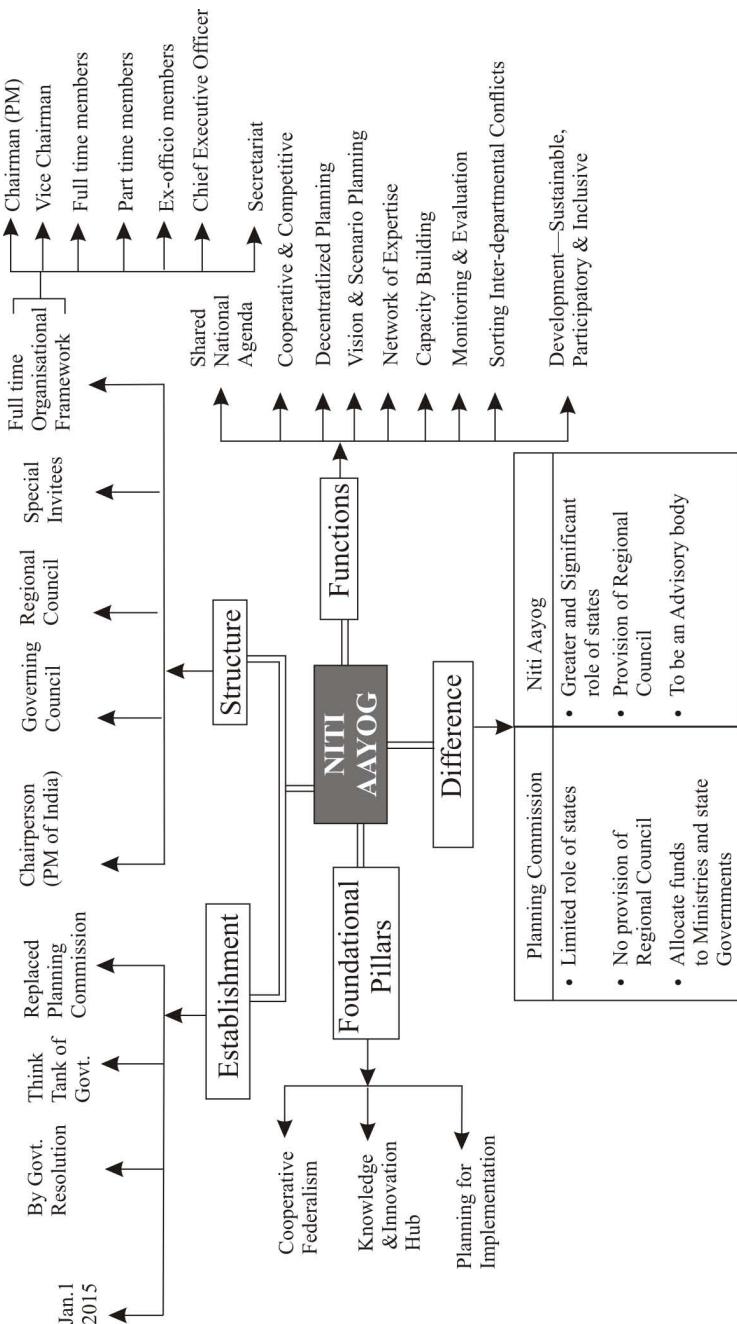
Planning Commission

- Set up by a Resolution of the Government of India on March 15, 1950.
- Non-statutory/extra constitutional body.
- Jawahar Lal Nehru was the first Chairman.

National Development Council (NDC)

- Set up by a Resolution of central government on August 6, 1952.
- Extra-Constitutional body.
- Described as a Super Cabinet.

NITI Aayog (National Institution for Transforming India)



Administrative Reforms

- The nodal agency of the Government for administrative reforms as well as redressal of public grievances relating to the states and Central Government agencies is the Department of Administrative Reforms and Public Grievances (DARPG).
- The Department comes under the Ministry of Personnel, Public Grievances and Pensions.
- The mission of the department is to foster excellence in governance and pursuit of administrative reforms through improvements in Government structures, promoting citizen centric governance with emphasis on grievance redressal, innovations in e-governance and documentation and dissemination of best practices.

ARC at a Glance		
Appointed by	Government of India.	
Objective	Recommendations for reforming Indian public administration system.	
Two commission	First ARC <ul style="list-style-type: none"> Set up in Jan. 1966. Initially chaired by Morarji R Desai. Later chaired by K. Hanumanthaiah. Submitted 20 reports contained 537 major recommendations. 	Second ARC <ul style="list-style-type: none"> Set up in Aug. 2005. Initially chaired by Mr. Veerappa Moily. Later chaired by Ramachandran. Submitted 15 reports.

Citizens' Charter

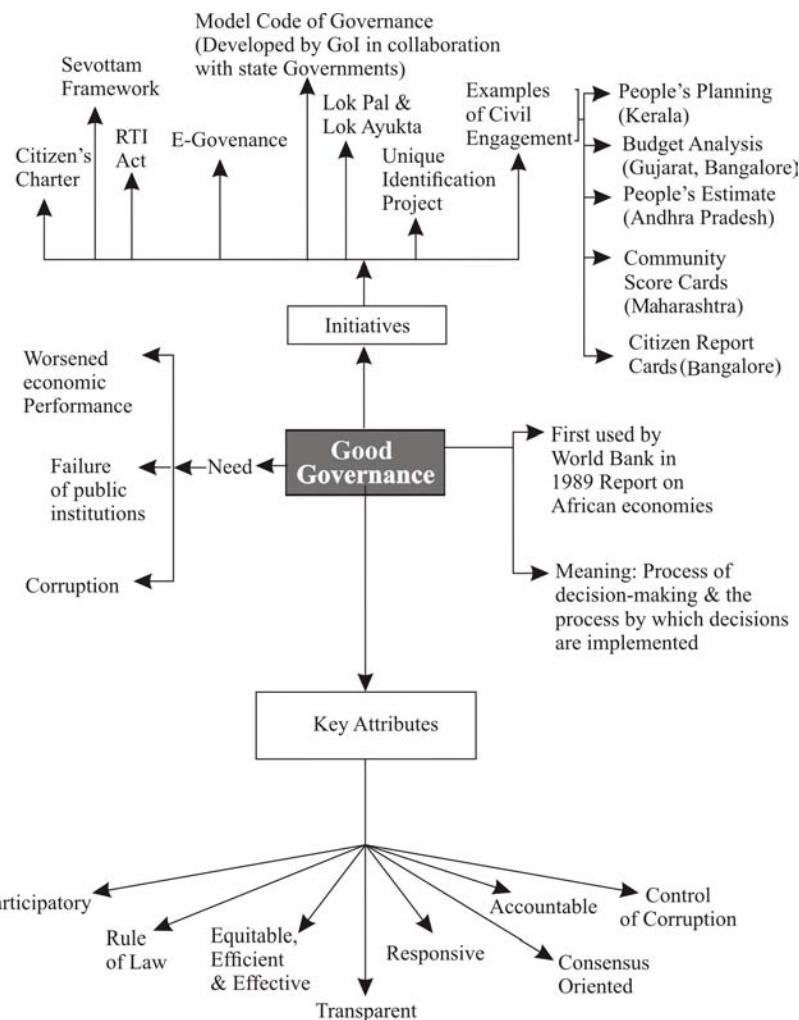
- First articulated and implemented in the UK by Conservative Government of John Major in 1991.
- Represents the commitment of the organization towards standard, quality and time frame of service delivery, grievance redressal mechanism, transparency and accountability.
- It is basically a set of commitments made by an organization regarding the standards of service which it delivers.
- In India it was first introduced simultaneously in Central departments and in all state governments in May 1997.
- 2nd ARC has recommended adoption of the "Seven Step Model for Citizen Centricity—Sevottam", for making citizen's Charters effective.
- The Right to Public Service Delivery Act, based on Sevottam model, guaranteeing the delivery of certain time bound services to the citizens have been enacted by many state governments. Madhya Pradesh has led the way and now this act has been enacted by Jammu and Kashmir, Delhi, Rajasthan, Bihar, Uttar Pradesh, Uttarakhand, Himachal Pradesh and Punjab.

Good Governance

The World Bank initially defined Governance simply as "the exercise of political power to manage nations' affairs".

Good Governance is about making sure that the exercise of power by the government helps improve quality of life enjoyed by all citizens.

Manmohan Singh is known as the Father of Indian economic reforms.

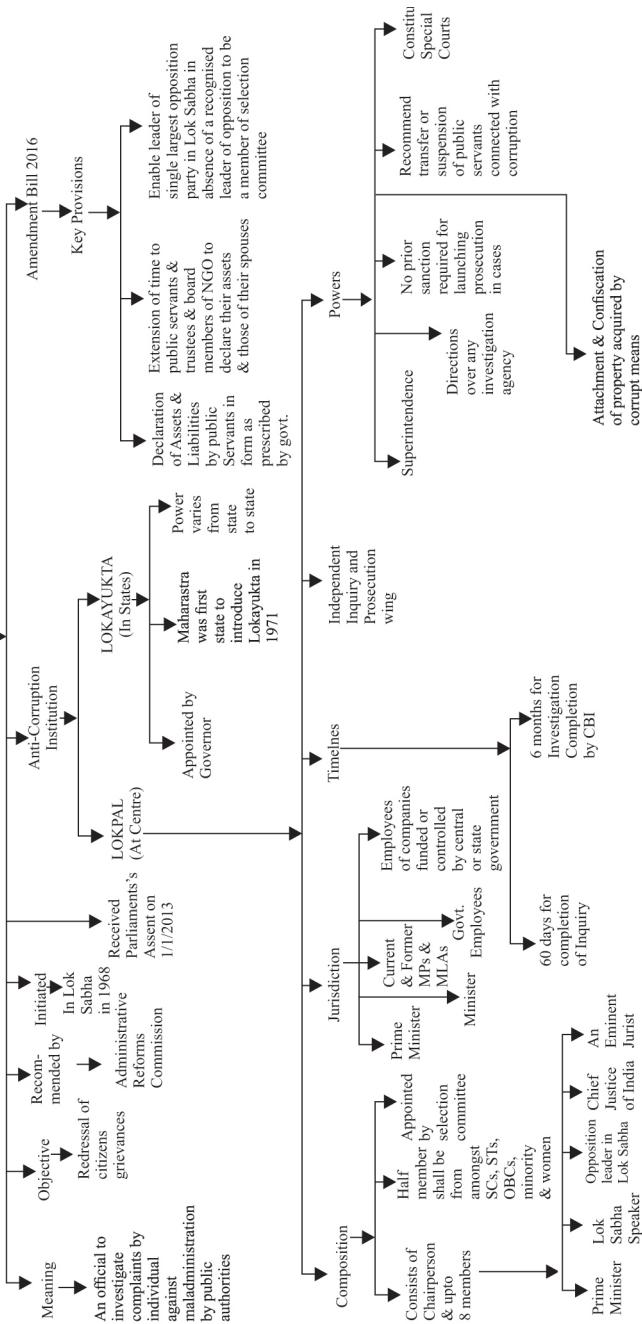


Right to Information (RTI)

- RTI Act 2005 mandates timely response to citizen requests for government information.
- It has been given the status of a fundamental right under Article 19(1) of the Constitution.
- It confers right to access to information held by a Public Authority, in order to promote transparency and accountability in the working of every public authority, the constitution of a Central Information Commission, States Information Commissions and for matters connected therewith or incidental thereto.

The original copies of the Indian Constitution are kept in Helium-filled Cases in Parliament's Library.

