History

Pre History	Proto History	History
No written records	written records	written records
	Not Deciphered	Deciphered
Ex- stone age	Ex- IVC	

ANCIENT HISTORY

Prehistoric Period

- Paleolithic phase (5 lakh BC - 10K BC)
- Mesolithic Phase (10K BC - 6K BC)
- Neolithic phase (6K BC - 3K BC)

Proto History

- Indus Valley Civilisation (Harappan Civilisation) (2600 BC - 1800 BC)
- Chalcolithic Phase (1800 BC - 1500 BC)

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Advent of Aryans
(around 1500 BC)

- Vedic Age
  - Early Vedic Period (1500 - 1000 BC)
  - Later Vedic Period (1000 BC - 6th century BC)

6th Century BC

- Rise of religious movement in the form of Buddhism, Jainism, Ajivika etc.
- Rise of 16 Mahajanapada's

History of Magadh

- Haryanka Dynasty (554 BC - 412 BC)
- Shishunaga Dynasty (412 BC - 344 BC)
- Nanda Dynasty (344 BC - 321 BC) 323
- Maurya Dynasty (321 BC - 185 BC)
  322

Post Mauryan Age

Mauryan
321-185 BC

Outsiders

- Indo-Greeks (165 BC)
- Shakas (90 BC)
- Parthians (25 AD)
- Kushana (65 AD)

Indigenous

- Shunga (185 BC) - 73 BC
- Kanva (73 - 28 BC) (~~75 BC~~)
- Satavahana (60 BC - 225 AD)
  - Emergence in 2nd century BC
  - Consolidated their power 1st Century AD

GUPTA AGE

(319 AD - 550 AD) (319-540 AD)

- Chandragupta - I
- Samudra gupta
- Chandragupta - II
- kumar gupta
- Skanda gupta

SANGAM AGE

(3rd Century BC - 6th Century AD)

- The Chera's
- The Chola's
- The Pandya's

Post Gupta Age

- Pushya bhuti Dynasty (Early 7th Century AD)

Post Sangam Age

- Pallava's (Early 7th Century AD)
- Chalukyas (middle of 6th Century AD)

⇓

By the End of 9th Century AD

- Imperial Chola (Mainland Chola)

By 750 AD

- Pala Dynasty (East)
- Pratihara - Gurjara Dynasty (west)
- Rashtrakuta Dynasty (South west + Central)

Before Christ $\boxed{BC}$ = $\boxed{BCE}$ Before Common Era

Anno Domini (In the year of Lord) $\boxed{AD}$ = $\boxed{CE}$ Common Era

MEDIEVAL HISTORY

Delhi Sultanate (1206 - 1526 AD)

- Slave Dynasty (1206 - 1290)
- Khilji (1290 - 1320)
- Tughlaq (1320 - 1414)
- Sayyid (1414 - 1451)
- Lodi (1451 - 1526)

Tughlaq (1320 - 1414) =
- VIJAYANAGAR kingdom (1336 - 1640)
- Bahmani kingdom (1347 - 1520)

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Mughal Empire (1526 - 1707)

- Babur (1526 - 30)
- Humayun (1530 - 40)
- Akbar (1556 - 1605)
- Jahangir (1605 - 1627)
- Shah Jahan (1627 - 1658)
- Aurangzeb (1658 - 1707)

* Sur Empire (1540 - 1555)

I Buddhism, Jainism

II Bhakti, Sufi, Vijaynagar

Other Books (optional)

- Tamil Nadu Text
- New NCERT

selectively
- Themes in Indian History - I
- Themes in Indian History - II

Reference Books

- NCERT
  - Ancient India (Romila Thapar) class 6th old
  - Medieval India (Romila Thapar) class 7th old
  - Ancient India (R.S Sharma) class 11th

4.

Human beings appeared on the planet earth in the middle of Pleistocene Epoch. The recent evolutionary phase of human beings happened in Holocene period which led to emergence of Homo Sapiens. The early humans were dependent on animals for their survival. These early humans started to use stone tools for hunting animals. Over the period they sharpened their skill of creating effective stone tools. The prehistory of early humans can only be traced with the stone tools used by them, artifacts used by them and their rock engravings. On the basis of stone tools used by early humans the early history is classified into three stone ages.

Paleolithic phase

Lower Paleolithic Phase (5 lakh BC - 1 lakh BC)	Middle Paleolithic Phase (1 lakh BC - 40K BC)	Upper Paleolithic Phase (40K BC - 10K BC)
• They used Big, Rough and irregular shaped tools. • The characteristic tools of this period were Hand axes, Cleavers and choppers	• Rectangular shaped tools • Characteristic tools were Borers, Burines, Blades	• Triangular shaped tools • Blades, Points

Paleolithic tools

- Places - Bhimbetaka, (MP)
  Sohan Valley (Pak),
  Belan Valley (Mirzapur) UP/MP
  Narmada Valley
  Bramhagiri (Karnataka)
  Kurnool (Andhra P.)

Mesolithic Phase (10 KBC to 6 KBC)

This phase was a transition from very cold climate to warm phase. It was conducive to the development of flora and fauna. Moreover human beings started to move to different places. Mesolithic Phase also witnessed domestication of animals. Evidences have been found from Adamgarh (M.P) & Bagohar (Rajasthan).

The stone tool used by them is known as Microlith which was small and sharp and easy to operate. It was not only effective in the killing of animals but also it fasilitated rock engraving or mesolithic painting OR Petroglyph.

Mesolithic painting

It provides important insight into socio-cultural practices of the mesolithic community.

They used naturally obtained colours like green, yellow, brown, Red etc. Red colour was also sourced from animal blood. They created wide variety of themes which are as follows:-

	inferences
Hunting, Gathering, Animal riding	domestication of animals
Group Dance →	Community sense

Celebration → community sense

Fighting (men) → Division of labour

Sexual union → primitive marriage

Household chores (women) → Division of labour

Phallus worship

Yoni worship

(#) Neolithic phase (6KBC to 3KBC)

In this phase human beings started to live in larger communities in thatched houses. The stone tools used by them was not only small and sharp but also polished. There were also instances of usage of bone implements and also usage of Bow and arrow.

The most important development in the Neolithic phase was start of agricultural practices. The first evidence of agricultural practices is found from Mehargarh (Balochistan in Pak).

Human beings created wheel and wheel made pottery. They also mastered controlled use of fire.

(•) Bhimbetka (all ~~places~~ phases)

Important sites

Gufkral
Burzhom (Kashmir)
Chirand (Bihar)
Sarai Nahraya (U.P)

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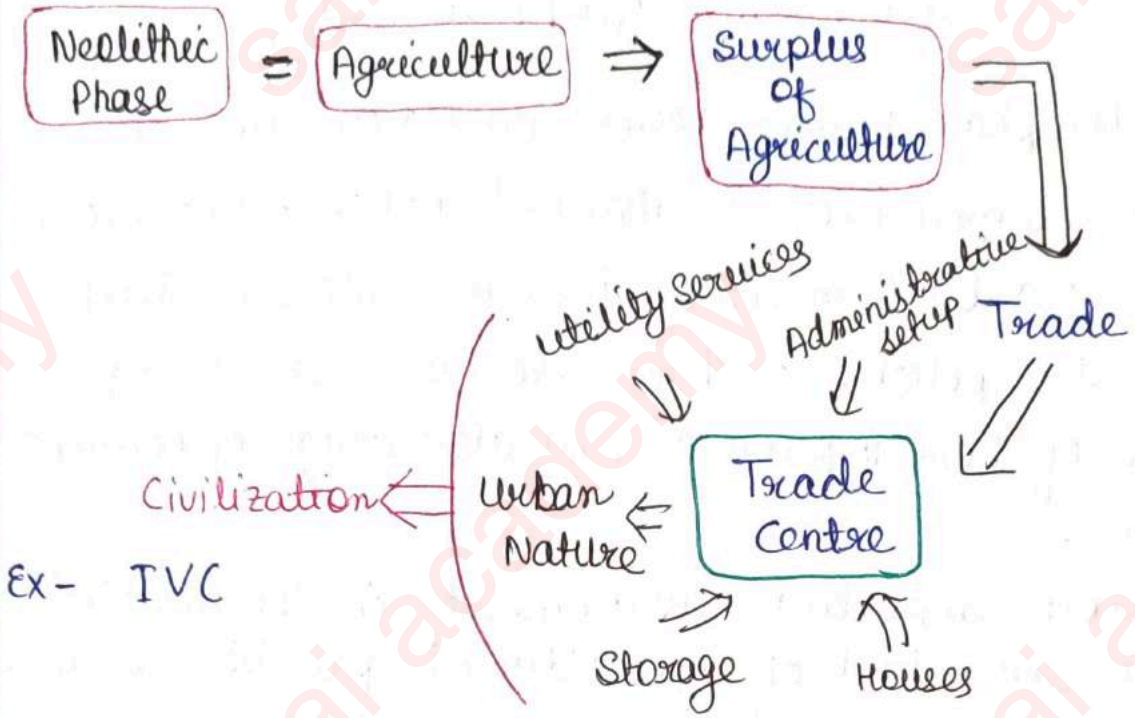

Neolithic Phase
=
Agriculture
⇒
Surplus of Agriculture
Utility Services
Administrative setup
Trade
Trade Centre
Storage
Houses
Urban Nature
Civilization

Ex- IVC

7.

Indus Valley Civilisation OR Harappan Civilisation (2600 BC - 1800 BC)

The information about an underlying civilization in the Punjab area was available from 1870s when railway line was laid down b/w Lahore & Karanchi.

In 1920 when JH marshall became the head of ASI he gave the task of excavation to two Indians as such in 1921 Daya Ram Sahni excavated site of Harappa and in 1922 RD Banerji excavated site of mohenjodaro. By this time it was firmly established that IVC was the most advance civilisation of the world. As compared to Egyptian civilisation it didn't had any monumental buildings like pyramids but IV was unique in the sense for its urban planning and usage of burnt brick of same shape and size.

3 (i) map

Harappa
mohejodaro } Textile

Kalibangan – Bangle Industry

Chanudaro – Bead

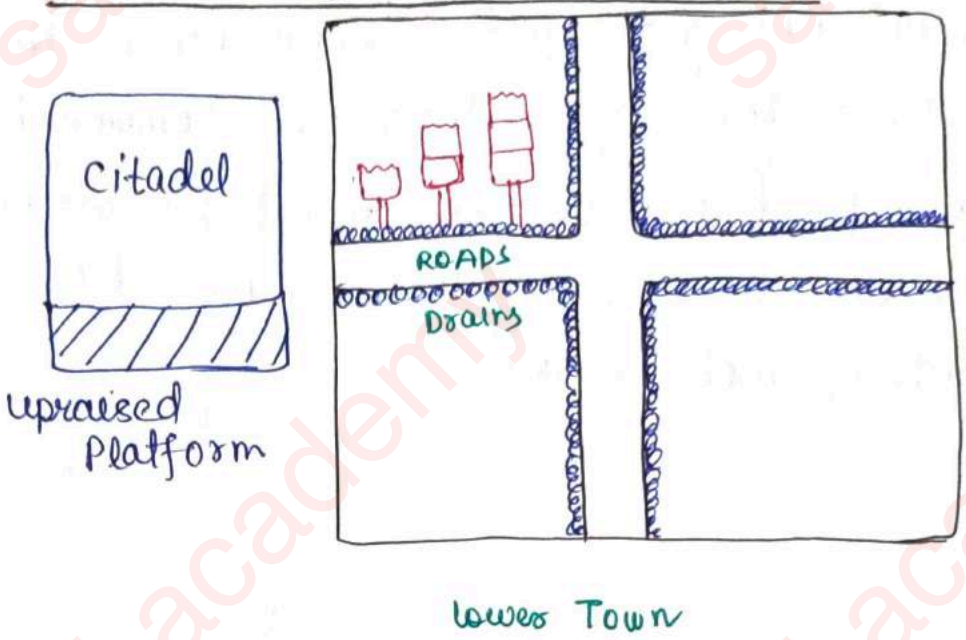
Lothal – Dockyard

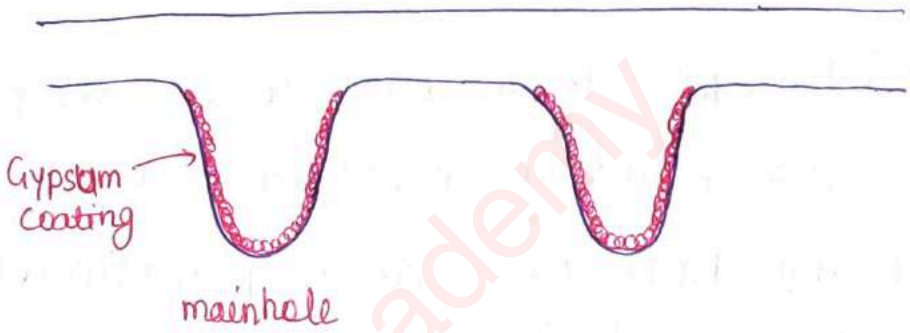
Lothal + Rangpur – Rice Cultivation

Rakhigarhi – largest site of IVC

Dhola Vira – 3 layer of urban planning

Town Planning OR Urban Planning





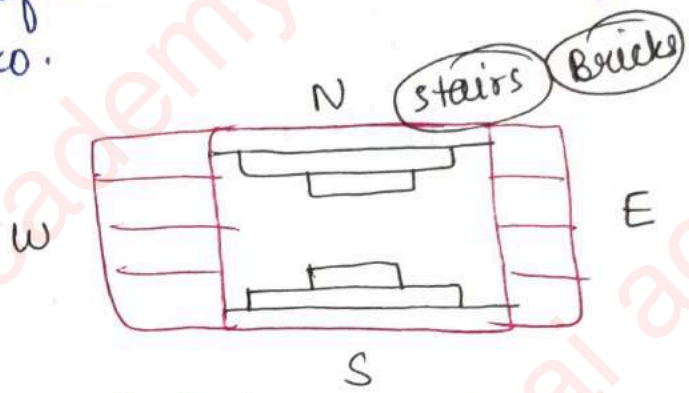
Generally Indus towns were divided into two parts i.e. upper town and lower town.

Upper town was known as citadel created on an upraised platform.

In this part of town administrative buildings were created. Generally in this area Granary & common bath is created.

Granary was meant for storage of grains. It

was created in scientific manner so that grains must not get spoiled even when they are stored for longer duration. Common bath was a stepped water tank meant for ritual bathing. The best example of the common bath is great bath of mohenjodaro.



In this stairs were created in N-S direction and they were made from Bricks.

As compared to upper town lower town was quite big in size and meant for habitations of commoners. lower town was based on sectoral planning which means it was divided into mini sectors. There was very good network of road in the lower town and roads used to cut each other at right angle. On both the sides of the roads drains were created in scientific pattern. These drains were covered with stone slabs or Brick slabs. Inside the drains manholes were created which was plastered with Gypsum.

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It helped in filtering the waste and recharging ground with water.

Inside the sectors there were instances of single storey, double & triple storey houses. All the houses were made from burnt brick of ~~same~~ ~~shame~~ shape & size (4:2:1). Inside the houses bedrooms, courtyards, separate kitchen and separate washroom was created.

All the houses were connected with main drain for waste disposal. Indus Valley people were conserned about their privacy that's why they didn't created the main gates of their houses facing main roads.

It seems that there was a very good system of measurment in IVC & it indicated towards their usage of Decimal system.

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Looking at the town planning of IVC it can be inferred that Indus valley had a central authority. A/c to majority of historians it is beleived that Indus towns were administered by rich traders and merchents instead of a monarchy. We have not come across any instance of standing army in Indus valley.

Economic activities -

Agriculture was the most important economic activity during IVC. They cultivated crops like wheat, cotton, Barley, Pea, sesamum, mustard, Rai etc.

The outsiders often referred cotton as Sindon which means that the plant which originated in Sindhu Valley.

The economic activity also included Textile industry @ Harappa & Mohejadaro

Bead @ Chanudaro

Bangle @ Kalibangan

Ship Building @ Lothal, Alahdino etc.

Artisnal industry were also well established whereby pottery, different kind of sculptures, seals etc. were created.

~~Areas~~ IVC people established trade relations with following areas - Afghanistan, Mesopotamia (Iraq) Sumer, Dilmun (Bahrain), Oman, Magan (Persian gulf coast) (Baghdad)

IVC people had the knowledge about metals of copper, tin, bronze, gold, silver and they were also using some semi precious stones like Amethyst, Carnelian, lapislazuli.

Society During IVC

As far as the Indus society is concerned majority of historians believe that it was matriarchial society. These historians have cited example of mother goddess which is the most abundant image found from all the Indus towns.

Looking at the towns of Indus valley it seems that though the income inequality was there ~~was~~ but society was not discriminatory in nature. It seems that society was open and there was mobilization in society.

IVC people were quite aware about their asthetic look and they used variety of ornaments like necklace, waistband, bangles, finger rings etc.

They were also aware about soap, lipstick and kajal, sindoor. (ore of mercury - Cinabar)

For healing the wound they used tincture.

* Rice was not main staple food of IVC but it was grown at Lothal and Rangpur only.

Note- For the first time in India Rice was cultivated in Allahabad region (Neolithic phase).

Seal

Geometrical shaped artifact, mainly ~~based~~ made from soft river stone steatite.

It was pictographic in nature.

One of the very famous example ~~of~~ is Pasupati Seal in which a deity Proto Siva has been depicted along with many animals.

In one other seal peepal leaf was depicted which indicates nature worship.

The most abondoned religious image in Indus town was the sculpture of mother godess. moreover Shamanism was also practiced whereby IVC people were using amulets to ward off evil.

Burial practices in IVC

There was no uniformity in the Burial practices of IVC. They followed fractional burial, pot burial, full cremation, Double burial. At many places the daily objects used by the person was also burried with him. It seems that Indus Valley people had belief in other worldly things and they must have thought that the dead person will be using these all articles at the other place.

Decline of IVC

There was a divisionary debate among the historians regarding decline of IVC. Some historians claimed that Aryan Invasion was the possible reason behind the decline of Indus Valley But this theory was rejected. As per the scientific evidence it is confirmed ~~due~~ that decline of IVC was due to Inundation and frequent flooding. By 1800 BC IVC completely disappeared from Indian Subcontinent.

Chalcolithic Culture (1800 BC - 1500 BC)

It is derived from the word chalco which means copper and lith means stone.
The chalcolithic culture signifies usage of copper and stone tools simultaneously.
Though this practice began in the Neolithic phase only But its dominant phase was b/w 1800 - 1500 BC.

In b/w 1800-1500 BC the livelyhood of chalcolithic people was depended on agricultural acticity, animal husbandry, stock ~~grai~~ raising, phishing etc.

They also produced textile and some metal crafts.
One of the very important development in this phase was uniform practice of dead burial and moreover they also followed direction N-S while burrying their dead at majority of the places.

Copper was the most widely used metal in this phase which was obtained from Ahar, Gilund, Khetri & Jhunjhunu mines of Rajasthan.

Important pockets of chalcolithic culture (1800-1500 BC)

Ahar - Banas (Raj)
Kayadh (MP)
Malwa (MP, Guj)
Svaldah (maharashtra)

Advent of Aryans

Aryans started to arrive in Indian sub-continent by 1500 BC from central Asia or Steppes grass-land. They were nomadic and pastoralist. Cattle was their most important wealth. Their most important wealth was cattle and for their cattle they were ~~alsoays~~ always in search of good pasture land.

The term aryan stands for liguistic community who spoke aryan group of languages.

Aryans were able to defeat indegenous popl^n of India by their usage of superior Bronze tools which included even mail coats and helmets. Moreover they were using horses and horse driven chariots which provided swiftness to their army.

Initially aryans were concentrated in NW part of Indian subcontinent which includes NWFP, Kashmir, Punjab, Haryana, Himachal, Western UP & Northern Rajasthan.

Aryans after arriving in Indian sub-continent started to compose Veda in Sanskrit language.

The first Veda to be composed was Rig Veda which is the most important source of information about early Aryans.

Initially the Veda was oral composition i.e. Shruti - the one you listen to.

In Rig Veda Himalaya mountains are mentioned as Himavant Pravat. It also mentions Sapta-sindhu rivers which are as follows —

Present day Name	Original Name
Indus	Sindhu
Jhelum	Vitasta
Chenab	Askini
Ravi	Parushani
Beas	Vipasa
Satulaj	Shutudri
Saraswati	Naditarna / Harkhawati

(II) Early Vedic Period (1500-1000 BC)

Economy during Early vedic period -

Cattle was the most important economic wealth of early Aryans. Its importance is highlighted through many words associated with cattles mentioned in Rig Veda.

Gopa → Cow

Gopajanya → master of cow

Duhitri → milcher of cow

Godhuma → the one which germinates in cow dung (wheat)

Godhuli → the time when cow returns to its shade (Dusk)

Aghanya → not to be killed

Gavisthi → search for cows

Even battles were fought for securing large no. of cattles. The other important economic commodity in this period was barley known as Yava & wheat.

There was no formal system of taxation but people contributed voluntarily to the chief of community which was known as Bali or Bhaga.

Sec 4

Polity during IVC

The head of Aryan tribal community was known as Rajan. His most important work was organising battle for securing large no. of cattle.
Rajan was assisted by Sabha, Samiti and Vidhat.

Sabha – most decisive assembly which was exclusive in nature number wise as it included elder members of the society But gender wise it was inclusive since it had both males & females as members.

Samiti – Number wise it was inclusive but it was less decisive in nature. Only males were part of this assembly.

Vidhata – It was a cohesive and small assembly which included both males and females. Its exact function was not clear but it has been mentioned at few places in Rig veda that it was involved in religious rituals decision.

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Bharata was the most important and powerful Aryan tribe of this time. The ruler of Bharata tribe Sudas had to take a policy decision in which head priest of Bharat Clan was to be appointed. Sudas gave the coveted position of head priest to Vasheith rishi instead of Vishwa mitra. Humiliated Vishwamitra persuaded 5 Aryan Rajans and 5 non Aryan Rajans to fight with Sudasa. As such Dasrajan war was fought on the banks of river Parushni in which Sudash defeated Dasrajan. After this war the entire territory was named after his clan i.e. Bharat Varsha.

Society During Early Vedic Period

Society was organised on the lines of Kula, Vis, Gram.

Kul = Family

Vis = Clan

Gram = Community

Kul was the most important unit of the society. Head of family was Kulapa who was the eldest male member of the family.

Society was patriarcheal in nature But women were highly respected in society.

women enjoyed political rights as they were members of sabha and vidhat. women were allowed to participate in educational discourse similar to males.
Ex - Lopmudra was one of the intellectuals of this time known for her debate and discussion.

marriage rights

We have not come across any instance of child marriage during this period. Love marriage was allowed under Gandharva vivah. wherby both males and females were allowed to chose their spouces. But from their own community.
widow remarriage was allowed under Niyog vivah whereby widow was allowed to get married with younger brother of the deceased brother. moreover if she had a son out of the first marriage then she was suggested not to marry.
Slavery were rampant at this point of time there were two kinds of slaves — Das and Dasyu.
Defeated aryans were Das and non-Aryans were Dasyu. many a times Das were given favourable treatment ~~wer~~ but Dasyu were heavily discriminated. In Rig Veda there is a mention of Dasyuhatya which means mass killing of Dasyu.

· Polygamy & Polyandry were allowed. (not general) only some instances.

Religious practices of Early Vedic Period

Early vedic people personified the elements of nature into God. As such following important divinity emerged at this point of time.

(i) Indra – He was considered as the God of rain & thunderstorm also known as Purandhar meaning breaker of forts.
He was the most important divinity mentioned more than 250 times in Rig Veda.

(ii) Agni – 2nd important divinity. God of fire. He was considered as intermediary God. mentioned more than 200 times in Rig Veda.

(iii) Varun – God of water. He was worshiped for maintaining equilibrium or cosmic order.

(iv) Mitra – 4th important divinity and God of wind

Apart from all these divinities Sun God was also worshiped.

Pushan = God of animals.

Female Divinities —

Adity – Goddess of day
Usha – —— morning/Dawn
Nisha – —— Dusk
Savitri – —— Daylight/Sunlight

Gyatri mantra composed by Vishwa mitra was dedicated to Sun God and Goddess Savitri.

The mode of worship was through offering sacrifices and performance of Yajna. which also involved recitation of prayers and mantras. The objective of worship was material gain and not spritual purpose.

(#) LATER VEDIC PERIOD

It is said that the discovery of iron around 1000 BC marked the begining of later Vedic period. It was discovered from place like Atranjkheda and Kheda in UP. With iron sharp tools were created which facilitated in clearing the dense forest of gangetic plane. more over very fertile land was available for agriculture practices. With this Aryans further penetrated into Eastern part of the country and central India.

They mentioned following parts —

North west — Bramhavrat
North — Aryavrat
East — Purva Khand
Central — madhya desh

In the later vedic text there is mention of Ganga, Yamuna But the river which was often mentioned was Gandak or Sadnira.

Polity During later Vedic Period

The position of Rajan became much more important at this point of time. The early political assembly of Vidhat disappeared completely. Sabha and Sameti lost their formal relevence moreover women were evicted from assembly of Sabha. At this time priestly class assumed very important role of aiding and advising rajan. To confer supreme power to Rajan priestly class devised ritual sacrifices which are as follows –

(i) Rajsuiya – It was basically a consecration ceremony. In this ceremony ~~excess~~ accession of Rajan to thrown happen with the blessings of preistly class.

(ii) Vajpeya – In this ceremony sports events chariots race was to be organised. After the end of sports event a grant feast was thrown to public.

(iii) Ashwamedha – This ritual sacrifice was associated with territory expansion in which a bruised house was let loosed with the flag of kingdom to run into territory of other kingdoms.

If the ruler of other kingdom captures the horse then a fight was insured and whoever would be victorious will control the entire territory.
But if the other ruler does not captures the horse then it means he has accepted supermacy of Ashwamedha king.
On the last day of ceremony horse was brought back to kingdom and it was sacrificed along with 21 sterile cows and more than 200 bulls.

Economy during later Vedic Period

At this point of time land became most important economic wealth. Battles at this time were fought for securing large tracts of land. The importance of land is highlighted in the later Vedic tex with the term Rashtra.
There was no formal system of taxation and people voluntarily contributed in the form of Bhaga / Bali.

Society

Women didn't enjoy any political rights at this point of time, as they were no more member of Sabha and Vidhat disappeared completely.

Educational discourse was still open to women they were allowed to participate in intellectual debate and discussion.

Gandarva Vivah was not encouraged at this point of time.

There were instances of Anuloma & Pratiloma marriages.

Anuloma = Higher caste men married to lower caste women

Pratiloma = Higher caste women married to lower caste men.

Though non of the marriages were encouraged but Anuloma was accomodated.

No instance of child marriage has come to light.

Widow re-marriage continued under Niyog Vivah.

In the 10th mandala of Rig Veda under Purusha Sukti it was mentioned to divide society into 4 Varnas on the basis of birth — i.e - Brahman, Ksatriya, Vaishya, Shudra.

Brahman – Emerged from the mouth of Primeval man (Adi Bramha)
Ksatriya – —— " —— shoulder | chest ——
Vaishya – —— " —— thigh ——
Shudra – —— " —— Feet ——

Gotra which means lineage from common ancestor was further consolidated at this point of time. Brahmins advised exogamy of gotra in the matters of matrimonial alliance.

Brahmins also consolidated the concept of 16 samskara. Some of important are Upanayan samskar = Sacred thread ceremony,
Vivah samskara – marriage ceremony
Antyesti Samskara – last rite
Annaprasana –
namakarana –

The first 3 stages of Ashram system came to reality at this point of time –

(i) Bramhacharya – Celibacy period & Study period
(ii) Grehastha – married life & its responsibility
(iii) Vanaprastha – partial retirement from householders life to attain wisdom.
(iv) Sanyasa – complete retirement from householder's life to attain enlightenment. (came to reality at the time of Buddha & Mahavir)

Religious Practices

The early vedic gods like Indra, Agni, Varun etc. lost their former importance and at this point of time Prajapati / Bramha (creater of the Universe) emerged as the most important God. moreover Rudra & Vishnu also emerged as important God.

The mode of worship at this point of time was through prayers, recitation of mantra, performance of Yajna and offering sacrifices.

The objective of the worship was to seek material gain, wealth & prosperity But it was not for spritualism.

In the later half of the later Vedic period ~~years end~~ the progressive section of society started reform movements whereby they emphasised spritualism to be the most important objective of worship.

RISE OF 16 MAHAJANAPADA

By the 6th C BC 16 mahajanapada emerged in India. Mahajanpads were big territorial states with well established system of administeration. more over they were also known for having large standing army

The intial mahajanpada history can be traced from Buddist and jain books like Angutter Nikaya & Mahavastu of Buddism and Bhagwati Sutra of Jainism.

Rise of magadh as most powerful mahajanapad –

Initially kasi and kosala were the most powerful and rich mahajanapad but over the period magadh emerged as the most powerful mahajanapad.
Its reasons are as follows –

(i) Magadh capital Rajgriha was stratagically located. It was surrounded by 5 mountains which inturn ~~provided~~ / safeguarded the capital.

(ii) magadh rulers used the abundant river channels for trade and commerce.

(iii) Magadh was densely forested which provided good quality timber.

(iv) Magadh had huge reservoir of iron with which they created good quality of tools and maintained a very strong army.

(v) Magadh rulers were unorthodox and enterprising in nature.

(I) Haryanka Dynasty (554 BC - 412 BC)

Bimbisar was founder of Haryanka Dynasty in Magadh. To increase his power and authority he followed the policy of matrimonial alliance whereby he married Mahakoshal Devi of Kashi, Chellana of Lichavi and Khema of Madra.

Following the policy of military annexation he annexed Mahajanapada of Anga and placed it under his son Ajatsatru.

He sent his famous physician Jivak to Avanti to treat Chanda Pradyota who was suffering from jaundice. As such friendly relation developed b/w Avanti and Magadh.

200 mi
KAMBOJA (Rajpura)
GANDHARA (Taxila)
PANCHALA (kampilya) = Ahichatra
VATSA (kaushambi)
KOSALA (SAKET)
Shravasti
Saket
MALLA (kushinagar)
MAGADH (Rajgriha)
VAJJI (vaishali)
KURU (Hastinapur)
MATSYA (Virat nagar)
KASHI (Banaras)
SHURASENA (mathura)
CHEDI (Suktimati)
ANGA (Champa)
AVANTI
Ujjain
Mahismati
ASSAMAKA (Potana)

Bimbisar was contemporary of Buddha and he respected Buddha alot.

Ajatshatru (492-460 BC) [Chellana's son]

He came to power after assassinating Bimbisara. After which his authority was challenged by kashi & Lichavi rulers. He had to wage a fight with kashi and Lichavi. In the course of war there was agreement b/w kashi ruler Presenjit and Ajatshatru But not with Lichavi.

Ajatshatru completely destroyed the capital of Lichavi i.e. Vaishali.

In this war against Lichavi Ajatshatru used two innovative war engines.

(a) Ratha musala – a revolving mace was attached to a chariot.

(b) mahashilakantaka – It was a flexible platform to catalpult stones.

Ajatshatru was also contemporary of Buddha and had huge respect for Buddha. In 483 BC after the death of Buddha Ajatshatru convened first Buddhist council at Rajgriha in 483 BC.

Ajatshatru before his death decided to shift capital of magadh from Rajgriha to Patliputra. He died

460 BC.

Udayén (460 BC - 440 BC)

The next successor udayén constructed the beautiful city of Pattliputra.

The last ruler of Haryanka Nagadasak was assacinated by one of his minister Shishunaga who established Shishunaga Dynasty in magadh.

Shishunaga Dynasty (412 - 344 BC)

Shishunaga completely annexed the mahajanapada of Avanti he also decided to shift capital from pattliputra to vaishali.

After his death kalashok became the next emperor.

During the tenure of kalashok 2nd Buddhist council was convened in 383 BC @ Vaishali.

In which informal division of Buddhism happened.

Kalashok was assassinated by a person

mahapadmanand who established Nanda dynasty in magadh in 344BC.
It was first Non-ksatriya dynasty of magadh.

lec 6

NANDA DYNASTY

It was founded by mahapadma nand in 344 BC. After coming to power he took resol ~~that he to~~ to eliminate all the kshtriyas from magadh.
Due to his aggressive attitude he came to be known as EKARAT or UGRASENA.
He annexed kalinga during his tenure. In a quick succession, after the death of mahapadnand, many rulers were appointed.
The last ruler of Nanda Dynasty was Dhanand. who was also the most powerful Nanda ruler.

At this time ruler of Macedonia Alexander started his eastern campaign. In 326 BC he fought with the Indian ruler Porus in battle of Hydaspes (Jhelum r.).
Though Alexandar defeated Porus but impressed by his bravery he reinstated Porus and made him his ally.
Alexander planned to attack on magadh but his army was exhausted because of continuous wars

and it wanted time to recuperate. As such Alexander decided not to attack on magadh.

Very soon when Alexander was returning to macedonia he was attacked treacherously and because of the injuries he died.

MAURYA DYNASTY (321 - 185 BC)

Dhananand was defeated and killed by chandragupta maurya in 321 BC.
The defeat of Nanda ruler was possible due to the active support of Vishnu gupta or kautilya or chanakya.
The political mechanisation ~~mentioned~~ devised by kautilya against Nanda ruler is mentioned in historical work Mudrarakshasha written by Visakhadutta.

In 305 BC Chandragupta fought with Selenkos Nikator (Greek governor of Alexander). Again with the active support of kautilya he defeated Nicator. After the battle a friendship treaty was signed whereby Nicator gave area lying west of river Indus to Maurya. He also married his daughter Helena with Chandragupta

mauryа. As per the treaty one greek ambessodor megasthanese was appointed in mauryа's court. megasthanese wrote a very famous book Indica. which provides details about socio-political conditions during mauryа period.

Under the influence of a Jain monk Bhadrabahu, Chandragupta mauryа professed jainism & decided to shift to a place called Shravana Belgola in karnataka. At this place Chandragupta followed extreme Jain penance Sallekhana & died in typical jain fashion in 299 B C.

After the death of chandragupta mauryа his son Bindusar came to power.

Bindusar maintained cordeal relation with the ruler of Egypt Philadelphius Ptolemy and syrian ruler Antiochux.

Bindusar requested for sweet wine, fig and philosopher from the Syrian ruler. Though Syrian ruler sent sweet wine and fig but refused to sent philospher as the rule of Syria didn't allowed this.

In 299 BC Bindusar convened first Jain Council at Patliputra. One of the major development

of this council was division of Jainism into two branches.
After the death of Bindusar in 273 BC a war of succession started among his sons which continued for next 4 years.
In 269 BC one of his son Asoka emerged successful after killing ~~to~~ hundred of his brother.

Ashoka (269 BC - 232 BC)

Three phases of Ashoka life :-

(i) Kamashoka
He was involved with physical pleasure.

(ii) Chandashoka
It was extreme and brutal phase of Ashoka's life where he did military annexation with large level of annexation.

(iii) Dhamma Ashoka
In this phase he accepted Buddhism and propagated Dhamma.

After coming to power the biggest challenge for Ashoka was Kalinga. In his 9th regenal year i.e. 261 BC he decided to attack on Kalinga.
The Battle was fought at the sight of Dhauli

*Before = Ajivika

On the banks of river Daya. It is said that near about 1 lakh soldiers died in this Battle. when Ashoka saw blood red Daya river he was filled with guilt and remorse. He decided to abandon the policy of Bherigosh (military annexation). After Kalinga war Ashoka accepted Buddhism* & started policy of Dhammagosh (socio-cultural annexation).

In 250 BC Ashoka convened 3rd Buddhist council at Pattliputra. It is considered to be most important Buddhist council because of the development which happened in the council. For example reform in Buddhism, composition of Abhidhamma pitaka and Buddhist missionary activity.

Ashoka sent his son Mahendra and daughter Sanghmitra to Sri Lanka for the propagation of Buddhism.

He also sent various Buddhist missions to East Asia and central Asia.

Ashoka after establishing a very large Mauryan empire died in 232 BC after his death Mauryan territory started to disintegrate under the weak

successor. The last maurya ruler Brihadratha was assassinated by one of his minister Pushyamitra Sunga in 185 BC.

Administration of Maurya's

Saptanga (7 organs of mauryan administration)

1. Swami — King
2. Ammatya — ministers
3. Kosha — treasury
4. Bala — Army
5. Janapada = Durg — Fort
6. Mitra — ally
7. Shatru — Enemy

Important officials

1. Dhamma mahamatya's → minister associated with propagation of Dhamma (Doctarine of Buddhism = moral ethical code of conduct).

② Shulkadyaksha = Tax collector

③ Sitadyaksha (land) = minister responsible to look after Royal land

④ Nagarika = Supritendent of city administration

⑤ Bhesaj = physicians (doctors)

Mauryas also established a very good network of espionage known as Guptachar Vibhag.
Mauryan rulers were also aware about importance of public welfare whereby they created public hospitals and also improved irrigation facility by creating canals and digging wells.
Perhaps Ashoka was the first ruler who created a wildlife sanctuary for the protection of animals.

Society during Maurya Period

As per Megasthanese there were 7 caste in the Mauryas time which are —

Councellors
Priest
Shramana (monk)
Herdsman
Peasants
Philosophers
Artisans

It seems that megasthanese confused profession with caste.

There was mobility in the society and people can rise to important position with their capacity and capability.

Religious toleration and accomodation was also very well there in Maurya times.

Generally Shramana & Brahmins were accorded high respect and many a times they were exempted from paying taxes.

women and elders were also respected in the society and there were instances of women being appointed to some official positions.

POST MAURYA

OUTSIDERS	INDIGENOUS
Indogreeks	Shunga
Shakas	Kanva
Parthéans	Satvahana
Kushanas	

INDO-GREEKS

They started arriving in Indian sub-continent by 165 BC. Indo-Greeks were the first people who issued gold coins. Their most important ruler was Menander who established his capital @ Shakala (Sialkot, Pak). He was pursuaded by a Buddhist monk Nagasen. As such menander asked many questions to Nagasen and nagasen gave satisfactory reply to each of the questions as such Menander accepted Buddhism and also took a new name Milind.
The historical conversation b/w Menander and Nagasen is mentioned in Milinda Panho.
Indo-Greeks introduced curtains in India.

Shakas (90 BC)

Shakas or Scythians started to arrive in India by 90 BC. They arrived in many branches but the most important was the western branch of Shaka. The most important ruler of this branch was Rudradaman. Rudradaman is known for his Junagarh inscription which was the first inscription written in pure or chaste Sanskrit. In this he mentions Sudarshan lake of kathiawar which was constructed by one of the Chandragupta Maurya's governor Pushyagupta maurya.

He further mentions that he himself repaired the Sudarshan lake.

In the next part of inscription Rudradaman mentions that twice he defeated Satvahna ruler Vasishthi-putra satkarni But everytime he spared life of satvahana ruler to respect the matrimonial alliance b/w two kingdoms.

Parthians (25 AD)

Parthians started arriving by 25 AD. The most important Parthian ruler in India was Gondophernus. During his tenure a christian missionary St. Thomas came to India from Israel to propagate Christianity.

KUSHANA

Central Asians
↓
kushana
|
2 Branches
- 65 AD — kadphise
- 78 AD — kanishka

kushana belonged to Yueché tribe of Central Asia.
They arrived in two branches i.e. kadphise branch (65 AD) and kanishka branch (78 AD).
kujul kadphise was the intial ruler followed by wimm kadphise.
kadphise rulers release their coins in India. On the obverse side of the coin image of king was created and on the reverse side image of a free standing person holding a trident along with a Bull was depicted.
It indicates that kushanas were devotee of Shiva.

Kanishka branch arrived in India by 78 AD. He defeated nothern branch of Shaka to commemorate his victory he started Shaka Era from 78 AD.

With the arrival of Kanishka there was a new wave of urbanisation in India.

Kanishka founded two new cities i.e. Kanishkapur and Purushapur. He also further urbanised mathura. His tenure is also known for very high level of monetisation. He released large number of Gold coins which were purest of the pure quality. He utilised silk route for establishing trade with China and western world.

