

Economics Class 47

INEQUALITY (09:07 AM)

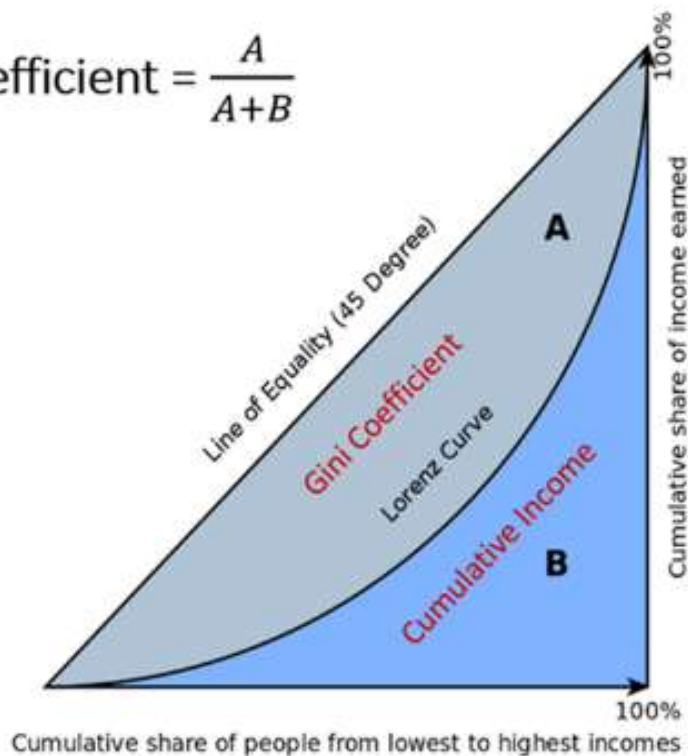
- As per UNO, it is a state of not being ~~unequal~~^{equal} with respect to Rights, opportunity etc.
- **Economic inequality-**
- According to NSSO,

Population	Cumulative Expenditure
Bottom 20%	8%
Top 20%	45%

- **Quintile ratio** = (Income/expenditure of top 20%)/ (Income/expenditure of bottom 20%)
- If QR is increasing, it means inequality is increasing.
- During COVID-19, the quintile ratio in India increased.
- **Palma Ratio**= (Income/expenditure of top 10%)/ (Income/expenditure of bottom 40%)
- In the case of India, it is $30.1\%/19.8\% = 1.6$;

- **Lorenz Curve-** It is a graphical method of depicting inequality.

$$\text{Gini Coefficient} = \frac{A}{A+B}$$



- **Gini coefficient-** Arithmetic measurement of inequality.
- If the Gini coefficient is 0, it means perfect equality exists.
- **Commitment to Reduce Inequality Index by Oxfam International**
- It measures the commitment or inclination of the government towards reducing inequality.
- It takes three areas into consideration-
 - Public services (health, education and social protection)
 - Taxation
 - Workers' rights

CAUSES OF INEQUALITY AND STEPS TAKEN BY GOVT (09:57 AM)

- Difference in ownership of land and wealth
- Inheritance laws
- Private property
- Capital
- Unemployment and Poverty
- Social infrastructure (Schools and Hospitals)
- Credit facilities
- Leakages in development expenditure
- Education and Training
- **Govt steps to reduce inequality**
- **Land Reforms Acts**
- Socialist pattern (Mixed Economy)
- Establishment of PSU's
- Promotion of MSMEs
- Reducing the concentration of wealth(MRTP, FERA Act)
- Nationalisation of banks
- Focus on financial inclusion
- Reservation for SC, ST and OBCs
- **73rd and 74th Constitutional Amendment Acts**

The 73rd and 74th Constitutional Amendment Acts (CAA) of India, enacted in 1992, were landmark reforms aimed at strengthening grassroots democracy by providing constitutional status to local self-governance institutions in rural and urban areas, respectively.

RELATIVE POVERTY (10:07 AM)

- It is expressed in terms of differences in income/expenditure in various sections of society i.e. it measures inequality.
- As per **UNDP** the percentage of the population earning less than 50% of the median income.