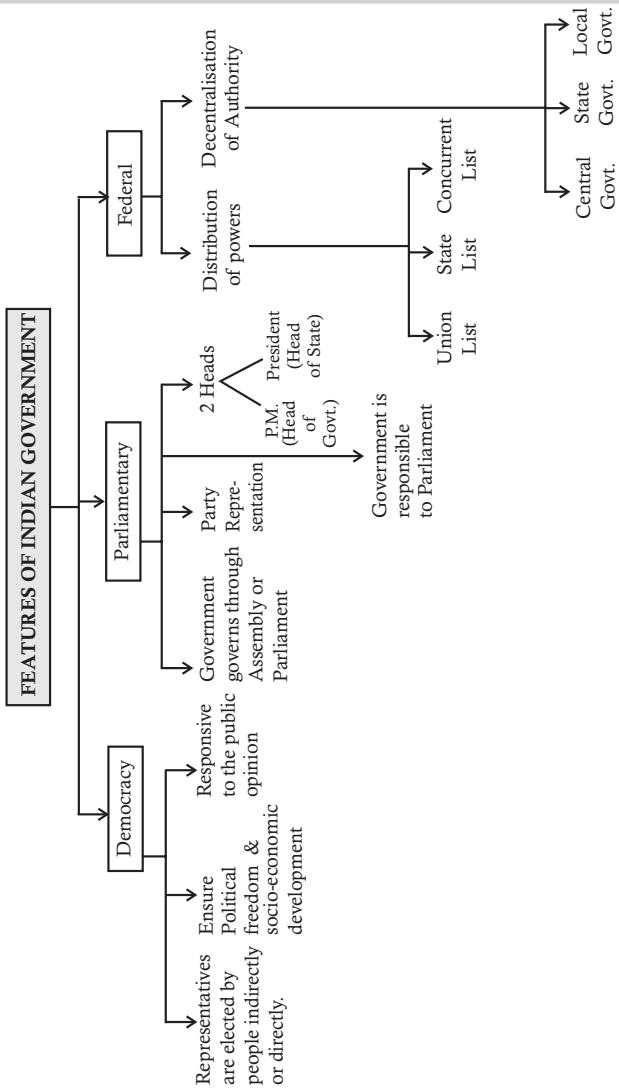
LOKPAL & LOKAYUKTA

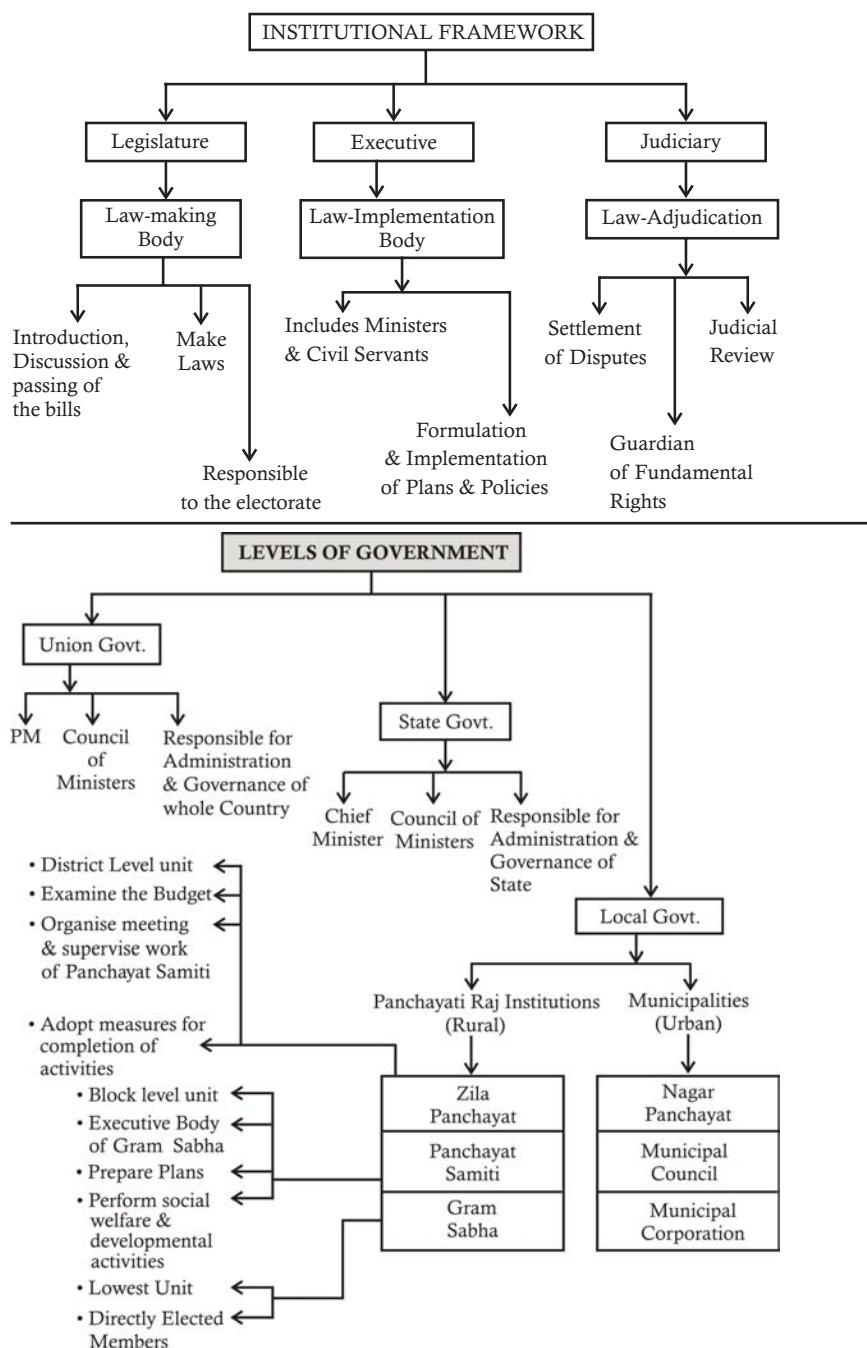


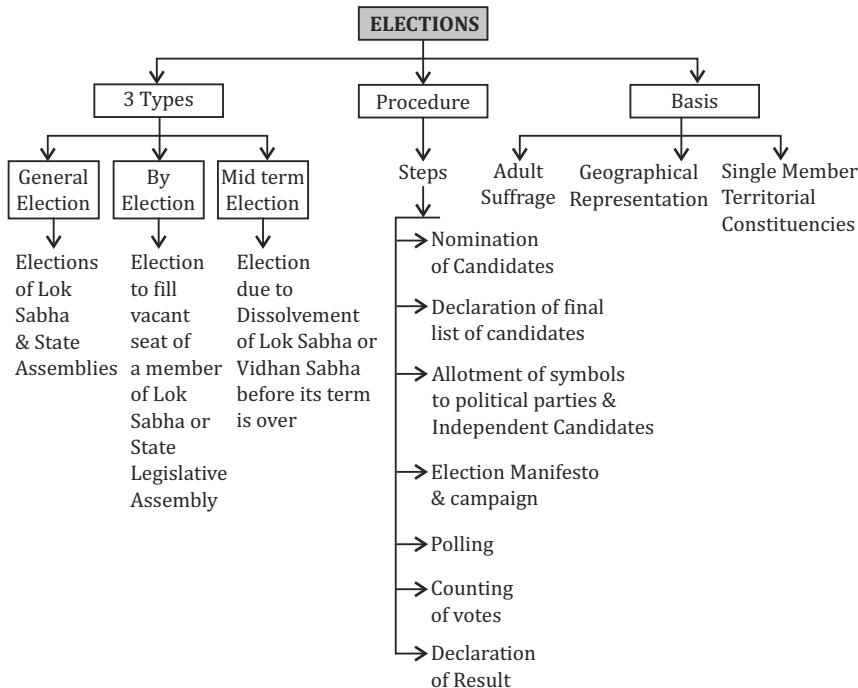
National Human Rights Commission (NHRC)

- NHRC is a statutory body, established in 1993, to act as the watchdog of human rights in the country, that is the rights relating to life, liberty, equality & dignity of the individual guaranteed by the Constitution or embodied in the international covenants & enforceable by courts in India.
- The Commission is a multi-member body consisting of a chairman and four members.
- The Chairman and members are appointed by the President.
- The Chairman holds office for a term of 5 years or until they attain the age of 70 years.

INDIAN GOVERNMENT







Committees for Electoral Reform :

1. Tarkunde Committee (1974)
2. Dinesh Goswami Committee (1990)
3. Vohra Committee (1993)
4. Indrajit Gupta Committee (1998)
5. Election Commission of India Report on Proposed Electoral Reforms (2004)
6. Tankha Committee (2010)

- Contestants restricted to two constituencies.
- Campaigning period reduced from 20 to 14 days.
- Declaration of criminal antecedents, assets, etc. by candidates on nomination paper.
- Ceiling on election expenditure increased.

Important Electoral Reforms :

- Lowering of voting age from 21 years to 18 years.
- Use of Electronic Voting Machines.
- Adjournment of poll or countermanding of elections in case of booth capturing.

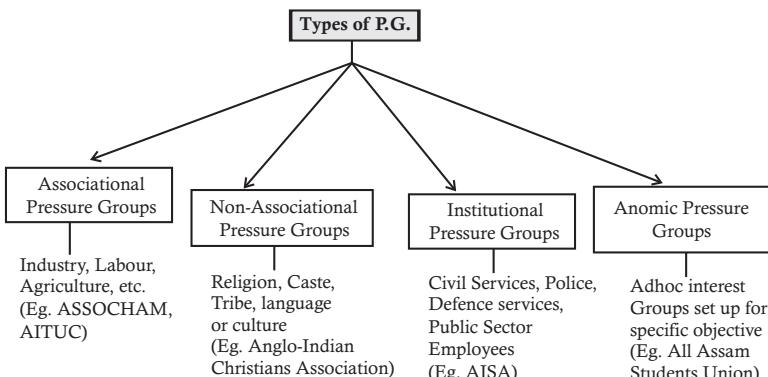
- Listing of candidates Names
 - Candidates of Recognised Parties
 - Candidates of Registered Unrecognised Parties
 - Other Independent Candidates

Pressure Groups

- Represents socio-economic & political interests of a particular section in political system. Eg. farmers, industrial workers etc.
- Organised on the basis of common goals & share similar values.
- Seek support of party leaders, legislators & bureaucracy in vigorous pursuit of their goals.
- Exert pressure on government in order to obtain laws and administrative measures in favour of their specific interests.
- Termed as a "Anonymous Empire"

Mohammad Ajgar Ali, an old Bangladeshi, casted vote for the first time in an Indian Election.

Types of Pressure Group in India



FOREIGN POLICY OF INDIA

Panchsheel Treaty

- Mutual respect for each other's territorial integrity & sovereignty.
- Non-aggression
- Non-interference in each other's internal affairs.
- Equality & mutual benefit.
- Peaceful co-existence.

II. Look East Policy

India's 'Look East' Policy was first initiated in 1992 by the then Prime Minister P. V. Narasimha Rao. Since then, the policy has been one of the cornerstones of India's foreign policy.

- It lays emphasis on improving cooperation with India's neighbouring south-east & east Asian countries (eg. China, Bangladesh, Myanmar, Thailand etc.) & also engagement with various regional organisations such as ASEAN, East Asia Summit, BIMSTEC & Mekong Ganga Cooperation (MGC).
- The policy is pursued in a multi faceted manner in diverse areas such as improved connectivity, promotion of trade, investment & cultural exchanges.