In 78 AD Kanishka convened 4th Buddhist council @ kundalvana in Kashmir under the influence of Ashwagosh he accepted Mahayan Buddhism.

He also patronised Gandhara & mathura style of sculpture.

Kushana introduced longover court, Boots and kurta Pyjama outfit in Indian subcontinent.

INDIGENOUS DYNASTIES

SHUNGA DYNASTY (185BC)

This dynasty was founded by a Brahmin Pushyamitra Shunga.

Pushyamitra tried to revive Vedic rituals. He also performed an Ashwamedha Yajna which is mentioned in Ayodhya inscription. He also destroyed many Buddhist stupas. Patanjali was the contemporary of Pushyamitra Shunga who propounded philosophy of Yoga and wrote Yogasutra.

Next ruler was Agnimitra sunga whose love affair with malavika is mentioned in historical work of kalidas malvikagnimitra. He was followed by Vasumitra Shunga. During his tenure the stupas which were destroyed by Pushyamitra Shunga were restored. During the tenure of Shunga ruler Bhagabhadra a greek ambessador Heliodorus not only accepted hinduism but also erected a pillar at Bhilsa (Vidisha, MP) to mark the worship of lord Vishnu. The pillar was popularly known as Garud Dhawaj. It is considered as 1st Archaelogical

evidence of Vishnu worship.

KANVA (75 BC)

Shunga dynasty was replaced by Kanva in 75 BC.
This dynasty was founded by Vasudev Kanva who also promoted vedic hinduism.
In 1st c AD Kanva's were defeated by Satvahna who were the rulers of Deccan and annexed Magadh into their kingdom.

SATVAHANA DYNASTY

Satvahanas were also known as Andhra or Andhrabhritya. The most important source of their history is Hindu religious text Purana.
In the 1st century AD Satvahan kingdom was firmly established by Simukh.

One of the important ruler of Satvahana who was Hala who Patronised Art & literature. He wrote a famous erotic love poetry Gatha Saptasati.

Gautami Putra Satakarni was the most important ruler of Satvahana. His mother Gautami Balashree proclaimed in Nashik inscription that Satkarni is the only protector of Brahmin.

Initiatives

(i) Satvahans were the first rulers in India who started to release lead coins for commercial transactions.

(ii) They were also the first rulers who started the practice of granting lands to Brahmins and monks in lieu of their service.

GUPTA DYNASTY

Gupta Dynasty emerged around 230 AD its initial ruler was Sri Gupta. But they were not very powerful in the 3rd Century AD. In the second decade of 4th C Chandragupta I filled the void created due to demise of the Kushanas in North India. With his efforts Chandragupta brought North, East and Central India under one central authority.

Chandragupta I (319 – 335 AD)

Chandragupta followed the policy of matrimonial alliance also whereby he married Kumardevi of Licchavi. To celebrate this marriage special type of Kumardevi coins were released. On the obverse side of the coin image of King & queen was created and on the reverse side of the coin either of the three goddess Laxmi, Parvati, Saraswati was created.

Samudragupta (335 - 375 AD)

He was the most powerful Gupta ruler. He is also known as second chakravartin samrat of India. His court poet Harisen wrote Prayag Prashasti which was eulogization of Samudragupta. In this Harisen has mentioned that Samudragupta won more than 100 battles and never faced a single defeat.

Samudragupta was an ardent believer of Hinduism. He performed Aswamedha yajna also. He also gave permission to the Srilankan ruler Meghavarman to create a Buddhist monestary at Bodh Gaya.

Samudragupta was also acomplished poet and musician. In one of his coins he has been depicted playing musical instrument Veena.

Chandra gupta II (385 - 415 AD)

Chandra gupta II after coming to power took the title of Vikramaditya. He created Ujjain as the 2nd capital of the Guptas. He is considered as the most enlightened ruler of the Guptas. There was holistic development during his tenure in the fields of temple architecture, sanskrit literature, Hindu religious literature, mathematics, astrology, astronomy, mettalurgy, medicine etc.

⊙ Prayag 1st Capital

He maintained several luminaries in his court which includes Kalidas
Amarsimha
Varahmihir
Dhanvantari
Vara ruchi

He married his daughter Prabhavati to the Vakataka ruler Rudrasena. After the death of Rudrasena Prabhavati administered the Vakataka area under the guidance of Chandragupta II.

During the tenure of the Chandragupta II Chinese Buddhist traveller Fa-Hein visited Gupta's court. He wrote a book Fu-kuo-ki which is one of the important book which gives details about

Socio-economic-political conditions during Guptas.

Lec 8

KUMAR GUPTA (415 - 450 BC)

He founded Nalanda university under the influence of Fahein. The university had dedicated physical infrastructure like classrooms, hostels, library etc. Infact it is said that Nalanda liberary was the largest in the world. It regularly conducted exam on the basis of pre define syllabus and promotion to next grade was based on the outcome of exam.

On the other hand Taxila university didn't had dedicated physical structure like Nalanda and education was imparted in Guru-Shisya Parampara. Regular exams were not conducted But students were tested by the Guru on the basis of their knowledge in an informal setup.

On one hand the learning in Nalanda was concentrated around Buddhism But Taxila was multidiscipilinary in nature.

SKANDA GUPTA (455 - 467)

He was the last important ruler of Gupta Dynasty. He also repaired Sudarshan lake which he mentioned in Junagarh inscription.

During his tenure a barbaric tribe from Central Asia Hunas started to invade Gupta territory. Skanda Gupta effectively repelled them. But after the death of Skandagupta Hunas reorganised themselves under the leadership of Toramana & Mihirkula and completly looted the Gupta territory. It marked the decline and disintegration of Guptas who disappeared from India by 550 AD.

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ECONOMY

Land tax was the most important source of revenue. It was fixed at 1/6 of the produce during normal times. But in emergency situations it was altered. For example - It was enhanced during the external war or aggression and reduced at the time of natural calamity.

Guptas continued with the practice of land grant. It was not only granted to the priestly class but also to the important officers and Nobels.

Agrahara & Bramhadeya were special land grants given to Brahmins.

Vishthi - type of tax paid in form of physical labour/ forced labour

Important Ports of Guptas

West	East
Chaul	Kadura
Kalyan	Ghantashila
Bharuch	Tamralipti
Cambay	

Administrative Units			Head
Bhukti	— Province	→	Bhuktipati
~~Vithi~~	— ~~Zone~~	→	~~Vithipati~~
Vishaya	— District	→	Vishayapati
Vithi	— Block	→	Vithipati
Gram	— Village	→	Gramani

Religion

By post mauryа period concept of Trideu was already consolidated. In Gupta period Trideve concept was fully formalised i.e. Saraswati, Laxmi and Parvati.

Moreover the concept of devotion or Bhakti superceded the practice of animal sacrifice.

A majority of Hindu literature was written down at this point of time which includes Puranas.

Another major development in the Gupta period was begining of construction of temples which gave rise to Nagar style of temple.

Society

Though the Gupta rulers tried to uplift the position of women in society But they were not successful. many restrictions were imposed on them regarding their movement. Higher class women were not allowed to secure independent source of living but lower class women were allowed to do so.

Women were allowed to participate in religious discourse and they were allowed to listen to religious literature.

The first archaelogical evidence of Sati has been found in Gupta period. Eran inscription (MP) which is dated around 510 AD mentions Sati Pratha.

The famous law giver of this time Katyayana further clarified the concept of StreeDhan. He maintained that the precious articles and jwellary given to the girl at the time of her marriage is meant for her maintainance and only she has the right to sell it and mortagage it.

By the time of Post maurya two types of Shudra emerged.

Anirvasita Shudra — lived inside village or town

Nirvasita shudra — Not allowed to live inside village or town.

During Gupta period large number of Chandala who were category of Niravasita shudra emerged. They were living in the graveyards and on the peripheries of towns & villages.

Several disabilities were imposed on them for ex. they needed to blow horn or beat drum whenever they entered inside village. moreover they can't ~~moreover~~ enter in early morning and remain till late evening as their shadows were also considered as pollute.

SANGAM AGE

Around 4 C BC three dynasties emerged in south Asia. which were The Chera, Chola and Pandya.

Cheras were also mentioned as Keralaputra in mauryan inscriptions.

The Cheras

Intial ruler was Udayin jerdl.

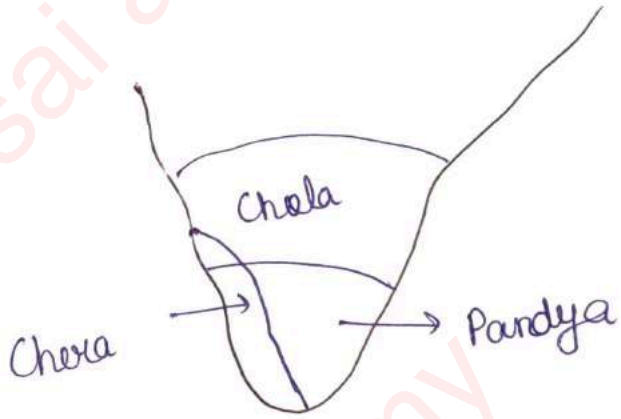
capital – Karur

most important ruler was Senguttavan also known as Good chera or Red Chera.

He founded temple of Kannagi – Goddess of chastity.

He also founded Pattini cult.

Most important port of chera was Muziri.



The Cholas

Intial ruler — Elara

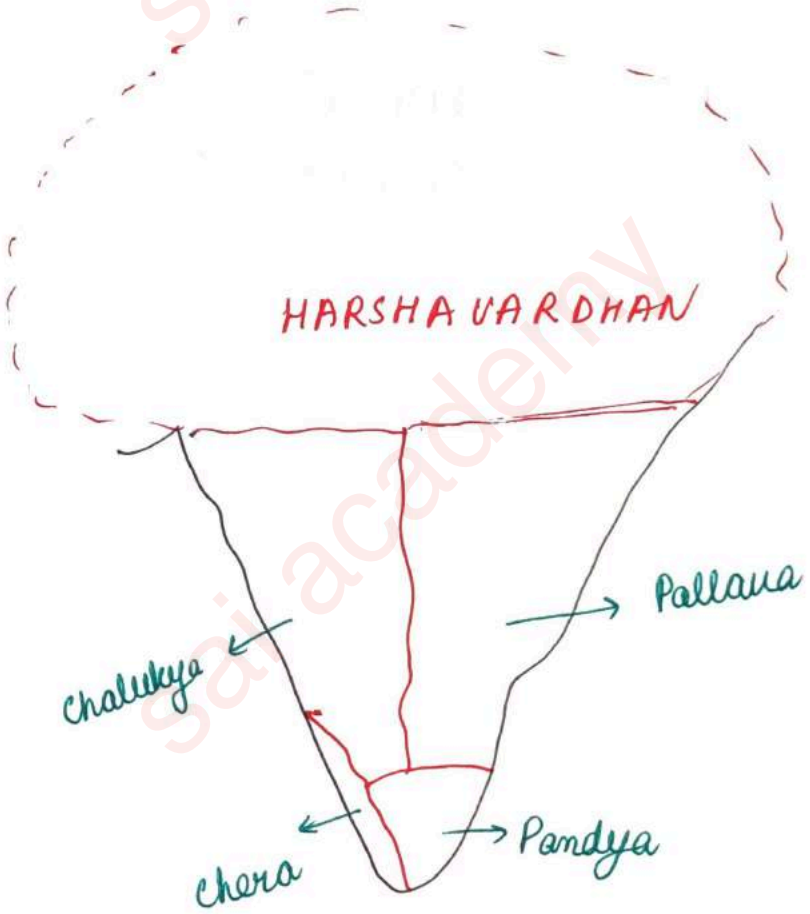
Capital — Kaveri patnam & Puhar

Most important ruler — Karikala.

Perhaps he was the first ruler who created Kalanai dam on Kaveri river.

Most important port — Kaveripatnam

Arikamedu (Puducherry)



The Pandyas

Intial ruler — mudukumudi

capital — madurai

most important ruler — Nedun jeliyan

He is known for curse of kannagi.

During tenure of Pandyan three Sangam assemblies were held which gave rise to Tamil literature.

most important port — korkai

Thuthukodi

All the three dynasties of Sangam age were quite rich and had powerful naval system. They traded spices, ivory, pearls and cotton textile with Arab traders and further to the Roman areas.

PUSHYABHUTI DYNASTY

After the demise of Guptas a vacuum was created in North India which was filled by Pushyabhuti Dynasty based in Sthaneshwar (Haryana) by 600 AD. Prabhakarvardhan was the founder of this Dynasty. He married his daughter Rajyashri to the maukhari ruler of Kannauj Grahavarman.

After the death of Prabhakarvarman his elder son Rajyavardhan became the ruler. At this time one of his adversary Shashank Gauda killed Grahvarman and captured Rajyashri. He also assassinated Rajyavardhan treacherously. After which young Harshavardhan became the next ruler. Harshavardhan first freed the

sister Rajyashri from the captivity of Shashank. He also established his hold over Kannauj and made Kannauj as his capital.

Shashank was a formadable enemy and it took almost 30 yrs to finally defeat Shashank and annex the eastern territory.

Harshavardhan was an ambitious ruler. He wanted to expand his territory further south of Narmada river. As such he fought with Chalukya ruler Pulkeshin II. In which Pulkeshin II defeated Harshavardhan. After the battle a friendship treaty was signed b/w the two rulers mentioned in Aihole inscription. As per the treaty it was agreed that in future they will not venture into each other territory and recognised Narmada river as boundary.

During the tenure of Harshavardhan the famous Chinese Buddhist traveller Hiuen Tsang (Xhuang Xiang) came to India. He wrote his experience of Harshavardhan court in his book Si-Yu-Ki. He writes that there was very strict provision

for punishment even for the pettiest of the crime in Kannauj. He further adds that even in this situation the streets of Kannauj were not free from robbery.

Harshavardhan was devotee of lord Shiva and the Sun. Under the influence of Hiuen Tsang he also accepted Mahayana Buddhism.

To show his support to Mahayana Buddhism he convened two councils one at Kannauj and other at Prayag.

In both the councils Hiuen-Tsang gave elaborate lectures on Mahayana Buddhism.

After the councels Harshavardhan donated all his personal wealth and started to live like a monk.

The Chinese Tsang ruler sent an envoy led by I-Tsing to meet Harshavardhan in Kannauj But before the arrival of I-Tsing in Kannauj Harshavardhan died.

Pallava & Chalukya

By the end of 6th c AD two important dynasties emerged in South India which were Chalukyas of Badami/Vatapi and Pallavas of Kanchi. From the very begining both the dynasties started to fight with each other on the question of controlling very fertile Tungabhadra Doab. Initially Chalukya ruler Pulkesein II defeated Pallava ruler Mahendravarman and captured area of Vengi. The area of Vengi was handed over to Vishnuvardhan who later founded Eastern Branch of Chalukya.

Mahendravarman's son Narsimha Verman decided to take revenge and captured the fertile area as such he attacked on Chalukya capital Badami and defeated Pulkesein II. He also captured Chalukya capital Badami/Vatapi.

To celebrate this victory he took the title of Vatapi kondi (conqueror of Vatapi).

Both the dynasties are known for their contribution to the temple art in South India. Pallavas initiated rock-cut architecture which later

transformed itself to Dravida style of temple architecture. Chalukyas initiated ~~Usara~~ Vessara style of temple art.

After the demise of Pushyabhuti dynasty and defeat of Pulkesein II a vacuum was created in the North and central India. By 750 AD three dynasties emerged —

① Pala Dynasty of East (Bihar, Bengal)

② Pratihar Gurjar of West (Rajasthan etc)

③ Rashtrakuta Dynasty of Central India

① <u>Pala Dynasty</u>

Founder — Gopala by 750 AD
most important ruler — Dharmapala

He granted 200 villages to Nalanda University for its upkeep and maintainance.

He was also the founder of University of Vikramshila, Oddantpura and Somarupa.

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Pala rulers were the followers of Buddhism. During their tenure miniature painting started in India.

② Pratihara-Gurjar Dynasty

The initial ruler of this Dynasty was Nagabhatta. It is said about him that he repelled one Arab invader from western side.
The most important ruler of this Dynasty was Mihir Bhoj.
Mihir Bhoj was devotee of Lord Vishnu and he took the title of Adi Vraha. He also initiated ~~Gurjar~~ construction of Gurjar style of temple in west.
During this time Gurjars created strongest cavalry. They procured very good quality of horses from central Asia.

③ Rashtrakuta Dynasty

This dynasty was founded by Danti Dorga (757 AD).

The second ruler of this Dynasty was krishna I. He created kailashnath temple of Ellora. It is a monolith temple created from single stone. It is considered as one of the architectural wonder of India.

most important ruler — Amoghavarsha.
He patronised kannada language and he wrote 1st poetic in kannada i.e. kavirajmarga.
Perhaps he is the second monarch from Ancient India who performed Sallekhna.

- There was tripartite struggle b/w the three dynasties to control kannauj in which finally Pratihars were successful.

Mainline / Imperial Chola

They were feudatories of Pallava. By the end of 9th c AD Vijayalaya usurped power from Pallavas and established mainline Chola dynasty in south.
The Chola territory was further expanded by Parataka and Adithya.
The most important ruler of mainline Chola was Raj Raja Chola and his son Rajendra Chola.

Raj Raja Chola defeated ~~Chola~~ Cheras at Trivandrum (Trivanantpuram) and Pandyas at Madurai.
He also annexed Northern part of Srilanka & considerable part of Cheras and Pandyas.
In 1011 AD he led the foundation of Brihadeshwara temple at Tanjore which is also considered as one of the architectural wonders of India.

The next ruler Rajendra I Chola was most powerful Chola ruler. He completely annexed Chera kingdom, Pandyas and Srilanka.

Rajendra I marched towards Gangetic plain and defeated Mahipala of gangetic dalta. To celebrate this victory he created a city on

On the banks of river Kaveri known as Gangaikond Cholapuram.

Perhaps Rajendra I was the first Indian ruler who crossed Bay of Bengal and invaded cities of Shri vijaya in Malaya Peninsula. After this invasion cultural exchange b/w India and Malaya Peninsula started.

Administration

Perhaps Cholas were the first ruler who initated the process of decentralisation. They created many subdivisions in their area and officers were appointed with sufficient atonomy and Power.

Sub divisions are as follows:-

Chola mandalam → Entire Chola territory

mandalam → Province

Valanadu → Block

Nadu → Town or big village

Kottam → Small Village

Chola rulers also acted as Bankers or financial institution whereby they provided loan to the people and charged interest.

Chola were one of the finest temple builders of that time. Temple was not just place of worship but it was also centre of education and area of market activity.

Perhaps they were the first rulers who emphasised on the importance of rainwater harvesting. Moreover they also wrote inscription regarding water conservation.

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MEDIEVAL INDIA

Islamic Invasion in INDIA

Invasion of Mohd. Bin Qasim (712 AD)

Deval port = Karachi Por

In 712 AD Md Bin Qasim of Ummayid dynasty invaded Sindh area. He had grievance against Sindh ruler Dahir whose people looted ships of Mohammad Bin Qasim at the port of Deval. Qasim after defeating Dahir established his rule in Sindh But very soon he was eliminated by Caliphate.

With the arrival of Qasim Islam arrived in Indian subcontinent and it also promoted more trade contact b/w Indians & Arabs.

Invasion of Mehmud of Ghazini

By the end of 10C AD a volatile situation arised in middle east and west Asia. The Samanid Dynasty of this area was constantly under the attack of central Asians who were the followers of nature.

In this situation mahmood of Ghazini emerged who had two task before him—

(i) Protect the Samanid area from central Asian

(ii) Spread Islam in the world.

Ghazini was supported by his court poet Firdausi who wrote Sahnama. This book created an indelible impact on the minds of central Asians that majority of them accepted Islam and became strongest defenders of Islam and Crusaders from Islam.

Mehmud of Ghazini decided to loot rich temples of India as such he invaded India 17 times.

His last invasion was on temple of Somnath in 1025 AD.

Though the image of Ghazini is cultural regenerator in West Asia But he was a plunderer in Indian

history and can't be forgiven for the crimes he committed in India.

Invasion of Muhammad Ghuri

By the end of 11th c AD Seljuks started to rule in west Asia. On the question of Syria Seljuks were divided into two branches i.e. Khwarizmi and Ghurid. Khwarizmi Selzuk were successful in controlling Syria as such Mohammad Ghuri of Ghurid decided to divert his attention towards Indian subcontinent.

From 1170s Mohammad Ghuri started invading Indian territory. Though he was defeated by Raja Bhim Solanki of Gujarat But he was successful in annexing Uch and Multan.

On the question of Tabar-i-Hind (Bhatinda) Md Ghuri fought with Indian ruler Prithvi Raj Chauhan of Ajmer in 1st Battle of Tarain 1191. Prithviraj thoroughly defeated Ghuri in this battle.

Md. Ghuri hatched a conspiracy with the ruler of Kannauj Jaichand whose daughter Sanyogita

eloped with Prithviraj chauhan.

As such in the 2nd Battle of Tarain 1192 Md. Ghuri defeated PRC and later he was eliminated.

In 1194 AD the trusted slave of Ghuri Qutub-uddin-Aibak defeated and killed Jaichand in the battle of chandavar.

In 1206 when Md. Ghuri was killed by khokhars Qutub-uddin-Aibak declared establishment of Delhi Sultanate in 1206.

Dec 10

DELHI SULTANATE (1206)

After the death of Md. Ghuri Qutub-uddin-Aibak declared the establishment of Delhi Sultanate in 1206.

SLAVE DYNASTY (1206-1290)

I. Qutub-uddin-Aibak (1206-1210)

QUA was a generous person. He often gave charity in huge amounts and was popularly known as Lakh Baksha. QUA was follower of famous Sufi Saint Qutub-uddin Bakhtyar Kaki. In the memory of this saint he started the construction of Qutub minar.
Aibak died while playing the game of Chaugan (Polo) when he fell from his horse.

II. Iltutmish (1210-1236)

Iltutmish is considered as the real founder of Delhi Sultanate. He took following initiative during his tenure.

(i) He transferred capital from Lahore to Delhi.

(ii) He released official currency of Sultanate on

the lines of Arabic coinage system.

Silver — Tanka

Copper — Gittal

(iii) Iltutamish created a group of 40 nobles known as Turkan-i-chahalgani or Chalisa to assist Sultan in discharge of his official duty.

(iv) For revenue administration Iltutmish started Iqta system. Generally the land in the Sultanate was divided into two categories —

(a) Khalisha land — which was Royal land, Revenue generated from this land was meant for personal expense of Sultan.

(b) Iqta land — majority of the land was in this category. It was granted to Iqta holders (military officials, nobles etc). The revenue collected from this land was used for meeting the expense of iqta holders and paying the salaries of people working under them. The surplus amount was submitted to the Royal treasury.

Land

Khalisa land (Royal) | Iqta land (Iqta holders)

Iltutamish overlooked the claim of all his sons and appointed his daughter Raziyah to be next successor.

III. Raziyah Sultan (1236-40)

The group of 40 Nobles created many roadblocks in the elevation of Raziyah as Sultan. Raziyah was very bold and capable personality. She discarded the attire of women and started to wear attaire of Sultan and discarded Pardah system.
She elevated Yakut a person of Abyssinian (African) origin to a high official position. It was not liked by many nobels. As such governor of Punjab Altunia imprisoned Raziyah. Raziyah solved the problem by marrying Altunia. Many of the nobles wanted to get rid of Raziyah as such some dacoits killed Raziah at a place called Kaithal (Haryana).

After the death of Raziyah many rulers were appointed in quick succession —

- Bahram Shah (1240-42)
- Masud Shah (1242-46)
- Naseeruddin Mohd (1246-65) — During his tenure post of Deputy Sultan Naib-i-Mamalkat

was created. One of the occupant of this post was Ghiyasuddin Balban.

IV Ghiyasuddin Balban (1265-1286)

Balban was the most powerful ruler of the slave dynasty. After coming to power he propounded divine theory of kingship, whereby he claimed that sultan is shadow or form of God on planet earth i.e. Zille-ilahi.

He also introduced some Iranian etiquettes in the sultanate's courts i.e.

Sijda – Bowing down head before sultan

Paibos – kissing the feet of sultan

He also introduced festival of Navroz in India. (Persian new year)

He created a separate department of military known as Diwan-i-Ariz. To stop the plunder of Mewati Rajputs he cleared the dense forest in and around Delhi.

During the tenure of Balban mongols reached till the banks of Indus where they were defeated by Balban's general Jalaluddin Khilji.

Under the influence of Jalal-udding Khilji many of the mongols joined Islam and Delhi Sultanate army.

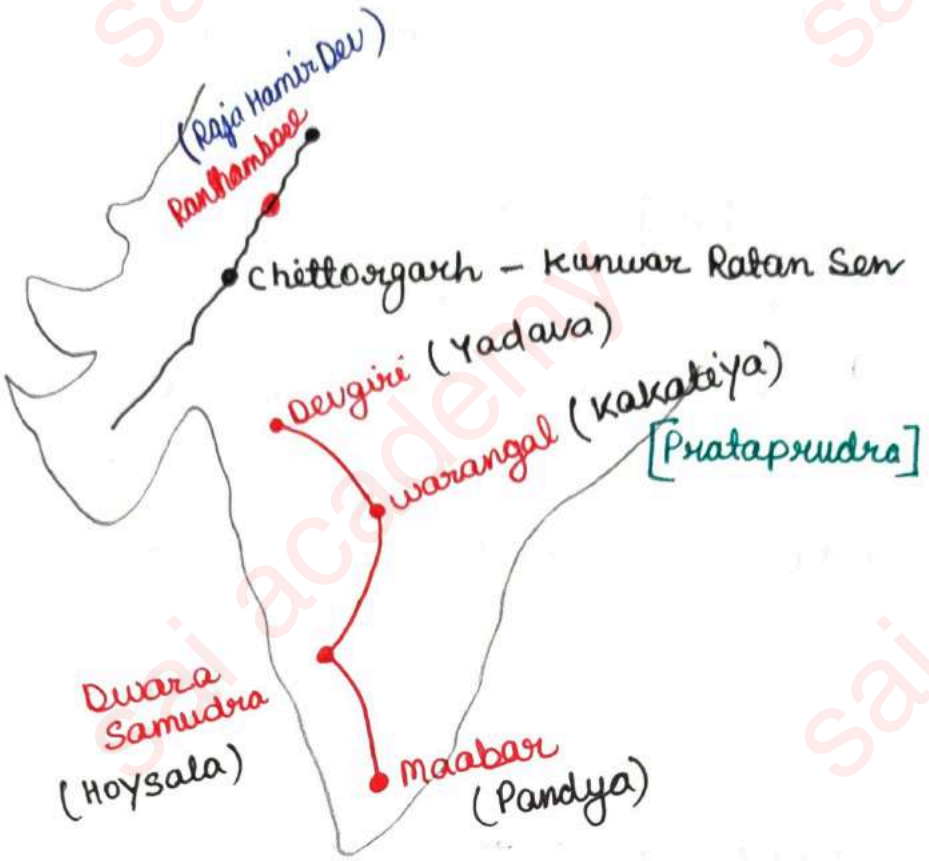
Tengrism (Buddhism + Folk religion of mongolian)

In the court of Balban there was a very famous sufi poet Amir Khusrau.

After the death of Balban, Kaiqabad became the next ruler. The last slave ruler was assasinated by Jalal-uddin Khilji who established Khilji dynasty.

KHILJI DYNASTY (1290 - 1320)

The biggest challenge to Jalalluding Khilji was his nephew Allauddin Khilji (AK). AK raided devagiri without the permission of sultan. He also didn't share looted wealth with sultan. When Jallalluddin was returning from Bengal expedition he paid a visit to AK where he was assassinated. As such AK became next Sultan of Delhi.



Allauddin Khilji

After coming to power Allauddin captured Gujarat. He brought a very able person Malik Kafur from Gujarat who later became general of Allaudin's army.

After Gujarat Allauddin led seize of Ranthambore fort. Inside Ranthambore fort Allauddin's army started to kill men selectively. In this situation women of the fort decided to permorm enmass Jauhar to safeguard their honour and dignity. This event of Jauhar was marked as

an act of courage on the part of women by Amir Khusrau.

Allauddin also annexed Chittaurgarh from Ratansen.

Devgiri = Aurangabad

After consolidating his position in North and west India Allauddin decided to plunder kingdoms in South. His south Indian campaign was led by Malik Kafur. Kafur raided Devgiri, warangal, Dwarasamudra, Madbar.

Kakatiya ruler Prataprudra gifted Kohinoor diamond to Allauddin.

Allauddin died in 1316. After the death of Malik Kafur the last Khilji ruler was also eliminated by one of the noble Ghiyasuddin Tughlaq who founded Tughlaq dynasty in Delhi.

Iniative of AK

(1) AK was considered as the master of market reform. He fixed the prices of all basic commodities centrally (It was done from the perspective that his army men will be able to buy things at cheaper rate, and unnecessarily he will not have to raise their salaries).

(ii) He created three types of market —

(a) Food grains

(b) Cloths and footwear

(c) Slave trade and animal trade

(iii) He tried to curb corruption and standardised weights and measures.

(iv) He utilised the services of Banjara community for doing trades.

(v) He also started the practice of measuring land before imposing taxes. The tax rate was kept at upper end i.e. 50% of the produce.

(vi) He initiated Dagh System which was related to Branding of horses.

(vii) Huliya system — He also started Huliya system whereby the physical appearance of the soldiers was noted down.

Dec 11

Ghiyasuddin Tughlaq

He was the founder of Tughlaq dynasty in 1320. One of his contemporary in Delhi was sufi-saint Nizamuddin Aulia. Aulia had bitter relation with GST.
GST led an expedition to Bengal where he received large number of elephants as war booty. One of his mohammad bin Tughlaq (MBT) constructed a large wooden platform just before Delhi. When the elephants mounted on this wooden platform it collapsed and as such GST died which led to elevation of MBT as next Sultan of Delhi.

Muhammad Bin Tughlaq

He was a man of contradictory or bizzare personality. On one hand he was a scholar of many languages, a learned personality But on the other he was notorious for awarding extreme capital punishment.

He was also known as man of innovation. During his life time he ~~iniated~~ initiated many innovative project But unfortunately he failed in many of them.

(i) To increase the revenue he decided to increase the rate of taxes in Ganga-Yamuna Doab. But due to

femine peasants refused to make the payment as such it was withdrawn.

(ii) MBT decided to shift the capital from Delhi to Daulatabad but this experiment failed due to less availability of water sources in Daulatabad and nobles started to feel ~~abo~~ nostalgist about Delhi.

(iii) MBT wanted to expand his kingdom to Khorasan area but the war didn't happened on ground even after so much of preparation. MBT incurred heavy losses.

(iv) Kurachil expedition — To capture and punish those people who revolted against MBT he initiated Kurachil expedition but he also failed in this.

(v) Issue of token currency — There was scarcity of silver all over the world. In this situation MBT decided to issue token currency of other metals like copper, bronze etc. on the face value of silver. This experiment failed due to forging of currency by many officers in Tughlaq court.

8.

(vi) MBT established a separate department of agri known as Diwan-i-kohi. Under this department he started a credit facility which gave cheap agri loan to people known as Taccavi.

During the tenure of MBT famous moraccan Arab Traveller Ibn-Batuta came to India. He wrote about his experience at Tughlaq's court in his book Rehala.

During the tenure of MBT many revolts happened and two bigger kingdoms were established in South India —

Vijayanagar → 1336

Bahmani → 1347

After the death of MBT next ruler was Firoz Shah Tughlaq.

Firoz Shah Tughlaq

During the regime of MBT the glory of Delhi Sultanate was hit and it was a challenge before Firoz Shah Tughlaq to revive the lost glory.

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Iniatives of FST

(i) He abolished all the extreme type of capital punishment.

(ii) He started to support orthodox version of Islam.

(iii) To win back the support of nobles he made Iqta system heredetary in nature.

(iv) FST further extended Jizya tax to Brahmins who were earlier exempted.

Jizya – protection tax imposed on non-muslims.

(v) He repealed many taxes and imposed following taxes —

Jizya

Kharaj — land tax

Khumsa — looted wealth during war

Zakat — Tax on income of muslims for propagation of Islam.

(vi) FST started the department of charity known as Deewan-i-khairat which helped poor people during the marriages of their daughter.

After the death of FST the weak successors were not able to administer properly. As such in 1398 when a Turkish invader Amir Timur OR Tamerlane invaded Delhi then the weakness of Tughlaqs was exposed.

In 1414 one of the general of Amir Timur Khizrakhan uprooted Tughlaqs from Delhi and established Sayyid dynasty in Delhi.

SAYYID DYNASTY (1414-1451)

Khizra Khan

KK was the most important ruler and the founder of Sayyid Dynasty. He declared himself to be Raiyal-i-Ala or Care taker of Timur's son Shahrukh.

In 1451 Sayyid dynasty was replaced by Afghan origin Lodhi dynasty.

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LODI DYNASTY (1451-1526)

Founder — Behlul Lodi

Behlul lodi led down the rule that all important positions of power must be shared with friends and family.

Particular policy was diluted by next ruler Sikandar Lodi.

Sikandar Lodi founded the city of Agra and he started a new unit of measurment Gaz-i-Sikandari. Ibrahim Lodi was the last and most powerful ruler.

He was a very rash and errogant personality and completly diluted the friend and family policy. He humiliated his uncle Daulat Khan Lodi who invited Zaheruddin Babur from Kabul to fight Lodi.

Initially Babur was hesitant But on assurance of Rana Sanga of Mewar's support Babur decided to fight lodi as such first battle of Panipat in 1526 was fought b/w Babur and Ibrahim lodi. Babur defeated lodi due to the intelligent strategy of Tulugma and

for the first time canon was used in India by Babur.

Babur founded mughals in India.

Different administrative departments during Delhi Sultanate :-

1. Diwan-i-wizarat - Dept. of Finance
2. Diwan-i-Ariz - Army
3. Diwan-i-Bandgan - Slaves
4. Diwan-i-Insha - Foreign affairs
5. Diwan-i-muniha - Intelligence
6. Diwan-i-mustakharaj - Collection of revenue & arrears
7. Diwan-i-kohi - Agriculture
8. Diwan-i-Risalat - Ecclesiastical affair
9. Diwan-i-Qazi - Religious affairs
10. Diwan-i-khairat - Charity

Babur

Paternal	maternal
Turkish (Amir Timur)	Chengis Khagan

MUGHAL EMPIRE (1526-1707)

Babur (1526-1530)

Babur after coming to power fought battle of Khandua in 1527 ~~in~~ with Rana Sanga of Mewar.

In 1528 Babur attacked on Chanderi fort which was ruled by the closest coulegue of Rana Sanga Medini Roy.

Babur also pushed Afghans to Bihar and Bengal.

Babur died in 1530 after which his son Humayun became the next ruler.

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Humayun (1530-1540)

Humayun had to face many challenges internally & externally aswell. To solve the internal problem he gave the area of Afganistan, kabul, kandhar, Send to his brothers kamran, Ashkari, Hindal.

In 1534 he had to face challenge from ruler of Gujarat Bahadur shah But after the death of Bahadurshah challenge was over.

But Humayun was not able to defeat the Afghan ruler of Bihar, Bengal Sher Shah Suri who defeated Humayun in two successive battles in 1539 and 1540 in Battle of kannauj & Battle of Chaunsa.

Humayun had to fled from India. He received refuge in Iran. In ~~Indi~~ Delhi Sher Shah Suri established Sur empire.

SUR EMPIRE (1540-55)

Sher Shah Suri

He was the founder of Sur empire and also the most important ruler. He died in 1545 due to an unfortunate event at kalinjar. During his tenure he took many initiative which are

as follows —

(i) He created the base of provincial administration which was later elaborated by Akbar.

(ii) He started codification of Shariyat law for adjudication purpose. He created many grand highways in India which included the most important Badshah road or Grand trank road running from Kolkatta to Peshawar. On both the sides of the roads he created resting places for travellers called Sarai.

(iii) He is also considered as iniator of postal system whereby he created Dak Khana in farflung areas.

(iv) Shershah released the offecial currency of Sur Empire i.e. Rupiya – Silver currency
Daam – Copper currency

In 1555 Humayun came back from Iran. With the support of Iranian ruler Shah Tamashp Humayun eliminated Sures from Delhi and reestablished mughal rule in India. But in an unfortunate incident Humayun died when he fell from observatory cum liberary Shermandal

After the death ~~was~~ of Humayun Delhi was captured by an associate of Afghans Hemu. On this question mughal general Bairam Khan fought with Hemu in 2nd Battle of Panipat in 1556.

Bairam Khan thoughrally defeated Hemu and beheaded him which led to elevation of Akbar the minor son of Humayun as the next mughal emperor.

AKBAR (1556 - 1605)

Initially Akbar was working under the regency of Bairam Khan. In 1560 Bairam Khan died and in b/w 1560-62 there was an influence of a lady mahamanga in mughal administration. From 1562 Akbar started his campaign of territoreal expansion. He annexed Bengal, Bihar, Kabul, kashmir, malwa, Gujarat, Khandesh and parts of Ahmadnagar.

With Rajput rulers he followed the policy of negotiation whereby he declared that if Rajputs accepts supermacy of Akbar then they would be given full autonomy and independent status in their own area.

Majority of the Rajput rulers accepted Akbar's supermacy except maharana Pratap of Mewar.
On the question of mewar Akbar's close associate mansingh fought with maharana in battle of Haldighati 1576. ~~in which Akbar~~
The war was ~~inclu~~ inconclusive and mewar could not be annexed.
After establishing a very large mughal empire Akbar took his last breath in 1605. After which his son Jahangir became next ruler.

Initiatives of Akbar

Administration

For ease of administration Akbar divided mughal empire into 16 provinces known as Suba.
It was further subdivided which is as follows.

Suba (Province)
⇓
Sarkar (Zone)
⇓
Pargana (District)
⇓
Mahal (Block or group of village)
⇓
Village (Gram)

Mansabdari system

This system in India was initiated by Akbad. It derived from the word mansab which means official. All the officers in the mughal court were known as mansabdars.

The mansabdari systems had two components —

(i) **Zat** — It was the personal rank of a mansabdar in official Hierarchy and a/c to rank he received payment

On the basis of payment —

(a) Nagdi mansabdar — Paid in cash

(b) Jagirdari mansabdar — Paid in the form of jagir (Piece of land)

The jagir was granted for temporary period
It was not heredetory and transferable.

(ii) **Sawar** — It indicates the number of Horses and soldiers maintained by a mansabdar a/c to his Zat rank.

Economy

When Akbar resumed full fledged power mughal India became second largest GDP of the world. By the death of Akbar it became largest GDP in the world.

Raja Todar mal came up with the system of progressive taxation whereby land was surveyed and classified into following categories a/c to the fertility of land —

① Polaj land = most fertile.
attracted maximum amount of tax annually

② Parati land = left fallow for one year to regain fertility.
Taxes imposed in alternat years only

③ Cachar land = left fallow for 2 years to regain fertility. Taxes imposed in 3rd year.

④ Banjar land = least fertile land. left fallow for 5 or more years to regain fertility. Least amount of taxes in the year of cultivation.

Socio- Religious Activities of Akbar

(i) Akbar abolished Jizya tax and piligrimage tax.

(ii) He stopped converting prisoner of wars into Islamic faith.

(iii) Akbar opened Ibadat khana in Fatehpur Sikri for discussion and deleberation with the representatives of different religions.

(iv) Akbar propounded his new theology i.e. Tauhidé-ilahi OR Dén-i-ilahi. With this theology Akbar wanted to spread the messege of Suhl-i-Kuhl which is universal peace and brotherhood.

(v) Akbar released document of MAZHAR OR Decree of infallibility whereby he declared that in case of any dispute the decision of mughal emperor would be final.

(vi) Akbar gave huge funds to the construction of Gouind Dev temple in mathura-vrindavan.

JAHANGIR (1605-1627)

After the death of Akbar in 1605 Jahangir assended to the throne. During his tenure the British envoy led by Sir Hawkins and later led by Sir Thomas Roe came to Jahangir's court and received further concessions to create trading centres and warehouses in India.