United Nations Development Programme

MSME (10:10 AM)

- **Significance of MSME**

- Employment generation and transition.
- MSME is a key driver for the transition from an agrarian to an industrialised economy.
- **Inclusive growth-** Women ownership, traditional craftsman, around 60% of MSMEs belong to rural India ensuring inclusive growth.
- **Export potential-** MSME exports around 45% of total Indian exports. Thus playing an important role in maintaining trade balance and forex revenue.
- **Rural development-** MSME is the largest employer after agriculture in rural India and this promotes rural economic growth.
- Building brand India, and participation in global markets will ^{not} only help MSMEs to grow their business but also become globally competitive enterprises.
- **Indigenous growth-** MSMEs can help develop India's domestic strength and substitute foreign products.
- **Strengthen the domestic supply chain-** They can create an environment where MSMEs act as ancillaries to larger industries and integrate the whole supply chain.
- **Value-added services-** There is a clear opportunity in terms of global demand for value-added products and services.
- **Reduce Imports bills** by strengthening the domestic industry they reduce the need for imports of industrial parts and requirements.


- **Social Significance-**
- **a) Social Justice-** It can give marginalised groups a chance to participate in the economic growth of the nation. For e.g. Tribal handicrafts generate a flow of revenue to underdeveloped tribal areas.
- **b) Women empowerment-** 20% of MSME owners are women entrepreneurs.
- **c) Balanced Regional Development-** With an almost even distribution of MSMEs across the length and Breadth of India, they can ensure balanced regional development.
- **d) Reduce work-based migration-** Inclusive development is the main feature of MSMEs and 60% of MSMEs have a rural base. MSMEs help in reducing rural-urban migration.
- **e) Removes economic inequality -** MSMEs provide self-employment thereby reducing wage gaps.
- **f) Tribal development-** Tribal products have seen a huge demand in the recent past.

- **Challenges**

- **a) Unorganised-** More than 85% of MSMEs operate in the unorganised sector (lack of social security), lack of economies of scale, inadequate branding and advertisement expenditure.
- b) Entry Red tapism
- **c) Regulatory hurdles-** MSMEs require govt permission and approvals making it difficult for smaller entrepreneurs.
- d) Delayed payments
- e) Lack of access to institutional credit.
- f) Increasing international competition
- g) Non-availability of skilled labour
- h) Lack of adequate infrastructure
- i) COVID
- j) Poor digital presence
- k) MSMEs are turning out to become dwarfs i.e. 10 years in existence but less than 100 permanent jobs
- l) Automation and Artificial intelligence i.e. risk of industrialization 4.0

- **Govt steps**

- Govt doubled the financial allocation in the financial year 2022.
- **Stand up India programme** to promote entrepreneurship among SC, SCT and women entrepreneurs.
- **Labour reforms** - Introduction of **Shram Suvidha portal** to comply with labour laws, **Udyog Aadhar memorandum** which provides online facilities for filing entrepreneurs memorandum.
- Atmanirbhar Bharat Packages to MSMEs.

- **PLI scheme**
- Focus on skill development- Entrepreneurs' skill development program and assistance to training institutions.
- **Credit-linked capital subsidy scheme.**  Implemented by government for upgradation of technology.
- Implementing **U K Sinha committee** recommendations, especially with respect to ~~restructuring~~ ~~restricting~~ stressed loans and collateral-free loans.
- **Classification - New definition of MSME**
- Micro- Investment of less than 1 crore and turn of less than 5 crore
- Small- Investment less than 10 crores and turnover less than 50 crores
- Medium- Investment less than 50 crores and turnover less than 250 crores

HOW TO PREPARE ECONOMICS (11:20 AM)

- Read class notes.
- Refer to UPSC Prelims PYQs from 1995-2022 removing current affairs questions.
- **Important topics:**
- Fiscal policy and taxing;
- agriculture;
- External Sector (BoP, etc);
- Banking (specifically types of banks, for example, Urban cooperative banks, basics of IBC);
- Study banking topics before studying Monetary policy.
- Are flow charts for mains compulsory?
- The flow chart should be indicative of the question's demand.
- It should be simple.

THE SYLLABUS HAS BEEN COMPLETED.