III. Gujral Doctrine

The Gujral Doctrine is a milestone in India's foreign policy. It was propounded & initiated in 1996 by I.K. Gujral, the then Foreign Minister in the Deve Gowda Government. The Doctrine is a 5-point roadmap to guide the conduct of India's foreign relations with its neighbours.

These 5 principles are as follows

1. With the neighbours, India should not ask for reciprocity, but give to them what it can in good faith.
2. No South Asian country should allow its territory to be used against the interest of another country of the region.
3. No country should interfere in the internal affairs of another country.
4. All South Asian countries should respect each other's territorial integrity & sovereignty.
5. All South Asian countries should settle all their disputes through peaceful bilateral negotiations.

IV. Nuclear Policy of India

India adopted its Nuclear doctrine in 2003. Its main objectives are:

1. India shall pursue a doctrine of credible minimum nuclear deterrence.
2. India will not resort to the use or threat of use of nuclear weapons against states which do not possess nuclear weapons, or are not aligned with nuclear weapon powers.
3. Deterrence requires that India maintain:
 - (a) Sufficient, survivable & operationally prepared nuclear forces.
 - (b) Robust command & control system.
 - (c) Effective intelligence & early warning capabilities.
- **India's first nuclear test**- 18 May 1974.
- **India second nuclear test**- 11 May & 13 May, 1998.

World Polity/ Organisation

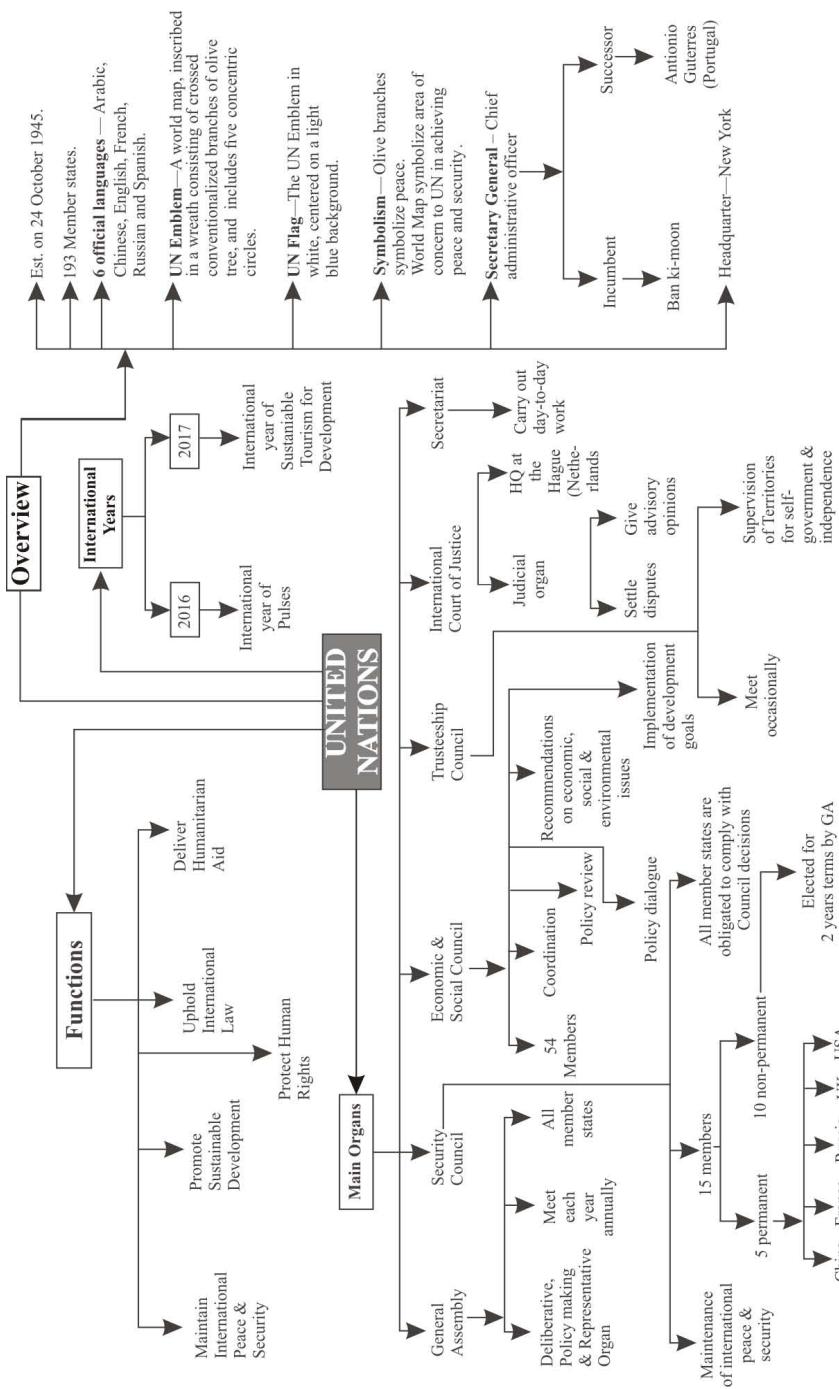
LIST OF PARLIAMENT OF DIFFERENT COUNTRIES

Country	Parliament Name	Country	Parliament Name
India	Sansad/Parliament	Maldives	Majlis
Pakistan	National Assembly	Spain	Cortes Generales
Bangladesh	Jatiya Sansad	Nepal	Rastriya Panchayat
China	National People's Congress	Russia	Duma
Bhutan	Trhogdu	France	National Assembly
Sri Lanka	Parliament of Sri Lanka	Iran	Majlis
Afghanistan	Shora	Malaysia	Diwan Negara
England	Parliament	Switzerland	Federal Assembly
Canada	Parliament	Turkey	Grand National Assembly
Australia	Parliament	Taiwan	Yuan
USA	Congress	Japan	Diet
Germany	Bundestag	Israel	Knesset

ARMS CONTROL TREATIES

Treaty	Date	Highlights
Partial Nuclear Test Ban Treaty	Signed: 5 th August, 1963 Enforcement: 10 th October, 1963	<ul style="list-style-type: none"> Banned nuclear weapon tests in the atmosphere Signed by US, UK and USSR
Nuclear non-Proliferation Treaty	Signed: 1 st July 1968 Enforcement: 5 th March, 1970	<ul style="list-style-type: none"> To prevent the spread of nuclear weapons and weapons technology To promote cooperation in the peaceful uses of nuclear energy To achieve nuclear disarmament
Strategic Arms Limitation Talks-I	Signed: 26 th May, 1972 Enforcement: 3 rd October, 1972	<ul style="list-style-type: none"> Signed by US President Richard Nixon and Soviet leader Leonid Brezhnev Limitation on anti-ballistic missile system Limitation of strategic offensive arms
Strategic Arms Limitation Talks-II	Signed: 18 th June, 1979	<ul style="list-style-type: none"> Signed between US President Jimmy Carter and Soviet leader Leonid Brezhnev
Strategic Arms Reduction Treaty-I	Signed: 31 st July, 1991	<ul style="list-style-type: none"> Signed by USSR President Mikhail Gorbachev and US President George Bush (Senior) Reduction and limitation of strategic offensive arms
Strategic Arms Reduction Treaty-II	Signed: 3 rd January, 1993	<ul style="list-style-type: none"> Signed by Russian President Boris Yeltsin and US President George Bush (Senior) Reduction and limitation of strategic offensive arms

The Nuclear Non-Proliferation Treaty has a preamble and eleven articles and is reviewed every 5 years.



INTERNATIONAL ORGANIZATIONS

Organisations	Date of Formation	Headquarter	Members	Objectives
North Atlantic Treaty Organisation	4th April, 1949	Brussels, Belgium	29 states	<ul style="list-style-type: none"> To unite all the countries of Europe and America under one umbrella. To bring economic stability of these countries and advancement in military front
Association of South East Nations	8th August, 1967	Jakarta	10 countries	<ul style="list-style-type: none"> To promote intergovernmental cooperation and facilitating economic, political, military and cultural integration To accelerate economic growth, social progress, and cultural development in the region
United Nations Organization	1945	New York City	193 member states and 2 observer states	<ul style="list-style-type: none"> To promote international co-operation and to create and maintain international order. To maintain international peace and security
South Asian Association for Regional Cooperation	8th December, 1985	Kathmandu	8 members, 9 observers	<ul style="list-style-type: none"> To improve the quality of life and welfare of the people of the member countries. To promote active collaboration and mutual assistance in the economic, social, cultural, technical and scientific fields.
International Court of Justice (ICJ)	1945	Hague, Netherlands	-	<ul style="list-style-type: none"> Settling legal disputes submitted by states in accordance with international law. Advising on legal questions brought by authorized international organs and agencies.
European Union	1st November, 1993	Brussels, Belgium	28 states	<ul style="list-style-type: none"> To promote peace and the well-being of the Union's citizens. To create an area of freedom, security and justice without internal frontiers.
Non-Aligned Movement (NAM)	1961	Jakarta	120 members and 17 observers	<ul style="list-style-type: none"> To support self-determination, national independence and the sovereignty and territorial integrity of States. To ensure non-adherence to multilateral military pacts and the independence of non-aligned countries from great power or block influences and rivalries

The Republic of Nauru has become the 189th member of the International Monetary Fund and the World Bank.

Arab League	22th March, 1945	Cairo, Egypt	22 countries	<ul style="list-style-type: none"> To draw closer the relations between member states and co-ordinate collaboration between them To safeguard states' independence and sovereignty
	7th September, 1923	Lyon, France	190 countries	<ul style="list-style-type: none"> To prevent crime through enhanced cooperation and innovation on police and security matters
International Criminal Court (ICC)	17th July, 1998	Hague, Netherlands	-	<ul style="list-style-type: none"> To prosecute individuals for the international crimes of genocide, crimes against humanity, and war crimes To complement existing national judicial systems
Office of the United Nations High Commissioner for Refugees	4th December, 1950	Geneva, Switzerland	-	<ul style="list-style-type: none"> To protect and support refugees at the request of a government or the UN itself and assists in their voluntary repatriation, local integration or resettlement to a third country
Commonwealth of Nations	1949	London	52 states	<ul style="list-style-type: none"> To create an atmosphere of economic cooperation between member nations, as well as the promotion of democracy and good governance in them
	1999	Ontario, Canada	10 countries	<ul style="list-style-type: none"> To bring together elected officials, civil servants and experts in federalism from about 20 countries to learn from each other
Nuclear Suppliers Group (NSG)	1974	-	48 countries	<ul style="list-style-type: none"> To prevent nuclear proliferation by controlling the export of materials, equipment and technology
	April 1987	-	35 countries	<ul style="list-style-type: none"> To prevent the proliferation of missile and unmanned aerial vehicle technology capable of carrying above 500 kg payload for more than 300 km

IMPORTANT SUMMITS AT A GLANCE

Summits	Location	Theme/Objective	Previous	Upcoming
8th BRICS	Goa, India	Building Responsive, Inclusive and collective solutions	Ufa, Russia (2015)	

United Nations Environment Programme, Nairobi was founded by Maurice Strong.