In 1611 he got married to Nur Jahan who later ~~became~~ acquired a very strong position in the Mughal polity. She was instrumental in the appointment of her father Mirza Ghiyas Baig as Mughal wazir (PM) and her brother Asaf udaulah as Khan-i-saman (head of Royal family and treasury). Nur Jahan also ran a small kitchen cabinet Junta with her own favorite people.

After the death of Jahagir in 1627 Prince Khurram became the next ruler with the title of Shah Jahan.

SHAH JAHAN (1627-58)

Shahjahan annexed the area of Ahmadnagar completely. He was also instrumental in annexation of Mewar in 1615. Shah Jahan's tenure is remembered for his patronage to Architecture. In the memory of his wife Anjuman Bano Begum (mumtaz mahal) he constructed the landmark building Taj mahal. During his tenure there was war of succession b/w the sons of Shah Jahan in which Alamgir Aurangzeb defeated and killed Dara Sikoh. He also imprisoned/House arrest Shah Jahan in Red Fort, Agra and became the next ruler.

Alamgir Aurangzeb (1657-1707)

Aurangzeb after coming to power started to patronise Orthodox version of Islam. He re emposed Jizya tax & banned many hindu festivals including Deivali & Holi.

Aurangzeb also destroyed many famous temples of India like Govind Dev temple, Somnath temple, Keshav-Rai temple and Kashi-Vishwanath temple.

The biggest challange of Aurangzeb was the ruler of marathwara Chhatrapati Shivaji.

Shivaji was son of Konkan ruler Shahji. Shivaji was raised by mother Jijabai and his guru Dadaji Kondadev. Shivaji learnt art of Gurilla warfare from his Guru Ramdas which he started to use very effectively.

In 1659 he killed Bijapuri general Afzal Khan using gurilla warfare tactics. Alarmed by this situation Aurangzeb send his general Shaista Khan to fight with Shivaji as such Shivaji seriously injured Shaista Khan also. In this situation Aurangzeb persuaded Rajput ruler Jai singh of Amer to fight with Shivaji. Jaisingh with careful preparation defeated Shivaji in battle of Purandhar 1665.

As per the treaty Shivaji submitted 23 out of 35 forts to Jaisingh. He also appeared at Agra court of Aurangzeb where he was trecherously imprisoned.

After some point of time Shivaji escaped from Agra and restarted his campaign. In 1674 he celebrated his coronation ceremony. He made Deccan impenetrable for anybody.

Shivaji after establishing a large maratha empire took his last breath in 1680. With his death the formidable challange to mughal emperor Aurangzeb came to an end and he took sigh of relief. Aurangzeb annexed Bijapur in 1686 and

Golkonda in 1687. Finally Aurangzeb died in 1707 and mughals started declining.

BAHMANI KINGDOM (1347)

Bahmani kingdom was founded by Alauddin Shah Bahman who was one of the noble of mohammad Bin's Tughlaq court.

Firuz Shah Bahman was one of the very important ruler of Bahmani kingdom who expanded Bahmani rule by defeating vijaynagar ruler Dev Raya II.

The most outstanding personality of Bahmani kingdom was mahmud Gawan who was the wazir of kingdom. During his tenure Bahmani kingdom progressed in leaps and bounce But weak and frivolous Bahmani ruler Md. Shah III executed mahmud Gawan on false charges as such decline of Bahmani kingdom started and very soon it got divided into following houses —

- Bijapur
- Golconda
- Ahmad nagar
- Bidar
- Berar

VIJAYNAGAR KINGDOM (1336)

The empire was founded in 1336 by two brothers Harihar and Bukka Raya with the help of their guru madhava Deva Ranya.

In b/w 1336 to 1640 four dynasties ruled in Vijaynagar which are as follows –

ⓐ Sangama Dynasty
ⓑ Suluva Dynasty
ⓒ Tuluva Dynasty
ⓓ Aravidu Dynasty

The following travellers visited Vijaynagar kingdom over the period –

Traveller	Nationality
Abdur Razzak	Samarkand (Persia)
Nicolo Conti	Italian
Ferna Nuniz	Portuguese
Domengo Paes	Portuguese
Duerte Borbossa	Portuguese
Nikitin	Russia

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The most important ruler of the Vijaynagar kingdom was krishnadev Raya of Tuluva dynasty. He was contemporary of mughal ruler Babur. Babur in his biography Tuzk-i-Babari wrote that krishna Deva Raya was most powerful and most repected ruler of India. Perhaps he was the most enlightened ruler in the entire Indian medieval history.

He reinstated a rightful heir to the Bijapur's throne, even when he had the opportunity of annexing it. After this incidence he came to be known as Yavana Samrat Sthapnacharya.

krishna Dev Raya was deeply religious But he was secular in his orientation and employed large number of muslims in his court and army.

He also patronised Vijayanagar style of temple art. He constructed Veerbhadra temple, Hazar Ramaswamy temple.

He was also one of the finest patroniser of literature. He himself was a great scholar of Sanskrit and Telugu. In Telugu he wrote a very famous poetry Amuktamalyada. Infact his period is considered as golden age of Telugu literature.

He maintained eight luminaries of Telugu known as Astadiggaj which included the very famous Tenali Raman and Peddana. (Often Peddana is referred as father of Telugu literature).

The famous composition of Peddana is Manu-Charitam.

He also patronised kannad, ~~Telugu~~ Tamil and Sanskrit.

After the battle of Talikota in 1565 with the combined army of the Bahmani the decline of Vijaynagar started which was final by 1640.

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CLASS 1

Geography

↓ Earth description

Introduction of India

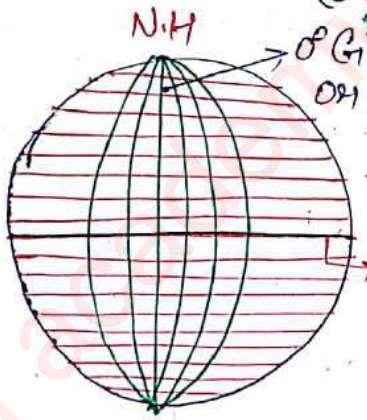
Father of Geography → Eratosthenes

Names of India →

India → Greek (Given by them)
Hindustan → Persian (Given by them)
Aryavarta → Land of Aryans
Bharat → Bharta. (On Raja Bharat's Name)
Jambudivpah → Puranas

Location → Globe → model of the earth.
(Divide the Globe in W.H & E.H)

(These lines are imaginary lines)



0° GMT line (Greenwich Mean Time line)
OR UTC line (Universal time coordinate)

W.H

E.H
0° Equator line
(Divide the Globe in N.H & S.H)

Parallel horizonal lines are Latitude
Non Parallel vertical lines longitude

Location of India →

Acc. to Latitude line → Northern H.S
Acc. to Longitude line → Eastern H.S.

Location of India → North-East Hemisphere.

In b/w two ||s of latitude line India is situated at
- 6°4' NL to 37°6' NL (NL → North Latitude)

Main land of India → 8°4' NL to 37°6' NL

In b/w two longitude line India is situated at
- 68°7' EL to 97°25' EL (EL - East Longitude)

North Point of India → Indira Col (Situated at POK)
(name given in 1977)
(Disputed) (Pakistan occupied Kashmir)

→ Undisputed north point of India → Siachin Glacier

Siachin Glacier
- Length → 72 km
- Width → 2-3 km
- Height → 5700 Mt. (15% O_2 deficiency)
- Indus (सहायक River) → Shyok → Nubra
- Saltoro Range (Pakistan's) (India's) (India's)
- Situated at J&K (In Karakoram Range) → Its Sub range Saltoro Range
- Largest Glacier of India (72 km)
- Third Pole of the world (Due to low temp. upto -50°C or -35°)
- Nubra river originates from it.
- Highest battle field of the world.
- Battle b/w India & Pak. (1984) → Operation Meghdoot ← Operate by India Govt. (Indira Govt.)

South Point of India → Indira Point (Situated at Great Nicobar Island) (In 1977)
(Largest Island of South)
Its nearby Island is Sumatra (Indonesia)

** Other names of Indira Point → Pigmelian Point
→ Parsen Point
→ Lahe Ching

South Point of India (Mainland) → Kanyakumari (Situated at Tamilnadu)
OR
Cape Comorin.

(Cape: Long narrow land area surrounded by water from 3 sides) → cape

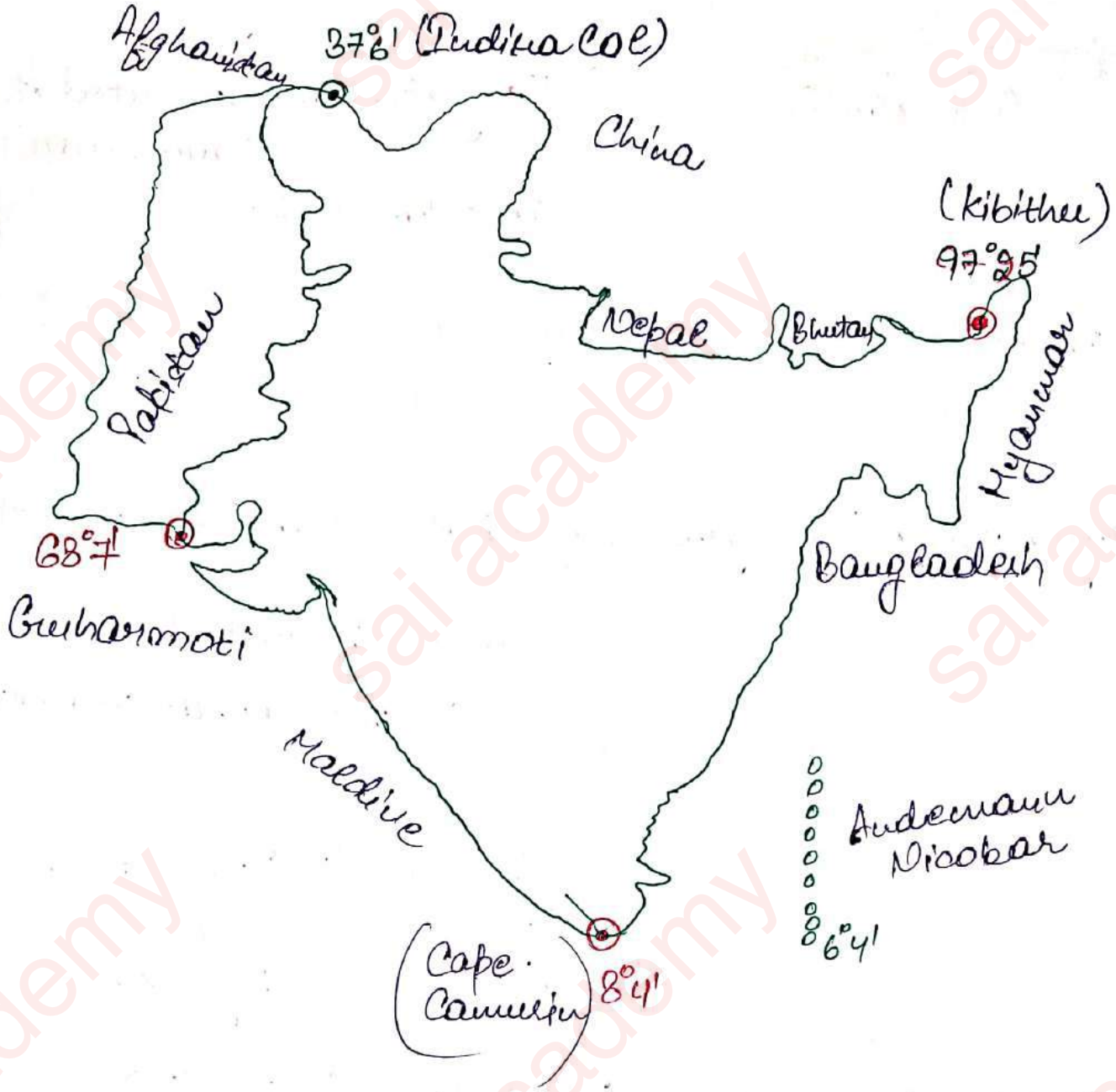
Kanyakumari is famous for both Sunrise & Sunset.

East Point of India → Walongu (Situated at Arunachal Pradesh)
OR
Kibithu

West Point of India → Rajher Creek (Situated at Gujrat)
OR
Guhar moti

Range of India → North - South = 3214 km
East - West = 2933 km.

Shape of India → Quadrilateral.



Boundary of India → Artificial Boundary

→ Physiographic Boundary → b/w 2 countries decided on the basis of Mountain. e.g

→ France —Jura Mountain (Connected by)→ Switzerland

→ France —Vosjej Mountain→ Germany

Geometrical Boundary → decided on the basis of lattitude & longitude

→ 49° parallel line is b/w Canada & USA
→ 38th " " " " North Korea & South Korea

Artificial/Political Boundary → On the Political Basis (man made)

e.g. Pak - India
India - China
India - Afghanistan

India's Boundary

Water Boundary (Coastal line)
(6100 km) → Mainland's
Total → 7516.6 km
(including Islands)

States
- Gujarat (max^m coastal line)
- Audhra Pradesh
- Tamil Nadu
- Goa (min^m)

Land Boundary
(15200 km)
- Pak
- China
- Afghanistan
- Nepal
- Bhutan
- Myanmar

Def^n of State → Given by Gamer (Britisher)
→ Defined area
→ Population
→ Government
→ Sovereignty

Land frontier →

1. **Pakistan** → ESTABLISHED in 1947 (14th August)

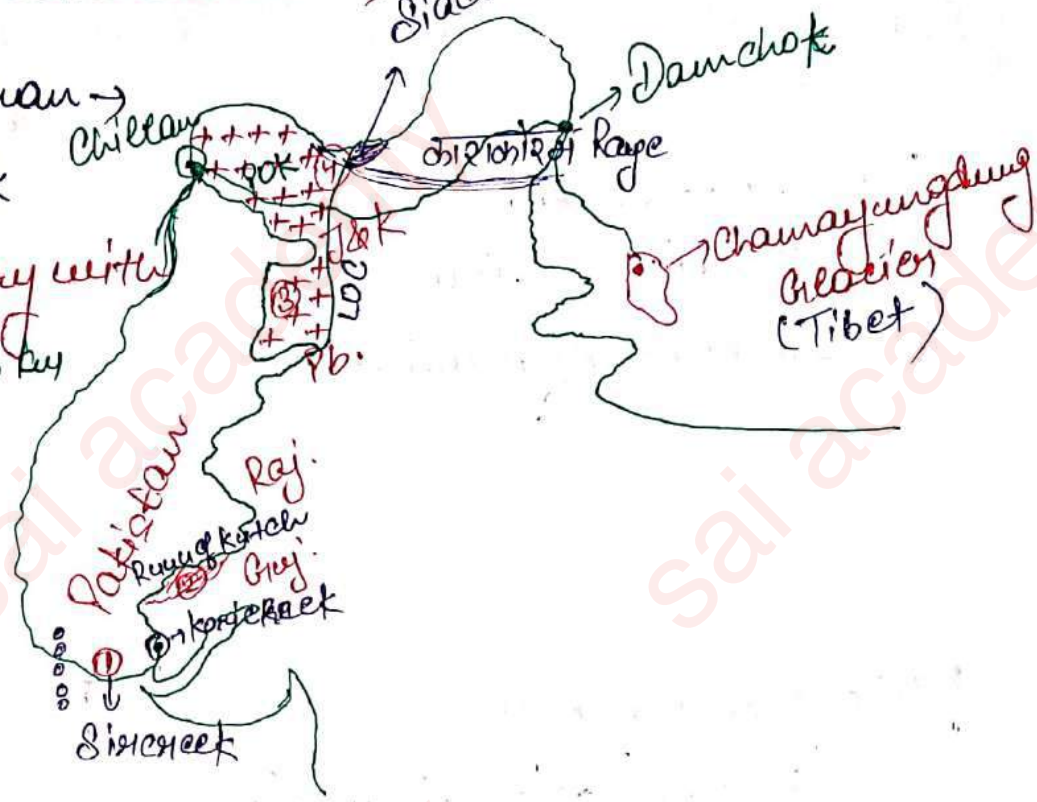
Separation → Redcliff line.

States touch with ~~India~~ Pakistan →

Gujrat → Rajsthan →

Punjab → J&K

Total boundary with India → 3323 km



Disputes

(1) **Sircreek** → Wet area

- ↳ formed by backward motion of ocean water.
- ↳ 96 km length
- Here fish, ~~Petr~~ petroleum salt found in great extent.

Location — Sindh — Sircreek — Kutch

(Redlinedrawn by India) Greenline (drawn by Pakistan)

(2) Rann of kutch → Wet area in Gujarat.
famous for
↓ Salt ↓ Tourism

1968 → 10% area given to Pakistan
→ 90% area given to India

(3) Pok → Pakistan Occupied Kashmir
↳ Invaded part of J&K by Pok.

Pok → LOC → J&K
LOC ↓ Line of Control

→ Kg/Godwin Austin is situated in Pok.

→ Indira Col is also situated in Pok.

(4) Siachin Glacier → undisputed after 1984.
(Ice area)

(5) Indus River →

Origin → Chemayungdung Glacier

In India, Entry pt → Damchauk
Exit point → Chillas

In 1947 → Partition decided (भारत Pak. को दो नहरों का पानी देगा)
But Pakistan Occupy Pok. So, India stops water due to which 17 Lakh Acre Land सूख गई

During that time in 1948 America Started Temri Project (By Linthlithigo).

Then Nehru called him to ~~start~~ sort out that problem. Then he said partition of River is necessary.

In 1960 → **Indus water Treaty**

↓ conducted by

World bank

Pakistan
(utilise 80% water of)
- → Indus
- → Jehlum
- → Chenaab

India
(utilise 80% water of)
- → Ravi
- → Beas
- → Satluj

sai academy

CLASS → 2

2. **Afghanistan** → Touch with J&K

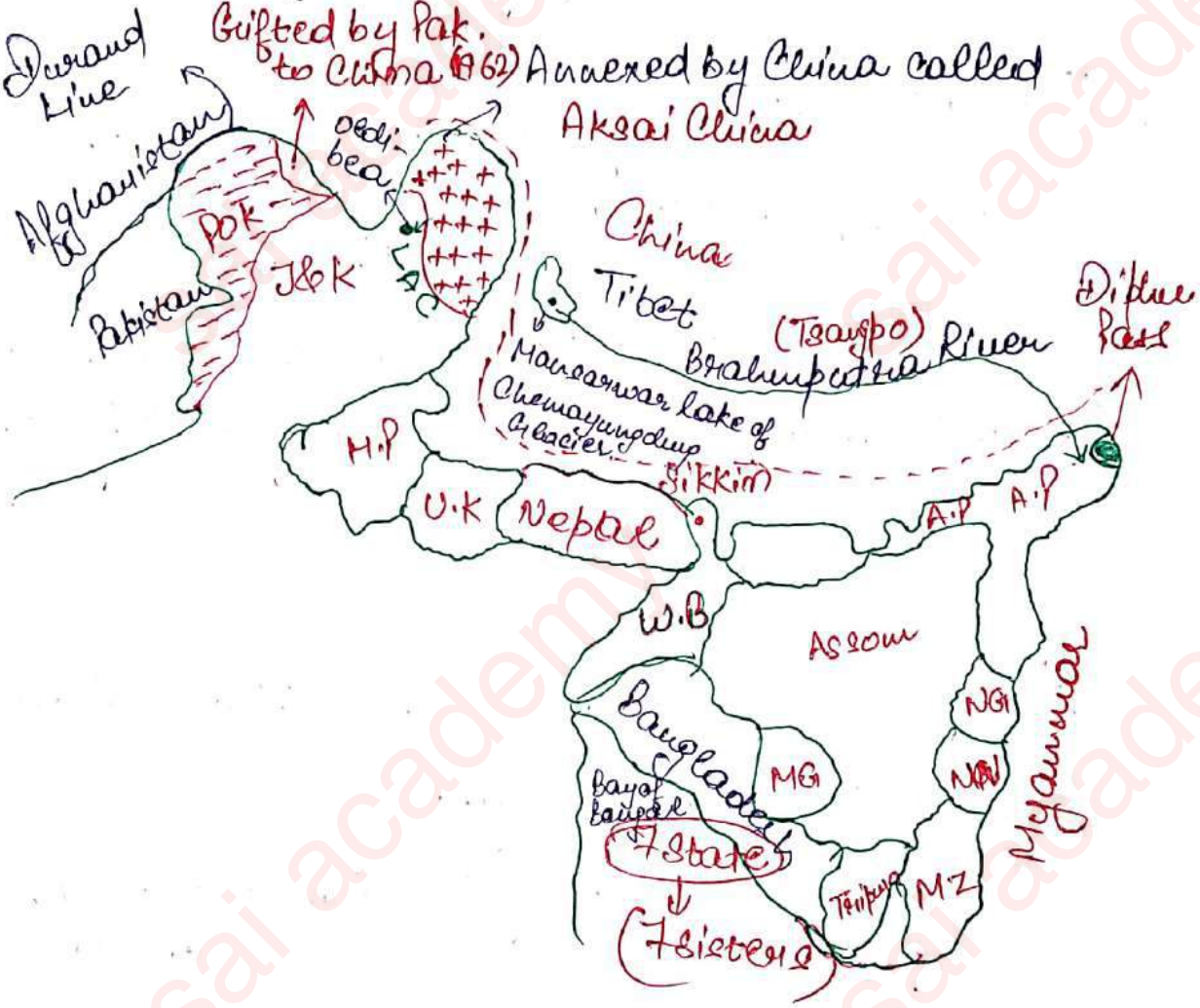
Boundary → 106km or 80km (Smallest)

State touch with it → J&K

India : Durand Line : Afghanistan (also with Pakistan)

↓

b/w Afghanistan & J&K in 1896



3. **China** → States Touch with it → J&K → H.P → U.K → Skm → A.P

Length of Boundary → 3488 km

In actual India's Boundary is with Tibet.

Tibet's $\xrightarrow{\text{Enemy}}$ Nepal

Tibet $\xrightarrow[\text{help}]{\text{got}}$ from China $\xrightarrow[\text{on}]{\text{attack}}$ Nepal.

China annexed ~~by~~ Tibet in 1906 - 1912.
↓
China's Ruler died

Tibet announced Independent to itself.

In, 1914, One person McMohan
↓ did treaty

Indian McMohan line Tibet China
½ + ½

In 1959 China again annexed Tibet so,

India McMohan Line → China

Disputes → Indo China war occured in 1962

#(1) Aksai China → Invaded part of J&K by China

J&K LAC Aksai China
Line of actual Control

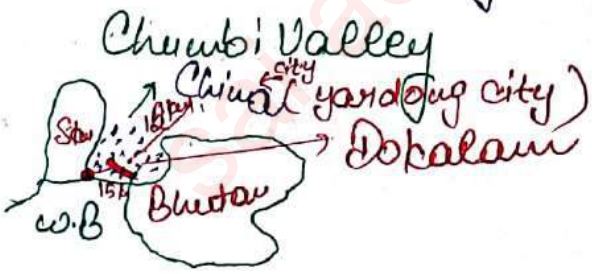
#(2) Brahmaputra River → In China this River is known as Tsangpo
↓
Through China enters to Arunachal Pradesh.

In 2017 form 3 dams
- जांगू
- जिधाचा
- जाबुगा

Due to Dams water by River reduced in India Due to which, affected part of India were
→ Majuli Island (Assam)
→ Irrigation
→ Hydroelectricity

Dokalam Plateau → Located in Chumbi Valley.

Chumbi Valley is at
Tripoint → China, Bhutan, India



China (yardong city) —12 km→ Dokalam —15 km→ Nathula Pass (India)
↓
It is of Bhutan

**

Dokalam Plateau is dispute b/w China & Bhutan
↓
India involved due to seven sisters.

Kalapani Dispute → काली नदी / शारदा नदी
↓ come from
Nepal
↓ go to
Ganga

China said either India, Bhutan का साथ ना दे otherwise with Nepal they will interfere in Blackwater dispute

Nathula Pass → Located in Sikkim.
↳ Natural road b/w 2 mountains
↳ utilized in trade & travel

importance → Trade with china.

Silk Route's part is Nathula Pass.

During war: In 1962 it was closed
In 2006 it is reopened

4. **Myanmar** → It was part of India.

By Act. of 1937 → It is separated from India.

Old name of Myanmar → Berma

Here **Mandley Jail** (जिसमें रहते हुए Bal Gangadhar Tilak ने Gita रहस्य नामक Book लिखी थी)

Rangoon Here Graveyard to Bahadur Shah Zafar.

State Touch ~~to~~ Without → A.P → Nagaland, Manipur, Mizoram.

Boundary → 1643 km

↓

decided by **Hill + Forest**

A.P → Nagaland → Manipur → Mizoram

↓ Hills → Patkai hills, Naga Hill, Manipur Hill, Mizo Hill.

Part of NE Himalya

On Border line → Hill + high dense forest

↓ Problem here

→ आतंक वाद

→ Drug supply.

Diphu Pass → Disputed part b/w Myanmar & India

↓ Located in Arunachal Pradesh.

↓ at China

India ← **tripoint** → Myanmar

Irawati River → called Lifeline of Myanmar.

5. **Bangladesh** → Established in 1971

States with it →

W.B → Assam → Meghalaya → Tripura → Mizoram.

Boundary → 4096 km (longest)

West Bengal (Hindu) ← Bengal → East Bengal (E.B) (Muslim)

On 20 Oct, 1905 (By Lord Curzon)

then in 1911 George Pancham & Madam Marie came and cancelled the partitioning of Bengal. So, **East Bengal** remains from **1905 - 1911**

Hindu Area will be under India ← (1947) → Muslim Area will be under Pakistan

During partition

(E.B became Pakistan)

So, In **1971** → war occurs ← (But it was far way from Pak.)

and East Pakistan named Bangladesh.

So, 1905 - 1911 → East Bengal

1947 - 1971 → East Pakistan

1971 → Indo - Pak war.

↓

Bangladesh.

Dispute →

(1) **Tista River** → disputed River.

In Sikkim → Zemu glacier

↓

(Origin of Tista River)

Tributory of Brahmputra River is Tista River

(1983) Partition → 39% water utilize by India
→ 36% " " " Bangladesh
→ 25% remain as it is in river

But Bangladesh was 48% but India denied

So, Tista River is dispute b/w India & Bangladesh

(2) Newmoor Island → in Sunderban Area.
↓ also disputed
↓ Presently पानी में डूब चुका है

(3) Tim Bigha Corridor
↓
To resolve this problem agreement b/w India & Bangladesh Occured called Land Boundary Agreement in 1974
↓
To vanish Enclave word
↓ India
↓ Bangladesh

Enclave
↓
any portion of state that is surrounded by an other country

Enclaves
↓
- Dahgram Angarpota → In India
  → But right is of Bangladesh
- Berubari → In Bangladesh but right is of India
  ↳ Bangladesh Gave it to India
- But it is not given to Bangladesh by India. So to connect it with Bangladesh Tim Bigha Corridor was made

Sunderban Delta → In Bangladesh

Any river ~~go~~ flow, with no. of sediments, after covering so distance, velocity of river ↓, so river will have no capacity to flow forward with sediments and deposit these sediments at end point and that formed fertile area is called Delta.

→ Largest Delta of the world.

→ Formed by Rivers → Padma ← (Called Padma to Ganga here)
→ Jamuna ← (called Jamuna to Brahmputra)

↓

Joint stream of Both is called **Meghna**

So we can say, this Delta is formed by Meghna.

→ Mangroov forests are found here (इसकी wood water में कभी खराब नहीं होती)

→ India Sunderban Delta → South part of Major Delta.
↓
In India

In 2019, Sunderban Delta announced as 27th Ramsar Wetland of India
↓
City of Iran

Here in 1971, Convention occurs, in which demand was that, it is necessary to conservate wetland.

1st Wetland of India → Chilika Lake in 1981

6. **Sri Lanka** → Old name → Celon

→ Cocamut shape country.

India —Palk Strait→ Srilanka

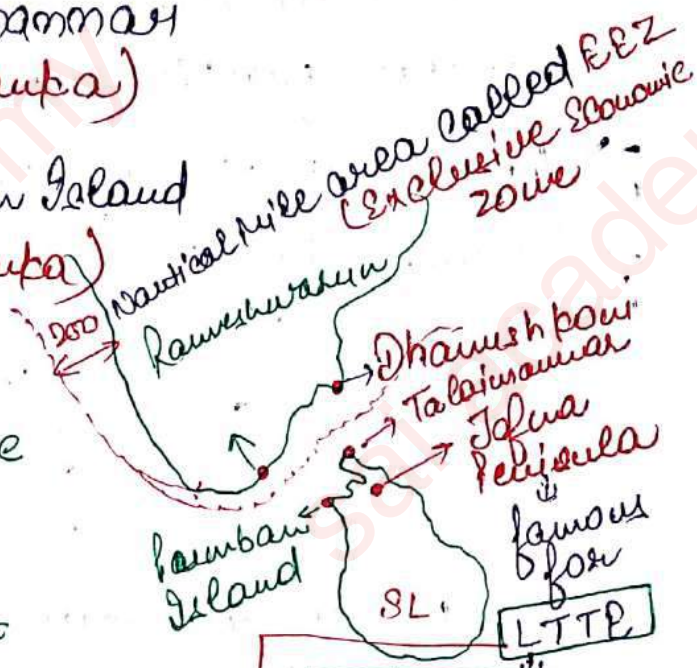
Gulf of Mannar (Gems निकाले जाते हैं यहां से)

Dhanushkodi → Talaimannar
(India) (Sri Lanka)

Rameshwaram → Pumban Island
(India) (Sri Lanka)

↓

Ramsetu
OR
Adam's Bridge
(48 km)



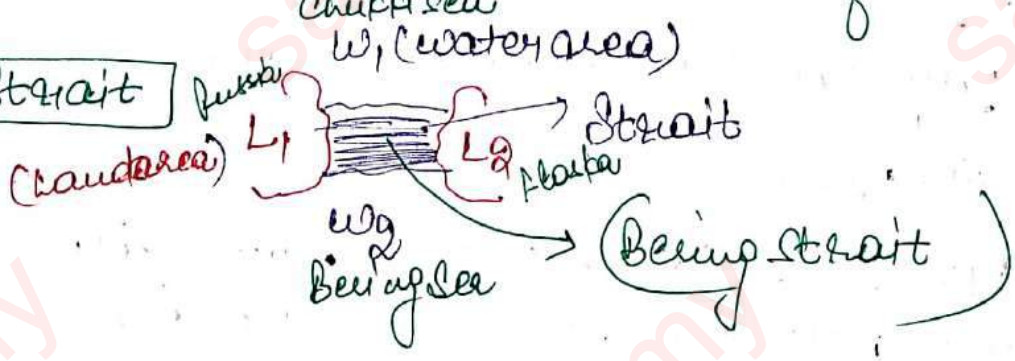
Liberation of Tamil Tigers Eleam.
↓
Murdered
Rajiv Gandhi.
(in 2009 Vanished)

Boundary line is not decided till.

* SL claims to India that they come beyond 200 Nm and 6.5 Cr. kg fish of ~~India~~ China has been taken by India per year.

* SL also called Island of Gems.

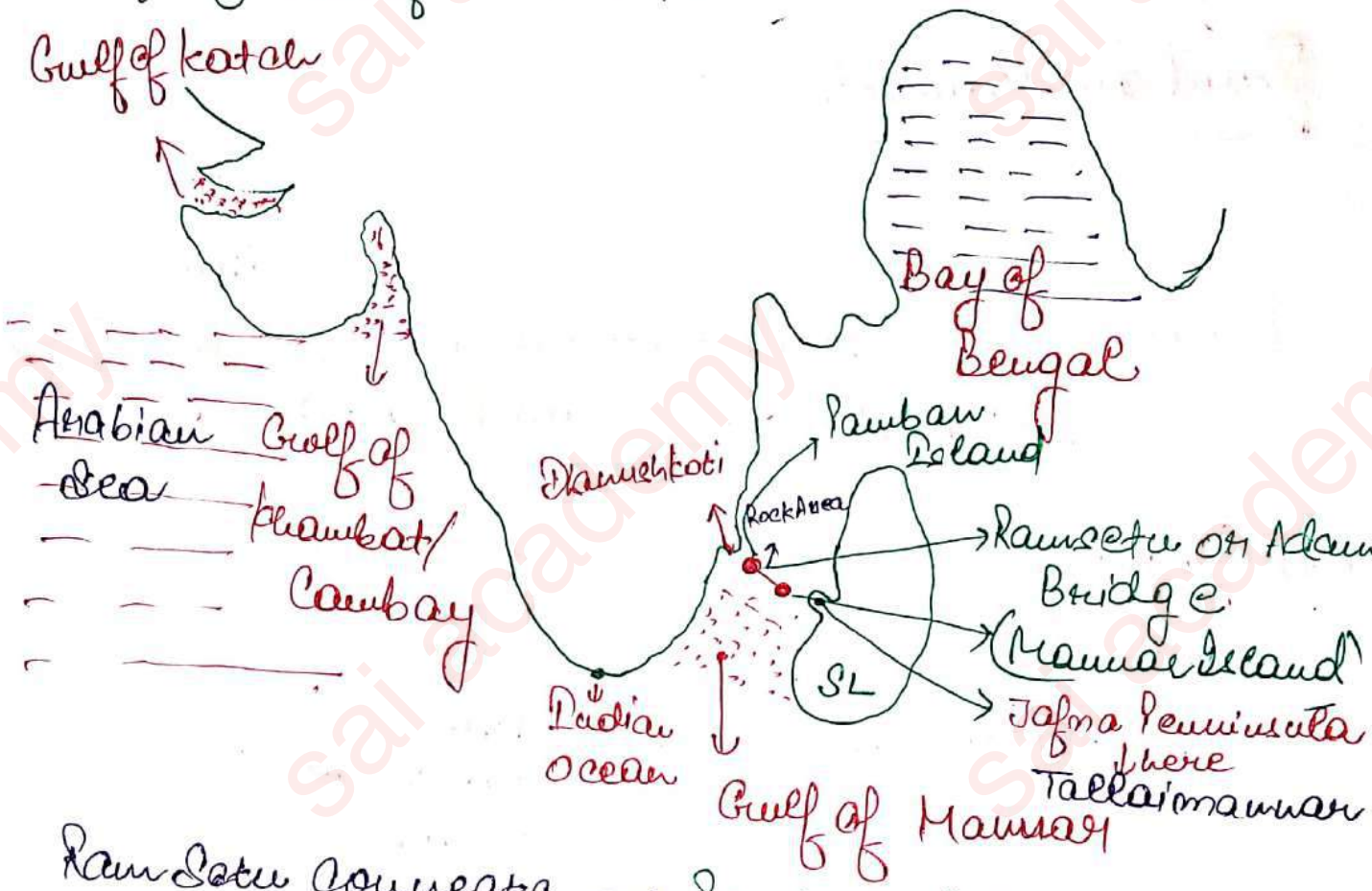
Strait



Gulf →

Narrow Part of Bay is Gulf ← Gulf

Bay → That water Body which is covered by land from 3 sides.



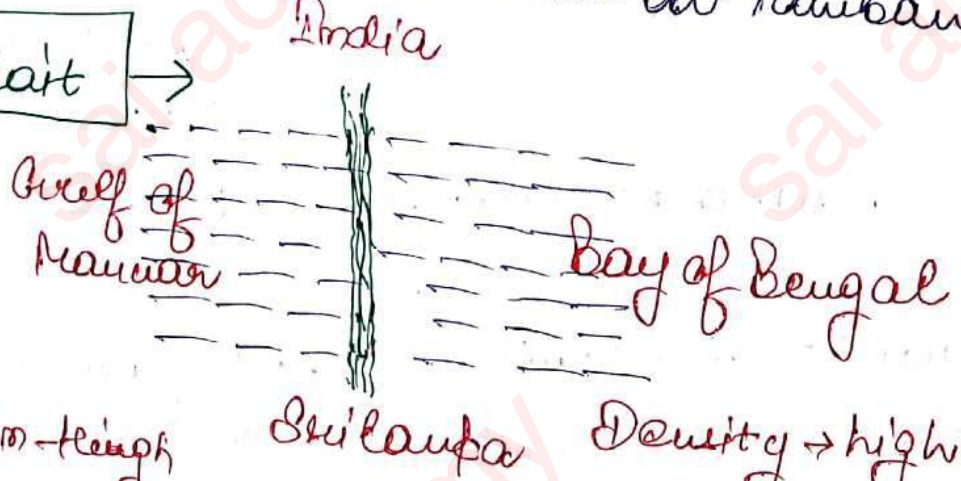
Ram Setu connects → Pamban Island with Mannar Island

OR

→ Dhanushkoti with Tallaimannar

- Pamban Island is situated in Gulf of mannar.
- Rameshwaram is situated on Pamban Island.

Palk strait →



Temp high.
Precipitation high
Rain ↑
Salinity → Low
Density → Low

Density → high

Palk Strait → Connects Bay of Bengal to Gulf of Mannar and separates India to Srilanka.

Pamban Channel → Separate India to Srilanka.

India

Srilanka

Channel → long narrow water body which separates two land area.

(7) **Nepal** → With Nepal India has natural Boundary.

States touch with it → U.K
→ U.P (maxm)
→ Bengal
→ Sikkim

Share boundary → 1753 km

(8) **Bhutan** → with Bhutan India has natural boundary.

States touch with it → Sikkim
→ Bengal
→ Assom (maxm)
→ A.P

Share boundary → 699 km

Bangladesh > China > Pakistan > Nepal > Myanmar > Bhutan > Afghanistan

4096 km 3488 km 3323 km 1753 km 1643 km 699 km 106 km

CLASS 3

(9) **Maldives** → Located in Arabian Sea.

↓

Made up of Coral Island.

Coral → an aquatic organism

↓

Survive its life on Symbiotic Process

Coral + Zooxenthallae Algae

↓ (white in colour) Symbiotic relation

↓ gave 60% food & colour to coral

↓

Both's skeletal form Coral reef

↓ on it

Maldive is located.

Global warming → Temp ↑

↓

Ocean temp ↑

↓

due to which Zooxenthallae expires

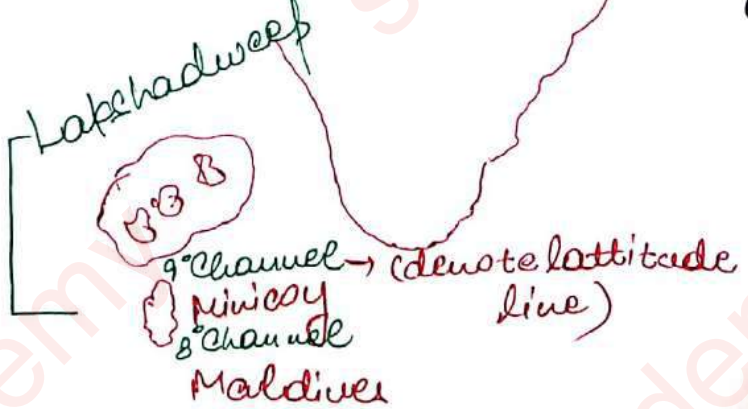
↓

Coral converted into white ~~coral~~ colour which is called Coral Bleaching

Biggest Problem of Maldives → Coral Bleaching

India and Madive are connected by 8° Channel

Islands of India



Importance of Corals → 60% medicine of cancer made up of corals.

→ good for tourism [Japan get good income from it]

→ when Coral Island forms full then it is inhabitate.

→ **States having Boundary with 3 Countries**

(1) Sikkim → Nepal, China, Bhutan

(2) Bengal → Nepal, Bhutan, Bangladesh & 3 SAARC Countries (South Asian Association of Regional Corporation)

(3) Arunachal Pradesh → Bhutan, Myanmar, China

(4) Jammu & Kashmir → Pakistan, Afghanistan, China

→ **States having Boundary with 2 Countries**

(1) Assam → Bhutan & Bangladesh

(2) Uttrakhand → China (Tibet) & Nepal

(3) Mizoram → Myanmar and Bangladesh

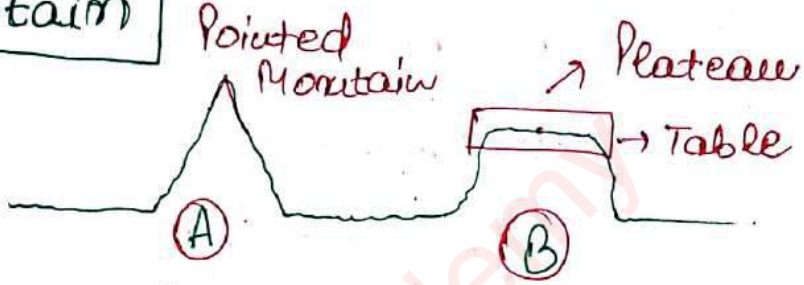
→ **States having Boundary with 1 Country**

(1) Bihar → Nepal.

Physiographic region of India

- Mountain
- Plateau
- Island
- Plains

Mountain

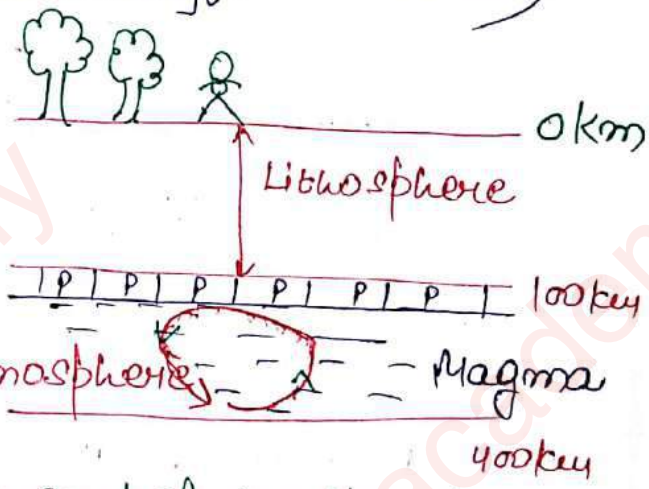


Those high elevation areas which have sharp upper part.

Types of Mountain

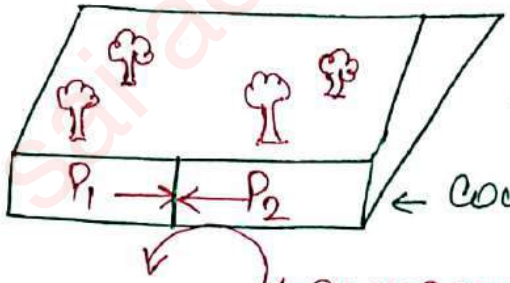
(1) **Folding Mountain** → known as Newest Mountain (∵ Movement of plates occurs continuously)

Plate → Area lies b/w Asthenosphere & Lithosphere is called Plate.
↳ (7 Major Plates)



Magma → Molten form of metals.
↓ in it
formation of Convection Current occurs
↓
Hot magma due to low density go upward & cold magma due to high density go downward
↓ so
magma (moves)
↓
Plate (moves)
↓
Lithosphere (moves) which is called Earthquake.

Asthenosphere
↓
Here amount of radioactive Substance ↑ Release
↓ Uranium, Thorium
Energy (+)
↓
Temp ↑ (1900°C)
↓
Pressure (↑)



→ Fold mountain

↑ due to which

← compression force applies

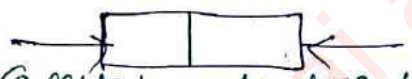
← as magma moves

magma move → Plate moves
↓
P_1 & P_2 collide
↓ called
convergent

Note → Lithosphere → (0 – 100) km
Asthenosphere → (100 – 400) km
↓
Radioactive substance
Temp 1900° C, Magma

Plate → b/w Lithosphere & Asthenosphere
↓
move ∵ → in magma → convection current flow.

1. **Fold Mountain** → Formed due to convergence of two plates.



Collide in order of 7 cm/year

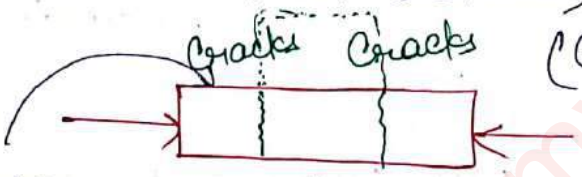
E.g (1) Himalya $\xrightarrow{\text{formed by}}$ Collision of Eurasian Plate & Indo Australian Plate
→ due to movement of Plate height ↑
8848 m (old) → 8850 m (new)

(2) Andes Mountain (in South America) $\xrightarrow{\text{formed by}}$ Collision of South American Plate & Nazaca Plate

(3) Rocky Mountain (in North America) → formed by collision of North American plate & Cocos Plate.

2. **Block Mountain** →

Plate → moves → forms **Cracks**



(Cracks वाला भाग ऊपर की तरफ उठ जाएगा)

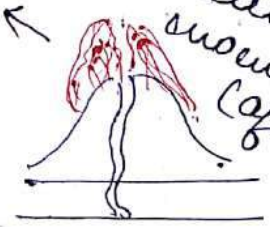
That part is called **Rift valley** ← Magma (Pressure ↑)

which is called **Block Mountain**

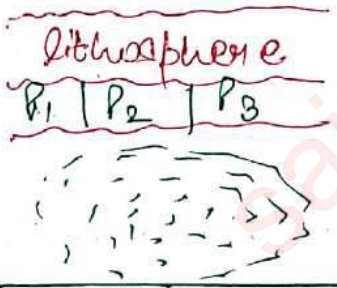
Mountain located b/w Rift valleys.

E.g सियारा निवादा in USA
Salt Range in Pakistan
Satpura in India

3. **Volcanic Mountain** → (Magma ऊपर आएगा) Volcanic mountain (after cooling)



So, magma try to come out

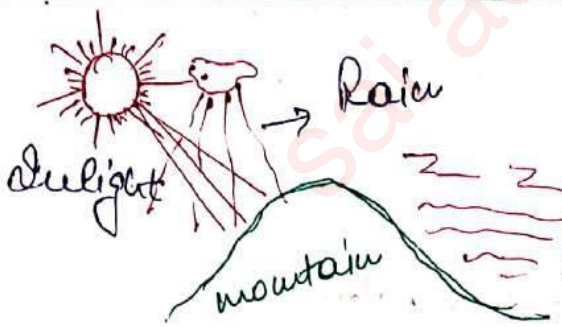


Temp ⊕ ⇒ Pressure ⊕

formed by Volcanism.

E.g In, Indonesia, Africa, Jap
↓
Krakatao
Aconcagua (in South America)
Kilimanjaro (Africa)

4. Residual Mountain ⇒



(weather phenomenon)
↓
due to which erosion occurs
↓
and shape & size of mountain changes
↓
That mountain will called as **Residual Mountain**

So, formed by erosion of a major mountain by weather phenomenon.

E.g (1) Aravali (oldest mountain)
↳ (Previously Folded mountain)
(2) In U.P Mathura, Govardhan Mountain.

Height → Folding (+)
Residual (−)

Himalya → Young Folding mountain
Youngest + Heighest → ∵ Its highest Peak is **Mount Everest**
↓
Located in Nepal (8850m)
↓
Here called, **Sagarmatha**

Length → 2400–2500 km

Width ⇒ West → J&K → 500 km
East → A.P → 300 km

Shape → Bow shape (or Arc shape)

Formed in → Tertiary Era

Origin of Himalya → Two Theories

Plate word given by → J.T Wilson

Geosyncline

Based on **Continent drift theory**. given by Alfred Wegmor ↓ he said

There is a Tethys sea

Sediments deposit

On the application of compression force sediments ऊपर की तरफ उठ गए | i.e Risen ↓

So Himalya formed.

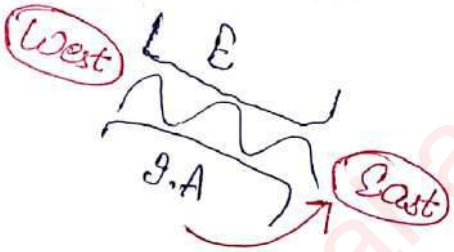
★★ So, Himalya is formed on Tethys sea.

Plate tectonic Theory

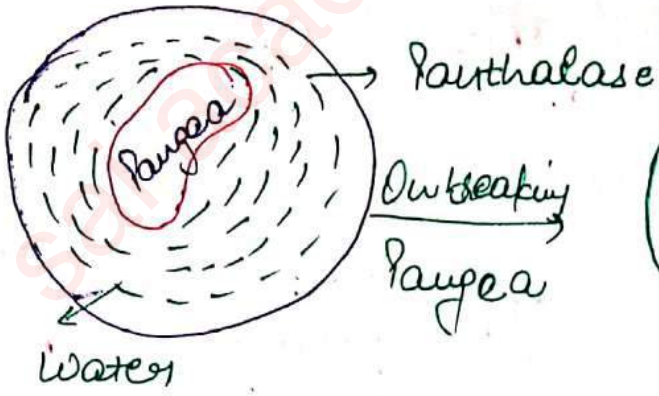
Explained by → Morgam ↓ given by → **Harry Heiss** ↓ said formed by due to convergence of two plates

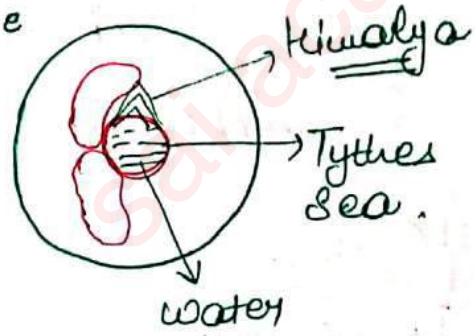
Eurian | Indo Australian

Collision occured → Anticlock wise



Height (+) → **East** (in East Area) → Rainfall (+), Forest Area (+), Biodiversity (+)





Division of Pangea → (in Carboniferous era)

Angaraland or Laurentia

(1) Eurasian Plate
(2) North America Plate

Gondwana Land

1. South America Plate
2. African plate
3. Indo-Australian plate
4. Antartica plate

All over the world, Total seven larger plates.

(7) → Pacific ocean (largest plate on earth)
↓
formed by Residual or Reliat part of Panthalasa.

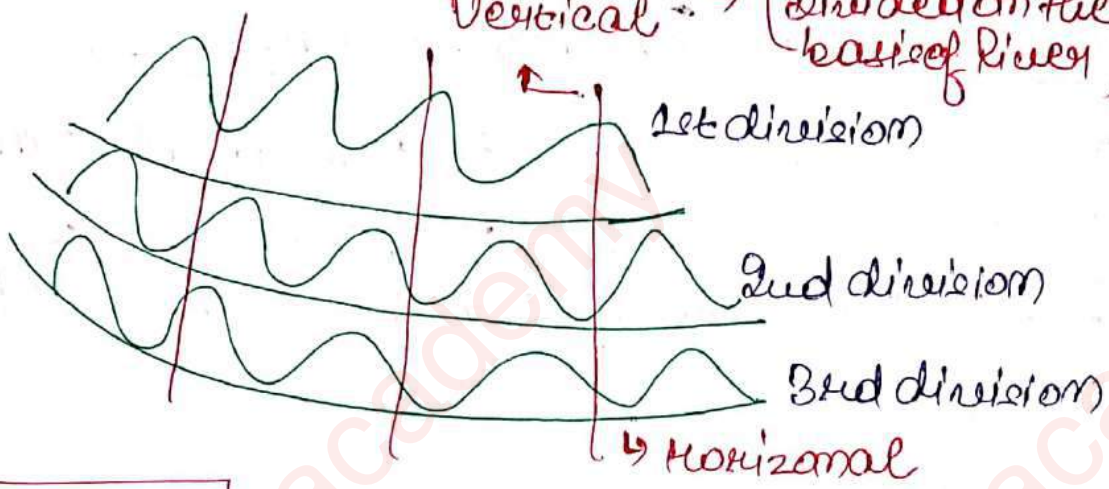
* Himalya is situated b/w Indus river & Brahmputra river.

CLASS 4

Division of Himalya

- → Lattitudual (Horizontal)
- → Longitudinal (Vertical)

Vertical → (Divided on the basis of River)



Horizontal →
(1) Greater Himalya (Inner Himalya)
(2) Lesser Himalya (Middle Himalya)
(CGL 2017) (3) Shivalik (Outer Himalya)

Vertical → On the basis of River/Regional Division
(1) Kashmir Himalya
(2) Kumayun Himalya
(3) Nepal Himalya
(4) Assam Himalya

1. Greater Himalya

→ Formed in Eocene & Oligocene era.
(1) Major part of Himalya.
(2) → Range is from → Nanga Parbat (Mountain Peak) (in J&K) → to → Namchabarwa (Mountain Peak) (in Arunachal Pradesh)
(3) Heighest part of Himalya → So → Mount Everest int
↓ So
Covered by Snow → So called → Himadri

→ Due to high, vegetation will be less

→ Average height → 6000m.

going above 4800m vegetation will not occurs or will be little bit.

Mountain Peaks on Great Himalya (West ← East) →

(1) Namchabarwa (in Arunachal Pradesh)

(2) Kanchanjunga (in Sikkim) → (Some Part is disputed with Tibet China)

(8598m) → Highest Peak of Himalya in India

(1) Makalu
(2) Everest
(3) Mansalu
(4) Annapurna
(5) Dhaulagiri
} in (Nepal)

(1) Nandadevi → Undisputed highest Peak of India (7816m)
(2) Badrinath
(3) Kedarnath
} in (Uttrakhand)
(4) Trisul
(5) Neelkanth

Glaciers of Great Himalya →

→ गोमुख Glacier → (Origin of Ganga river)

→ मिलाम (Milam) Glacier → (Origin of Sharda River)

→ यमुनोत्री or बंदरपूंछ Glacier → (Origin of Yamuna River)
→ (in Uttrakhand)

Zemu → Glacier (in Sikkim)
↓
(Origin of Tista River)

Rocks on Great Himalya

- Granite
- Shist
- Gneeis

] → Archean Rocks (Age According)

* Metamorphic Rocks are found in Greater Himalya.

Highest Peak of Himalya → **Mount Everest** → 8848km (By Indian Govt)
→ 8850km (By China Govt)

⇓

Place

- Nepal (in it called) → Sagarmatha
- Tibet (China) (in it called) → Chomolungama

Highest Peaks of Himalya

Decreasing ↓

1. Mount Everest
2. K2
3. Kanchanjunga
4. Lahotso
5. Mapalu

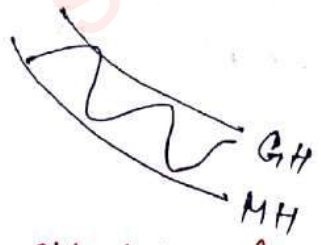
Highest Peaks of India

1. K2 (Outhans Himalya) (imp POR)
2. Kanchanjunga
3. Nandadevi

sai academy

2. Lesser Himalya (Middle Himalya)

→ Located in South and parallel of Great Himalya
→ It is called Himalachal
→ Formed in → Miocene era.



Great Himalya (G.H) —Main Central thrust (Separated by)→ Shivalik Himalya (S.H)

Valley → दो पर्वतों Ahead के बीच वाला मैदानी भाग।

Valleys b/w G.H & S.H → Kashmir Valley
Kullu Valley

Ranges of Middle Himalya

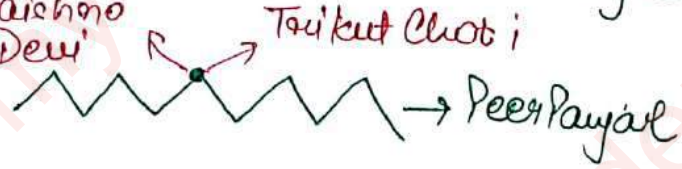
(1) Peer Panjal → in (J&K + H.P)
(2) Dhauladhar → (H.P + U.K)
(3) Nagtibba → U.K
(4) Mahabharat → Nepal
(5) Patkoi Bum → (North to South)

gp. of same age hills is called Range

Problem → Deforestation

Rocks → found (Sedimentary rocks)
- limestone
- Sandstone
- Quartz

Note → Vaishno Devi Mandir is on Trikut Choti in Peer Panjal

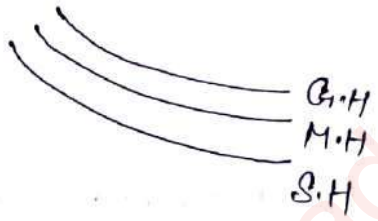


~~Shivalik Himalya~~

Merg → It is a small grassland which found on the slope of lesser Himalya in J&K. It is called Bugyal in Uttarakhand.

Average Height → 4000 to 4500 m

3. Shivalik Himalya



→ Southern Himalya

→ Located South & parallel of Middle Himalya.

Shivalik Himalya —Main Boundary Fault→ Middle Himalya

Valleys Here → → ~~East~~ West valley's are called dwar
E.g Haridwar

→ East Valley's called → Doon,
E.g Kothridoon, Dehradun

→ Chumbi Valley

→ Formed in Pliocene era.

→ Formed by deposition of sediments by River

→ Youngest Part of Himalaya.

→ Extension → Pontwar Basin (in Pakistan) → Arunachal Pradesh

→ In **Arunachal Pradesh** Shivalik hills are called

- Dafla
- Miri
- Abhor
- Mishmi

In Nepal

- Churia
- Murian

Dwars ← Main Central Thrust → Great Himalaya
Main Boundary fault → Kashmir, Kullu Valley → Middle Himalaya
doon, Chumi → Shivalik Himalaya

→ Average Elevation → 1700m
→ Found in lesser parts.
→ Sedimentary Rocks are found in it.

Trans-Himalaya → Formed before Himalaya
→ Located in North of Himalaya.

Trans-Himalaya —Indo-tsango Shuture zone (ITSZ)→ Great Himalaya

Ranges on it

(1) **Karakoram** (North Extension (in J&K))
↳ **Peak** → K2 or Godwin Austin (8611km) (in POK) (Highest Peak)
→ Gasherbrum
→ Marerbrum
↳ **Glaciers** → Siachin Glacier
Hisper
Biafo
Balboro

Karakoram
Ladakh
Zaskar

(2) **Ladakh Range** → in **J&K + H.P**
on it **Peak** → Raka Poshi (in POK) **
Highest
↳ world's high slope peak

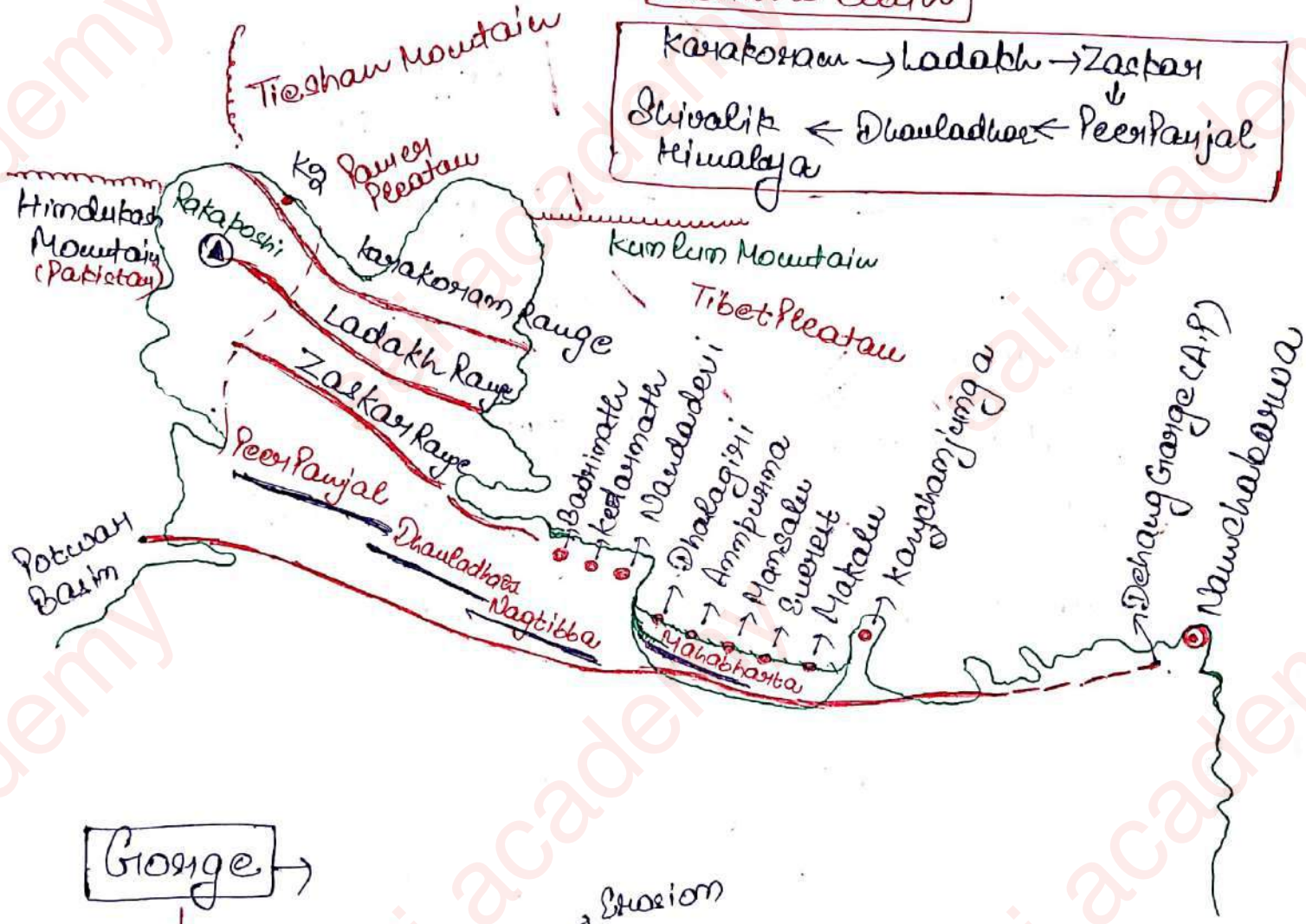
3. Zaskar Range → Located in South of Ladakh Range
↳ Peak omit → Mount Kamet (in U.K)

4. Kailash Range → Tibet (China)

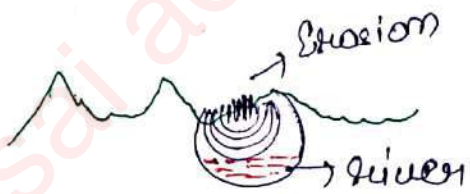
* Highest point of Hill is called Peak.

North to South

Karakoram → Ladakh → Zaskar
↓
Shivalik Himalaya ← Dhauladhar ← Peer Panjal

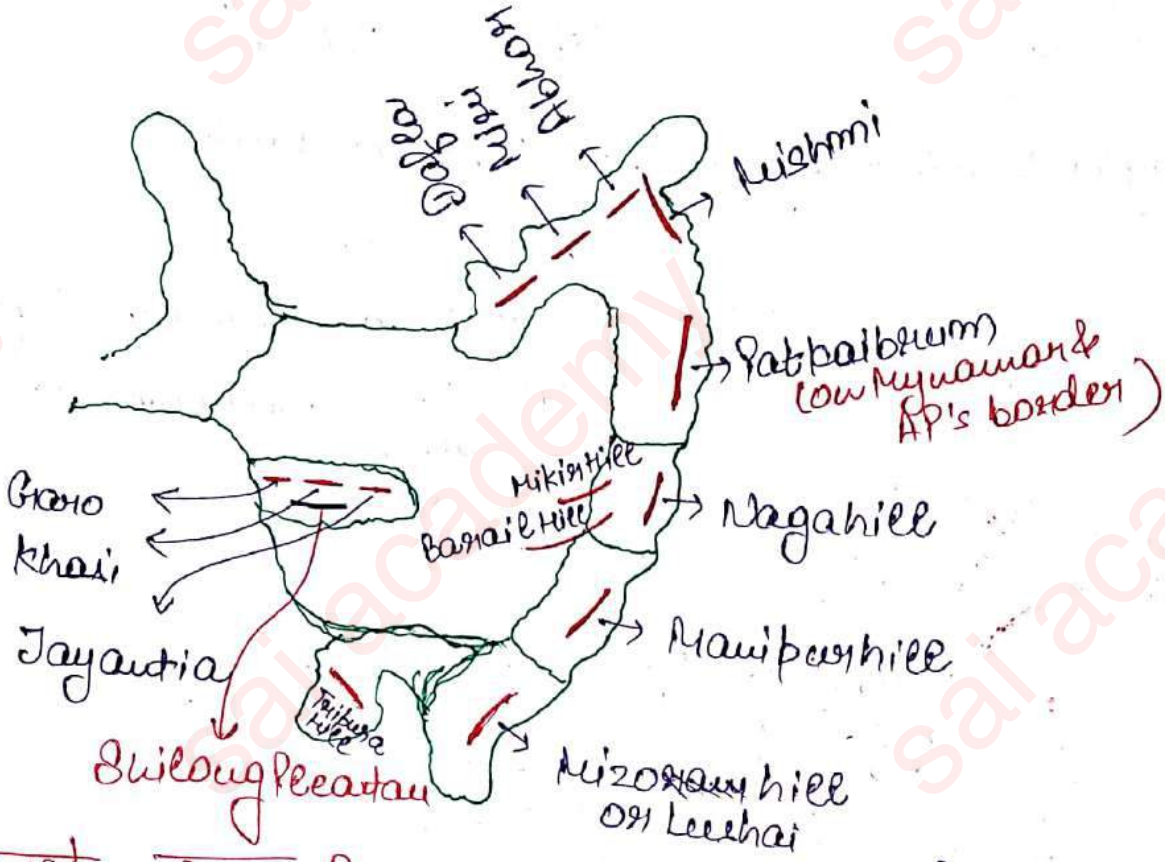


Gorge →
↓
Part of mountain cut by water due to Erosion and river flows here.



* Indus river is b/w Ladakh & Zaskar

North East Himalaya or Purvanchal Himalaya



सबसे ज्यादा Rain Meghalaya में होती है।

Because, Garo + Khasi + Jayantia hills + Shilong Plateau

form funnel shape

↓

due to which Monsoon वापिस नहीं जा पाता।

Tea Production Most in Assam (65%)

CLASS → 5

Biodiversity → includes Plants + Animals

Vegetation → includes only Plants, Forest

Regional Part of Himalya

↓

divided on the basis of rivers.

(a) **Punjab Himalya** (or Kashmir Himalaya) — Area b/w → Indus River, → Satlej River

(b) **Kumaun Himalya** → Satlej River, → Kali River

(c) **Nepal Himalya** → Kali River, → Tista River

(d) **Assam Himalya** → Tista River, → Dihang / Brahmputra River

(Largest Himalaya) (Smallest Himalaya)

Acc. to Length → Nepal > Assam > Punjab > Kumaun

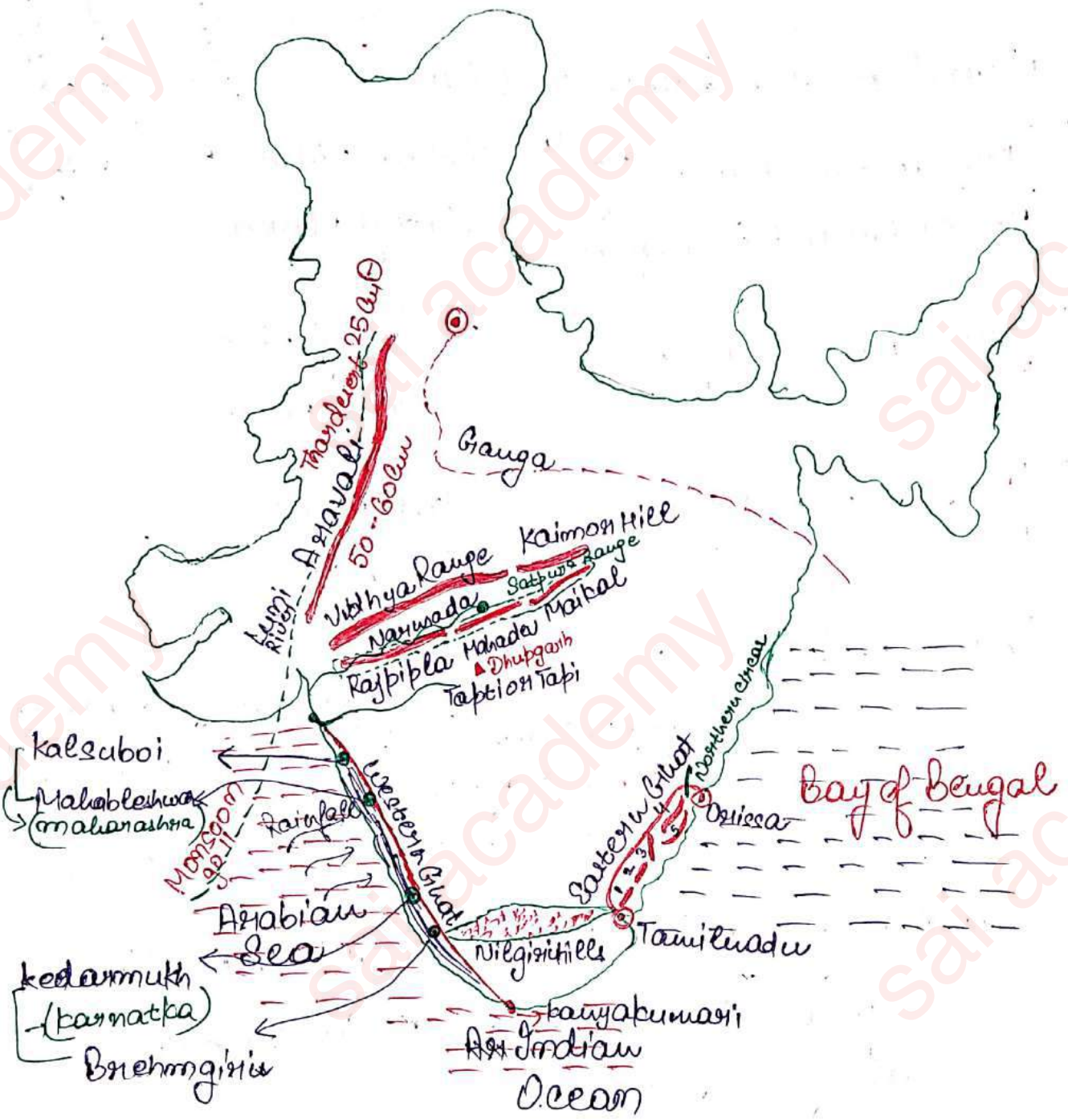
(800 km) (720 km) (500 km) (320 km)

More vegetation is Assam & Nepal Himalaya because in East part rainfall more.

Peninsular India → Peninsular Mountains

Part of Gondwana Land.

In South India, there are Block mountains & Residual Mountain



1. **Aravali Mountain** → Oldest folded Mountain of World

→ Formed in Precambrian era.

→ Range → Gujarat (Palampur) → Rajasthan → HR → Delhi (Majnu Tilla)

800 km

Rajasthan ↓ here Mount Abu ↓ Guru shikhar (1722 m) (Highest peak of Aravali)

Delhi ↓ here Raiseena Hill ↓ on which President House formed

In Udaipur (Rajasthan) → Aravali is called Jarga Hill

In Ajmer (Rajasthan) → Aravali is called Harshnath Hill.

→ Aravali is → (1) **Climate divider** (means in both directions different climate)

In east direction of aravali rainfall is less than 25 cm. But monsoon coming from bay of Bengal strikes with it and rainfall (50-60 cm) occurs

So, Climate divider → Aravali's East zone → Semi arid
→ Aravali's West zone → Desert

→ (2) **Water Shade** → दो Rivers के पानी को Separate करेगा।

↓

Aravali separates → Luni River from Ganga River.

→ It is an Example of Relict or Residual Mountain

→ Here Sedimentary as well as Metamorphic rocks are found.

2. Vindhyachal Range or Mountain

Extension → Bhamer Hills (Gujarat) to Bundelkhand (U.P & M.P) to Baghelkhand (U.P & M.P) to Kaimur Hills (Bihar)

(Bhamer Hills) Gujarat → M.P → Chattisgarh → Bihar
- Gujarat ↓ (Jobat)
- M.P also U.P (little bit)
- Chattisgarh JH
- Bihar ↓ (Sasaram)

** Vindhayachal divides → South India — North India
- also → ** Narmada River — Ganga River

River originated from Vindhyachal → Mahi River

→ It is a Block Mountain / Escarpment Mountain

→ Kaimur Hill → Part of this Range.

→ Max^m Height → 400–500 m

3. Satpura Range

→ It is an Example of Block Mountain.

→ In Gujarat it is called Rajpipla Hill.

→ In M.P " " " Mahadev Hill.

→ In Chattisgarh + M.P " " " Maikal Hill.

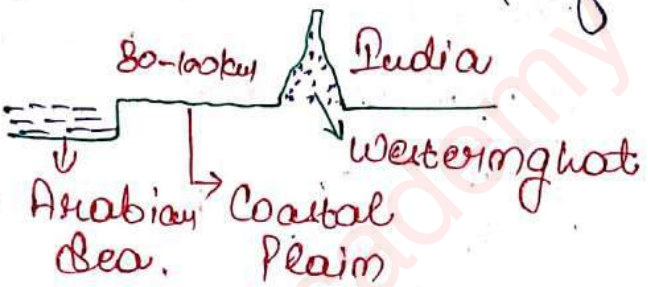
→ AGL Highest Peak of Satpura → Dhopgarh (1350 m)
UPSC in Pamchmadi (M.P.) on Mahadev Hills

Sequence → Ganga River
↓
Vindhya Hill
↓
Narmada
↓
Satpura
↓
Tapti

Amarkantak → Highest Peak of Maikal
Rivers originate → Son and Narmada

Western Ghat ⇒ It is an Example of Escarpment Mountain or Block Mountain.

Ghat → A narrow strip of mountain.



** **Another name** → North part of Western Ghat is called Sahyadri Mountain.

(Extension)

→ Started from Mouth of Tapti to Kanyakumari

Extension in 6 States.

Gujrat → Maharashtra → Kerala → Karnatka – Tamilnadu
Goa

→ Formation → When India split from Africa.

→ On western Ghat Rainfall occurs from
* arrival monsoon of Arabian Sea.

→ So, * सबसे पहले Rain होती है यहां → In Kerala.

Rainfall (+) → Vegetation (+) } → Biodiversity (+)
→ Animals (+)

→ * 16th parallel line passes from here & divide it into

Northern Sahyadri | Southern Sahyadri

Highest Peak of western Ghat → Anaimudi (in Kerala) (2695m)
(Also known as Elephant mountain)

Also highest Peak of South India and Annamalai Mountain

Peaks here →

(increasing)
- Kalsubai
- Mahableshwar
] (in maharastra)
- Kedarnath
- Brehmgiri
] (in karnatka)

Eastern Ghat → formed by deposition of Sediments.

→ Started from → Odisha → Andhra → Tamilnadu
→ It is a group of hills.
→ River water of Eastern Ghat do erosion
→ Height of Eastern Ghat is ⊖ in respect of western ghat

Hills →
(1) Shevroy hill (Also Aquarthamalai)
(SSC CGL) (2) Javali hill
] → (Tamilnadu)
(3) Palkonda Hill
(4) Nallamala Hill
(5) Venkonda Hill
} Audra Pradesh (+ Telangana)

Also Sri Shelam (in AP), (7) Tirumala hills (in A.P).

→ Eastern Ghat → Width ⊕
→ Western Ghat → height ⊕
→ In Orissa it is called Northern Circars.

CLASS → 6

Highest Peak of Eastern Hills → Mahendra giri (1501 m) (In odisha) (SSC CGL)

Highest Peak of Eastern Ghat → Vishakapattnam Peak (1680 m) (in Andhra Pradesh) (UPSC)

Nilgiri Hills → Form Knout (गांठ)

Location → in Tamilnadu (CGL 2017)

** It is a connecting place of Western Ghat and Eastern Ghat.

Highest peak of Nilgiri Hills → Dodabetta (2637 m) (in Tamilnadu)

→ It is called as Blue mountain.

→ It is an example of Block mountain

→ Toda tribes is found on the Nilgiri Hills

→ Sholas Forest is found on the Nilgiri Hills. (UPSC)

Ammamalai Hills → In South of Nilgiri.

→ Situated on Tamilnadu + Kerala (more Extension here)

** → Higest Peak of Ammamalai Hills → Anamimedu (2695)

→ Sholas forest is found on Ammamalai Hills.

Cardamum Hills →

Most of the part are situated on kerala but some on Tamilnadu.

Palani Hills

→ It is situated in Tamilnadu

→ Situated in the east of Ammamalai Hills.

IAS Pre → 'Kadaikanal' is a tourist Places situated on Palani Hills.

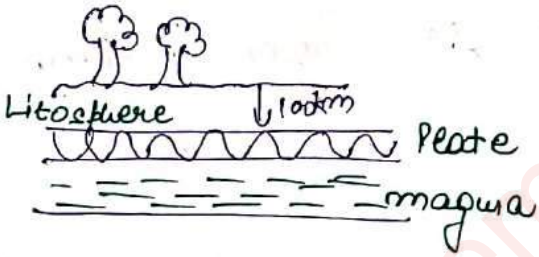
Sequence of Hills →

Nilgiri
↓
Ammamalai
↓
Cardamum
↓
Nagarkoyal → (Last)

Plateau of India

Defn → High elevation areas whose upper point is flat.

Useful → Source of minerals.
Source of soil..



Types of Plateau →

(1) Plate tectonic plateau →
↓ due to
Plate movement
↓ collision occurs
If collision occurs at low speed
↓ then
Plateau forms.

E.g →

(2) If Plate tectonic plateau is surrounded by mountains then called as

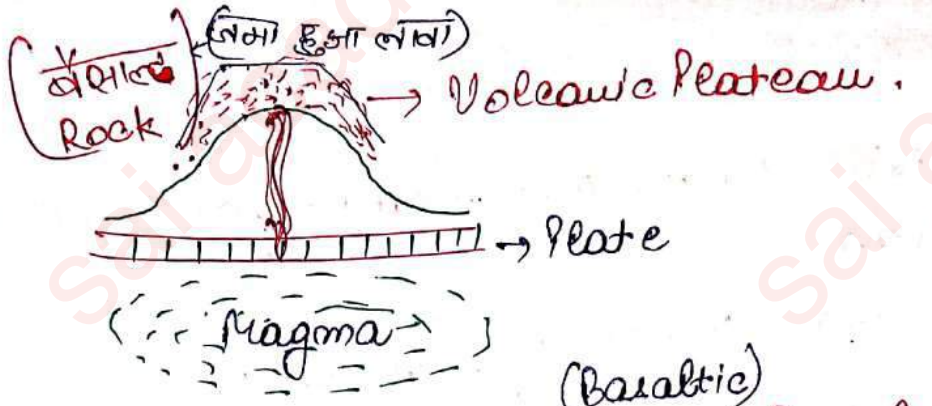
Intermost Plateau

↓ E.g

Deccan Plateau, Pamer Plateau, Tibet Plateau.

(2) **Volcanic Plateau** → Formed by Volcanism

due to → Lava - Solidification of surface.



when Volcanic occurs → (Basaltic) बेसाल्ट Rock forms
↓ On erosion
Black Soil forms

E.g → Deccan Plateau
→ Bolivia Plateau

(3) **Dissected Plateau** → Same as Residual Mountain
→ Formed by erosion.