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11th G-20	Hangzhou, China	Toward an Innovative, Invigorated, Interconnected and inclusive world Economy	Antalya, Turkey (2015)	Hamburg, Germany (2017)
19th SAARC	Islamabad, Pakistan	Postponed	Kathmandu, Nepal (2014)	Bengaluru, India (2018)
28th and 29th ASEAN	Vientiane, Laos	Turning Vision into Reality for a Dynamic ASEAN Community	Kuala Lumpur, Malaysia (2015)	—
11th EAS	Vientiane, Laos	Matters include maritime security, terrorism, non-proliferation, irregular migration	Kuala Lumpur, Malaysia (2015)	Philippines (2017)
28th APEC	Peru, Lima	Quality Growth and Human Development	Philippines, Manila (2015)	Vietnam, Hanoi (2017)
4th Nuclear Security Summit	Washington, USA	To coordinate international efforts to prevent terror organizations from acquiring nuclear weapons or material	Hague, Netherlands (2015)	—
27th NATO Summit	Warsaw, Poland	Major agenda include—situation in Eastern Europe, reform of NATO's partnership policy, debate about future nuclear strategy of the alliance,	Wales, UK (2014)	Brussels, Belgium (2017)
17th NAM	Margarita, Venezuela	Peace, Sovereignty and Solidarity for Development	Venezuela (2015)	—
49th (ADB) Asian Development Bank Annual Meeting	Frankfurt, Germany	Agenda—Sustainable development in Asia and the pacific	Baku, Azerbaijan (2015)	Yokohama, Japan (2017)
Shanghai Cooperation Organization (SCO) Summit	Tashkent, Uzbekistan	Issues of strengthening stability and security in Central Asia	Ufa, Russia (2015)	Astana, Kazakhstan (2017)



BUSINESS & FINANCE

Business : A Business is an organization or enterprising entity engaged in commercial, industrial or professional activities.

TYPES OF BUSINESS ENTITIES

Sole Proprietorship

It is an unincorporated business with one owner who pays personal income tax on profits from the business.

Partnership

A type of business organisation in which two or more individuals pool money, skills, and other resources, and share profit & loss in accordance with terms of the partnership agreement.

Limited Liability Partnership (LLP)

It is a partnership in which some or all partners have limited liabilities.

Hindu Undivided Family (HUF)

It is an extended family arrangement prevalent throughout the Indian subcontinent consisting of many generations living in the same household, all bound by the common relationship. A HUF is a legal term related to the Hindu Marriage Act. The female members are also given the right of share to the property in the HUF.

Cooperative

It is a firm owned, controlled, and operated by a group of users for their own benefit. Each member contributes equity capital & shares in the control of the firm on the basis of one-member, one-vote principle.

Dormant Company

A dormant company is one that has been registered but is not carrying on any kind of business activity or receiving any form of income. Therefore, (HM Revenue and Customs or HMRC) considers it dormant (or inactive) for corporation tax purposes.

Family Owned Business

It is a kind of business in which two or more family members are involved and the majority of ownership or control lies within the family.

Private Limited Company

A type of company that offers limited liability, or legal protection for its shareholders but places certain restrictions on its ownership.

Small Company

It is a company that satisfies either of the following conditions:

- (i) Paid-up share capital which does not exceed ₹50 lakh or such higher amount as may be prescribed which shall not be more than ₹5 crore.
OR
- (ii) Turnover of which as per its last profit & loss account does not exceed ₹2 crore or such higher amount as may be prescribed which shall not be more than ₹20 crore.

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Public Limited Company

A company whose securities are traded on a stock exchange and can be bought and sold by anyone. Its formation, working and its winding up, in fact, all its activities are strictly governed by laws, rules and regulations.

Public Sector Unit (PSU)

The government owned corporations are termed as public sector undertakings (PSUs) in India. In a PSU, majority (51% or more) of the paid up share capital is held by Central Government or by any state government and partly by one or more state governments.

One Person Company

The concept of One Person Company (OPC) in India was introduced through the Companies Act, 2013 to support

entrepreneurs who on their own are capable of starting a venture by allowing them to create a single person economic entity.

Unlimited Company

It is a company in which all members or shareholders have total and joint responsibility to cover all debts and other liabilities the company generates, regardless of how much capital each contributes.

Incorporated Company

A company that has been granted a charter legally recognizing it as a separate entity having its own privileges, rights, and liabilities distinct from other business and persons.

CORPORATE GOVERNANCE

The framework of rules and practices by which a Board of Directors ensures accountability, fairness, and transparency in a company's relationship with its all stakeholders (financiers, customers, management, employees, government, and the community).

Companies Act 1956

The Companies Act 1956 is administered by the Government of India through the Ministry of Corporate Affairs and the Offices

of Registrar of Companies, Public Trustee, Company Law Board etc. It is 658 sections long.

Companies Act 2013

This Act regulates incorporation of a company, responsibilities of a company, directors, dissolution of a company. It contains 29 chapters containing 470 sections as against 658 sections in the companies Act, 1956 and has 7 schedules.

COMPANIES (AMENDMENT) BILL, 2016

On 27th July 2017, The Companies (Amendment Bill), 2017 was passed by the Lok Sabha and now awaits at the Rajya Sabha. The bill is expected to be passed and become Companies Amendment Act, 2017 during the financial year 2017-18. Companies Amendment Act, 2017 would mainly focus on making some major amendments to the Companies Act, 2013 and further improving ease of doing business in India.

Edmund Jerome McCarthy propounded the theory of 4 Ps of marketing.

PENSION SYSTEM

Pension Plans provide financial security and stability during old age when people don't have a regular source of income. To provide social security to more citizens the Government of India has started the National Pension System. Government of India established Pension Fund Regulatory & Development Authority (PFRDA) on 10th October 2013 to develop & regulate pension sector in the country.

The National Pension System CNPS was launched on 1st January 2001.

The NPS is structured in 2 tiers. A **Tier-1** account is a basic retirement pension account available to all citizens from 1 May 2009. It does not permit withdrawal of funds before retirement. A **Tier-2** account is a prospective payment system account that permits some withdrawal of pension prior to retirement under exceptional circumstances, usually related to the provision of health care.

MINISTRY OF CORPORATE AFFAIRS(MCA)

MCA regulates corporate affairs in India through the Companies ACT, 1956, and Companies Act, 2013 and other allied Acts, Bills and Rules. MCA also protects investors and offers many important services to stakeholders.

The Ministry is also responsible for administering the Competition Act, 2002 to prevent practices having adverse effect on competition, to promote and sustain competition in markets, to protect the interests of consumers through the commission set up under the Act.

Registrar of Companies

Registrars of Companies (ROC) appointed under Section 609 of the Companies Act

1956 covering the variuous States and Union Territories are vested with the primary duty of registering companies and LLPs floated in the respective states and the Union Territories and ensuring that such companies and LLPs comply with statutory requirements under the Act.

Income Tax Department

The **Income Tax Department**, also referred to as **IT Department**, is a government agency in charge of monitoring the income tax collection by the Government of India. It functions under the Department of Revenue of the Ministry of Finance.

BALANCE SHEET

A financial statement that summarizes a company's assets, liabilities and shareholders' equity at a specific point of time.

The balance sheet adheres to the following formula:

$$\text{Assets} = \text{Liabilities} + \text{Shareholders' Equity}$$

SOURCES OF FUNDS

Debt

A duty or obligation to pay money for the delivery of goods or render service under an expressed or implied agreement.

Debentures

It is a medium- to long-term debt instrument used by large companies to borrow money, at a fixed rate of interest.

Shareholder's Equity

It represents the amount by which a company is financed through common and preferred shares.

Seed Funding

It is a type of securities contribution in which an investor invests capital in exchange for an equity stake in the company. This sort

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of funding is done in the initial stages of a business.

Venture Funding

It is the capital invested, or available for investment, in an enterprise that offers the probability of profit along with the possibility of loss. This sort of funding is done generally, after a company has a proof of concept and has crossed early stages of business.

IPO

Initial public offering or IPO is the first sale of a company's shares to the public, leading to a stock market listing. A lot of venture funds adopts this route to exit a company in which they have invested.

Shares

A unit of ownership that represents an equal proportion of a company's capital. It entitles its holder(the shareholder) to an equal claim on the company's profits and an equal obligation for the company's debts & losses.

There are 2 major types of shares-

- **Ordinary shares:** Entitles the shareholder to share in the earnings of the company and to vote at the company's annual general meetings and other official meetings.
 - **Preference shares:** Entitles the shareholder to a fixed periodic income but generally do not give him/her voting rights.
- Loans:** A loan is a debt provided by an entity (organisation or individual) to another entity at an interest rate.

Performance of a Company

Debt/Equity Ratio

It is a debt ratio used to calculate company's financial leverage. It is calculated by dividing a company's total liabilities by its stockholder's equity. It shows how much debt a corporation is using to fund its assets relative to the amount of value represented in shareholder's equity.

P/E Ratio

The price-to earnings ratio is an equity valuation multiple. It is defined as market price per share divided by annual earnings per share, (EPS = total income of company divided by number of shares issued)

Turnover Ratio

The turnover ratio is the percentage of a mutual fund or other investment's holdings that have been replaced in a given year, which varies by the type of mutual fund, its investment objective and/or the portfolio manager's investing style.

Micro, Small and Medium Enterprises

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two classes:

1. **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries Development and regulation Act, 1951) or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprise are defined in terms of investment in plant & machinery.
2. **Service Enterprises:** The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

The limit for investment in plant and machinery/equipment for manufacturing/service enterprises, as notified, vide S.O. 1642(E) dtd. 29-09-2006 are as under

MANUFACTURING SECTOR

Enterprises	Investment in plant & machinery
Micro Enterprises	Does not exceed twenty five lakh rupees
Small Enterprises	More than twenty five lakh rupees but does not exceed five crore rupees
Medium Enterprises	More than five crore rupees but does not exceed ten crore rupees

Production function is the relationship between physical inputs and physical output of a commodity.

SERVICE SECTOR

Enterprises	Investment in equipments
Micro Enterprises	Does not exceed ten lakh rupees:
Small Enterprises	More than ten lakh rupees but does not exceed two crore rupees
Medium Enterprises	More than two crore rupees but does not exceed five core rupees

E-Commerce in India

E-commerce or electronic commerce deals with the buying and selling of goods and services, or the transmitting of funds or data, over an electronic platform, mainly the internet. These business transactions are categorised into—

- Business to Business (B2B)
- Business to Consumers (B2C)
- Consumer to Consumer (C2C)
- Consumer to Business(C2B)
- Business to Business to Consumer (B2B2C)

E-commerce processes are conducted using applications, such as email, fax, online catalogues & shopping carts, electronic data interchange, file transfer protocol & web services & e-newsletters to subscribers. E-Travel is the most popular form of E-commerce, followed by e-Tail which essentially means selling of retail goods on the internet conducted by the B2C category.

Mobile Commerce (M – Commerce)

M-Commerce is the buying and selling of goods & services through wireless handheld services such as cellular telephone and personal digital assistants.

MNC

A corporation that has its facilities and other assets in at least one country other than its home country. Such companies have offices and/or factories in different countries and usually have a centralized

head office where they co-ordinate global management. It can also be referred as an international corporation, a “transnational corporation”, or a stateless corporation.

NGO

A non-governmental organization (NGO) is an organization that is neither a part of a government nor a conventional for-profit business.

NGOs are usually funded by donations, but some avoid formal funding altogether and are run primarily by volunteers. Some may have charitable status, while others may be registered for tax exemption based on recognition of social purposes.

FICCI (Federation of Indian Chamber of Commerce & Industry)

Established in 1927, FICCI is the largest and oldest apex business organisation in India. A non-government, not-for-profit organisation, FICCI is the voice of India's business and industry.

FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.

Agmark

It is a certification mark employed on agricultural products in India, assuring that they confirm to a set of standards approved by the Directorate of Marketing & Inspection, an agency of the Government of India.

ISI Mark

ISI (Indian Standards Institute) mark is a certification mark for industrial products in India. The mark certifies that a product confirms to the Indian Standard, mentioned as IS: xxxx on top of the mark, developed by the **Bureau of Indian Standards (BIS)**. The ISI mark is mandatory for certifying products to be sold in India, like many of the electrical appliances, kitchen appliances, other products like LPG valves, LPG cylinders, automotive tyres, etc.

Important Business Terms

Term	Meaning
Ahead of the curve	To be more advanced than the competition
Backroom deal	An agreement or decision that is made without the public knowing about it.
Go broke	To go bankrupt or to lose all the money a person or business had.
In the black	If a company is "in the black", it means that they are making a profit
In the red	If a company is "in the red" it means that they are not profitable & are operating at a loss.
Lose – Lose situation	When someone has to choose between various options and all the options are bad.
Pink slip	If someone gets the "pink slip", it means they have been fired.
Snail mail	Letter or messages that are not sent by email, but by regular post.
Blue collar worker	Someone who works with his/her hands (manufacturing, construction, maintenance, etc.).
White collar worker	Someone who works in an office (customer service, management, sales, etc.)
Win – Win situation	A situation where everyone involved gains something.
Corner a market	To dominate a particular market.
Downsizing	A planned reduction in the number of employees needed in a firm in order to reduce costs & make the business more efficient.
Venture Capital	Money that is invested in new or emerging companies that are perceived as having great profit potential.
Opportunity cost	Cost in terms of foregone alternatives.
Logistics	Process of strategically managing the efficient flow & storage of raw materials, in-process inventory, & finished goods from point of origin to point of consumption.
Equity	Difference between market value of a property & claims held against it.
Merger	Combination of two or more companies into a single firm.
Acquisition	Taking over the control of one company by another.
Hedging	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities.
Intellectual Property	Knowledge, creative ideas, or expressions of human mind that have commercial value & are protectable under copyright, patent, servicemark, trademark, or trade secret laws from imitation infringement, & dilution.
Swap	Exchange of one type of asset, cash flow, investment, liability, or payment for another.
Bankrupt	When individual/company cannot pay their debts & are not able to reach an agreement with their creditors.
Liquidity	How quickly assets can be converted into cash.

BUSINESS CONCEPTS

Agent

A business entity that negotiates, purchases, and/or sells, but does not take title to the goods.

Doing Business As (DBA)

DBA stands for "Doing Business As," which is a company name, also commonly called a "fictitious business name." When a sole proprietor operates a company using any name except his or her own given name, then the DBA or fictitious business name registration establishes the legal ownership to satisfy banks, local authorities, and customers.

Ideas vs Opportunities

Ideas are the basis of potential business opportunities. Good ideas do not necessarily represent good opportunities.

Initial Public Offering (IPO)

A corporation's initial efforts of raising capital through the sale of securities on the public stock market.

Inventory

Goods in stock, either finished goods or materials to be used to manufacture goods.

Outsourcing

Purchasing an item or a service from an outside vendor to replace performance of the task with an organization's internal operations.

SWOT Analysis

A formal framework of identifying and framing organizational growth opportunities. SWOT is an acronym for an organization's internal Strengths and Weaknesses and external Opportunities and Threats.

CRM

CRM stands for Customer Relationship Management. At its simplest, a CRM system allows businesses to manage business relationships and the data and information associated with them.

Supply Chain Management (SCM)

It is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler

to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies.

Memorandum of Association (MoA)

MoA is a legal document prepared in the formation and registration process of a limited liability company to define its relationship with shareholders.

Articles of Association

It is a document of a company which defines the responsibilities of the directors, the kind of business to be undertaken, and the means by which the shareholders exert control over the board of directors.

Start-ups

A start-up company is an entrepreneurial venture or a new business in the form of a company, a partnership or temporary organization designed to search for a repeatable and scalable business model. These companies, generally newly created, are innovative in a process of development, validation and research for target markets.

Boot Strap

A situation in which an entrepreneur starts a company with little capital. An individual is said to be boot strapping when he or she attempts to lay foundation and build a company from personal finances or from the operating revenues of the new company.

Employees' State Insurance (ESI)

ESI is a self-financing social security & health insurance scheme for Indian workers. The ESI is managed by the ESI Corporation (ESIC) according to rules and regulations stipulated there in the ESI Act 1948, which oversees the provision of medical and cash benefits to the employees and their family through its large network of branch offices, dispensaries and hospitals throughout India.

Provident Fund (PF)

It is a fund which is composed of contributions and made by the employee during the time he/she worked along with an equal contribution by his employer. Its purpose is to help employees save a fraction of their salary every month, to be used in an event that the employee is temporarily or no longer fit to work or at retirement.

TDS

Tax deducted at source (TDS), as the very name implies, aims at collection of revenue at the very source of income. It is essentially an indirect method of collecting tax which combines the concepts of "pay as you earn" and "collect as it is being earned." Its significance to the government lies in the fact that it prepones the collection of tax, ensures a regular source of revenue, provides for a greater reach and wider base for tax. At the same time, to the tax payer, it distributes the incidence of tax and provides for a simple and convenient mode of payment.

Lease

A legal document outlining the terms under which one party agrees to rent property from another party. A **lease** guarantees the **lessee** (the renter) use of an asset and guarantees the **lessor** (the property owner) regular payments from the lessee for a specified number of months or years. Both the lessee and the lessor must uphold the terms of the contract for the lease to remain valid.

Financial Leasing

As one of the most popular financing tools in modern business world, Financial

Leasing Services uses finance leases to leverage assets. A Finance Lease (or Capital Lease) is a lease that is primarily a method of raising finance to pay for assets, rather than a genuine rental.

E-FILING

Electronic tax filing, or e-filing, is a system for submitting tax documents to a revenue service electronically, often without the need to submit any paper documents. E-filing has manifold benefits; the taxpayer can file a tax return from home at any convenient time, once the tax agency begins accepting returns. E-filing saves the tax agency time and money, because the tax data is transmitted directly into its computers, significantly reducing the possibility of keying and input errors.

Corporate Tax

Corporate taxes are taxes against profits earned by businesses during a given taxable period. Corporation tax is a tax imposed on the **net income** of the company. The present corporate tax is 30% on the Net Income of the company.

Domestic companies are taxed at the rate of 30% of total income. However, with effect from tax year 2017-2018, tax rate for domestic companies with turnover or gross receipt not exceeding ₹ 50 crore in the previous year 2015-16 are liable to pay tax at the rate of 25% instead of 30% (proposed in Budget 2017). This means, if your turnover for the financial year 2015-16 is less than or equal to 50 crore rupees then tax rate of the previous year 2017-18 will be 25%.

Income tax rate on companies for tax year 2017-18, Assessment year 2018-2019

Base tax rate (Proposed in Budget 2017)

Turnover in INR	For Indian Company	For Foreign Company
Less than or equal to 50 Crore (in the previous year 2015-16)	25%	40%
More than or equal to 50 Crore (in the previous year 2015-16)	30%	40%

SurchARGE IS APPLIED IN THE FOLLOWING CASES:

- A domestic company will be charged surcharge at the rate of 7% on income tax if taxable income exceeds ₹1 crore but less than or equal to ₹10 crore. If taxable income is more than ₹10 crore then surcharge will be @ 12%.
- Cess at the rate of 3% (i.e. education cess @2% and Secondary and higher secondary cess @1%) will also be levied on the total of income tax and surcharge. It's applicable to all categories of company irrespective of turnover and taxable income.

SURCHARGE ON COMPANIES FOR TAX YEAR 2017-18, ASSESSMENT YEAR 2018-2019

Taxable Income in INR	Surcharge charged on Income tax	
	For domestic company	For companies other than a domestic company
Turnover in INR		
Less than or Equal to 1 Crore	NIL	NIL
More than 1 Crore but less than 10 Crore	7%	2%
More than 10 Crore	12%	5%

Profitability of Compan

Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities.

Dividend

- Dividend is usually a part of the profit that the company shares with its shareholders.
- It refers to a reward, cash or otherwise, that a company gives to its shareholders.
- It can be issued in various forms, such as cash payment, stocks or any other form.
- A company's dividend is decided by its board of directors and it requires the shareholders' approval. However, it is not obligatory for a company to pay dividend.