---

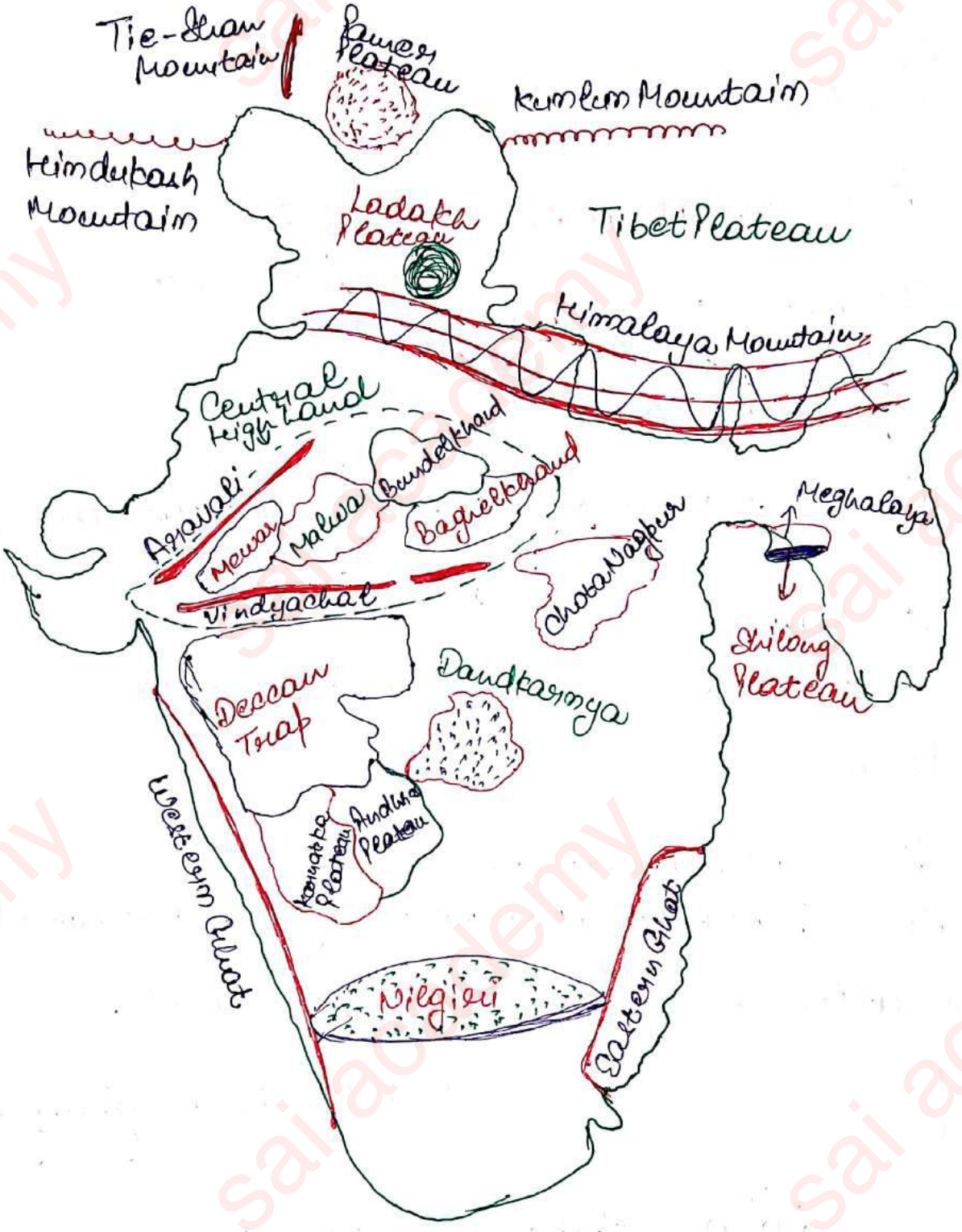
(1) **Mewar Plateau** →

→ Located in Rajasthan + M.P
→ b/w Aravali & Malwa Plateau
↓
Here ~~on~~ this plateau is **Banas River Basin** Area.

(2) **Malwa Plateau** →

→ Situated in M.P
→ Rocks found here are **Basaltic**
↓
So Black Soil found here.

→ Malwa Plateau come in Chambal River Basin.


Tie-Shan Mountain
Pamer Plateau
Kunlun Mountain
Himdukush Mountain
Ladakh Plateau
Tibet Plateau
Himalaya Mountain
Central High Land
Aravali
Mewar
Malwa
Bundelkhand
Baghelkhand
Chota Nagpur
Meghalaya
Vindyachal
Shilong Plateau
Deccan Trap
Dandkarnya
Karnataka Plateau
Andhra Plateau
Western Ghat
Nilgiri
Eastern Ghat

** Chambal River is famous for Soil erosion
↓ form
** Bandland

(3) Budelkhand Plateau →

→ It is situated in M.P + U.P
(more here)

→ Granite Rocks are found here.
↓ found
Red Soil Here

→ In the north of Budelkhand Plateau, Yamuna River is found.

→ In east → Baghelkhand Plateau.

→ In west → Malwa Plateau.

(4) Baghelkhand Plateau →

→ It is situated in U.P + M.P

** → It separated Son River from Mahanadi.

→ Location → East of Bundelkhand.

(5) Shilong Plateau → Located in Meghalya

Garo Khasi Jayantia
Shilong Plateau
form funnel shape.

So, world's high Rainfall Occurs.

→ Mangroove forests are found here.
(found in wet area)

(6). **Chota Nagpur Plateau**

→ East Plateau of India

Extension → Bihar – Odisha – Chattisgarh – West Bengal
Jharkhand (also)

Here **Minerals** are found in more Extent
- Metals
- Non Metals
- Coal

** Due to which, Chota Nagpur Plateau is called Ruhr State of India.

↓ due to which

Industrial Rich Area But Economically weak Area.

Hazaribag Plateau
↑
Chota Nagpur Plateau → Rajmahal mountain (in Santhal of Jharkhand)
↓
Ranchi Plateau

Rivers Related to this Plateau → Swarn Rekha, Damodar

* Highest Peak of Chotanagpur Plateau → Parasnath Hills (1370m)
↑
In Giridih

7. **Deccan Plateau** → Largest Plateau of India.

↓ Parts

(a) Deccan trap → Basaltic
↓ So
Black soil found

→ Hills are → Harishchandra
→ Satmala
→ Ajanta

Area → Gujrat
Maharashtra
M.P
Karnatka

(b) **Karnatak Plateau** →
↓ Peak here
Kudremukh
↓
Iron Ores are extracted from here and export to Japan

(c) **Adra Pradesh Plateau** →
→ Location → A.P + Telangana
→ Hills come here also. (already written)

8. **Dandkaranya Plateau** → In (CH + Odisha + Andra Pradesh)
→ Mineral found here
→ But poor area so extraction not occurs properly.

→ **World's Heighest Plateau** → Tibet Plateau
↓ (4500m)
between Kunlun Mt. & Himalaya Mt.

→ **World's Largest Plateau** → Pameer Plateau
↓
Also called Roof of the World.

India's highest Plateau → Ladakh Plateau.

India's Largest Plateau → Deccan Plateau.

Magma contains → Gas + Molten + Water vapour + fire ball.

Magma − gas = Lava

after cooling of Magma converted into Lava.

sai academy

CLASS → 7

Islands of India

A large area which surrounded by water.

Total = 247 islands | Divided into 2 parts

Islands of Arabian Sea (43 islands)

These are Coral Islands
* Lakshadweep
* Minicoy

Islands of Bay of Bengal (204 islands)

Considered as Extension of Bay of Bengal
* Andaman & Nicobar
* Newmoon Islands

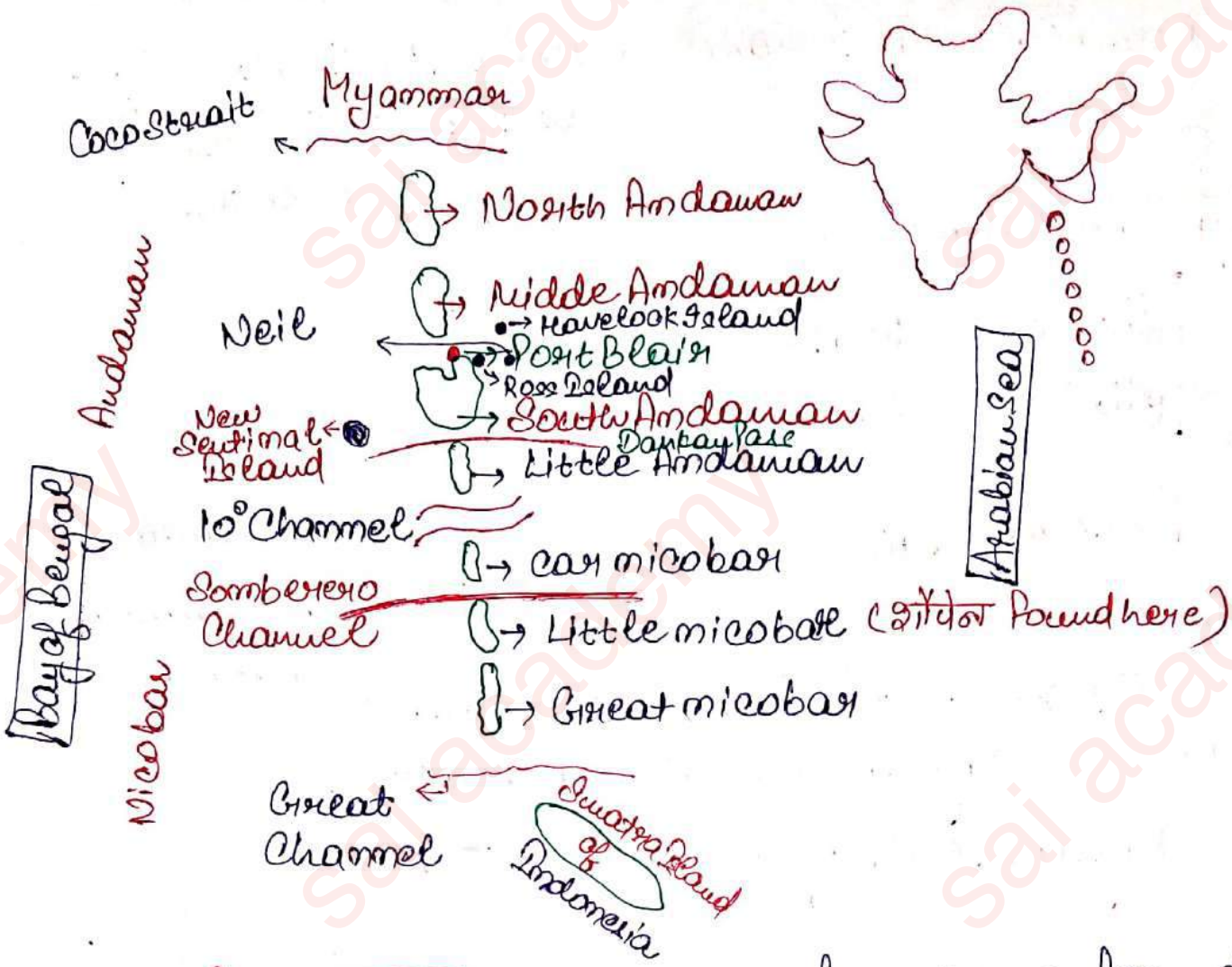
Lakshadweep → Total Island → 36
→ It is an example of coral Island

Andaman Nicobar → Located in Bay of Bengal
→ Capital → Port Blair (13th largest Port of India)
(Situated on South Andaman Island)
→ It is an Extended part of Arakanyoma mountain, mayanmar
→ It is a U.T
→ First Census in 2011 was conducted here.
→ It is an Example of Volcanic Island.

→ Andaman — 10° Channel — Nicobar (Separated by)

→ ** Nearest Country to the Andaman Nicobar → Myanmar

→ *** Nearest Country to the Great Nicobar → Indonesia



North Andaman → Evergreen forest are found here.

** → Highest Peak of Andaman & Nicobar → Saddle Peak (739m)

→ Narcondam Volcano (in the East of North Andaman)
↓
(Dormant volcano of India)

Middle Island → ** Only active volcano of India
Barren island

Current Affair → Recently modi Govt. changed the name of 3 Islands.

OLD Name	New Name
In the East of South Andaman (1) Neil Island	Saheed Island
(2) Havelock	Swaraj Island
(3) Ross Island	Neta Ji Subhash Chandra Bose

New Sentinal Island → Here Sentinalese Tribe रहती है। ↓ Situation is like (आदि मानव)

Formed in France

शैम्पेन ↑ → (Grapes wine)
शैम्पेन → Man eater tribes

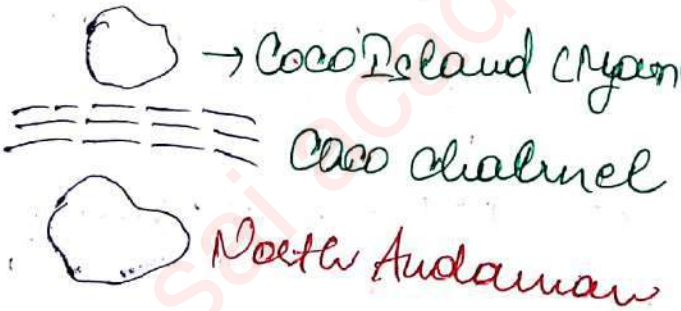
→ Duncan Pass is in b/w → South Andaman
→ Little Andaman

→ Cellular Jail is in Port Blair (in ~~Middle~~ South Andaman)
(अंग्रेज काला पानी की सजा देते थे यहां)

Pass → way to connect two places.

→ Highest peak of Nicobar ~~or~~ → Mount Thuliyan or Mount Thullier (500m approx) (in Great nicobar Island)

→ Coco channel → Coco Island पहले India में था और अब Myanmar में है।



Coco channel
↓
Separates Coco island to North Andaman
OR
Myanmar & Andaman Nicobar

In Andaman & Nicobar there are two Islands
↓
Interview Island
Sound Island

Newmoore Island →

Formation ⇒ By deposition of sediments by Ganga River.

→ Disputed b/w India & Bangladesh.

Lakshadweep → Located in Arabian Sea.

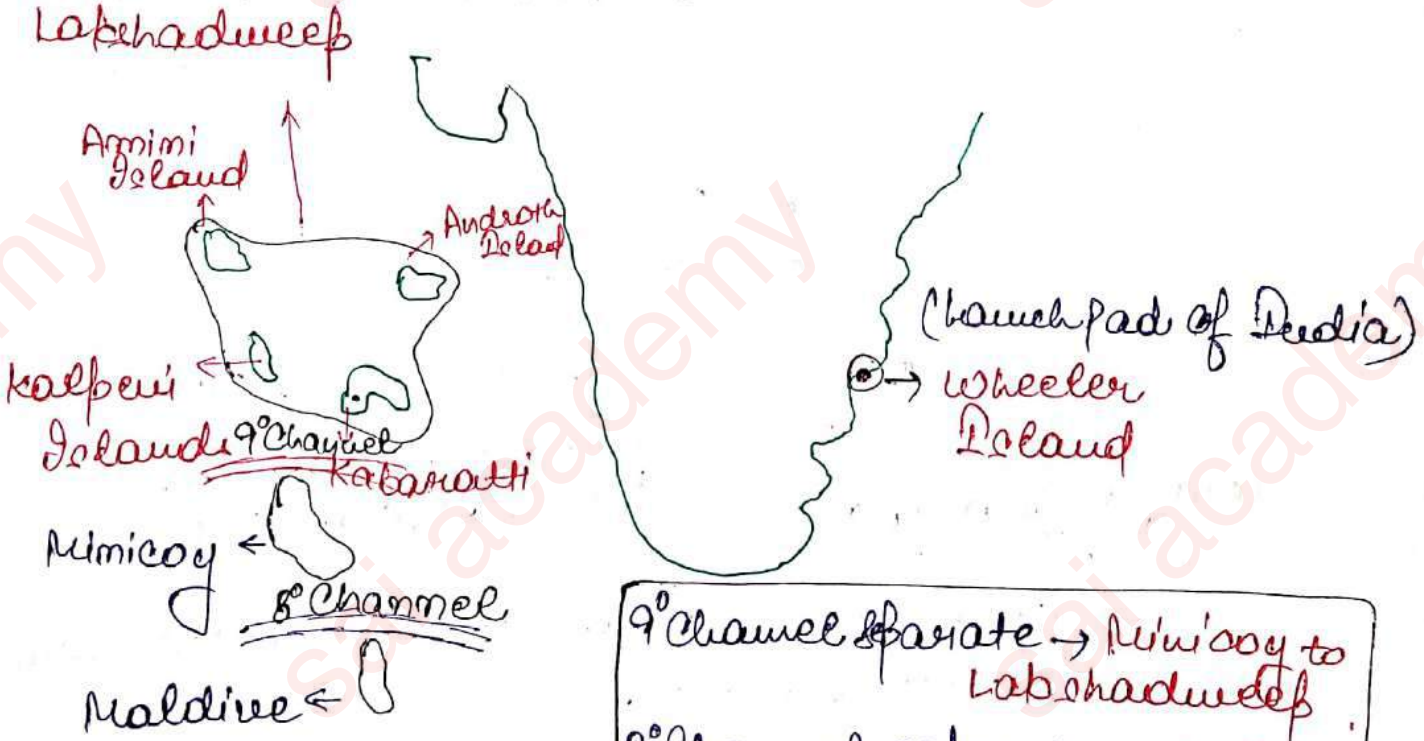
→ Capital → Kavaratti

→ Total Islands → 36

→ Inhabitate Islands → 10

→ It is a U.T

→ It is an example of coral Island.



9° Channel separate → Minicoy to Lakshadweep

8° Channel separate → Maldiv to minicoy.

→ Corals are called Rain Forest of Ocean.

→ Coral is most ~~div~~ Biodiversity area of Ocean which is made up of $CaCO_3$ and Polyp animal.

Food of Corals is → Blue green Algae.

Location of Corals → 5°N'S' to 23½ N'S'

Temp required → 25°C - 27°C

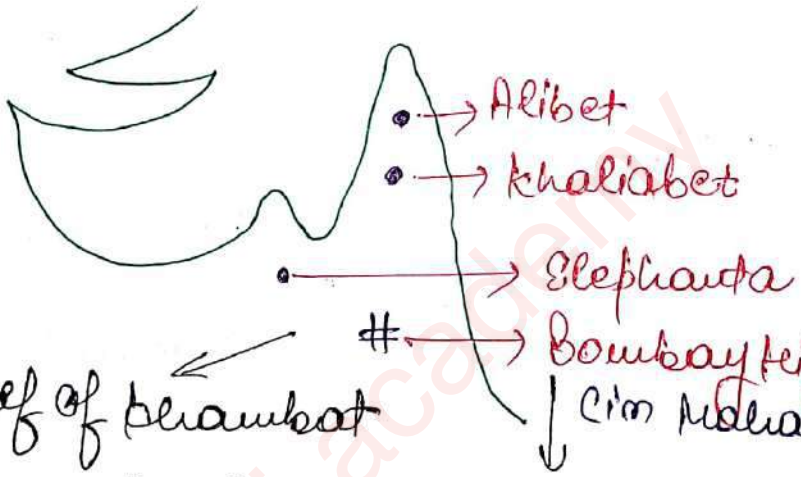
Salinity required → Avg. 35%

* Corals are not found where Rivers merges into an ocean.

** Size of Corals → 1-2.5 Cm

* Largest Island of Lakshdweep → Minicoy
  (Acc. to Google → Androth)

In Gulf of Khambat → 3 Islands
- Aliabet island
- Khaliabet island
  (In Gujrat State)
- Elephanta (In Maharashtra State)



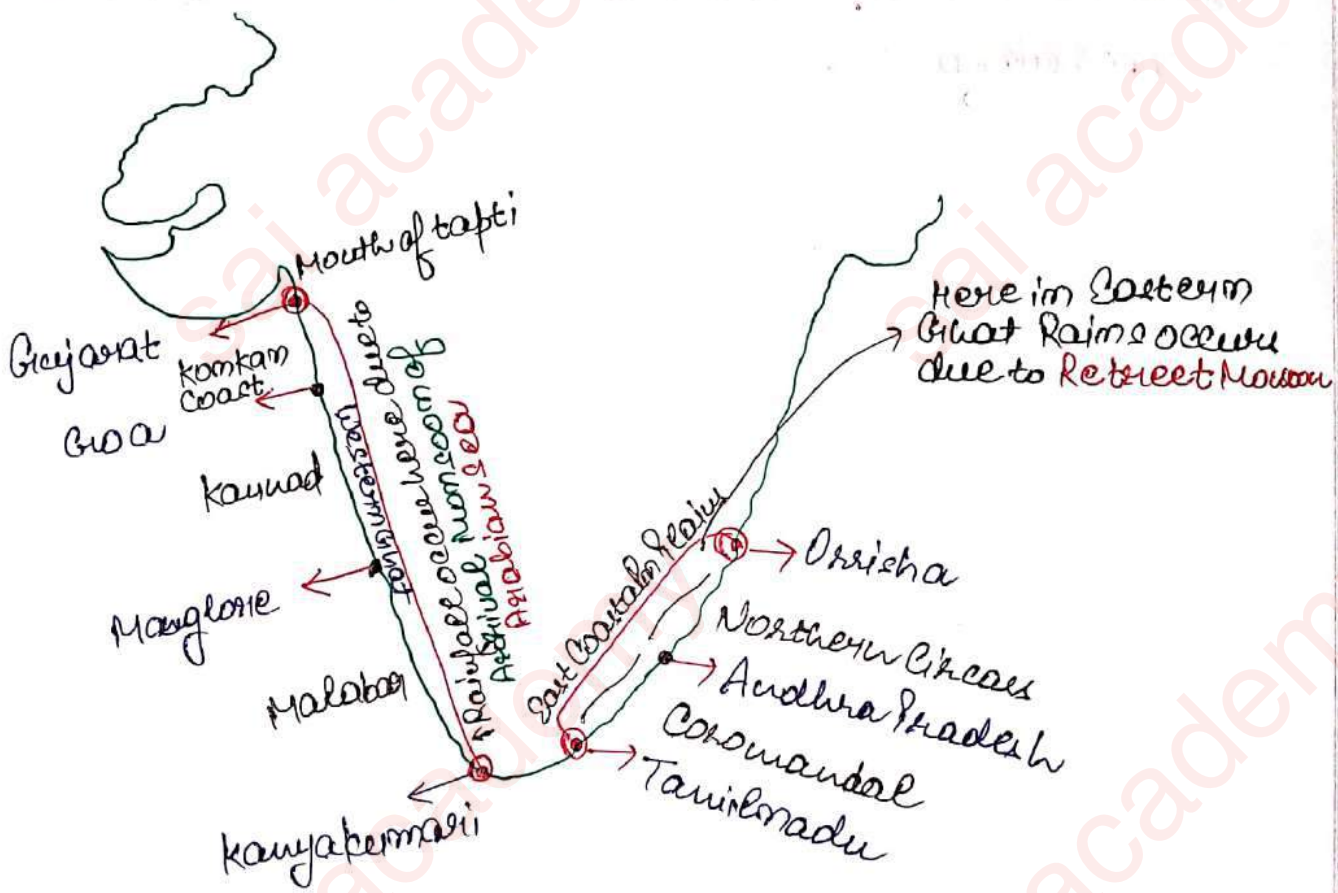
In India max^m production of Petroleum occurs here.

→ Where is Great Barrier Reef ??

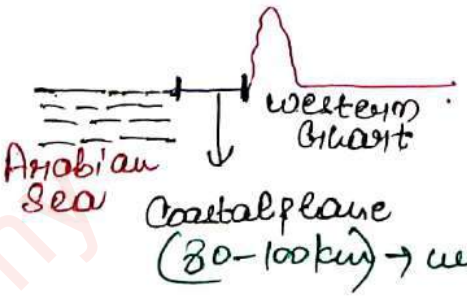
Plains of India

- Mainland Plains
  - Plains of Central India → formed by Rivers.
- Coastal Plains

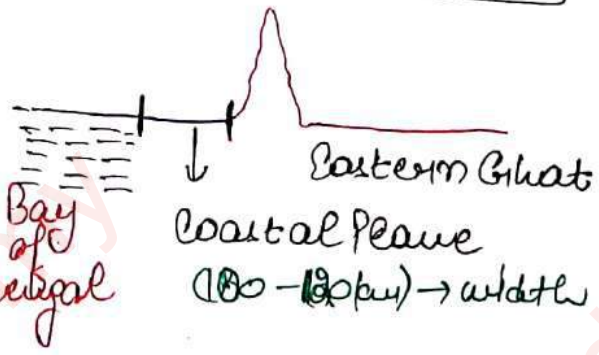
Coastal Plains of India



West Coastal plain

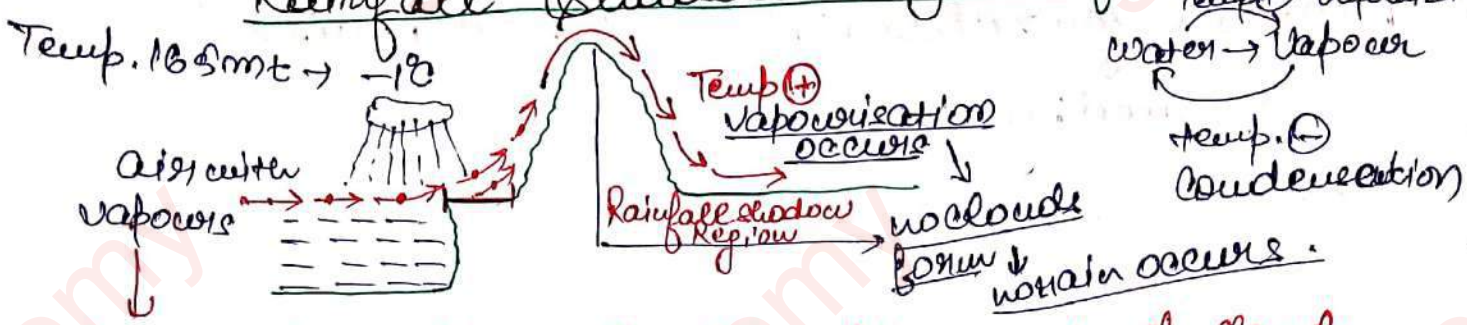


East Coastal plain



Ques Why Arabian Sea Arrival Monsoon don't do rain in Eastern Ghat ??

Ans Because Eastern Ghat is located in Rainfall Shadow Region of the Monsoon

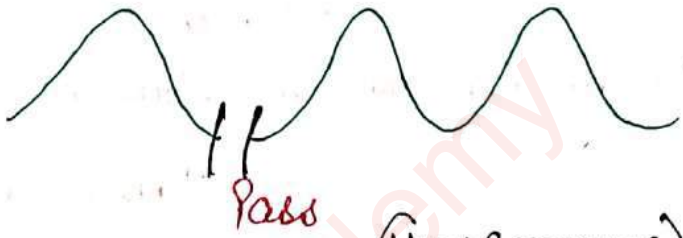


due to ↓ in temp condensation occurs and clouds do rainfall.

CLASS 8

Passes of India

Pass → A natural Route located b/w two mountains is called Pass.



Importance → 1. Utilize (Use + Conserve) for trade & travels.
2. Used in Ancient time also

** BRO → Border Road Organisation (in 1960)
↓
Conserve the passes

** Head Office of BRO → New Delhi

→ Work → Passes के आस पास जमी बरफ को हटाना।
→ Making of Border Roads

Note → In middle India any road by formed by NHAI (National Highway Authority of India)

Passes of Jammu Kashmir

→ Dw Zojila Pass Pak. ने अधिकार कर लिया था in 1947
Operation run by India Govt. Operation Bison

Notation of Pass → JK

** in winter season covered by snow. So Clean & Maintain by BRO

→ (1) Zojila Pass connects → Srinagar to Leh.

** (2) Banihal Pass connects → Srinagar to Jammu.

↳ Importance → Jawahar Tunnel Pass through this pass.
↳ Inaugrate by Nehru in 1956
↓
or Banihal Tunnel

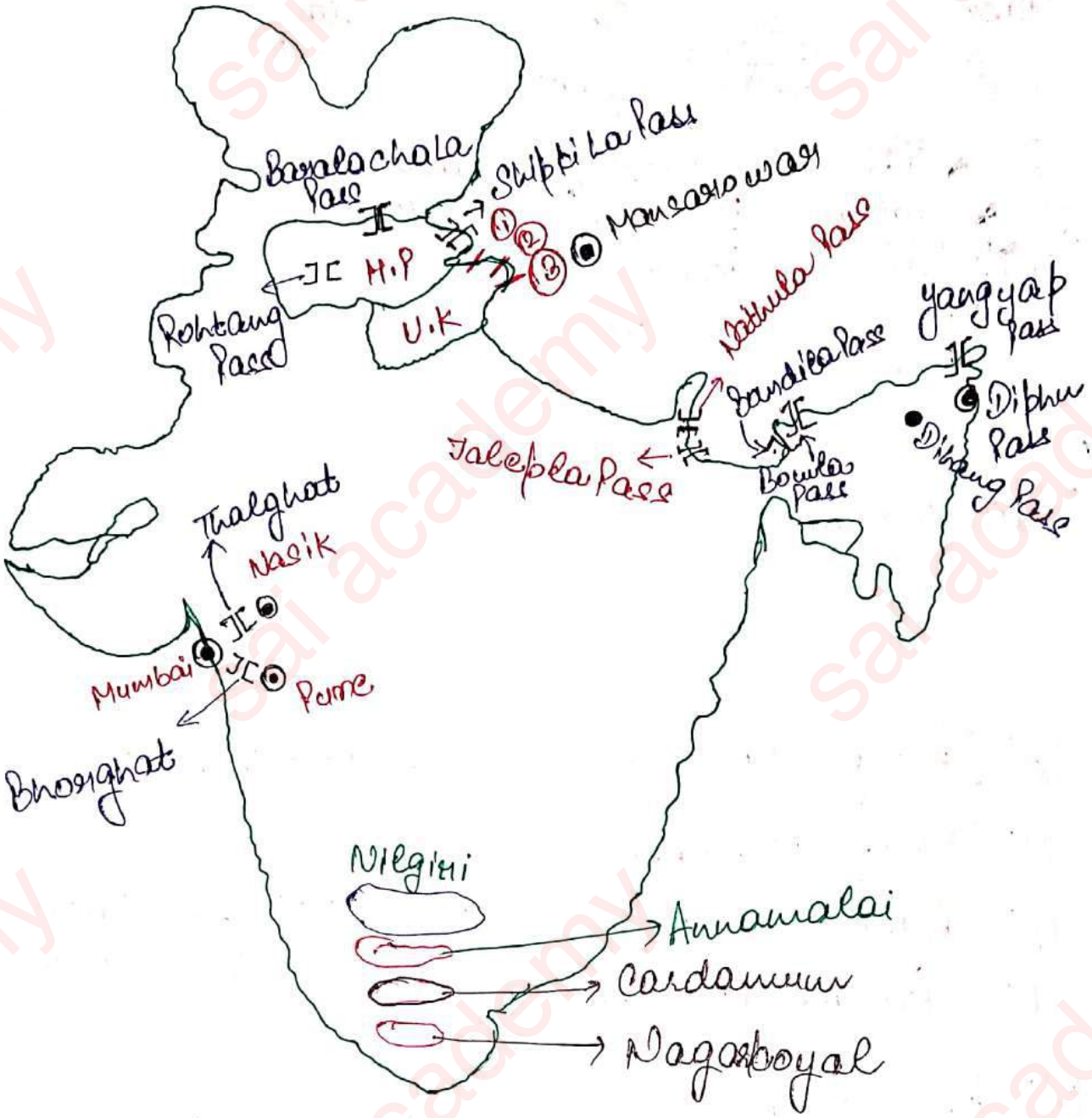
(3) Burgil Pass → Connects POK to J&K.

(4) Khunjreba Pass
(5) Aghil Pass
(6) Karakoram Pass
→ Connects India to China
(J&K) to (Xinxiang)

(7) Khyber Pass
(8) Gomal Pass
(9) Bolan Pass
→ Connects Afghanistan to Pakistan

(10) Lanak La → Connects J&K to Tibet

Passes of H.P



(A) Baralachala Pass → Connects Leh to H.P
↓
Origin Point of Chenab.

(B) Rohtang Pass → Origin point of Rabi & Beas
→ Connects Kullu valley to Lahul valley

(C) Shipki La Pass → Connects Tibet to India
→ Sutlej River enters in India by this pass.

Passes of U.K →

1. Mana Pass
2. Niti Pass
3. Lipulekh

→ Connects Tibet to U.K

↳ Travel to Mansarowar

Passes of Sikkim →

(A) Nathula Pass → By this pass trade b/w India and China occurs.

↓ Part of Silk Route.

↳ Road also link Mansarowar.

→ in 1962 → During Indo-China war closed by Indian Govt.

→ In 2003 → Reopend on the basis of trade treaty.

(B) Jalepla Pass → Connects India to Bhutan.

↳ also in China

Passes of Arunachal Pradesh →

(A) Diphu Pass → located at a tri-point of China, India, Mayanmar.

→ Disputed b/w India & Mayanmar.

(B) Yangyap Pass → From this pass Brahmputra River enters in India.

→ Connects China to India.

(C) → Bomla Pass → Connects India to China

(D) → Bondila Pass → Connects India to Bhutan

(E) Dihang Pass → Local in A.P.

Passes of Maharastra

→ Thalghat → connects Mumbai to Nasik

→ Bhorghat → Mumbai to Pune

** Phalghat → connects Kerala with Tamilnadu (Cochin with Chennai)
→ B/w Nilgiri & Annamalai

Sincotta → B/w Cardamum & Nagarkoyal
→ connects Kerala with Tamilnadu

Note → Highest Mountain pass of India is Karakoram pass.

→ In Manipur → Tuzu Pass

→ Borar Ghat, Haldi Ghat] → In Aravali Range

Rivers of India

River → A natural water flowing stream.

Himalayan River

Source → Glacier (area of Ice)

Rivers → Perennial River (सदाबहार नदियां)

(+)

* Rivers form मैदानी भाग।

(1) Ganga
(2) Indus
(3) Brahmputra

Peninsula River.

Source → Hill/Rainfall area

(−)

Rivers → Seasonal River.

Rivers falling in Arabian Sea

(1) Narmada
(2) Tapti
(3) Luni
(4) Sabarmati
(5) Mahi
(6) Mandobi River

Rivers falling in Bay of Bengal

(1) Damodar
(2) Mahanadi
(3) Krishna
(4) Kaveri
(5) Swarn Rekha
(6) Godawari

Tributary (सहायक नदी) → जब एक River का End दूसरी River में हो जाता है।

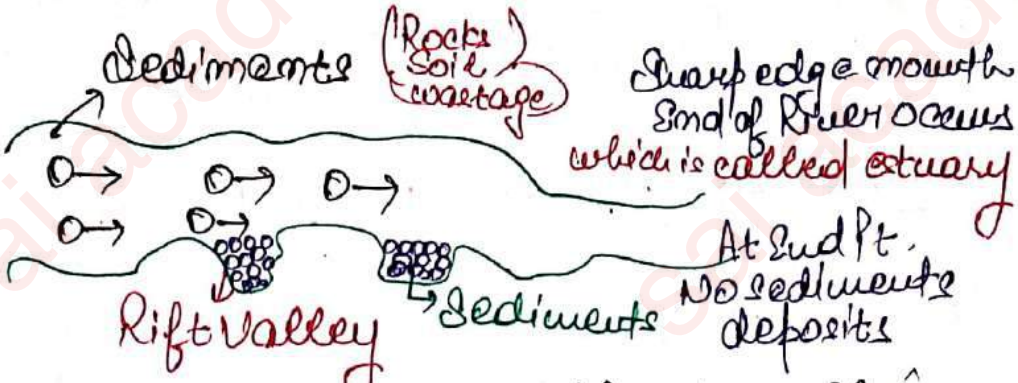
when a River Ends into another River

(TR)

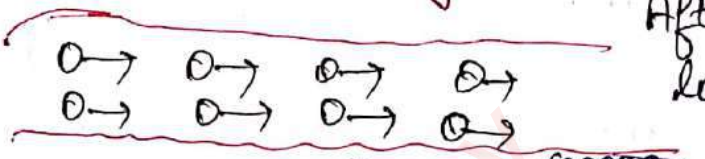
Branch of River ← Distributary (when a River divided into 2 parts)

Estuary →

River (A)



River (B)



After travelling long Distance Velocity (−)
⇓
Do deposit sediments at the End Point

which is called **delta**
⇓
always at the End point of River

→ Rift Valley River will not deposit sediments at End point so Delta will not form
e.g. Narmada, Tapti

Advantages of Rivers →

→ Source of Drinking water
→ Irrigation water
→ Hydroelectricity production
→ fertile soil. (by flood or river water)
→ Edible food → fish
→ Stone + Sand got by River → useful as Building material

Problems of River → Pollution based problems

(a) Largest dam → Creates pollution
(b) wastage of house hold → Sewage
⇓
(U.P put 75,1 ton per day sewage in Ganga river)
(c) Industrial Pollution

Ganga $\xrightarrow{90\%}$ U.P → Kannauj (in U.P) → Kanpur (more Polluted here)

(d) Plastic pollution → yangci River of China is more plastic depositing river. ~~of our~~
↓
harm aquatic Animals.

Dispute based problem → ~~Ub~~ Utilizing of River water.

State to State
↓
(Solved by Centre Govt.)
↓
In 1956, Indian Govt. formed an act IRWDA (Inter State River water Dispute Act)
↓
Judgement formed by this panel cannot by changed by Supreme court or High Court.

Country to Country
↓
(Can't solved by Centre Govt.)

Country to Country Dispute
↓ can be resolved by
World Bank
↓
Indus water treaty in 1960 Bw India & Pakistan

Ganga River

→ Longest River of India (2525km)
→ Self Purifying River.
↓ because
Virus → Bacteriophase → killing of Bacteria.
↓
In ganga dissolve oxygen {DO} is more which is used by aquatic animals.
→ More fish found → Dolphin

Origin → Gangotri Glacier.

Ganga River passes from 5 States of India.

U.K → U.P → BH → Jharkhand (Sahebganj) → WB → Bangladesh (Here it is called Padma)

Drainage area of Ganga (It's water utilizing states)

↓

15 States → Approx. 26.2% area

In 2008 → It became the National River of India

Map :- In U.K from Satopanth Glacier a water stream originates (Alkananda) and flows in South. On the other hand from Gangotri Glacier a river originates → Bhagirathi

In Devprayag → Both Alkananda & Bhagirathi joins.

and In Devprayag both river's joint stream is called Ganga.

(in U.K in Gadwal)

* Total Prayags → 5
* when Dauli Ganga joins Alkananda → Vishnuprayag (called)

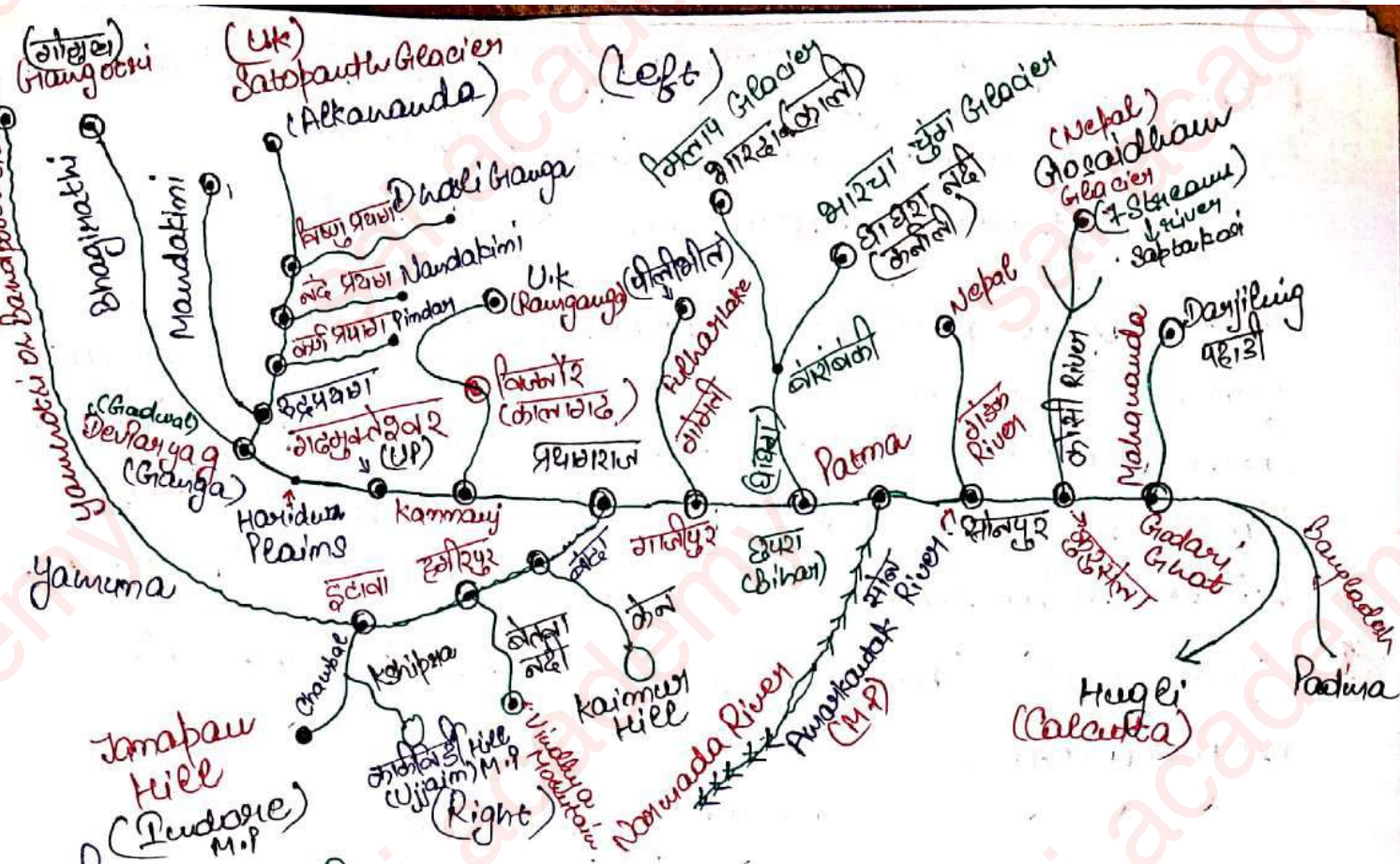
Nandakini + Alkananda → Nandprayag

Pindar + Alkananda → Karnprayag

Mandakini + Alkananda → Rudraprayag

Bhagirathi + Alkananda → Devprayag

After that Ganga River enters in Haridwar Plains then in U.P (Gadmukteshwar) then go to Kannauj → Here pollution of Ganga starts



From U.K Ramganga originates, on taking U-turn enters into Vigmore (Kalagarh) and then in Kannauj meet with Ganga.