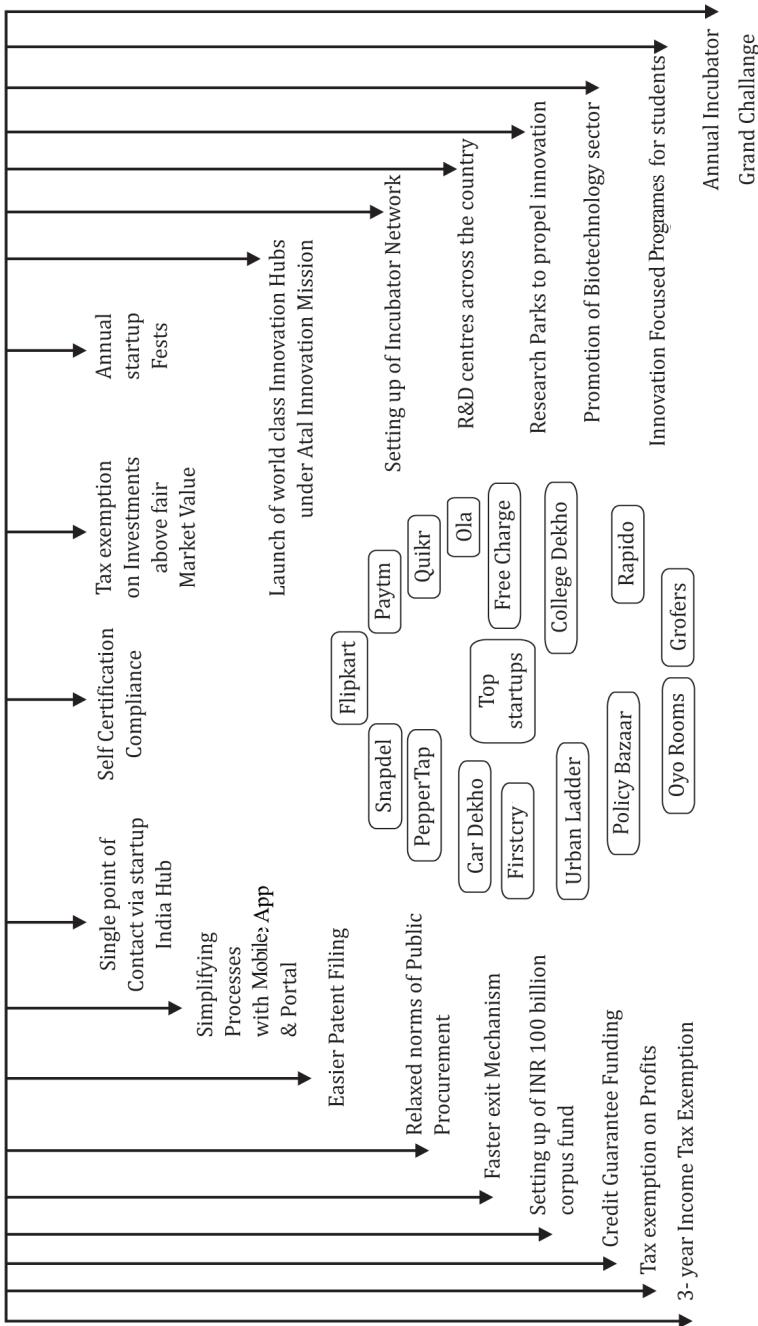
Issued Capital

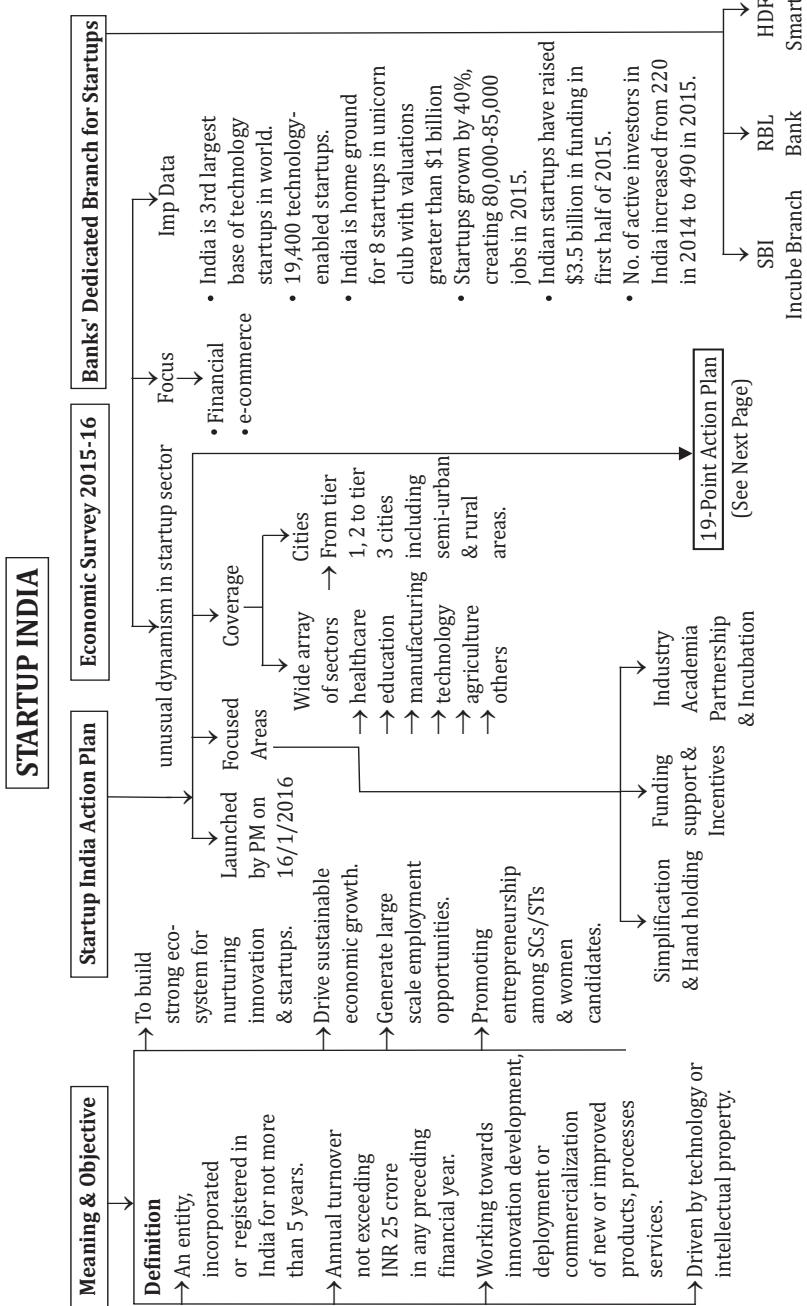
The share capital that has been issued to the shareholders. This is part of a company's authorised capital.

Paid up Capital

The amount of a company's capital that has been funded by shareholders. Paid-up capital can be less than a company's total capital because a company may not issue all of the shares that it has been authorized to sell. Paid-up capital can also reflect how a company depends on equity financing.

19-Point Action Plan





FINANCIAL SYSTEM

A well established financial system plays very important role in economic development of any country. This system provides a framework by which savings and surplus funds are mobilized in a productive manner.

It promotes the capital formation by bringing together supply of savings and demand for funds.

Call Money Market

- A money market, which involves financial transaction (lending and borrowing) for only a small period of time, is termed as Call Money Market, or short – term money market. Call money transactions are limited between a day and a fortnight and are most applied in the case of inter – bank exchanges.
- Call Money, Notice Money and Term Money markets are vital components of the Indian Money Market.
- Call money involves monetary transaction for a day; notice money refers to the borrowing and lending of funds for 2 – 14 days and term money refers to financial transactions with a time frame exceeding a fortnight.

Treasury Bill Market

- Short-term securities that mature within a year from their issue date are called Treasury Bills or T – Bills. These policies are effectively deployed by the US Government to raise money from the public.
- Initially, T – Bills are purchased at prices lower than their par (Face) value and after maturity, the government pays the bearer, the full par value. Mathematically, the interest is actually the difference between the purchase price of the security and the amount received post maturity.

- The Central Government of India issues such bills, for a minimum amount of ₹25, 000 and in multiples of the same.

Commercial Bill Market

- The commercial bill market relates to the seller and buyer equation over the purchased goods.
- Commercial bills are issued by the seller (drawer) on the buyer (drawee) for the value of the goods or products delivered by him.
- The difference between the commercial and the T-bill is that the latter is issued by the Government whereas the former is imposed by the seller.

Collateral Loan Market

- Providing and availing loans is a primary factor of the financial market. In those cases where the principal amount of the loan is in massive proportion, the lender (banks mostly) imposes a collateral on the borrower.
- Collateral represents the asset which can be pledged, as a security to the creditor by the borrower. The collateral amount depends according to the value of the loan.

Commercial Paper Market

- Commercial paper is an unstructured or rather unsecured bond, issued by a corporation, based on receivables and inventories. Maturities on such bonds are not longer than nine months.
- These alternatives are actually targeted by organizations, aiming at borrowing short-term money from banks. The conventional process, being very tedious and process-oriented, has led to the fame of commercial paper.

Money Market Instruments

- Repurchase options (repos) and reverse repos have been introduced in order to even out sharp fluctuations in the money market.

- Liquidity Adjustment Facility (LAF) refers to RBI's policy of using Repos and Reverse Repos to adjust liquidity on a day-to-day basis.

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 term of borrowing or lending. Long-term funds are raised either by borrowing from certain institutions or by issuing securities.

The capital market may be divided into (i) the securities market; and (ii) the financial institutions.

Securities

(a) Gilt-edged

- There are securities issued by the government to borrow money from the market. These government issued securities are called **gilt** or **gilt edged securities**.
- Gilt-edged securities are a high-grade investment with very low risk.
- Depending upon expiry date, government securities are classified into the following:

Short – term gilt: Maturity: >1 year	Long – term gilt: Maturity: 5 /10 /15 yrs.
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- Additionally, these gilt-edged securities provide safety due to the zero income default, 100% liquidity and bulk investment opportunity owing to the high rate of return.

(b) Corporate

- Corporate security identifies and effectively mitigates, at an early stage,

any developments that may threaten the resilience and survival of a corporation. It is a corporate function that oversees and manages the close coordination of all functions within the company that are concerned with security, continuity and safety.

- The need for corporate securities arises in the following:
 - (a) Successful establishment of business functions
 - (b) Sponsoring of fund-intensive expansion plans
- There are two types of corporate securities: Ownership securities and Creditorship Securities
- **Ownership securities** consist of preference shares and equity shares. **Preference shares** are those shares which carry priority rights related to dividend payment at a fixed rate and repayment of capital, in the event of a company being wound up. The advantages of preference shares include mobilizing funds from investors who prefer stable earnings with assurance, flexibility in capital structure as desired, complete control of business transactions within an organization and increase in the profits of the shareholders. Disadvantages include not allowing investors to carry voting rights, shares being expensive, income tax problems and redemption issues at the time of depression.

- **Equity shares** are ordinary shares, devoid of special attributes with respect to dividend or return of capital, as in preference shares. Equity shareholders are the residual claimants against the assets and income of the corporation. The financial risk is more with equity share capital, also called 'risk capital.' Some

of the advantages of these shares are long shelf – life of funds, shareholders' right to participation in the affairs of the company, increase in shareholders' assets and ownership rights of the shareholders.

- **Creditorship securities** are also called debentures and accounts for the debt of a company. Debenture holders are regarded as the creditors of the company and debentures account for the borrowed capital. A debenture may be defined as an instrument executed by company under its common seal, acknowledging indebtedness to an individual or a group, to secure the sum advanced. Debentures are usually bonds issued by the company in series of a fixed denomination e.g., ₹100, ₹200, ₹500, ₹1,000 of face value and are offered to the public, by means of a prospectus.

Financial Institutions

(a) SEBI

- Established in 1988 and provided statutory powers in 1992, the Securities and Exchange Board of India (SEBI) is the regulator for the Indian security market.
- The Indian Parliament passed the SEBI Act on 12 April, 1992.
- SEBI is headquartered in Mumbai, Maharashtra.
- Before the Government of India enforced the existence of SEBI, Controller of Capital Issues was the regulatory authority.
- The main motto behind constructing SEBI was to regulate and control the function of capital markets in India under the intervention of the Indian Government.
- The present Chairman of SEBI is Mr. Upendra Kumar Sinha, who replaced C. Bhave in 2011.

- SEBI caters to the needs of the security issuers, the investors and the market intermediaries.

(b) DFI

- A Development Finance Institution (DFI) is a subsidiary financial establishment which includes microfinance institutions – agencies which sponsor budding entrepreneurs and small businesses, especially in the semi – urban areas which lack access to banks and related services; community development financial institution which provides credit and financial services to the deprived markets and populations and revolving loan funds, which assists micro, small, medium and rural projects by providing loans to individuals who does not otherwise qualify for conventional financial benefits.

(c) IFCI

- In 1947, shortly after the Independence, it was observed the India's capital market was relatively underdeveloped due to lack of policies, benchmarks and service providers. However, the demand was relatively high. To add to the woes, there were no merchant bankers or underwriting firms and neither were proper commercial banks to provide long – term investment options or portfolios.
- Against such a backdrop, the Industrial Finance Corporation of India (IFCI) was constituted on July 1, 1948. IFCI, at its inception was meant to provide access to cost – effective funds through the Central Bank's Statutory Liquidity Ratio (SLR).
- IFCI, thus became an India Government owned development bank to provide long – term financial leverage to the industrial sector.

(d) ICICI

- ICICI, an acronym for **Industrial Credit and Investment Corporation of India**, is a multinational banking and financial services company, based out of Mumbai and registered office in Vadodara.
- Over the years since inception, ICICI Bank has accumulated several accolades. In 2014, it was declared as the second largest bank in terms of assets and third in terms of market capitalization.
- ICICI was the first Indian bank to be enlisted under the NYSE in 1999, being a non-Japanese institution.
- A noble lady, a visionary, ICICI's CEO, Chanda Kochhar is one of India's most powerful corporate tycoon, of recent times and has been influential in creating the success story. Some of her milestones are appropriate case studies for inspiring the youth.
- Under Kochhar's leadership, ICICI has won the title of the 'Best Retail Bank in India' thrice consecutively.

(e) IDBI

- The Industrial Development Bank of India (IDBT), as it was formerly known, is a government-owned financial service company, headquartered in Mumbai.
- The main motto behind its establishment was to supply credit and financial stability to the Indian industrial sector.
- In 1976, the statutory ownership of IDBI was transferred to the Government of India, which was initially a wholly-owned subsidiary of the RBI, since its inception in 1964, under an Act of the Parliament.
- Mr. Kishor Kharat is captaining the ship, being the CEO and MD.

Commodity Future Market

Commodities are the primary products that can be bought, sold or traded in different periods of markets. These are the raw materials that are used to make secondary products which are consumed in everyday life around the world, from food products to building material commodities. These are grouped into:

- i. **Soft commodities:** These are agricultural products such as corn, wheat, coffee, cocoa, sugar and soybean; and livestock.
- ii. **Hard commodities:** These are natural resources that need to be mined or processed such as crude oil, gold, silver and rubber.