Ques → 1st Tributory of Ganga (Left) → Ramganga
meet at → Kannauj

Then Ganga enters in Prayagraj (Allahabad)

From, Yamunotri or Bandarpoonch glacier one river originates → Yamuna that flows parallel to Ganga.

Ques Longest Tributory of Ganga → Yamuna.

Yamuna Reaches at Itava. From M.P's Indore there is a hill Janapau hill a river originates which is Chambal meets Yamuna rivers at Itava.

~~Tributory of~~ Tributory of Yamuna → Chambal

Also from M.P's Ujjain, from Kakriwardi Hill one more river Kshipra Originates which meets Chambal river.

Tributory of Chambal → Kshipra.

Then Yamuna river reaches to Hamirpur then from Vindhyan Mountain, river Betwa originates and meets with Yamuna at Hamirpur. When Yamuna reaches at बांदा, from Kaimur Hills river originates केन and meet with Yamuna.

** After that Yamuna meets with Ganga at Prayagraj.

So, Ganga's) Tributory
Yamuna) Tributory
Chambal, Betwa, Cane, Tons (टोंस)) Tributory
(कुंभ का मेला लगता है यहां) ← Kshipra

* Chambal river is famous for soil erosion
↓ Two types
↓ Gully Erosion
↓ Layered Erosion

done by this river

** (Basin) or Area Eroded by Chambal River is called Badland.

** Most of the गड़ियाल are found in Chambal river.

→ After that Ganga reaches at Ghazipur. In पीलीभीत there is a lake Fulhar Lake
↓ river originates
Gomti
↓ at Ghazipur meet
Ganga

Ques A tributory of Ganga which originate by land??

Ans Gomti River

After that Ganga reaches at छपरा (Bihar).

From U.K Border ~~a river~~

From मिलाम Glacier → Sharda or Kali River

From आइचा चुंगा Glacier → Ghagra River

meet at वाराणसी → river name Ghagra → meet Ganga at छपरा

Largest tributory of Ganga → Ghagra.
(On water volume base)

After that Ganga reaches at Patna.

In M.P from, Amarkantak two rivers originate

Son River ⟷ Narmada

Both flows in opposite direction but origin pt. same.

Son River → meet Ganga at Patna

Ques → Tributory of Ganga which flows from South to north? → Son River

After that river reaches at Sompur.

From Nepal
↓ river originates
Gandak
↓ meets ganga at
Sompur

After that river reaches at कुरसेला.

In Nepal, There is a Glacier → Gosaidhaun Glacier
↓
From this glacier 7 streams are originated
↓ river
Saptakosi

But in India 3 streams come
- Arun
- Sun
- Tamur

→ Kosi River
↓
which is famous for Soil Erosion & Changing its route.

Sorrow of Bihar → Kosi River

[Wango river is called Sorrow of China]

→ After that River reaches at Godavari Ghat.

From Darjeeling Hilly Area, a river originated → Mahananda.
↓ joins ganga at
Godavari Ghat

→ After that Ganga
- go → Bangladesh (Padma)
- Here called
- go → Hugli (Distributory of Ganga)

Last Tributory of Ganga → Mahananda.

Pollution Problems of Ganga

→ Sewage
→ Industrial
→ Operation Blue Mountain
↓ due to
China

In 1962 → Indo China war
↓ (Loss) ↓ (Win)

After that India ने America से हार सिखा।
China continously developing it atomic power
Then, India decided to put RADAR at Nanda devi which is at the Border of China, to known the military operations of China & India will put Plotnium full cylinders here to attack on China.
↓ But due to mishappening
cylinder वहीं दब गया
↓
at origin pt. of Ganga
↓
which can pollute Ganga water & causes cancer.

Class 9

Indus River

Origin → Kailash Range in → (Bophar Chu Glacier) (in Tibet) → Part of Chemayungung Glacier

↓

China/Tibet → India → Pakistan in → attock (Tibet)

↓

(Indus flows on surface)

India → flow in J&K

Enter + Damchok

Exit + Chillar

↓

(in PoK Area)

Pakistan → In Pakistan there is a place Mithancot

↓

where 5 major tributaries of Indus come

→ End of Indus River occurs in Karachi in Arabian Sea.

Indus River flows b/w Ladakh and Zaskar Range.

Length of Indus River → 2880 km

(In India approx. 960 km 907)

Origin of Indus River → Chemayung Glacier (China/Tibet).
Enter point in India → Daulchauk
Exist point from India → Chillas
Indus River flow b/w Ladakh Range & Zaskar Range.

From Srinagar's Verinag lake
↓ river originates
Jehlum
↓ via PoK to India Pak border go to Pakistan

From H.P, From Baralachala Pass
↓ Two streams originate
चन्द्रा भागा
meet at
Tandi (H.P)
Here → ↓ called
Chenaab

Chenab and Jehlum meet at Jhung (झुंग)

Tributory of Chenab → Jehlum

Also in H.P there is Rohtang pass, two rivers originate

- Ravi River (Meet with Chenab)
- Beas River (Meet with Sajlej River)

From Rahtal via Shipkila pass one river pass which is ~~Saty~~ Satlej.

Beas + Satlej meet at ~~होरा~~ Place (Punjab)

↓

Here Beraj (बैराज is formed)

↓ from which one River originates

Indira Gandi ~~River~~ Canal

Then Satlej & Chenaab meet as Mithancot.

Jehlum River →

Origin → Verinag Lake → Srinagar.

It pass through POK + Wuller Lake

↓

Tributory of Chenab

Chenab + Jehlum ⇒ Jhung

→ It flows in Pakistan & J&K.

→ It cross through the Pirpanjal Range.

Chenab River → Origin → Baralacha Pass.

↓

Flow in → H.P → J&K → Pakistan

Tributory of Chenab → Jehlum, Rabi

It cross the pinpanjab.

बारामूला, रियासी से होकर बहती है।

↓

Here world's Highest Railway Flyover form किया जा रहा है।

Ques → world's Highest Railway Flyover is formed ~~where~~ ing on which River → Chenab

in ~~on~~ which state → J&K

on which place → Reyasi (रियासी)

↓

will be completed in 2020.

Satlej River → Origin → Rakshtal of Chemayung glacier.

→ Enter in India by Shipkila Pass.

→ flow in H.P → PB → Pak. (take more benefit from all)

→ Tributory of Satlej. → Beas River.

Beas River → Kullu (City) — Manali (City) दोनों में flow करती है।

Valley's of Bea → Kulu Valley, Lahul Valley.

Old name of bea → Bipasha.

Beas head → near to Rohtang pass.

Ravi + Chenab meet at → Muzaffrabad

Gilgit River

Origin → Afghanistan

1st Tributory of → Indus. (Right Tributory of Indus)

2nd Tributory of → Indus is Shyok river

→ Nubra River is the Tributory of Shyok river (Originate from Karakoram range)

Kabul River

Origin → Hindukush mountain (Afghanistan)

→ Kabul River is the tributory of Indus

Flow in Afghanistan - Pakistan.

→ Tributory of Kabul River → Swat River (Flow in Pakistan only)

It water is used in Irrigation.

It's valley is → Swat valley which is called 'Heaven of Pakistan'.

Gomal River →

Origin → Sulaiman Range.

→ Gomal River is the tributory of Indus River.

→ Flow in Afghanistan → Pakistan.

→ Kundar River, Zhob River] → Tributory of Gomal River.

Brahmputra River

Origin → Mansarowar Lake
(Part of Chemayungdung Glacier)

Flow → Tibet/China → India → Bangladesh

Other name in → Tsanpo River → India → Jamuna

Enter → Yangyap pass (A.P) Arn.

Exit → Dhubri (Assom)

Other name in → Dihang River → Brahmputra

Distance covered from China to Bangladesh → 2900km.

Distance covered in India → 917km

→ In Bangladesh Brahmputra form a delta called Sunderban Delta → world's largest Delta.

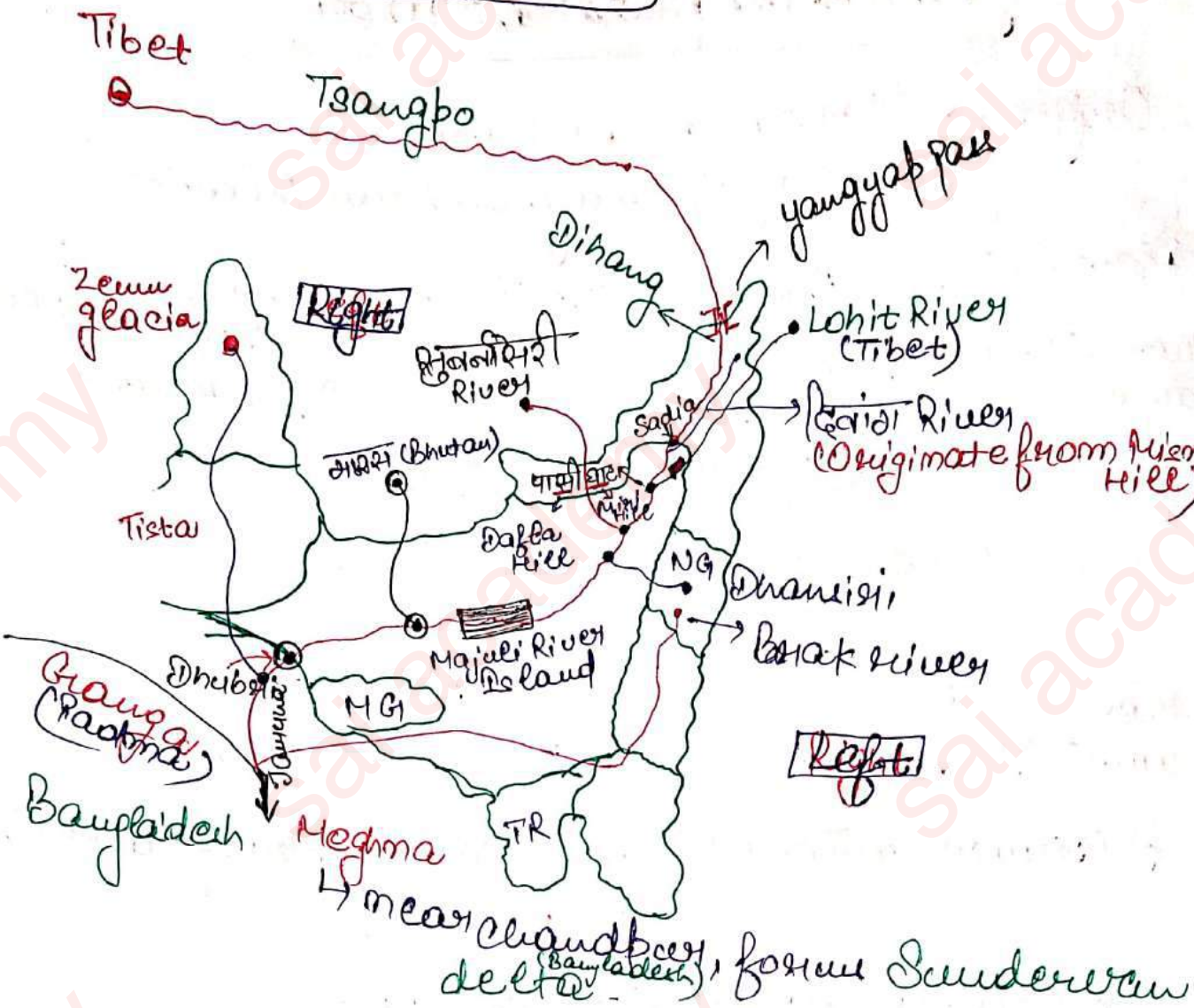
★ South ~~West~~ ~~North~~ part of Sunderbandelta is located in W.B.

★ In 1987 Sunderban Delta is announced as World's heritage.

→ Mangroove forests are found here.

→ Tiger reserve is found here.

Class → 10



Brahmputra river (Tsanpo) via yangyap Pass enters in A.P (called Dihang) here then go to Assom. From Tibet a river Lohit River originate

Lohit River → Tributory of Brahmputra.

→ Lohit River + Brahmputra River $\xrightarrow{\text{meet at}}$ Pasi Ghat (Assom)

→ In Lohit River red sediment are found.

↓ so called as

Bloody River

→ ** On Lohit River Bhupen Hazarika Bridge is formed

Bhupen Hazarika Bridge ** (Length → 9.15 km)

connects

- Sadia (Assom)
- Dhola (Arunachal Pradesh)

Also called Sadia - Dhola Bridge.

→ From, Tibet, one river originates

Submasiri River → Joins Brahmputra at Lakhipur

→ Origin → Tibet.

→ Flow in → Tibet → A.P → Assom

→ Submasiri River flows b/w Dafla Hill, Mirie Hill

From Nagaland, river originates Dhansiri → which Joins Brahmputra river.

** Brahmputra River forms an Island → Majuli River Island (in Assom)

** Initially it was a part of Jorhat Distt.

Simple Island is Green Island

It is world's largest River Island

In 2016
- → It is included in Guinness Record.
- → It is announced as Distt. (due to 1.5 lakh population approx)

From Bhutan a river originates → Manas

From Nagaland a river originate from Japova Hill → Barak River

Barak River flows in →
Nagaland → manipur → Mizoram → Assam

From, Zemu Glacier, a river Tista Originates and meet brahmputra (Jamuna in Bangladesh) at Bangladesh

· Also Barak River meets Jamuna in Bangladesh.

→ There Joint Stream is called → Meghna
i.e Padma + Jamuna + Barak → Meghna.

→ **Left Tributory of Brahmputra**

→ Devang
→ ~~Submasiri River~~
→ Dhansiri
→ Barak
→ Lohit

Right Tributory of Brahmputra

→ Submasiri River
→ Manas
(largest & longest tributory of Brahmputra)

Bogibeel Bridge → In Assom on Brahmputra River

(formed in 2018)

connects Dibrugarh Dhemaji

Length → 4.9km.

→ On this bridge there is a national highway i.e one road goes and one railway line go from it.

Peninsula River System

→ Origin → Hill/ Rainfall water
→ These rivers are called Seasonal Rivers
→ These rivers form less Delta.

Some joins → **Arabian Sea**
- Luni
- Mahi
- Narmada
- Tapti
- Sabarmati

Some joins → **Bay of Bengal**
- Damodar
- Swarna Rekha
- Godavari
- Mahanadi
- Kaveri
- Krishna

Arabian Sea Rivers

(A) **Luni River** → Origin → Aravali Range, Ajmer (Rajasthan)

→ Flows in Rajasthan – Gujarat
↓
(Pass through deserted area ↓ so called)
Deserted River

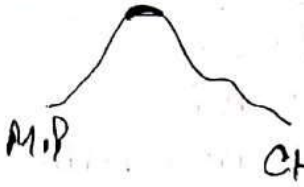
→ At Origin pt. known as Sagarmati

Sagarmati + Saraswati $\xrightarrow{\text{meet at}}$ Gowindgarh (Rajasta)
↓
called
Luni River

In Gujarat lack of water
↓ when river reach at
** Rann of kutch
↓
वहाँ पर ही River, Inland (धरातल में विलीन) हो जाती।

(B) Narmada River | Length → 1312 km (Amarkantak)

Origin → Amarkantak (M.P) (West part)



Passes through → 3 states
(Amarkantak) M.P → Maharashtra → Gujarat
Watershed → (87%) (1.5%) (11.5%)

* Narmada river is called Lifeline of M.P
* It flows westwards.
* It pass through rift valley so it forms Estuary
* It flows b/w Vindhya & Satpura Mountain.

* In M.P → Jabalpur
formed by Narmada
Bhedaghat
Dhumdhar Water

* Narmada Bachao Andolan (NBA) → 1985 में चलाया गया।
↓ By
Medha Patekar.

→ In 1961 → Jawahar Lal Nehru
↓ targeted
Utilizing Narmada River Water

Class → 11

(D) → **Sabarmati River** → Length → 324 km

→ Origin → Aravali Range (Udaipur)

→ Flows in → Raj. → Guj → Bay of Khambat

→ It is 3rd westward River.

→ Ahemadabad, Gandhinagar] → Located on its Bank.

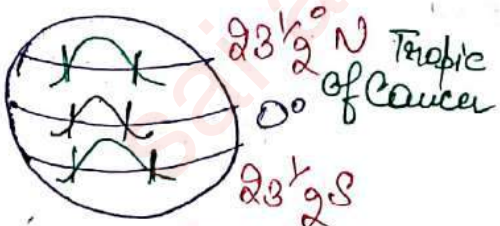
→ National Pollution control Board measured that ↓
It is largest Polluted River of Rajasthan

(E) → **Mahi River** → Length → 583 km

→ Origin → Vindhya Range
↓ in
M.P → Raj. → Gujarat → Indian Arabian Sea.

→ It cuts **Tropic of Cancer** two times.

Note →



Tropic of Capricorn cut 2 times by → Limpopo
Equator cut 2 times by → Congo/Zaire
} → Bothare in Africa.

Bay of Bengal Rivers

(A) **Godavari River** → **Length → 1465 km**

Origin → Trymbkeshwar, nasik (MH)

Flow → MH – CH – Telangana – Andhrapradesh – Bay of Bengal

→ 2nd longest River of India.

→ Longest River of South India.

→ ** This river is known as **South Ganga** & old Ganga (On the basis of length)

→ ** Ganga of South → Kaveri (Pureness के Basis पर)

→ End → in the form of two streams.
- Gautami
- Vasishta

B → ** Ganga of M.P → Betwa River

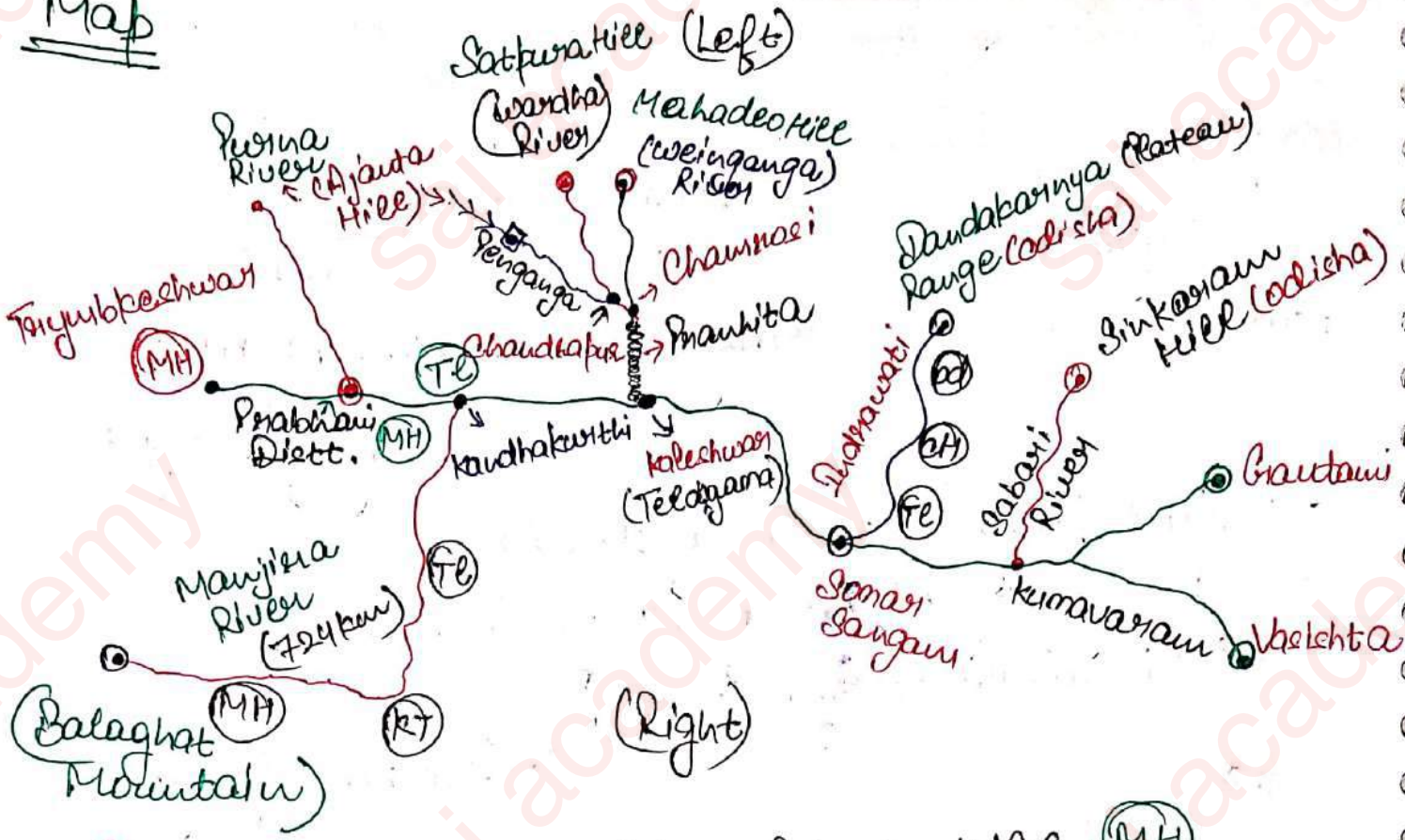
→ Largest tributary of Godavari River

Right R Tributary → Manjira River (724 km)

Flow in → MH → KT → TL

→ Last tributary of Godavari River → Sabari River

Map



Purna River → Origin → Ajanta Hill → (MH)

→ It is Tributory of Godavari.

→ Pura + Godavari → Meet at Prabhani (MH)

Manjira River → Origin → Balaghat

→ Flow → MH → KT → Tl

→ Length = 724 km

→ Manjira + Godavari Meet at Kandhakurthi (Tl).

→ largest

Wainganga → Origin → Mahadeo Hill (MP)

Wainganga + Wardha meet at Chamorsi

Wardha → Origin → Satpura

Penganga + Wardha meet at Chandrapur.

Indravati

Od.
↓
CH
↓
(MH)

Sabri

Od.
↓
CH
↓
Andhra

→ Nasik is situated on the bank of Godavari River.

→ Rajahmudri city is the city of Andhra Pradesh
River Bank → Godavari

(B) Krishna River → Origin → Mahableshwar, MH
↓
Part of Western Ghat

→ Flows parallel to the Godavari River.

→ MH → Kt → Tl → Andhra
(27%) ↓ 44% (29%) (in South India)

→ Krishna river form K-G Basin → Land form area formed by rivers. ↓
Largest Basin of South India
↓
Good for Rice crops.

K → Krishna
G → Godavari

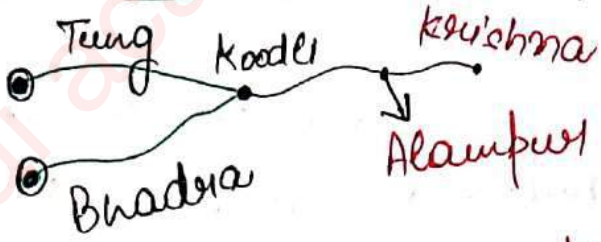
→ Tributory of Krishna

Bhema River → Origin → Bhemeshwar (MH)
↓ 2nd in Krishna River
(861 km) → Largest tributory
(Left) → North

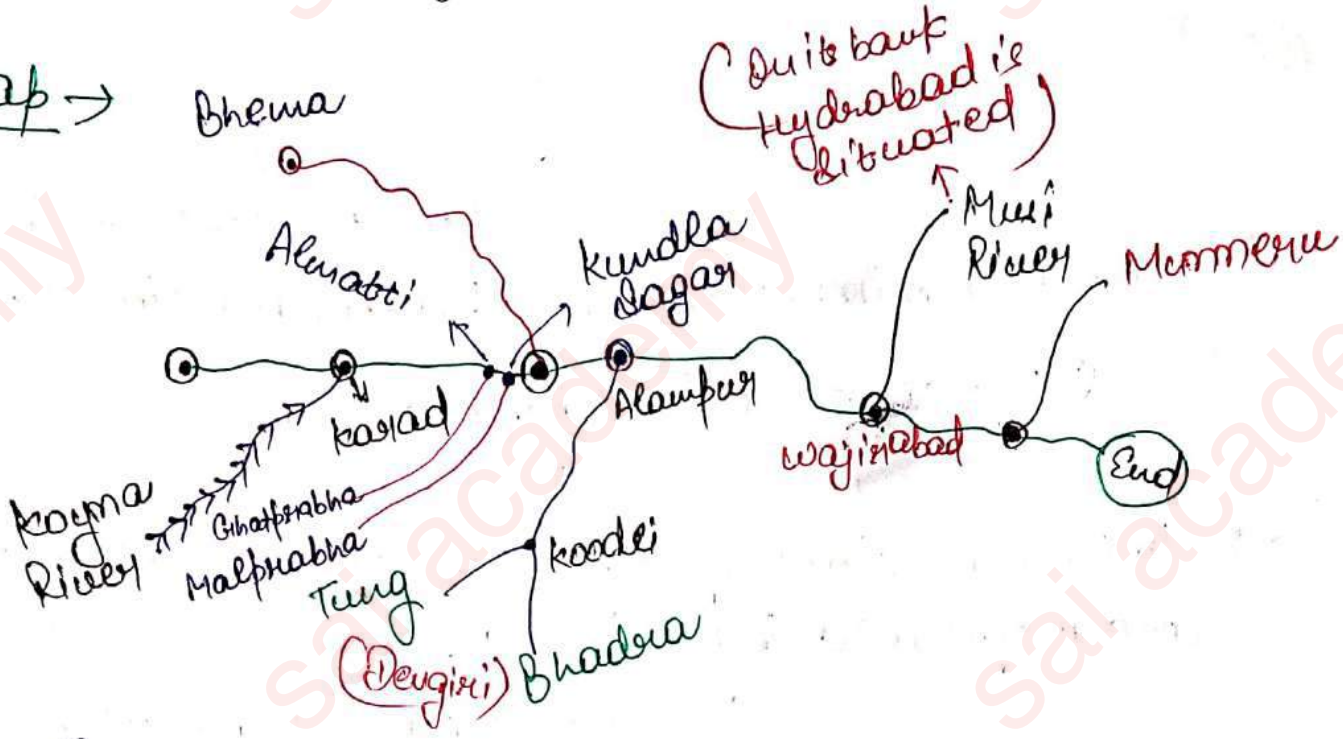
Koyna River → It also originate from Mahableshwar.
It is known as Lifeline of Maharashtra
→ Only flow in Maharashtra.
Krishna + Koyna → Karad

Tungbhadra → Major River of Krishna River.

Originate from Varadha Parbat



Map →



Ghatprabha } → Originate from Western Ghat (MH)
Malprabha } Distt. Sindhugarh.

Kaveri River → Origin → Brahmgiri, (Kt)

Flow in → (Kt) – Tamil Nadu

It is only Perennial River of South India (सदाबहार)

Kt → ~~उठते हुए मानसून से वर्षा प्राप्त करता है।~~ (In June)

Tamilnadu → ~~लौटते हुए मानसून से वर्षा प्राप्त करता है।~~ (In Oct-Nov-Dec)

Disputed river b/w (Kt) & Tamilnadu.

Shivsamudram Waterfall is on this river.
also, Shivsamudram Island is on this river.

Class 12

(C) **Subarnrekha River** →

Origin → Ranchi Plateau.
Flow in → (JH) — Odisha → WB → Bay of Bengal
→ It is a major river of Jharkhand.
→ Waterfall on it → Hundru waterfall

(D) **Damodar River** → Origin → Chota Nagpur Plateau.
End → Bay of Bengal.
→ More amount of fossils found in it.
So called fossils river.

(E) **Mahanadi** → Origin → Singhawa Hill
↓
Located in Chattisgarh
Length → 858 km
Flow in → (CH) — Odisha.

in Odisha two place

Sambalpur → ↓ Here dam formed → Hirakund dam. Length → 26 km

World's longest dam

Cuttak → ↓ Ends in Bay of Bengal

→ In River valley of Mahanadi coal is found.
→ Major river of Odisha.
→ Major tributary of Mahanadi → Sheonath.
→ Coal is found in Rift Valley of Rivers
- Godavari
- Mahanadi
- Damodar

Plains of India → (on river basis)

formed by Rivers.
↓
So, fertile (+) → useful for agriculture.

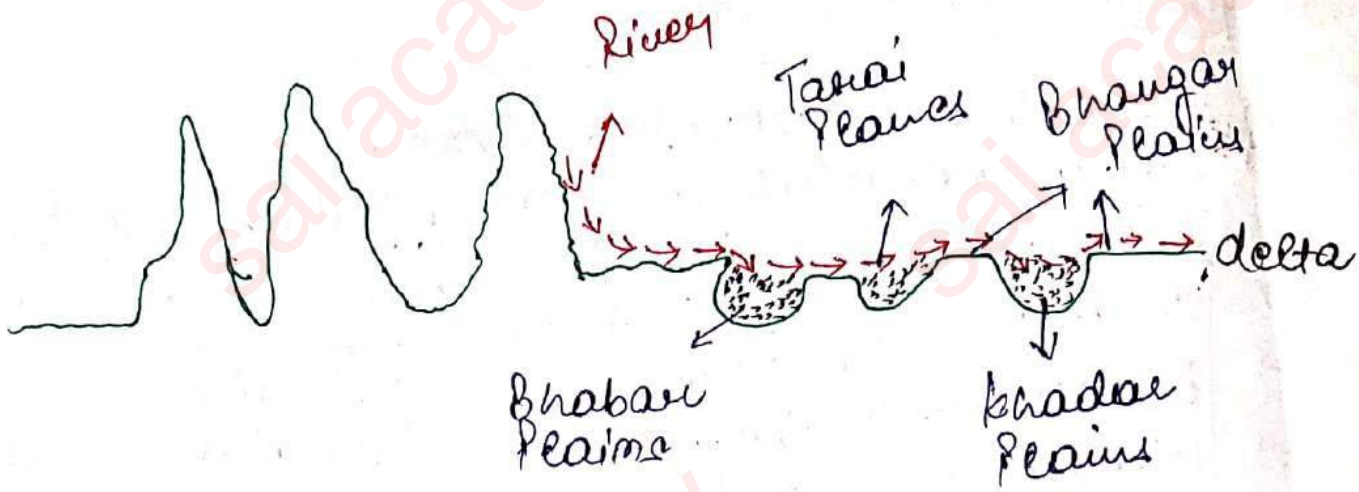
classification

Physiographic
- Bhabar Plains
- Tarai Plains
- Bhanger Plains
- Khadar Plains

Regional
- Coastal Plains
- Indus River Plains
- Ganga River Plains
- Rajasthan Plains

(1) Bhabar Plains →

→ It form in South of Shivalik
→ Porosity (pores) is high.
So → Small Rivers disappear.
→ Extension → J&K to Assam.



(2) Tarai Plains →

→ Form in South of Bhabar.

→ More rainfall here } → so Vegetation more
↓ so
** Malaria Occurs ← so mosquitoes are found

→ ~~छोटी ही होती है~~ But Punjab, HR, UP, Bihar arranged ~~छोटी~~ there.

(3) Bhangar Plains

→ found on high areas than flood area.

→ Alluvial soil found → old soil
↓
has more stone → so fertility (−)

→ Dry area of Bhagar has Reh, Khallar

(4) Khadar Plains

→ found in flood area.

→ River deposits new sediments continously
↓
so fertility maintained here
↓
so more fertile plains from all.

Uk - U.P - PB - HR - BH - WB

Indus River Plains

→ Irrigation developed here.
→ ** Green Revolution was applied here so more fertilizers used. So here continuously fertility (−)
→ It has 5 major tributary.

	Tributary
Indus →	Jehlum
Jhelum →	Chenab
Chenab →	Rabi
Rabi →	Beas
Bea →	Satluj

→ Doab → (मैदान) → Doab → Fertile land b/w two river.

→ Plain Area b/w → Indus – Jhelum → Sidhu Sagar → [J&K]
Called
Jhelum – Chenab → Chal Plains → [H.P + J&K]
Chenab – Rabi → Rachna → [H.P + PB]
Rabi – Beas → Bari → H.P
Bea – Satluj → Bist → PB

→ Green Revolution was started by Norman Borne log.

Rajasthan Plains

→ Arid soil / मारुस्थली मिट्टी found here.

PB's Plains
↑
Pak's Plains ← Raj. Plains → Ganga Plains
↓
South-Guj. Plains.

→ These plains are divided into 2 parts.

25 cm (+) Rain Plains

→ Fertility Normal
↓ called
Rohi Land

→ Production of Crops like wheat, Mustard, Gram.

25 cm (−) Rain Plain

→ fertility low

→ It is Thar desert area.

Ganga River Plains → Divided into 3 parts.

Upper Ganga

Plains here

(A) Rohelkhand Plain
↓ B/w
(Ramganga – Gomati River)

(B) Avadh Plains
↓ B/w
(Gomati – Ghaghra River)

Middle ganga ← Rainfall (+) → flood Here (+)

Plains here

(A) East UP Plains
↓ B/w
(Ghagra – Gandak River)

(B) Saram Plains
(Gandak – old Gandak)

(C) Mithla Plains
(Old Gandak – Kosi)

Lower ganga

↓

Kosi River to ~~Brahmaputra~~ ~~Mahanandra~~.
Mahananda

Coastal Plains

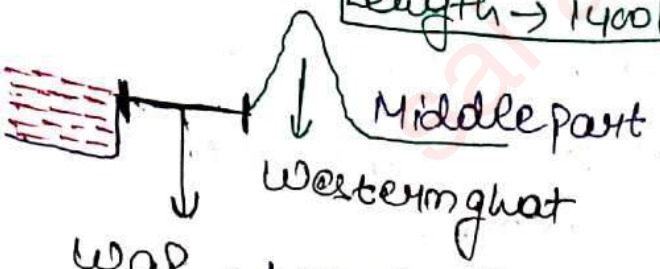
↓ West Coast Plains

↓ East Coastal Plains

West Coastal Plains

WCP

Length → 1400 km



WCP → located b/w Arabian Sea & Western Ghat.

- Kokan Coast → Guj to Goa
- Kanad Coast → Goa to Mangalore
- Malabar Coast → Mangalora - Kanyakumari

Eastern Coastal Plains

Length → 1100 km

B/w Bay of Bengal and Eastern Ghat

- Northern Circars
  ↓
  Odisha to Andhra
- Coromandal
  ↓
  Andhra to Tamilnadu
  → Beaches are found here.

Ques → Where is Marina Beach ??

Ans Chennai

Highest Peak of Eastern ghat → Jinghagada.

Class → 13

River Project of India → In 1948 1st Project was started.

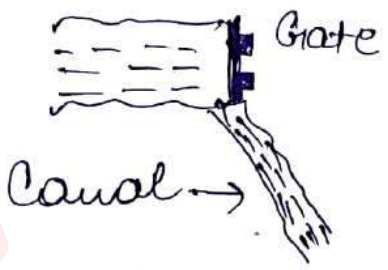
1st Project → Damodar Valley Corporation
↓ Stared on the basis of
Temisi Project (of USA)

Started by → Pt. Jawahar Lal Nehru

He gave the name to that project
↓
Temple of Modern India

* River project is also known as
Multi-project] Helps in → Hydroelectricity Production
→ Irrigation
→ Control flood
↓
For it → Barrage / Dam] → formed

Barrage
↓ motive
→ Control flow of River, and construct canal
→ In Barrage Gate लगाते हैं।



Dam
↓ motive
→ Store large amount of water
↓
→ Hydroelectricity production
→ Reservoier → To store extra water
also called Artificial Lake

Dams are of 3 types :-

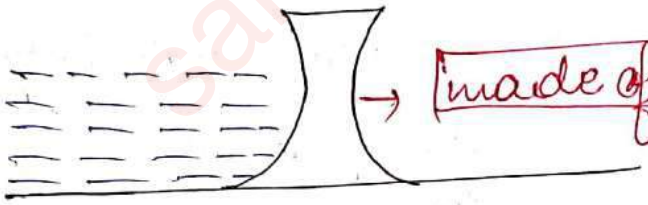
(A) **Gravity Dam** → Constructed by Concrete

→ Strongest
→ Costly.

Weight (+) so → Balance (+)

E.g → Hirakund Dam (Odisha), Bakhra Nangal Dam (Punjab) ↓ (Highest Gravity Dam)

(B) **Arc Dam** →



→ made of Stone + Steel

→ India has only 1 Arc dam → Idukki dam (Kerala)

(C) **Rock filled** → made from Stone + Soil.

E.g Tehri Dam (U.K) (Garhwal)

~~Effects~~ ~~Project of Ganga River~~

(1) Deforestation
(2) fertile area (-)
(3) Earthquake possibility.

Project of Ganga River

→ Ganga River passes from 5 states.
→ Water utilization by 13 states by Project.

(A) Rihand Dam → located on Rihand River.
→ Tributary of Son River.
→ It is in Sonbhadra Distt.
→ Here there is a Reservoir
↓
Govind Ballabh Pant
↓
India's Largest Artificial Lake.
→ It is a Gravity Dam.
→ Profitable for → U.P + M.P + CH

(B) Tehri Dam → Located on Joint Stream of Bhagirathi + Bheelangana.
U.K (Garhwal)
→ Length → 261 m (260.5m). → India's highest dam.
→ It is opened in 2006.
→ Water utilized by → U.K – PB – U.P – Delhi.
→ It is a Rock filled Dam.

Chambal Project

Chambal River is famous for soil erosion
Raj. + M.P → Started joint projects whose motives was → Soil Erosion (–)
→ Irrigation
Under this joint project they made two dams

One at Rajasthan, one at M.P
↓ Ranapratap Sagar dam
↓ Gandhi Sagar dam

Farakka Barrage → Located in W.B on Ganga River.
Project.
In Hugli River → water is low
↓
used in trade route
→ So formed to Increase water in Hugli River.
→ Started work in 1975.
→ Under this project electricity (2100 MW) power station has been established.

Indus River Project

→ Indus River Disputed.
→ Indus water Treaty occur in 1960.
(Jehlum River Project) Tributory of Indus River → Jehlum
1. Krishanganga Project → Located at the boarder of POK in J&K.
→ Opposed by Pak.
Krishanganga is the tributary of Jehlum
→ Target height was → 97mt
↓ But due to the opposition by Pak. via World Bank (UNO) reduced to 37mt
→ Target was to generate 330 mw electricity.