Commodity markets are of two types:

- i. **Spot (physical)** and ii. **Derivatives** (such as futures, options and swaps).

In a **spot market**, a physical commodity is sold or bought at a price negotiated between the buyer and the seller. The spot market involves buying and selling of commodities in cash with immediate delivery.

Contracts in Derivative Markets

- a. **Forward Contract:** It is a non-standardized or customized contract between two parties to undertake an exchange of the underlying asset at a specific future date at a pre-determined price. It is a bilateral agreement whose terms are negotiated and agreed upon between two parties. It is transacted over-the counter and is not traded on an exchange. The contract is executed by both parties on the due date by delivery of asset by the seller and payment by the buyer.
- b. **Future Contracts:** These are agreements made on a futures exchange to buy or sell a commodity at a pre-determined price in the future.

- For example**, if one wants to buy 5 tonne of rice today, one can buy it in the spot market. But if one wants to buy or sell 15 tonne of rice at a future date, i.e. after three months one can buy or sell the same through futures contracts at a commodity futures exchange.
- c. **Options Contracts:** These are the contracts that give the owner the right, but not the obligation, to buy or sell an agreed amount of a commodity on or before a specified future date.
 - d. **Swaps Contract:** This contract is an agreement between two parties to exchange cash (flows) on or before a specified future date based on the underlying value of commodity, currency, stock or other assets. Unlike futures, swaps are not exchange-traded instruments. Swaps are usually designed by banks and financial institutions that also arrange the trading of these bilateral contracts.
 - e. **Over-The-Counter (OTC) derivatives:** These contracts are privately negotiated and traded between two parties, without going through an exchange. The market players trade with one another through telephone, email, and proprietary electronic trading systems.

Regulations of Commodity Futures Markets in India

The Commodity Futures Markets in India are regulated through a three-tiered regulatory structure, i.e. Central Government, Forward Markets Commission (FMC), and Commodity Exchanges.

- i. **The Central Government:** In addition to determining regulatory policies, the Central Government has the legislative powers to pass, amend and repeal laws related to futures trading in India subject to the approval of the Parliament.
- ii. **The Forward Markets Commission (FMC):** The FMC is a statutory body

set up under Forward Contracts (Regulation) Act, 1952. Its headquarter is at Mumbai. It is the regulatory and supervisory authority for commodity futures market in India.

- iii. **Commodity Derivatives Exchange (CDE):** A commodity exchange (i.e. bourse) is an organized physical or virtual marketplace where different tradable securities, commodities and derivatives are sold and bought. Commodity derivatives exchanges are places where trading of commodity futures and options contracts are conducted.

Commodity Exchanges in India

The most important out of currently 19 commodity derivatives exchanges in India are:

- i. Multi Commodity Exchange of India (**MCX**) – Mumbai
- ii. National Commodity and Derivatives Exchange of India (**NCDEX**) – Mumbai
- iii. National Multi Commodity Exchange (**NMCE**) – Ahmedabad
- iv. Indian Commodity Exchange (**ICEX**) - New Delhi
- v. ACE Derivatives & Commodity Exchange Limited – Mumbai
- vi. Universal Commodity Exchange Limited - Navi Mumbai

Foreign Portfolio Investment (FPI)

It is an investment by non-residents Indians in Indian securities, i.e. shares, government bonds, corporate bonds, convertible securities, infrastructure securities, etc. The class of investors who make investment in these securities are known as Foreign Portfolio Investors.

- SEBI has made the criteria for Foreign Portfolio Investment. Any equity investment by non-residents which is less than 10% of capital in a company

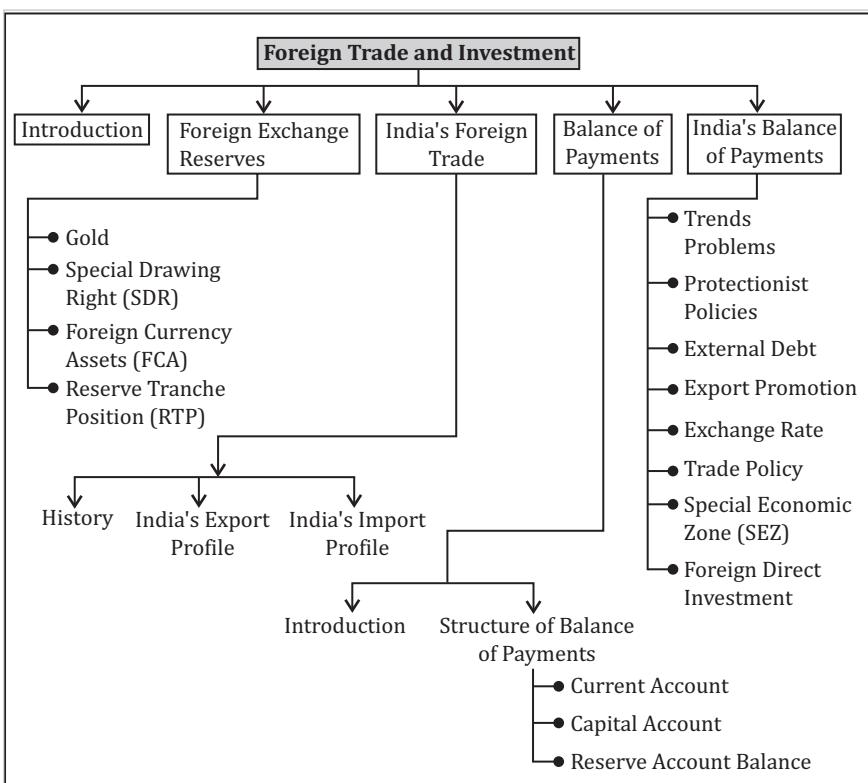
- is portfolio investment and above 10%, the investment will be counted as Foreign Direct Investment (FDI).
- All FPI taken together cannot acquire more than 24% of the paid up capital of an Indian company.
 - Foreign Portfolio Investors are Asset Management Companies, Pension Funds, Mutual Funds, and Investment Trusts as Nominee Companies, Incorporated / Institutional Portfolio Managers or their Power of Attorney holders, University Funds, Endowment Foundations, Charitable Trusts and Charitable Societies.
 - Qualified Foreign Investor is an individual, group or association which is a resident in a foreign country.

ACRONYM

BIS	= Bank for International Settlements
CDS	= Credit Default Swap
CFTC	= Commodity Futures Trading Commission
FII	= Foreign Institutional Investor
FMC	= Forward Markets Commission
ICEX	= Indian Commodity Exchange
MCA	= Ministry of Corporate Affairs
MCX	= Multi Commodity Exchange of India
NAFED	= National Agricultural Co-operative Marketing Federation of India Limited
NBOT	= National Board of Trade
NCDEX	= National Commodity and Derivatives Exchange of India
NMCE	= National Multi Commodity Exchange
OCEIL	= Online Commodity Exchange India Limited
UCC	= Unique Client Code
UNCTAD	= United Nations Conference on Trade and Development



FOREIGN TRADE AND INVESTMENT IN INDIA



India exports approximately 7500 commodities to about 190 countries.

INTRODUCTION

- Foreign trade is the exchange of capital, goods, and services across international borders or territories, which involves the activities of the government and individuals.
- In most countries, it represents a

significant share of gross domestic product (GDP). Foreign trade, in India, includes all imports and exports to and from India. At the level of Central Government, it is administered by the Ministry of Commerce and Industry.

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,
- The foreign exchange reserves of India comprise of three elements:
 - (i) Gold,
 - (ii) Special Drawing Rights (SDR),
 - (iii) Foreign Currency Assets (FCA).

Gold

- It accounts for only 5% of our foreign exchange assets.

Special Drawing Rights (SDR)

- An international type of monetary reserve currency, created by 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,
- 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.

Foreign Exchange Management

- Foreign exchange management (FEM) can be managed in three possible ways: fixed currency rates, floating currency rates and managed exchange rates.

Fixed Exchange rates

- Fixed exchange rates are the currency values which are tied to a precious metal, such as gold, or anchored to another currency, like the US Dollar. This method was brought by the International Monetary Fund (IMF).
- However, the system collapsed in 1971, for a variety of reasons, including the build up of US debts abroad as a result of the need to fund the war in Vietnam, inflation in the USA and growing doubts about the stability of the US\$.

Floating Exchange Rates

- Under a floating system, a currency can rise or fall due to changes in its demand or supply of currencies on the foreign exchange market.
- The advantages of floating exchange rates are flexibility and automatic adjustment in case of balance of trade disequilibrium.

Managed Exchange Rates

- This is a combination of fixed and floating rates. In today's economic situation, almost all countries follow this system of exchange rate determination. The governments usually let the market determine the exchange rates but intervene, whenever needed.

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Reserve Tranche Position

- Each member of the IMF is assigned a quota, part of which is payable in SDRs or specified usable currencies and part in the member's own currency.

- The difference between a member's quota and the IMF's holdings of its currency is a country's Reserve Tranche Position (RTP).

INDIA'S FOREIGN TRADE

- Historically, India ran a trade surplus for centuries together through export of spices, handicrafts, textiles, etc. No restrictions on imports or exports were officially maintained.
- The Government of India Act, 1935 granted Central government the exclusive legislative powers to regulate import of goods in India and export of goods from India. However, this power was used, when the Imports and Exports (Control) Act, 1947 was enacted.
- The initial life of the Imports and Exports (Control) Act, 1947 was three years but later on it was extended from time to time till 1971.
- To protect industries from influx of imported goods, the government issued the Imports (Control) Order, 1955 allowing most of the imports only against an import licence.
- In 1976, many changes were made to the Imports and Exports (Control) Act, 1947.
- Beginning mid-1991, the Government of India introduced a series of reforms to liberalise and globalise the Indian economy.
- The Import policies prior to 1992, contained an Open General Licence, under which specific goods could be

imported and exported by specific categories of importers and exporters subject to fulfilment of certain conditions.

- In 1992, the policy was amended to open general licence, and allow imports and exports of all goods without a licence, except those specifically mentioned in a small negative list.
- As per the rankings of WTO for the year 2014, India was the *19th largest exporter* (with a share of 1.7%) and *12th largest importer* (with a share of 2.5%) of merchandise trade in the world.
- India's rank remained unchanged at 19th in 2015 in the list of 30 merchandise exporters of the world.
- In *Commercial services*, India is the 6th largest exporter (with a share of 3.3%) and 7th largest importer (with a share of 2.9%). *Service sector* has been a major financer for India's merchandise trade deficit. Service surplus financed around 53% of merchandise trade deficit during 2013-14.
- India government has announced a host of incentives with an aim to nearly double goods and service exports to USD 900 billion by 2019-20.

BALANCE OF PAYMENTS (BoP)

Introduction

- Balance of payments (BoP) is statistical statement of all transactions made between one particular country and all other countries during a specified period of time.

- A negative balance of payments* means that more money is flowing out of the country than coming in. The balance of payment is maintained by Central Bank of India, i.e. **Reserve Bank of India (RBI)**.

India's foreign exchange reserves were US\$ 367.14 billion in the week upto October 21, 2016.

- Balance of payments may be used as an indicator of economic and political stability. For example, if a country has a consistently positive BoP, this could mean that there is significant foreign investment within that country. It may also mean that the country does not export much of its currency.