2. **Tulbul Project** ⇒ Joint Project of Jehlum + Wular Lake

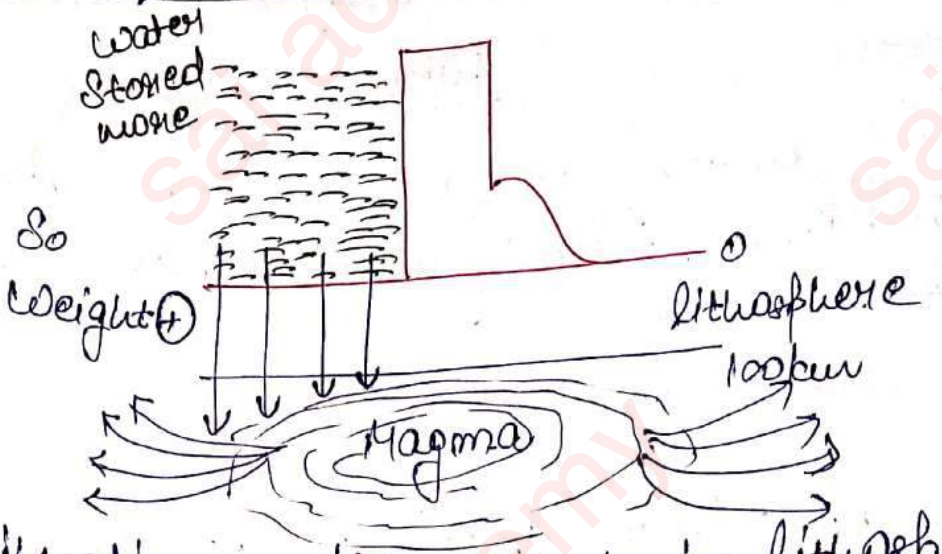
→ This Project do the cleaning of Wular Lake.
→ Under Jehlum river hydroelectricity will be produced.
→ Wular Lake is India's largest fresh water Lake.

Chenab River Project ⇒ Trick (शॉर्ट)

1. **Baglihar Project** → Capacity → 450mw.
   ↳ Located on Chenab River in J&K.
   → In 2005 opposed by Pakistan.
   → Profitable for JK - PB - HP - U.K
2. **Salal Project** → Capacity → 115MW
   → Located on Chenab River
   → 3 Plant are put on Chenab River of 115MW under this Project.
3. **Dulhasti Project** → Capacity → 390MW
   → Located on Chenab River.

* World's highest ~~for~~ Railway flyover is forming in Riasi (J&K)
↓
will completely form in 2020.

How Earthquake Comes



vibrations will generate in lithosphere which is called Earthquake.

(can come in 50km area)

Class 14

Project of Ravi River →

(1) **Thein Project** → Located in J&K

→ Profitable for J&K + HP + PB

→ Three plants of 150 MW are established under this project.

→ Dam formed under this project
↓
Ranjit Sagar Dam
(Pathankot)

(2) **Chamera Project** → In J&K.

→ 3 Power Stations of
→ 500 MW
→ 320 MW
→ 250 MW
are formed.

One more project has been announced to be formed in J&K
↓
Shahpur Kandi Project (By Modi Govt.)
it will be completed in 2022.

Project of Beas River

↓

(1) **Pong Dam** → In H.P (Kangda)

→ Formed in 1975.
→ Near dam Reservior ~~was~~ is formed
↓
Maharana Pratap Reservior or Lake (H.P)
↓
Announced as Ramsar wetland

Wetland → Wet area where at least from 6 month पानी भरा हो।
→ They are called Sponge of earth.
→ In City of Iran, i.e Ramsar Exibition was organised to conserve all the wetlands of world.

**

(2) **Bhakra - Nangal Project** →

→ Located on Satlj River.
→ Under Bhakra Nangal Project two dams are formed
→ Bhakra Dam → made for electricity Production
→ Nangal Dam → made for irrigation.

Both are formed on PB + HP's Border.

Capacity of these dams 1350 MW.

Current

Sir Chhotu Ram → was → farmer's leader

↓

known as father of Bhakhra Nangal dam.

→ In Rohtak's सांपला his 64 feet Statue formed whose अनावरण done by Modiji.

→ ~~Bhra~~ Bakhra Nangal Dam is highest Gravity Dam. (226 mt)

Largest Dam of India → Sr. Sarovar Dam.

due to

Narmada Project → flows in MP → MH – Guj.

In MP, Guj → there was a drought Problem

In 1961 Nehruji thought → with Narmada water that problem can be resolved

→ Said to utilize narmada water for irrigation.

So, they thought they will form in

Gujarat → Sardar Sarovar dam → (1450 mw)

M.P → Indira Sagar Dam

Omkeshwar (Khandwa)

Bargi (Jabalpur)

Target dam height was 181 mt.

↓ but People opposed

So, reduced to 136 mt.

But due to inhabitate NBA was started.

→ 57% electricit supply to M.P from Sr. Sarovar Dam.

→ Statue of Unity is also on Sr. Sarovar Dam (182 mt)

Tapti River Project →

→ Ukai Project → In Surat city of Gujarat.

Krishna River Project →

(A) Tungbadra Project → Tributory of krishna is Tungbadra River.
Under this Project Pampa dam was formed.
↓
Joint Project of kt. + Andra

(B) Nagarjun Sagar Project → In Andhra Pradesh on krishna River.

(C) Koyna Project → koyna is located in MH
koyna → Tributory of krishna on which koya dam is formed.

(D) Almety Dam → Located on krishna River in karnatka

Mayraskshi Project
↓
flow → river in JH, WB
In WB a dam was formed → Masanjor dam
↓
called as Canada dam.

Kaveri Project
↓
Only Perenial River of South India.

1. Shivsamudrum project → It is a karnataka project
2. Mettur Dam → In Tamil Nadu
3. Most important River of South India is kaveri river.

Idukki Dam → on Periyar River in kerala
→ only arc dam of India.

Mulla periyar Dam → on Periyar River
→ on Cardemum Hill
→ in kerala
→ But conducted by Tamilnadu.

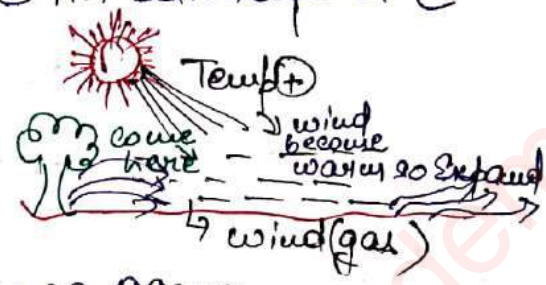
Matatila Project → on Betwa River
→ in Lalitpur
→ famous for tourism.

Class→15 Climate of India

→ **Climate** → ~~Average~~ Season + weather का पिछले 30 years से 50 तक जैसा पाया जाना।

→ **Season** → Cyclic change in fix time

→ **Weather** → Instant change in atmosphere



atmosphere full of $\boxed{\text{gases}}$

↓

Temperature difference occur.

↓

movement will occur in gases

↓

$\boxed{\text{moving gases are called Air.}}$

$Temp \propto \frac{1}{Pressure}$

$T(+) \rightarrow P(-)$

$T(-) \rightarrow P(+)$

→ Temp(+) → air expand → air mass low

↓

P(-)

→ Wind Blow from high Pressure to low pressure.

→ In Close system → $P \propto T$

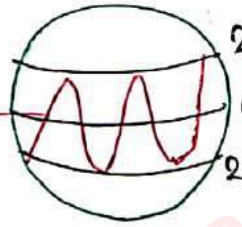
In open system → $P \propto \frac{1}{T}$

India Climate $\xrightarrow{is}$ tropical monsoon

tropical

↓

warm area



$23\frac{1}{2}°N$ → (Tropic of Cancer)

0° Equator

$23\frac{1}{2}°S$ → (Tropic of Capricorn)

Tropical zone → Area located b/w Tropic of Cancer and Tropic of Capricorn.
↓
Because South India located in this zone.

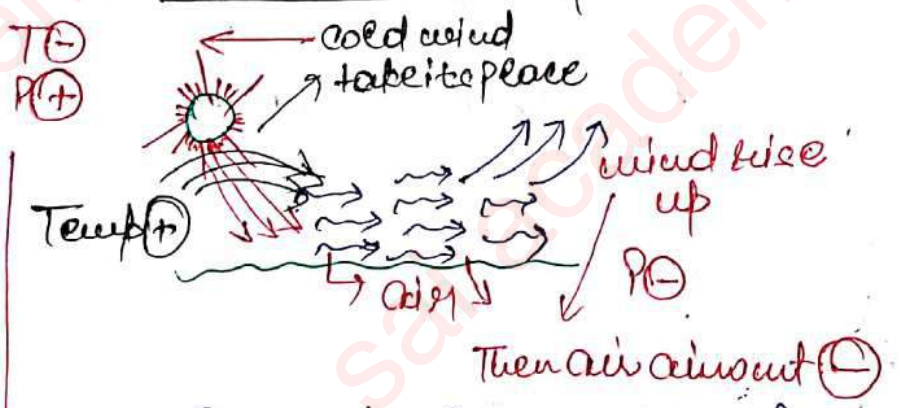
Monsoon → India में Rainfall देता है।
→ 56% Agriculture depend upon Monsoon.
→ 60-65% of population depend upon agriculture.

Origin of Monsoon ⇒

Def^n Monsoon → It is a wind → which change its direction acc. to the season.
Monsoon formed from the word "Mausim" (Meaning season)
↓
arabic word

Acc. to science, monsoon is the latent heat of Indian ocean.

(A) Thermal Concept → Given by Halley in 1686



→ So wind always blow from P⊕ to P⊖

In June → 21st → Sun is ⊥ to the tropic of cancer
↓
Summer Season
↓
T⊕, P⊖

In summer season

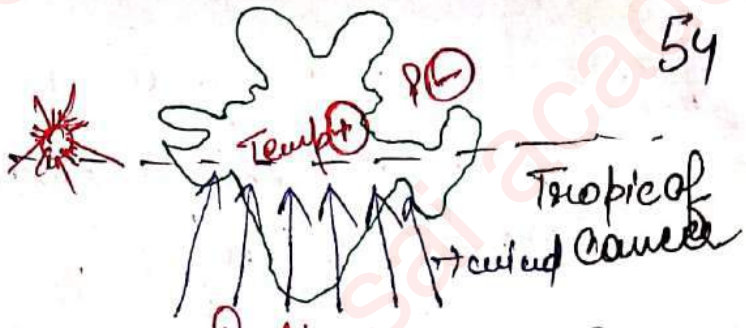
wind blow from

↓

P⊕ ← Indian Ocean

↓ to

P⊖ ← North India



So, India ocean → Temp⊖ Pressure⊕

In winter season → Sun will be ⊥ to Tropic of Capricorn.

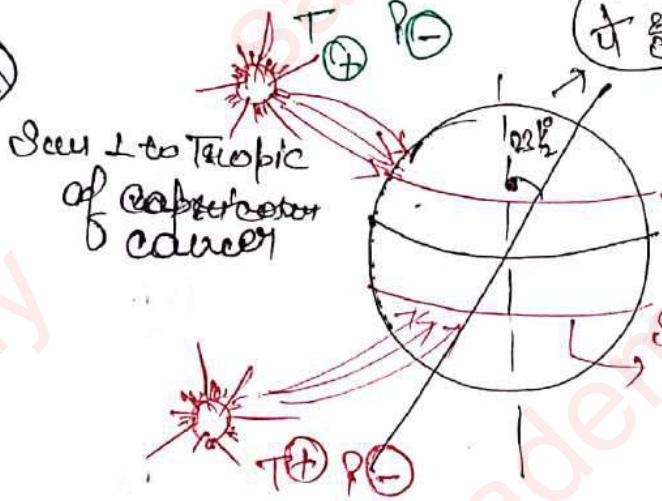
wind blow from North India → Temp⊖, Pressure⊕

↓

Indian Ocean → Temp⊕, Pressure⊖

(ये झुकी हुई है Earth)

(A)



(21 June) बड़ा दिन

on 23 Sept को रात दिन equal होते हैं, 21 March also called equinox

(22 Dec) छोटा दिन (Because we live in N.H)

(B) Dynamic Concept → Given by Flohn (1951)

↓

Shifting of Pressure belt

→ Itcz → Shifts

wind blow from N.H & S.H & collide at some pt.

Sun is ⊥ to Equator

↓

T⊕ P⊖

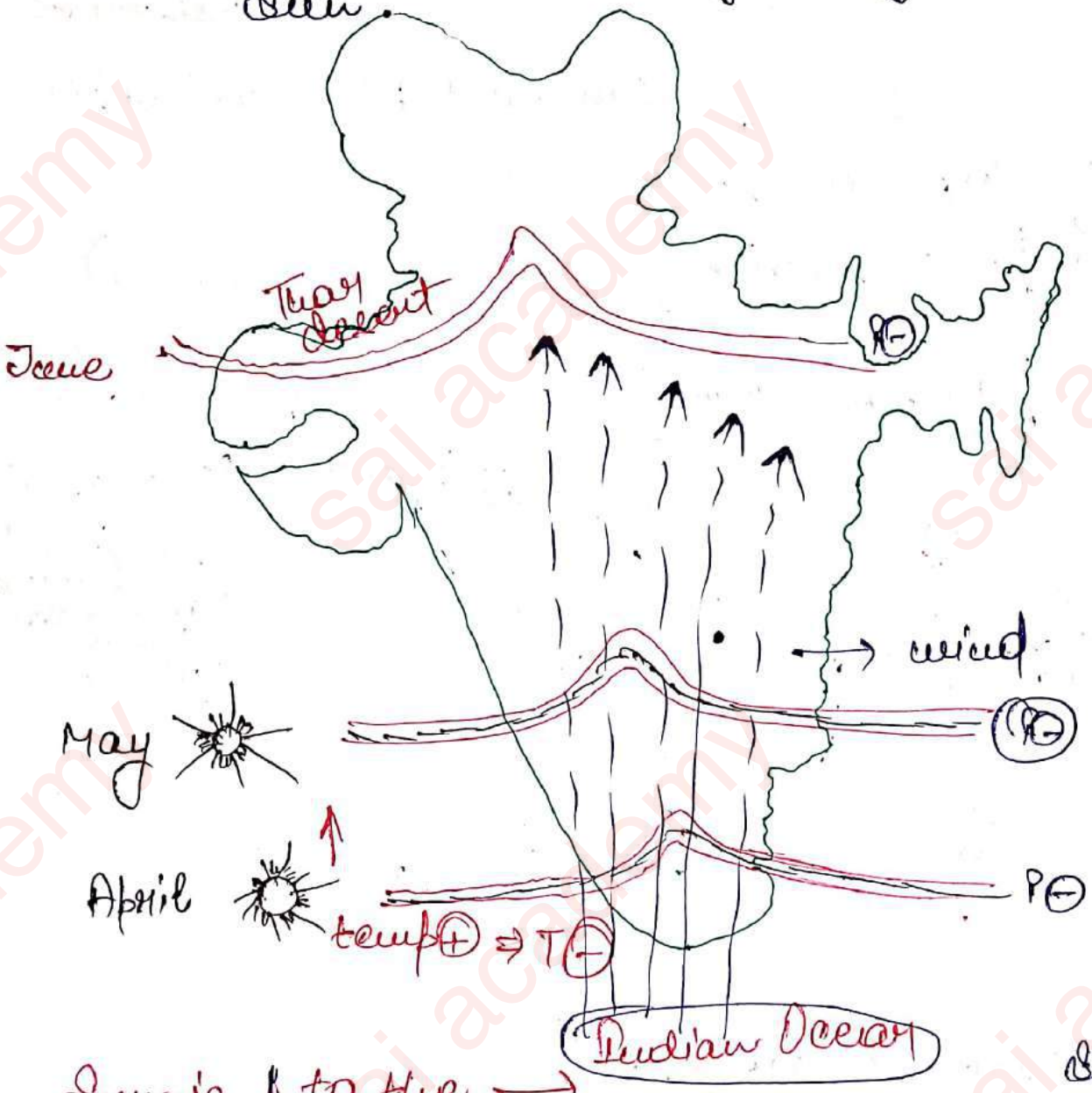
** (Area) Pt. which, convergent of wind occurs ↓ called ITCZ zone.

(Intertropical Convergent zone)

$\boxed{\text{Itcz}}$ → convergent area of air.

↳ always shifts because Sun position always change ⇓

So Itcz → always change wrt to the Sun.



Sun is ⊥ to the → Sunlight rushes toward N.T

In Summer Season

(A) Equator → Itcz → zone

Sun at Angle in March → 0° (Sun on Equator)
⇓
April → 8°N
⇓
May → 16°N
⇓
June → 23½°N – 24° N

In June → Thar desert Temp (+)
where pressure is low ← (Itcz) shift

wind flows from Indian Ocean to Thar desert → i.e to North India

↓

Then rainfall occurs in North India
(i.e why in kerala rain occurs firstly)

In winter season → (Just opposite)

Sun is ⊥ to the tropic of capricorn
wind blows from North India to Indian ocean. (But no rainfall occurs)

South to North → Rainfall (occurs)
North to South → Rainfall (Not occurs)

Indian Meteorological Department

Divided India's Monsoon into 2 parts.

North East Monsoon
(a) winter season
(b) Summer season

South-West Monsoon
(a) Wet season
(b) Autumn season

(A) **Winter Season** → How rainfall occurs ??

↓ In

North India ⇒ 10-15°C (T⊖ P⊕) so direction of wind
South India ⇒ 20-25°C (T⊕ P⊖)

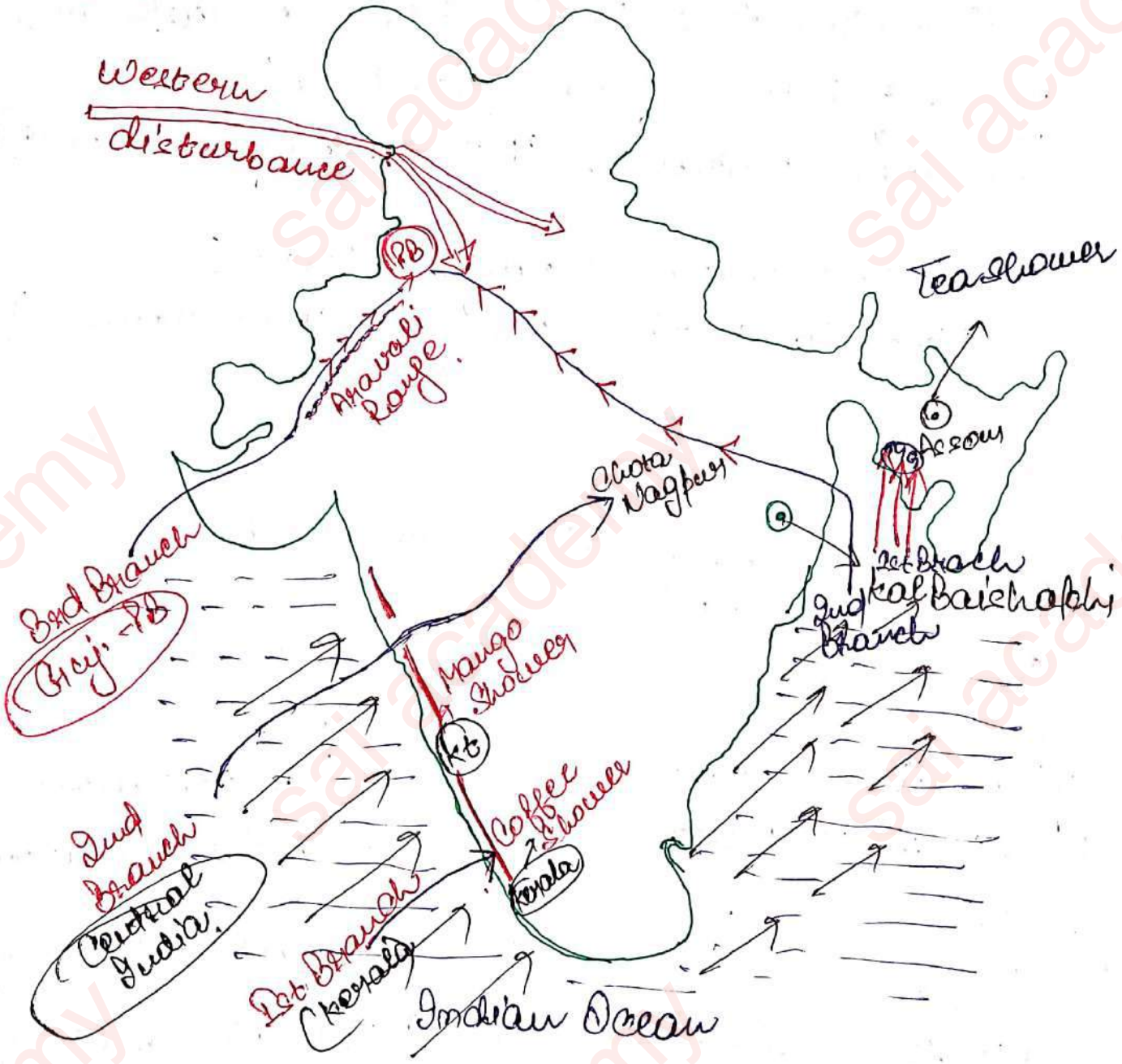
wind blow from North India to South India.

** In winter season No rainfall occurs due to Monsoon. (∵ of lack of moisture)

But in winter rainfall occurs due to ** Western disturbance

↳ wind which originate from ** Mediterranean Sea. Rainfall will occur in J&K, H.P, U.K, Delhi, Rajasthan, Punjab, Haryana.

4% of total rainfall occur in winter season.



Rainfall in Rajasthan in winter is called 56.
Mabat.

In Summer Season → dry & dusty wind blow.

→ (A) **Loo Wind** → Blow in North India.

↓

In normal conditions it is a dusty wind

↓

If it absorbs humidity i.e **Loo + Humidity**

↓

Then, **Storm Rainfall** occurs

↓

In west Bengal it is called

Kal Baishakhi

**10% of total rainfall occurs in Summer Season.

South-West Monsoon

- **Arrival Monsoon**
  - direction → **S-W to N-E** → in **June 1st week**
    - from → Arabian Sea (65%)
    - from → Bay of Bengal (35%)
- **Retreat Monsoon**

First of all Monsoon will Rise from Arabian Sea, which do rainfall by 3 Branches.

(A) Kerala (In June 1st week)

(B) Central India

(C) Gujarata, Punjab

Monsoon that will Rise from Bay of Bengal which do rainfall by 2 Branches.

(A) Meghalaya

(B) WB - BH - UP - PB

Class → 16

Retreat Monsoon

↓

Retreat Monsoon Time

↓

Oct. - Nov - Dec.

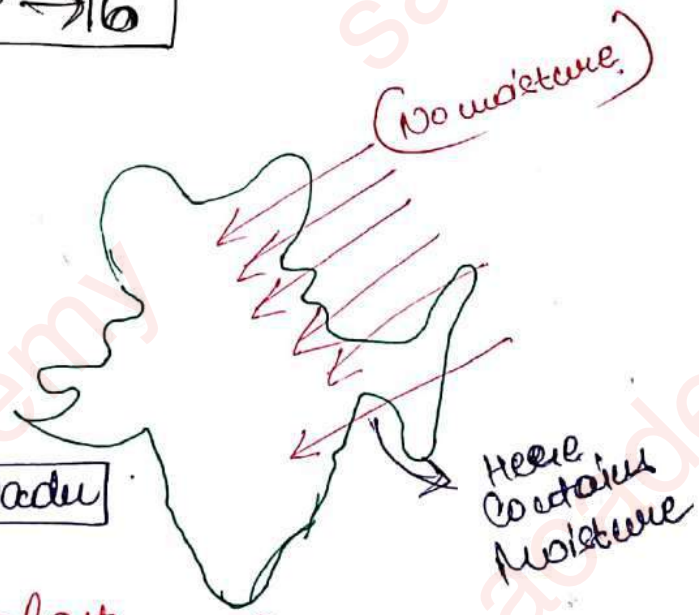
do rainfall in

Odisha | Andhra | Tamil Nadu

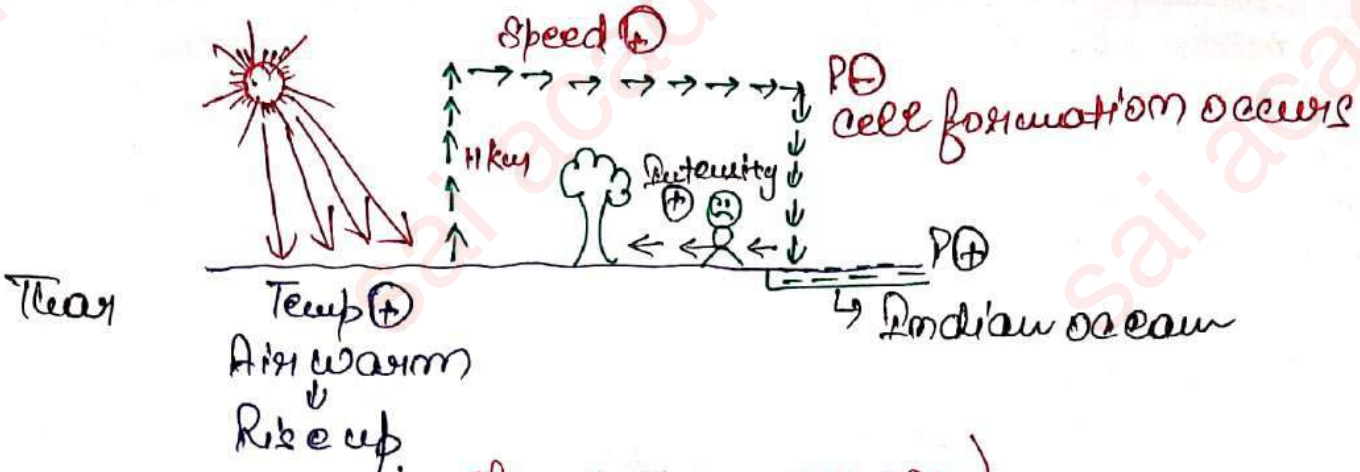
↓

Here at last Rainfall occurs

Via Monsoon of Bay of Bengal



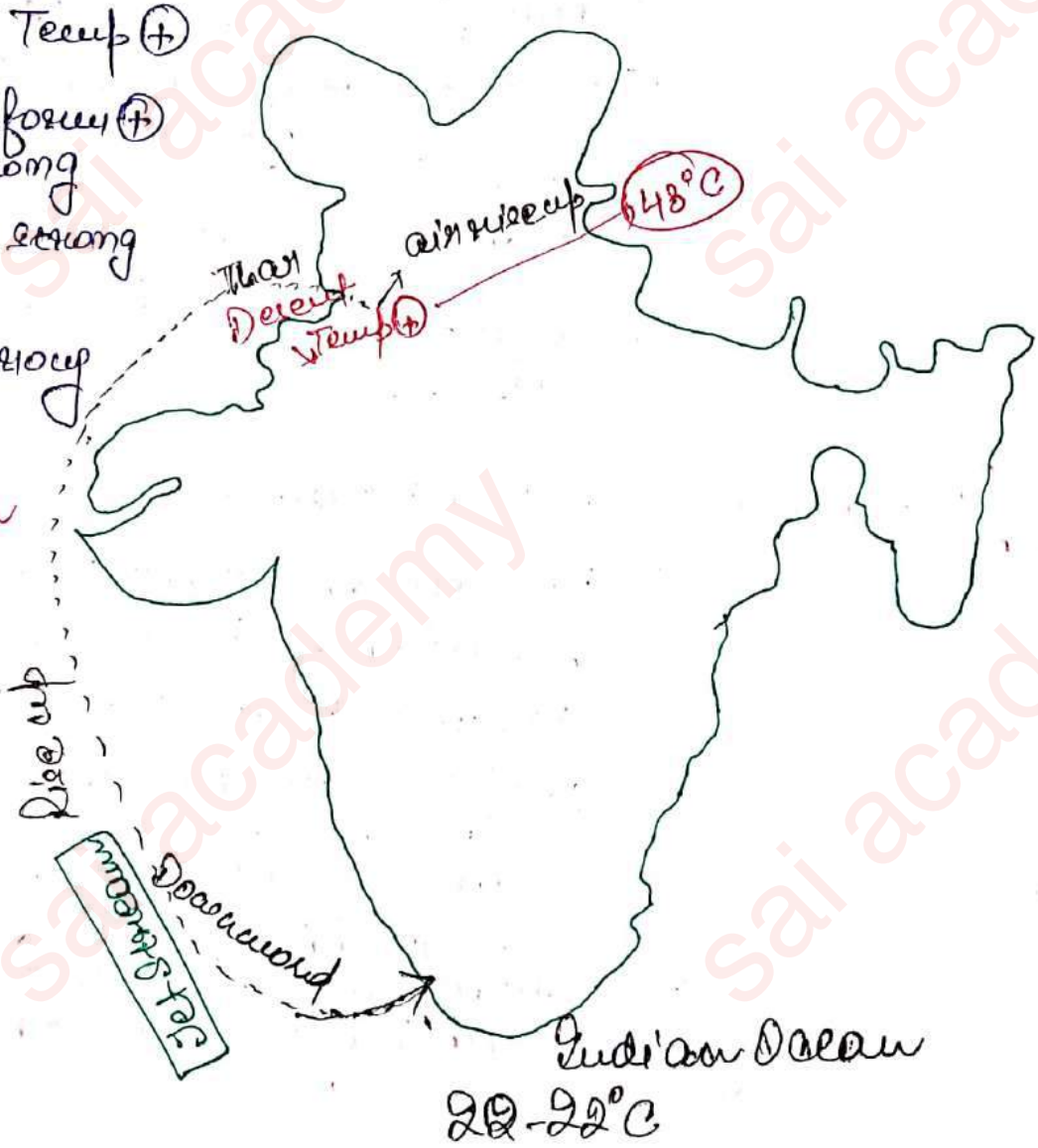
Note :- Effect of JET Stream on Monsoon



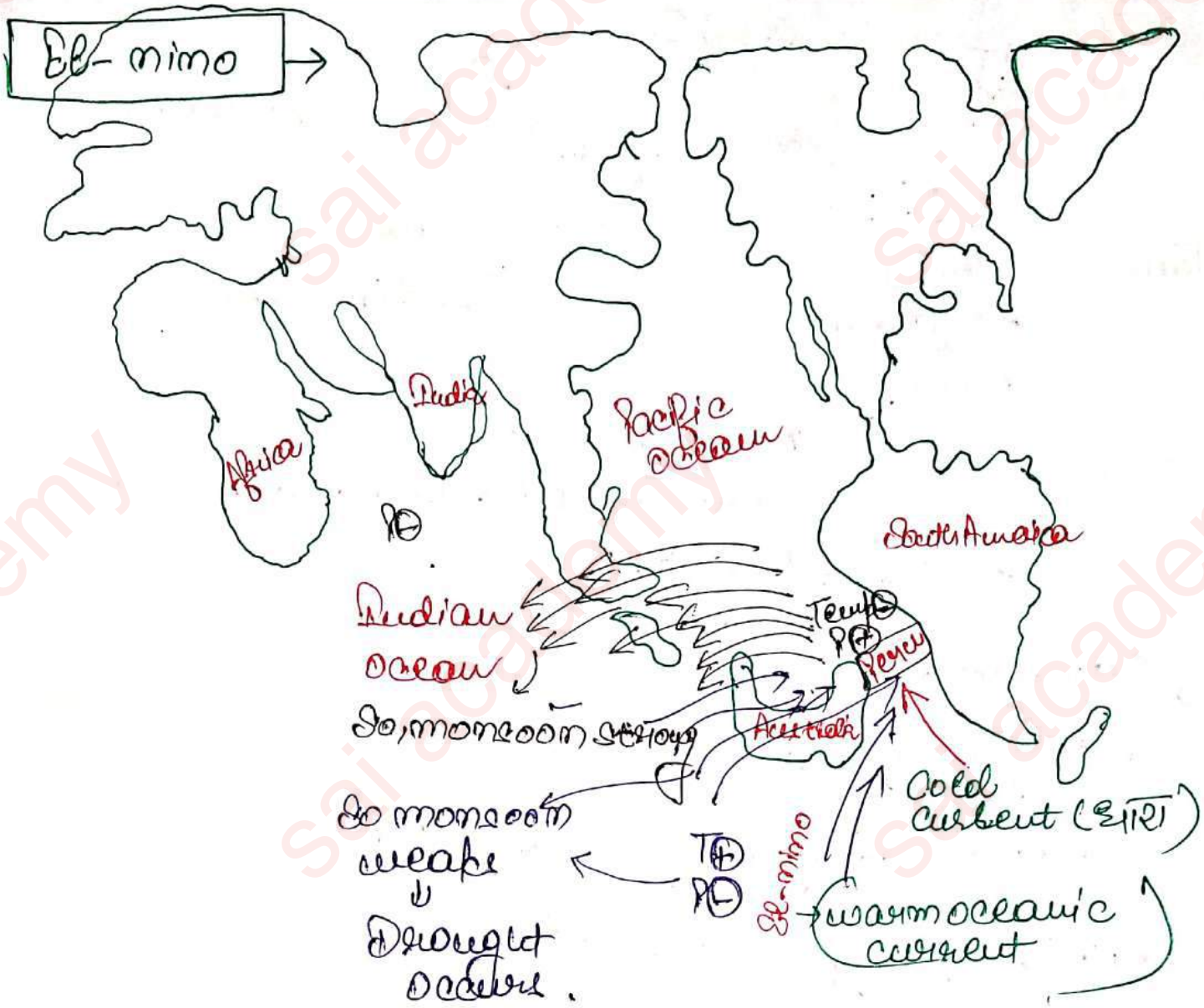
(boost the monsoon)

Jet Stream → High speed wind which blow on 11km height.

If Thar desert Temp ⊕
↓
Jet Stream form ⊕
↓ If strong
Monsoon strong
↓
Rainfall strong

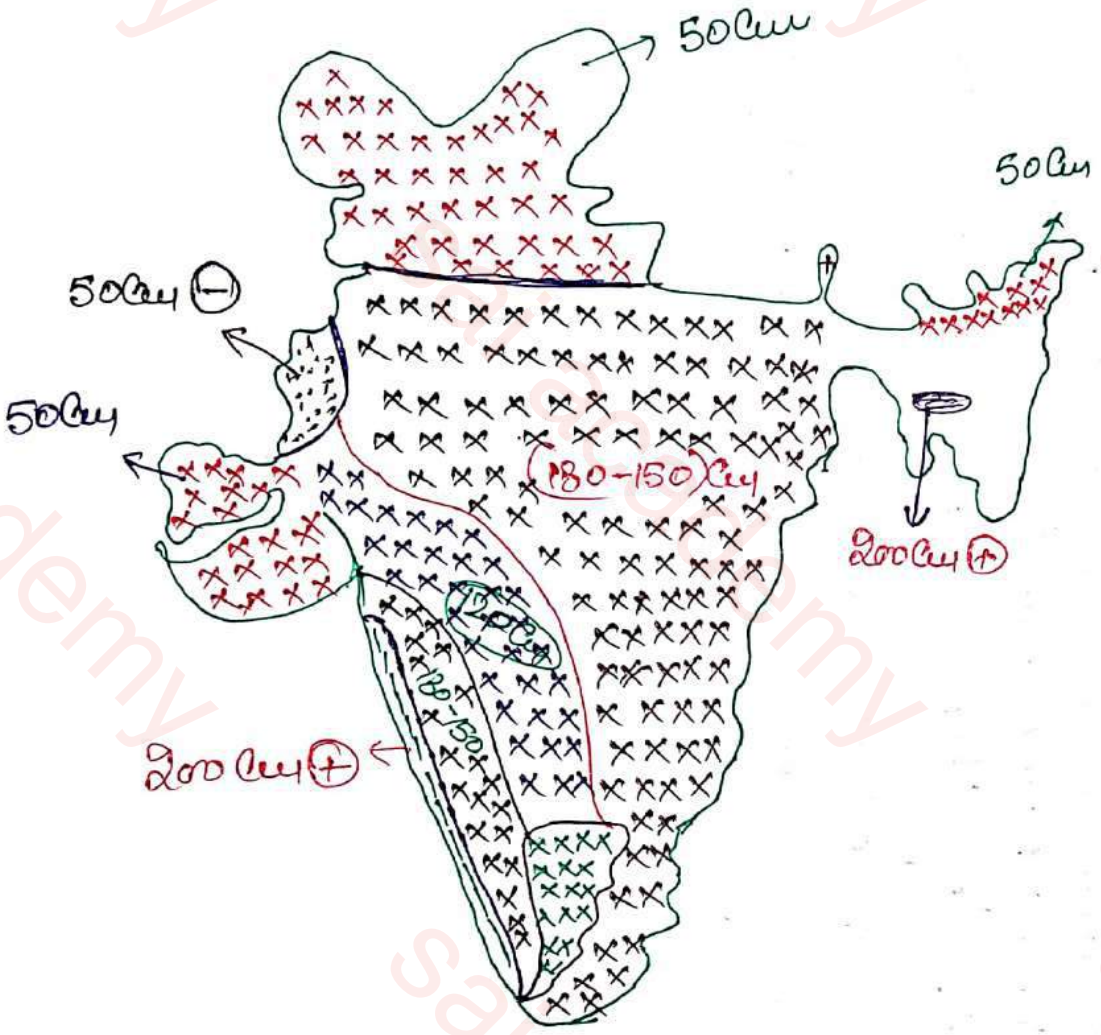


* If Jet Stream is weak then drought occurs



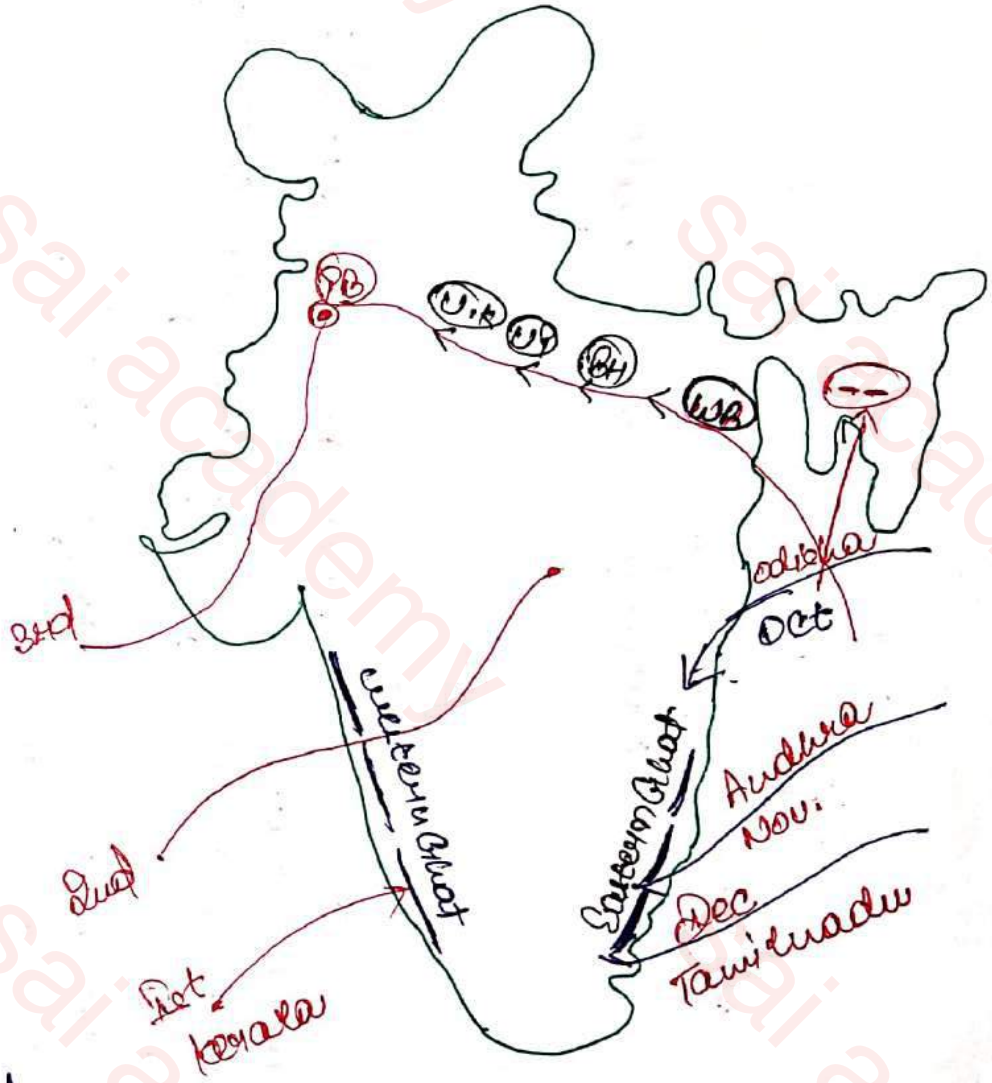
El-nino →
- → warm oceanic current
- → Formed in Coastal area of South America. (June-July)
- → Replace Peru Current.
- → Pacific ocean IOD ⊖ ↓ due to which Drought occurs in India
- → weak Indian monsoon
- → origin → Coast of Peru, in Pacific ocean.