BALANCE OF TRADE AND BALANCE OF PAYMENT

- Balance of trade takes into account only those transactions, arising out of exports and imports (the visible items). It does not consider the exchange of services rendered, such as shipping. Balance of payment takes into account the exchange of both visible and invisible items.
- Hence, the balance of payment represents a better picture of a country's economic transactions with the rest of the world than the balance of trade.

STRUCTURE OF BALANCE OF PAYMENTS

ACCOUNTS

A balance of payments statement is a summary of a nation's total economic transaction undertaken on international account. It is usually composed of three sectors:

- Current account,
- Capital account,
- Reserve account balance.

CURRENT ACCOUNT

This account is the summary of all international trade transactions of the domestic country in a year. It records the following 3 items:

(i) VISIBLE ITEMS OF TRADE

- The balance of exports and imports of goods is called the balance of visible trade, e.g. Tea, Coffee, etc.

(ii) INVISIBLE TRADE

- The balance of exports and imports of services is called the balance of invisible trade. The invisible are divided into three categories: (a) **Services**-insurance, travel, transportation, miscellaneous (like communication, construction, financial, software, etc.), (b) **Income**, and (c) **Transfers** (grants, gifts, remittances, etc.).

(iii) UNILATERAL TRANSFERS

- Unilateral transfers are the receipts, which residents of a country make without getting anything in return, e.g. gifts, etc.

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 being 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 being recorded.
- While India made the rupee fully convertible under current account, it was felt that the economy was not yet ready for capital account convertability (CAC).

RESERVE ACCOUNT BALANCE

- This is the adjusting account in balance of payment. It makes an adjustment between current account balance and capital account balance.
- The reserve account is also the indicator of *Forex Reserves of the country*. If surplus in the Capital Account is more than the 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 deficit in the current account is more than surplus in the Capital Account, then there is net decrease in Foreign Reserves of the country at the end of the year.

BALANCE OF PAYMENT (BoP) CRISIS

- If international reserves of a country are not enough to balance a combined deficit in current and capital account on a sustained basis, then the phenomenon is called a *BoP Crisis*.
- Contractionary fiscal and monetary policies tackle the crisis through lower import demand, with fall in average income levels.

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- Another short term solution is currency devaluation, which encourages exports and discourages costlier imports.

India's Balance of Payment

- The Reserve Bank of India (RBI) has been compiling and publishing Balance of Payments (BoP) data for India since 1948.
- India's Current Account Deficit (CAD) worsened during April-June, 2017 reaching a 4-year high of USD 14.32 billion from USD 0.38 billion in the corresponding quarter a year ago, as per the Balance of Payments (BoP) statistics published by the Reserve Bank of India (RBI).
- The CAD during April-June, 2017 was equivalent to 2.4% of GDP.

Trends & Problems of India's Bop – 1949-50 To 1999-2000.

- The disequilibrium in India's BoP has been caused by both, internal as well as external factors. The need for development of such a big nation with a huge population is one of the main causes for the recurring BoP problem.
- The BoP is always under pressure and had huge deficits due to high imports of food grains and capital goods, the heavy external borrowings and its payment and poor exports.
- India faced a major BoP crisis in the early 1990s. We had to borrow from IMF to be able to sustain the economy. This loan came with a number of conditions. The following are some of the conditions that came with the medium term loan, given by IMF to India for restructuring of the economy:
 - Government expenditure to be cut by 10% per annum,
 - Devaluation of rupee by 22%,
 - Excise duty to be increased by 20%,
 - Custom duty to be cut drastically from the peak of 130% to 30%.

Protectionist Policies

- The main objective of the Second Five Year Plan (1956-57 to 1960-61) was to attain self-reliance through

industrialization. Self-reliance was to be achieved through import substitution.

- All focus was on import substitution, with gross neglect of exports. Such inward looking protectionist policies did result in some self-reliance in the consumer goods industries, but the capital goods industries remained mostly import intensive.
- The high degree of protection to Indian industries led to inefficiency and poor quality products due to lack of competition. The high cost of production further eroded our competitive strength.
- Rising petroleum products demand, the two oil shocks, harvest failure, all put severe strain on the economy. The BoP situation remained weak throughout the 1980s, till it reached the crisis situation, in 1990-91, when India was on the verge of defaulting due to heavy debt burden and constantly widening trade deficit.

External Debt

- The portion of a country's debt that was borrowed from foreign lenders, including commercial banks, governments or international financial institutions. These loans, including interest, must usually be paid in the currency, in which the loan was made. In order to earn the needed currency, the borrowing country may sell and export goods to the lender's country.
- Ministry of Finance releases India's 'External Debt.'
- India's external debt stock stood at US\$ 471.9 billion at the end-March, 2017, decreasing by US\$ 13.1 billion (2.7 per cent) over the level at the end-March, 2016.
- At the end-March, 2017, long-term external debt was US\$ 383.9 billion, showing a decrease of 4.4 per cent over the level at the end-March, 2016.
- Long-term external debt accounted for 81.4 per cent of total external debt at the end-March, 2017 as compared to 82.8 per cent at the end-March, 2016.

Export Promotion

- Export promotion has been defined as "those public policy measures, which actually or potentially enhance exporting activity at the company, industry or national level".
- Although by the Sixth Five Year Plan, we had done away with the need of food grain imports and some crude oil was being produced domestically, BoP position was still not comfortable due to low exports.
- The Third Five Year Plan introduced certain export promotion policies like cash compensatory schemes, tax exemptions, duty drawbacks, Rupee devaluation, etc.

Exchange Rate

- An exchange rate is the price of a nation's currency, in terms of another currency. Thus, an exchange rate has two components, the domestic currency and a foreign currency, and can be quoted either directly or indirectly.

- The instability of the exchange value of the rupee was another problem. The constant devaluations (to promote exports) raised the amount of external debt. The value of rupee was managed by the central bank (fixed exchange rate).
- India followed a strongly inward looking policy, laying stress on import substitution. Ideally, imports should be financed by export earnings. But because there was export pessimism, the deficit was financed either by the invisible earnings or by the foreign aid or depletion of valuable foreign exchange reserve. Much import constraint to check trade deficit was also not possible because India's imports were mainly '*maintenance imports*'.
- On one hand import reduction was not possible, but on the other hand exports suffered due to the recession in the 1980s.

FOREIGN TRADE POLICY, 2015-20

Unveiling the first trade policy of the NDA government, Commerce Minister Nirmala Sitharaman said that the FTP (2015-20) will introduce *Merchandise Exports from India Scheme (MEIS)* and *Services Exports from India Scheme (SEIS)* to boost outward shipments. The new policy aims at boosting India's exports and it is believed that PM Narendra Modi's pet projects, '*Make in India*' and '*Digital India*' will be integrated with the new Foreign Trade Policy.

Trade Policy (2015-20) Key Features

- India to be made a significant participant in the world trade by 2020.
- Merchandise Exports from India Scheme (MEIS) to promote specific services for specific Markets Foreign Trade Policy.
- FTP would reduce export obligations by 25% and give boost to domestic manufacturing.
- 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. FTP benefits from both, MEIS and SEIS will be extended to units located in SEZs.
- Agricultural and village industry products to be supported across the globe at rates of 3% and 5% under MEIS.
- Higher level of support to be provided to processed and packaged agricultural and food items under MEIS.
- Industrial products to be supported in the major markets at the rates ranging from 2% to 3%.

India's largest trading partners in descending order are UAE, China, USA, Saudi Arabia, Switzerland, Singapore, Germany, Hong Kong, Indonesia, Iraq and Japan.

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- Reduced Export Obligation (EO) to (75%) for domestic procurement under EPCG scheme.
- Inter-ministerial consultations to be held online for issue of various licences.
- Export obligation period for export items related to defence, military store,

aerospace and nuclear energy to be 24 months instead of 18 months.

- Calicut Airport, Kerala and Arakonam ICDS, Tamil Nadu notified as registered ports for import and export; Vishakhapatnam and Bhimavarm added as Towns of Export Excellence.

SPECIAL ECONOMIC ZONE (SEZ)

- Special Economic Zone (SEZ) is a specifically delineated duty-free enclave that has economic laws different from a country's typical economic laws, usually the goal is to increase foreign investments.
- India was one of the first in Asia to recognise the effectiveness of the *Export Processing Zone (EPZ)* model in promoting exports, with Asia's **first EPZ set up in Kandla, in 1965**. With a view to attract larger foreign investments in India, the *Special Economic Zones (SEZs)* Policy was announced in April, 2000.

Export Oriented Units, Export processing Zone and Special Economic Zone Schemes

- The Government has liberalised the scheme for export-oriented units and export processing zones. Agriculture, horticulture, poultry, fisheries and dairying have been included in export-oriented units.

1. Export Processing Zones

- Exemption from customs duty, excise duty, etc. on import/domestic procurement of goods for the development, operation and maintenance of SEZs and the units therein.
- 100% income tax exemption for 5 years, 50% for the next 5 years and 50% of ploughed back export profits for 5 years, thereafter for SEZs units.
- Exemption from capital gains on transfer of an undertaking from an urban area of SEZs.
- 100% income tax exemption to SEZ developers for a block of 10 years in 15 years.
- Exemption from dividend distribution tax to SEZ developers.
- 100% income tax exemption for 5 years and 50% for the next five years for off-shore Banking units located in SEZ.
- Exemption to SEZ developer and units from Minimum Alternate Tax.

- Before getting converted into Special Economic Zones (SEZs), these Export Processing Zones (EPZs) were playing important roles in promoting exports of the country. These zones were created to develop such an environment in the economy, which may provide capability of facing international competition.
- All the 8 EPZs, located at Kandla and Surat (Gujarat), Santa Cruz (Maharashtra), Cochin (Kerala), Chennai (Tamil Nadu), Vishakhapatnam (Andhra Pradesh), Faeta (West Bengal) and Noida (U.P.) have been converted into Special Economic Zones.

2. Export-Oriented Units

- Since 1981, the Government introduced a complementary plan of EPZ (Now converted into SEZ) scheme for promoting export units (making export of their cent-per cent production). Under this scheme, the Government provides various incentives to increase the production capacity of these units, so as to increase exports of the country.

Foreign Direct Investment (FDI) in-flows have increased 29 per cent during April, 2015 – March, 2016 to reach US\$ 40 billion.

3. Export Houses, Trading Houses and Star Trading Houses

- To increase the marketable efficiency of exporters, the Government introduced the concept of export houses, trading houses and star trading houses.
- Since April 1, 1994, a new category named **Golden Super Star Trading Houses**, was added by the Government which has the highest average annual foreign exchange earnings. On March 31, 2003, there were 4 Golden Super Star

Trading House working in the country.

4. Export Promotion Industrial Parks (EPIP)

- A Centrally-sponsored 'Export Promotion Industrial Park (EPIP)' scheme was introduced in August, 1994 with a view to involve the state governments in the creation of infrastructure facilities for export-oriented production. It provides for 75% (limited to 10 crore) grant to state government towards creation of such facilities.

FDI

- Foreign direct investment (FDI) is an investment in a business by an investor from another country, for which the foreign investor has control over the company purchased. The *Organisation of Economic Co-operation and Development (OECD)* defines control as owning 10% or more of the business. Businesses that make foreign direct investment are often called *Multinational Corporations (MNCs)* or *Multinational Enterprises (MNEs)*.

Advantages of FDI

- Economic Development Stimulation.
- Easy International Trade.

- Employment and Economic Boost.
- Development of Human Capital Resources.
- Tax Incentives.
- Resource Transfer.

Disadvantages of FDI

- Hindrances to domestic investment.
- Risk from political changes.
- Negative influence on exchange rates.
- Higher costs.
- Economic non-viability.
- Expropriation.
- Modern day Economic colonialism.