Distribution of Rainfall In India



Rainfall is measured by an Instrument
↓
Raingauge

Arrival Monsoon & Retreat Monsoon



Acidic Rainfall

↓ Reason

SO_2, NO_2

↓

Effect → Fishes die

→ Building's colour fade

Soil

Questions → (1) In India सबसे ज्यादा Rain कहां से होती है?

Arabian Sea

(2) In India where firstly Rainfall occurs?

Kerala

(3) In which month rainfall starts?

1st week of June

(4) In Meghalaya how rainfall occurs?

By Bay of Bengal Monsoon

(5) What type of Indian Climate → Monsoon Climate.

(6) Africa's climate is tropical

(7) El-nino originates in which ocean → Pacific Ocean

Soil → Study of Soil is called Pedology

Def → It is an upper fertile layer of lithosphere in which plants grow up.

Formation →

Soil = Rock Particle + Organic Substance
↓ (+)
More fertility

Formation of Soil is known as Pedogenesis.

→ pH value of Soil → 6–7

(+) Basic in nature ↓ to neutralize add Gypsum

(−) Acidic in nature ↓ To neutralize add lime

Indian Council for Agriculture Research

↓ divides soil in

Indian Soil → 8 type

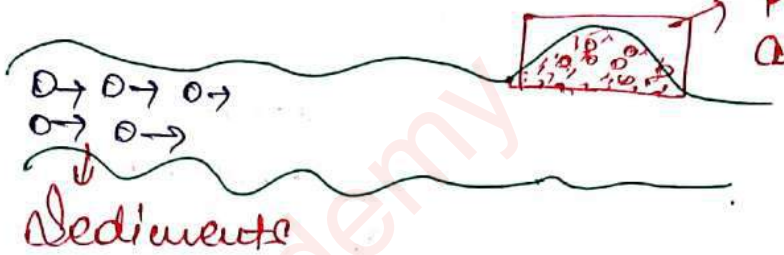
- → Alluvial soil
- → Black soil
- → Red soil
- → Laterite soil
- → Mountainous soil
- → Arid soil
- → Peat soil
- → Saline soil

Class → 17

(A) Alluvial Soil → cover 40-43% area of India

Another name → kachari soil.

Formation → formed by flood / Rivers.



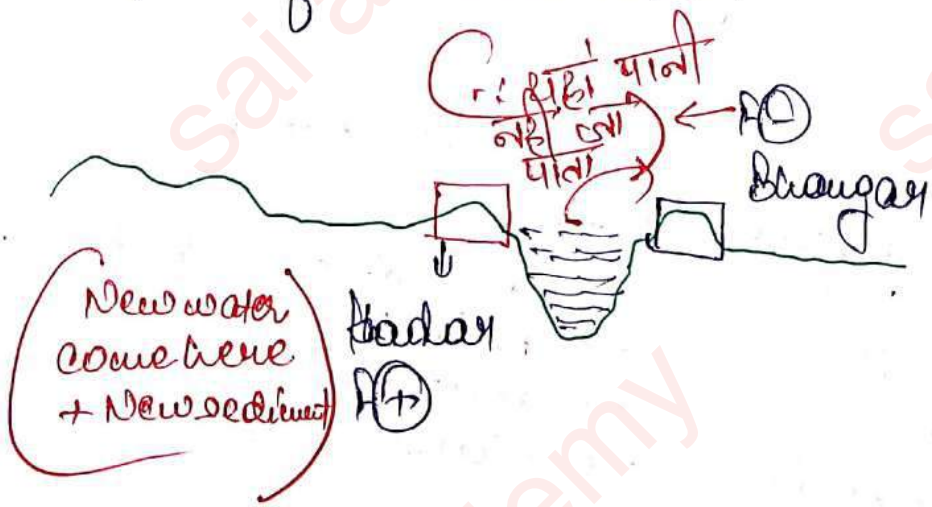
On the basis of fertile area formation this soil is divided into 2 parts.

Khadar
- → New soil
- → Fertility (+)

Bhangar
- → Old soil
- → Fertility (−)
- → Found in High Area.

In Alluvial soil → Potash & Phosphorus
↑ Fertility

Tarai Soil → In it Nitrogen present is more
↳ also part of Alluvial soil.



UP, PB, BH, U.P, W.B, HR, Andhra

→ All crops can be produced in this area of soil. Here Alluvial soil is found

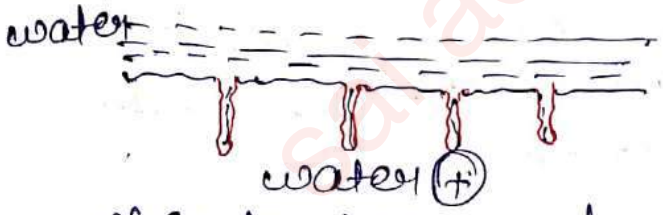
(B) Black Soil

→ Formation → By volcanism

→ volcanism form → Basalt Rock erosion → Black soil.

→ Colour is Black due to Magnetite + Silicate Titeniferous

→ In this soil Pores (+) due to which capilary (+)
↓
water absorption power (+)



when temp (+) ⇒ vapourisation (+)
↓
due to water vapours
↓
Cracks will form
↓
So called Self Ploughing soil

→ other names → Cotton soil
→ Regur (M.P side कहा जाता है)
→ Chernozium (International name)

→ कौन कौन सी फसलें की जाती है → Cotton, Sugarcane, Rice.

→ Area in which Black soil found → Deccan Plateau — Guj — M.P. (Telangana, Kt, MH, Andhra)

(C) Laterite Soil ⇒

→ word formed from word → **later** ↓ means Bricks.

→ It is also called, formed by **Bricks**.

→ Formed by Leaching process or Alluviation

→

(Silica Substance ↓ make soil acidic) Nutrients move downward with water, due to which upper layer become → infertile.

→ This soil will be more basic and less acidic.

→ Found in high Rainfall area.

→ Found → Meghalaya, MH, KT, Kerala, M.P (T(+))

→ Crops which can be ~~found~~ get from this soil → Cashew (काजू), Vegetable, Pasture (झाड़ियां)

(D) Mountaincous Soil ⇒ Found on high elevation areas.

→ On mountains Temp(−) → Ice(+) ↓ so leaching process(×) ← upper layer having silica. ← Acidic soil

Humus → Organic substance + fossils (Vegetation)
Temp.(+) responsible, No movement of soil, forest area(+)

→ imcifiect humus found in this soil.
(जीवाश्म)

→ due to acidic nature all crops cannot be produced.

→ Plantation cropping can be done
↓
crop of Tea / Coffee / Species.

→ found in → J&K - UK - HP - Sikkim - Arunachal Pradesh - Kerala - KT.

(E) ~~Red Soil~~ ⇒ (E) **Arid Soil**
↓
found in those area which receive
Rainfall ≈ 50cm
> 50cm

→ temp (+) ⇒ vaporization (+) ⇒ minerals (+)

(50cm) Rainfall
↓
called Rohiland
Rajasthan area
Crops → Wheat
grams
barley
Mustard

(25cm) Rainfall.
↓
Date
Cactus

Area → Rajasthan
Gujarat
S-W ← HR
PB

(E) ⇒ **Red Soil** ⇒ Found where temp (+), Rainfall (+)

→ Rainfall (++) ⇒ Laterite soil will found
→ Rainfall (+) ⇒ Red soil.

→ Red Colour due to Ferrous oxide
or
Iron oxide

→ when soil become dry → Yellow soil.
→ Less fertile soil.
↓
After using of fertilizers → we can produce Rice, Tobacco, Vegetables, Peanuts.

→ Found → M.P + U.P
MH, Andhra, kt, BH, JH

(G) **Peat Soil** ⇒ Found in Wet Area.
→ water stay - long time
→ humus (+), fertility Normal

→ Most Fertile soil → Alluvial soil.
→ Found in Coastal Areas.
→ Coastal area of Kerala, kt, Tamilnadu, Andhra.
→ Crops → Rice, Sugarcane.

(H) Saline Soil ⇒ having saline nature due to Magnesium + Sodium

Crops → All grains can be produced.

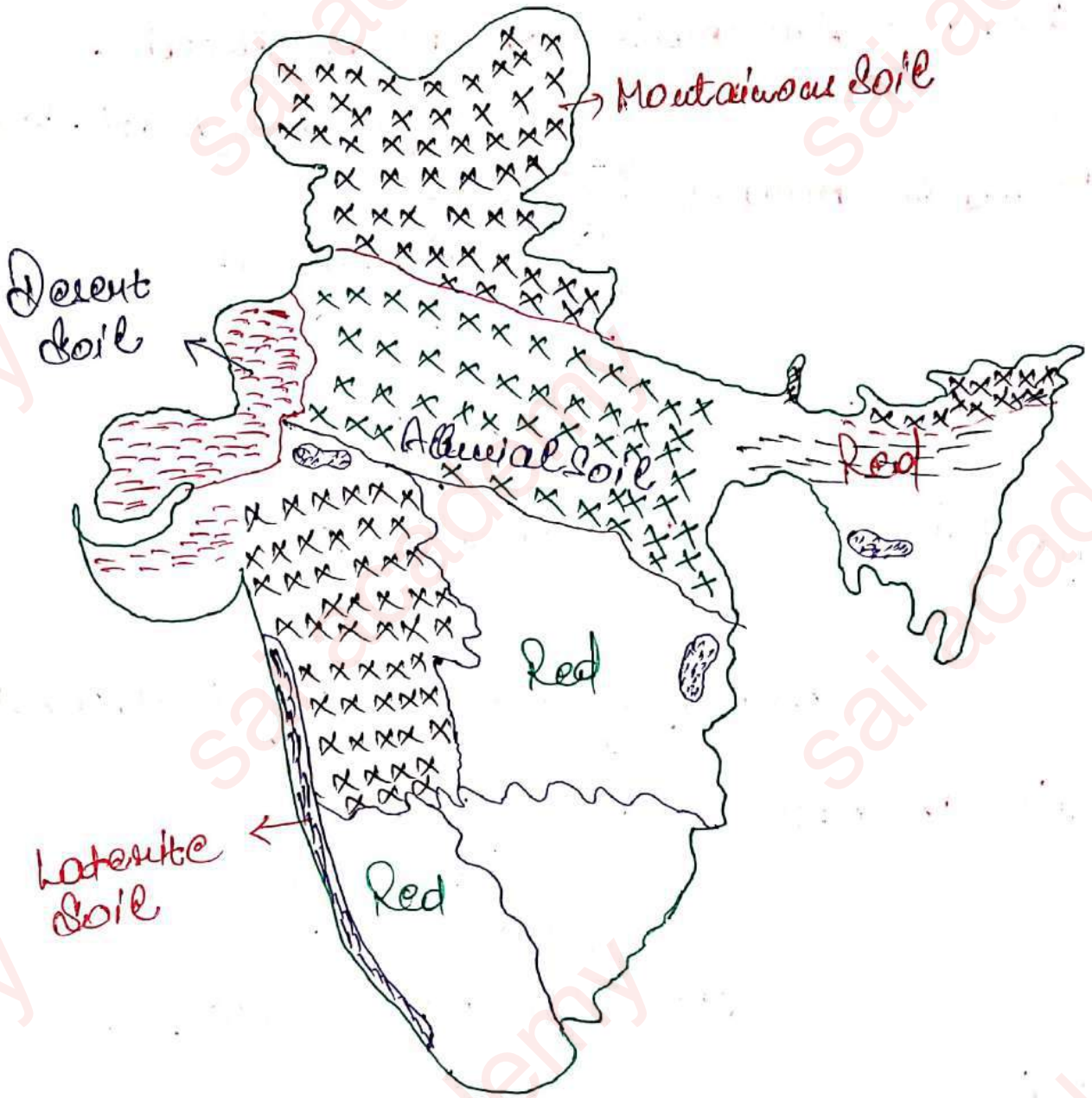
In dry Areas, this soil is known as Reh, khallar.

Found in area → Guj., BH
MP, Chattisgarh
U.P, MH

Note :- (A) Soil health card scheme
↓
Started in 2015 in Sri Ganga Nagar, Rajasthan
under this → checkup of soil i.e → Required Substance

(B) CAZARI → Central Arid Zone Research Institute. (in Rajasthan)
↓ work
Deserted soil's checkup.

(C) CSSR → Central Soil Salinity Research (in Karnal of HR)
↓ Report
UP has → Basic Soil
Guj. has → Saline Soil.


Mountainous soil
Desert soil
Alluvial soil
Red
Red
Red
Laterite soil

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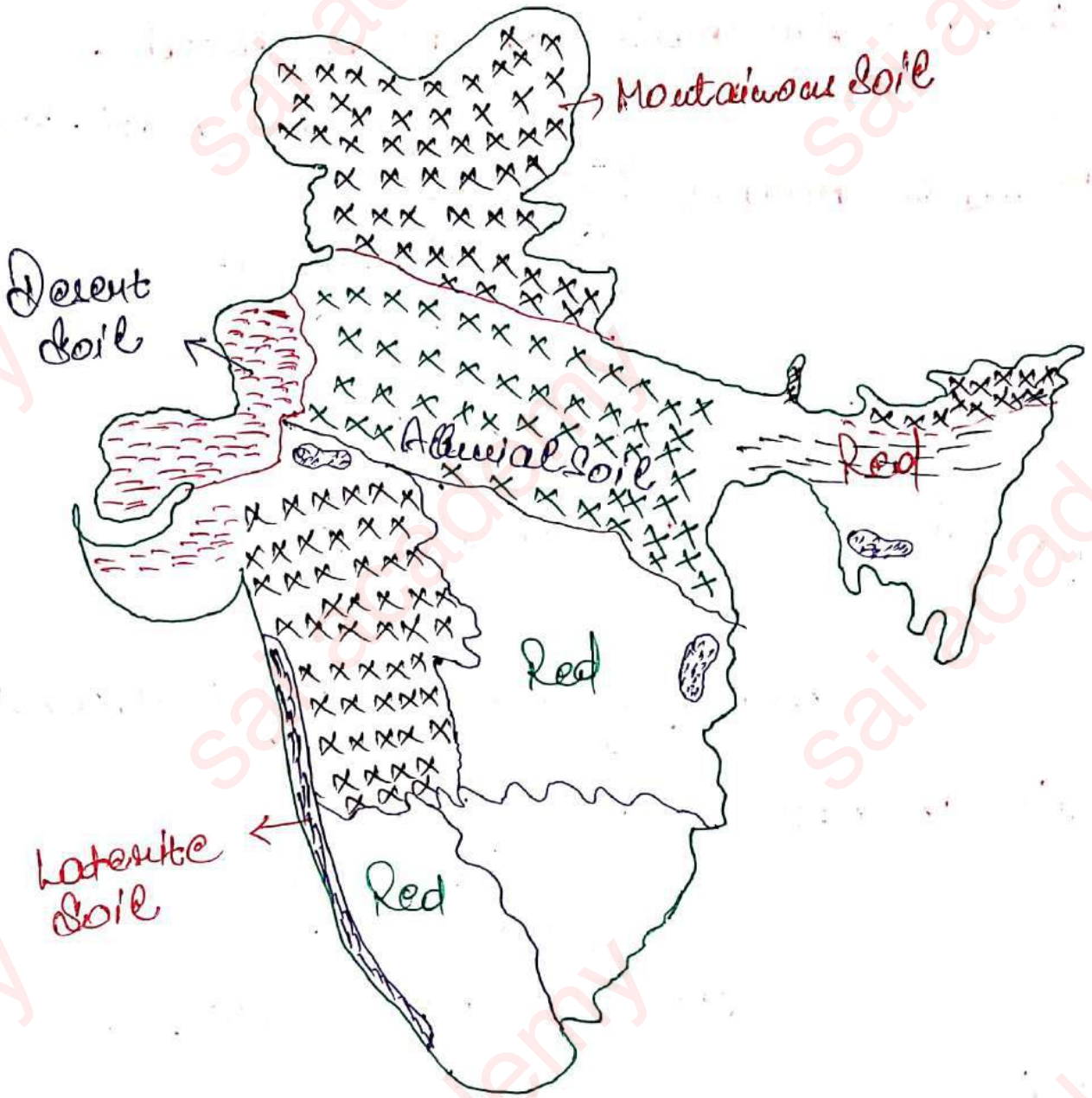

Mountainous soil
Desert soil
Alluvial soil
Red
Red
Red
Laterite soil

Class 18

Agriculture of India

→ India is an Agricultural country,
→ 60-65% ~~do~~ population depend upon agriculture.
→ Production in agriculture field ↓ continously.

Problems → (A) Dependency on Monsoon.

Agriculture
- 56% — depend on Monsoon ↓ which ~~with~~ remains discontinous.
- 44% — Irrigation

(B) Crop cycle disturbance. (Only wheat Rice crops)
(C) Population increases.
(D) Lowest Price of MSP → (Rate announcement by Govt before selling) (Minm Supported Price) ↓ Demotivates farmer
(E) Chemical fertilizers use
(F) Shifting Cultivation (cut for crops)

Crops pattern of India

(A) Rabi Crops :-

Sown → Oct-Nov. Temp → 12-15°C

Harvested → Mar-Apr. Temp → 30-35°C

E.g wheat, Mustard, gram, Pea, Potato, Pulses.

(B) Kharif Crops :-

Sown → June-July

Harvested → Oct-Nov.

E.g Rice, मूंग, उड़द, Jawar, Bajra, Maize, Cotton, Jute

(C) Zaid Crops :-

Sown → March

Harvested → June

E.g Green leaf vegetables, Cucumber, तरबूज, खरबूज etc.

Wheat **Rice** → It is a tropical plant.

→ depend on monsoon totally.

→ It is India's major food crop.

→ Production
- 1st → world → China (1st)
- → India (2nd) → WB, UP, PB, Andra

→ 3 crops of Rice are produced in WB, under one year.

(1) Amaan
(2) Aus
(3) Boro

Wheat ⇒ It is an irrigation crop.

→ Sown in → Oct - Nov.
Harvested → March - April.

→ Production → China (1st)
→ India (UP, PB, MP, HR) (2nd)

Per hectare production of wheat & Rice is most in Punjab.

→ 1964-65 → high drought condition occur.
1965 → Indo - Pak war
↓ so

Production of grains was needed so Green Revolution was implemented in India.

World Green Revolution → word given by William Gaud. Started in 1965 in (Mexico + USA)
↓
Father → Norman E. Borlaug (USA) (died in 2009)
↓ got (1) Nobel prize → (शांति के क्षेत्र में)
(2) Bharat Bhushan Award
(3) Medal of freedom

(By USA)

After his death USA started to give Borlaug Prize from 2009 in field on Agriculture.

Indian Green Revolution → Started in (1966-67)
Father → M.S Swaminathan
How started ??

Mexico से Mexican wheat लाया गया
↓ Two varities तैयार की गई
Kalyansona Sonalika
↓
applied only in UP, PB, HB
↓
on 40% of land.
→ It remain successful.

Drawback → Firstly the fertility in all the states ↑ due to first time use of Chemical fertilizers but now ↓.

Maize (Corn) → It is type of kharif crops.
→ Production → world → USA
→ India → (kt)

→ Methanol is made from corn.
↓
Biofuel
→ To apply it India started a program
Methanol Economy
↓
Methanol will be used as Biofuel.

Coffee → It is a plantation crop.
Production → world → Brazil
→ India → (kt)

** In Brazil plantation of coffee is called Fajenda.

Variety of coffee in India

Robusta Arabica

19

Cotton → Birth place - India
↳ used in formation of clothes.

Production
- 1st → China
- 2nd → India
  - Maharashtra (max^m production)
  - Gujarat

↓

Here cotton is called White Gold

Rubber → found as milk in plant.

Production
- Thailand (in world)
- In India
  - Kerala
  - Tamil Nadu

Sugarcane → One year crop

↓

Sugar is made from it.

Temp. → 21°-27°C (for production)

Production
- Brazil
- In India (UP, MH)

Bajra → Come in food crops

→ Born in Sandy Soil

Production < Nigeria (in Africa)
< In India → Rajasthan - UP - Guj - HR.

Pulses → come in food crops

Producer + consumer → India (M.P)

Demand of Pulses in India more so they are imported

Tea crops → water loving plant.

↳ होती in Slope areas.

Production < China
< (In India) → Assam, Kerala, Kt., WB (55%)

Major Crops

(A) **Food Crops** → Produce only for food.

E.g wheat, Rice, corn, Bajra.

(B) **Cash Crops** → Produce for money.

E.g cotton, Peanuts, Jute, Tobacco, Potato.

(C) **Plantation crops** → Flowers, Tea, coffee, Fruits.

(D) Stimulated Crops → All smoking crops.

Opium, Tobacco, गांजा, चरस, Bhang.

(E) Oilseeds Crops → give us oil.

Ex → Mustard, Sunflower, Peanuts

→ सरसों, मूंगफली।

(F) Legimous Crops → All pulses come in it.

Note → ** 1. 1st Indian Agriculture university

Opened in 17 Nov. 1960 in U.P but at present located in Pant Nagar of U.K.

Name → ** Govind ballabh Pant Agriculture university

or

Pant Nagar University

1st Five year Plan → Objective

↓

Increase Production in Agriculture

Shifting Cultivation → as a contract based type

Jhum

Plain Areas

Mountains also called Pondu

झूमिंग Cultivation → Assam

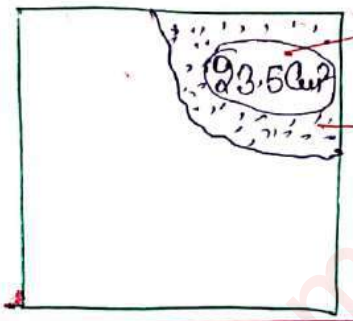
Dahiya called in M.P

Vegetation of India

Vegetation / Forest → Group of plants, which is not effected by human directly or indirectly. Divided in subtypes

- **Actual Area** → 21.54% **
  - Area which covered by canopy of plants
- **Forest Area** → 23.54% **
  - Total register area in forest department

Indian Forest Research centre → Head office in Dehradun



→ Actual Area

→ Forest Area

Advantages of Vegetation

(A) Source of
- → Ayurvedic Medicines e.g. → Hamdard Company, → Dhanvantari Company
- → Wooden fuel
- → Income

(B) Helpful in Rainfall

vaporization

water $\xrightarrow{T(+)}$ Vapour

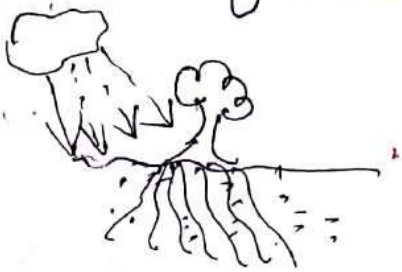
Temp (−) condensation

↓

cold forms → Rain occurs

Helpful in Rainfall → Plants do transpiration
↓
increase amount of water vapours.

(c) **Control of Soil Erosion**



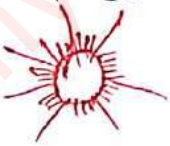
Roots bound the soil → due to which soil erosion not occurs.

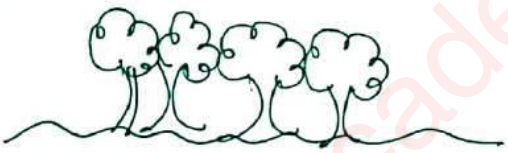
(d) Furniture wood

(e) Plants → absorb CO_2

Types of Forest

(A) **Tropical Evergreen Forest** →
Where area temp. (+), Rainfall high
Plant density ⇒ very high





Evergreen

Surface → Wet area
↓ so
Bacteria, virus (+)
↓ so
Grasslands are very less or not

Example ⇒ Rubber, Rosewood, Ebony, Mahogy, Cinchona.

Area where these are found → Western Ghat, East part of Himalyan Region, Meghalaya, Andaman & Nicobar, Lakshadweep.

Animals found → Elephant, Monkey, Deer, One horn Rhino.

(B) **Deciduous Forest** → Loose its leaves in Spring Season. Also called Monsoon Forest (widely spread in India)

Deciduous wet Forest

→ Rainfall → 150-180 cm
→ temprature high
→ Plant density low
→ Bacteria (x), Grassland
→ found in Assam, Eastern Ghat, JK, MP, CH, West slope of western Ghat.
→ E.g. Sal, Shagun, Sandlewood, Shesham, Ayium.

Deciduous Dry forest

→ Rainfall ⇒ 70-100 cm
→ temp ⇒ normal
→ found on peninsula Plateau Region.
→ E.g Sal, Shisham, Neem, पीपल, Mango.

20

(C) **Arid Forest** → found in low Rainfall area
→ Rainfall → 50 cm से कम
→ Leafs of plants will be pointed
→ E.g Babool, Pasture, Cactus,
Area → Raj - Guj. → Sw < HR, PB

Animals found → Red Panda, Snow Leopard, Spoted deer.

Some Main Points →

* In MP vegetation widely spread. [M.P > Ar.P > CH]
* On percentage of area → Mizoram (88-90)%
* Vanmahotsava → started by K.M Munshi (1950-51) — Celebrated in First week of July
  Objective (Vegetation को बढ़ावा देना)
  MZ > Lakshadweep > Andaman Nicobar
* Indian Forest Research centre is situated in Dehradun.
* 1st Indian Forest Policy come in 1894 for the conservation of Vegetation & wild animal.
* 1952 → It was Revised
* 1988 → Again Revised (Applicable Presently)
* 10th Five Year Plan → target 33% area will be covered by vegetation.
* Forest Productivity centre is at Ranchi
* Wood Science & Technology centre at Bangalore.
* In world Vegetation more at Brazil.
* Least Vegetation at → PB 3%, HR 3%

297 → HR 2.99%, PB 2.85%

(D) **Tidal Forest** → Found in Coastal and wet areas.

→ Always stay in water.
→ Water can't spoiled wood of these plant.
→ used in formation of Boat.
→ Helpful in control of soil erosion.
→ They are also called Mangroove Forest.

Plant ⇒ come / here Sundar Plant, Kajuteen

Found in West Bengal, Meghalaya, Kerala

Odisha
Tamilnadu
KT
} → Coastal Area

(E) **Mountainous Forest** → Found on high elevation areas.

→ temp ⊖ ⇒ wood soft.

upto 0-1500 mt → Evergreen forests are found there.

1500-3500 mt → Coniferous forest → Shape → Conic

→ E.g Deodar, Pine, Silver Pine

3500-4800 mt → Alpine grass

4800 mt → No Vegetation found.

Area → J&K, UK, HP, Sikkim, AP, KT, TL, Kerala.

Animals found → Red Panda, Snow Leopard, Spoted deer.

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21 Lakes of India

↓

Source of water.

Advantages

(1) Some lakes water used in drinking.

water → Fresh water, Saline water.

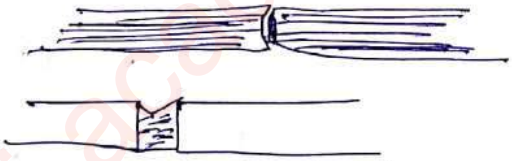
(2) Saline water source of → Production of Salt.

(3) Tourism

(4) Some lakes are ~~source of water~~ origin of Rivers.

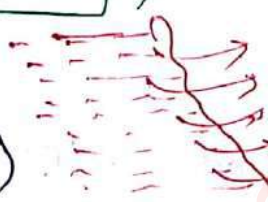
Types of Lakes

(1) **Tectonic Lake** → formation occurs by Plate Tectonic event



E.g Gangabal, Mamabal.

(2) **Lagoon Lake** →



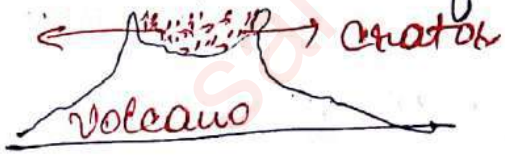
Backward motion of oceanic water ↓ water entered in land area

E.g Chilika (Odisha)
Vembanad (Kerala)
Pulicat (Andra Pradesh)

(C) Crater Lake →

Mouth of Volcano

→ First of all Volcanism occurs → Crater formed

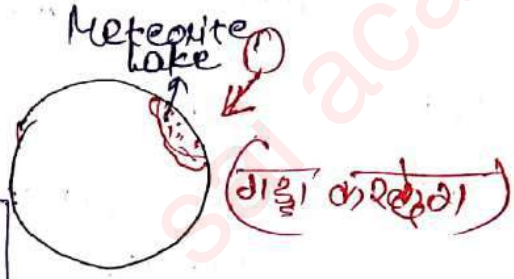


→ Rarely present in India.

(D) Meteorites Lake →

Meteorites are → Asteroid Particles
↓
That fall down on earth

E.g Lunar lake - MH



In India → Artificial lakes are more.

(1) Chilika Lake → Largest lake of India acc. to Area.

→ Located in Odisha.

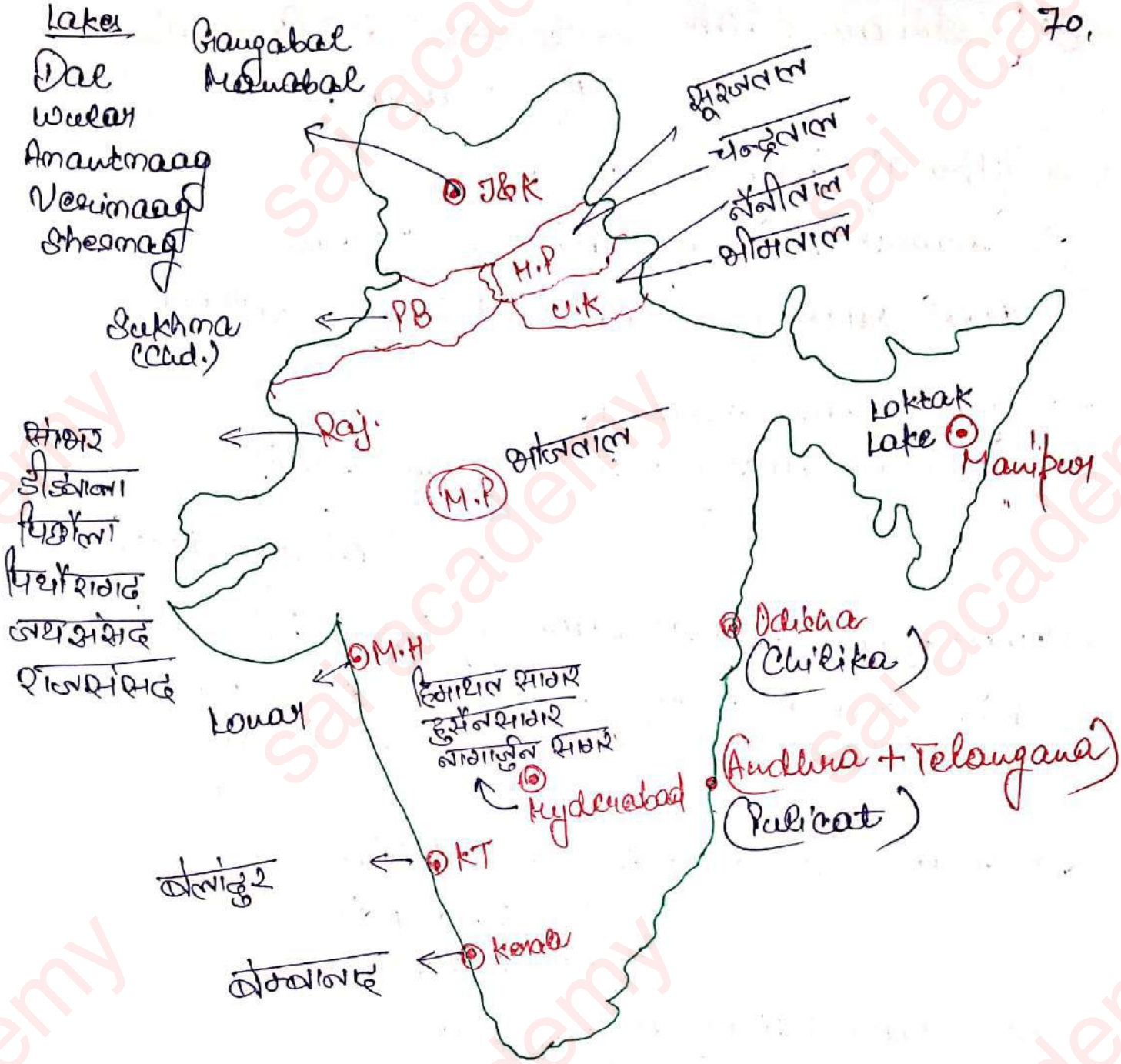
→ Type of Lagoon lake → Saline water or Brakish water

→ 1st → Ramsar wetland of India 1981
↓
City of Iran

(2) Sambhar Lake → Located in Rajasthan.

→ High Saline water lake of India.
94% salt of India
90% salt of Rajasthan] → Produced from this lake.

Nearest Distts. → Jaipur, Nagaur.



(3) **Wular Lake** → Located in Jammu & Kashmir.
→ fresh water lake of India.
→ Jehlum river passes through Wular lake.

(4) **Pulicat** → At border of Andhra + Tamil Nadu.
2nd high saline water lake.

(5) **Vembanad Lake** → Located in Coastal area of Kerala.

→ Type of Lagoon Lake
→ Longest Lake of India → 96 km
→ Boat Race is conducted in it called Nehru Trophy
→ Wallingdon Island.

(6) **Loktak Lake** → Located in Manipur (in Mairang Distt.)

→ Only fresh water lake of NE India.
→ Here there is a floating National Park called Keibul Lamjao.

→ water utilised in → drinking
→ Irrigation
→ ~~मछली पालन~~

→ Phumdiks are found
low it
vegetation is found

(7) Lake of Uttarakhand are famous for tourism. → Naini, Bheemtal

Artificial Lakes are → Rajsamand, Jaysamand] Rajasthan
Himayat Sagar, Hussain Sagar] Hyderabad

Largest Artificial Lake in U.P's Sambhadra Distt.
↓
Govind Ballabh Pant

World's Note → world's largest lake → Caspian Sea (in Russia) located (in Asia)
→ Fresh water lake → Superior lake (in USA + Canada)
→ Saline water lake → Wan lake of turkey.
→ world's highest navigated lake → Titicaca lake (in South America)
(जहां नाव आसानी से चलती है)
→ world's deepest lake → ~~Matt~~ Baikal (in Russia)
→ India's highest lake → Cho lehamu (in Sikkim)
→ India's deepest lake → Manabal (in J&K)
→ world's longest lake → Tangynika Lake (East Africa)

Minerals of India

→ India is Rich country in minerals.

→ Cuddapah Rock
Dharwar Rock
Gondwana Rock
} → Due to which almost all type of minerals found in India.

Copper → 1st Metal of human civilization

→ Extraction from → ores of Igneous & Metamorphic Rock.

→ Used in formation of wire. (∵ good conductor of electricity).

→ Production → In India → Total → M.P
Best Quality → Rajasthan
→ In world → Chili

called copper capital of world ← Chuquicamata Plateau in Chili

Diamond → Purest form of Carbon.

→ hardest non-metal

→ Used in Jewellery & cutting of glass

Production → In India → Panna Mine (M.P)
→ In World. → Russia

Kohinoor Diamond Extracted from Golkonda Mine (in Hyderabad).

Most Reserve of Diamond in → Kimberley (South Africa)
called Diamond City.

Biggest Market of Diamond is Antwarp (In Belgium)
called Diamond Capital of the world.

Gold → Extract from Igneous Rock.
→ Precious metal
→ Conductor of Electricity.

Production in India → Kolar, Hatti mines (in Kt)
↓
M.P → Rajasthan.

→ In world → China

More Reserve in → Johansberg, South Africa
↓
called Golden city of the world.

Silver → Extracted with lead.
→ Used in Jewellery.
→ Production → In India → Rajasthan
→ In world → Mexico

Gypsum → Obtained from Sedimentary Rocks.
→ Used in formation of POP
→ Neutralize – Basic soil.
→ Production → In India → Raj. → J&K → Guj.
→ In world → China

Mica → Obtained from Sedimentary Rocks.
→ used in formation of insulator.
→ used in making Mica sheets.
→ Production → In world → China
India's Rank is 7th
Andhra → Raj. → Odisha

Tin → Used in formation of Metalic sheet.
→ In formation of Boxes
→ Production → In India → Only Chattisgarh (Bastar)
→ China → 1st
India import

** # Coal → Made up of Fossils (remnants of living) + Vegetation → Organic substance

↓ formation takes Million Billion years.

↓ Solidification occurs with time ↓ Coal forms.

↓ Decay starts. ⇒ form organic substance.

→ Age of Coal (+) → Carbon amount (+) ⇓ Energy (+)

On the basis of Carbon amount Coal is of 4 types →

(A) Peat (45-55%) Coal Front (C) Bituminous (65-75)%

(B) Lignite (55-65%) (D) Anthracyte (85-90%) Cold from all

→ Most Energetic coal → Anthracyte

→ Peat called Primary coal/Brown Coal

Production → In India → ① JH → ② Odisha → ③ CH

→ In world → China

→ Bituminous coal largely found in India.

→ Lignite → in Tamilnadu Nawali

→ Anthracyte → India has limited reserve
↳ (found in Chenab River Valley) (in J&K)

→ India import coal.

→ Burning of coal produces Nitrogen & Sulphur gas.

→ **Mining of Coal**

(A) In Jharkhand → Jharia Mine
In Chattisgarh → Corba Mine } →

↓

from protecting poisonous gases Govt. formed a fund → District Mining fund (DMF)

↓

If any private company takes its tender then it has to deposit 10% of it in DMF which will be used in the treatment of effected community.

(B) Rat Hole Mining → Ban in 2019.
In Meghalaya in Jayanti'a Hill's East Rat hole mining situated.

in which silica amount is more due to which polluted coal is found here.

→ Due to silica blast treatening always possible.

→ So banned by Govt. Here illegally production occurs.

(famous for it)

→ flying coal occur which is called flying ash.

Use of carbon → for making bullet proof Jacket.

→ for making water proof clothes.

→ for making paint

→ as a fuel also used.

Petroleum → Petroleum are Hydrocarbon.

30% Natural gas 70% Oil

Petrol, Diesel → obtained after Purification

co-products (as wastage former)
↓
LPG Gas
Pate Coke
wax

* Major component of Natural gas → Methane gas (CH_4)

CH_4 also called Marsh Gas because found on dirty areas.

Clathrates → CH_4 which found in depth of 2km in ocean.

Petroleum Extraction →

In Gujarat from → Ankleshwar
Kalol
Khambat

In Assam → Digboi
Suruma valley
Nahorkatia

In Maharastra → Main area here is Mumbai High
↓
176km away from Mumbai in Arabian Sea.
↓
Largest part, from 1976 Extraction started here.

D-6 Block → Located in Bay of Block.
↓
RIL (Reliance industry Limited) doing Extraction here.

→ 1st Effort in → 1867 → in Maparn of Assam.

Proper Extraction occurs in 1889 from Digboi of Assam.

↓

oldest Place of India

Pet Cock → co-product formed by Purification of petroleum.

- → used as a substituent of coal.
- → Efficiency → high.
- → Cost → low
- → Pollution → (+)
- → Replaced by 'Methanol' Biofuel.

↓

Produced by Sugar cane then used as fuel, as a petrol

i.e Methanol Economy is preferable.

Oil Refinary of India

→ 1st Refinary was established in Digboi of Assam in 1893

↓

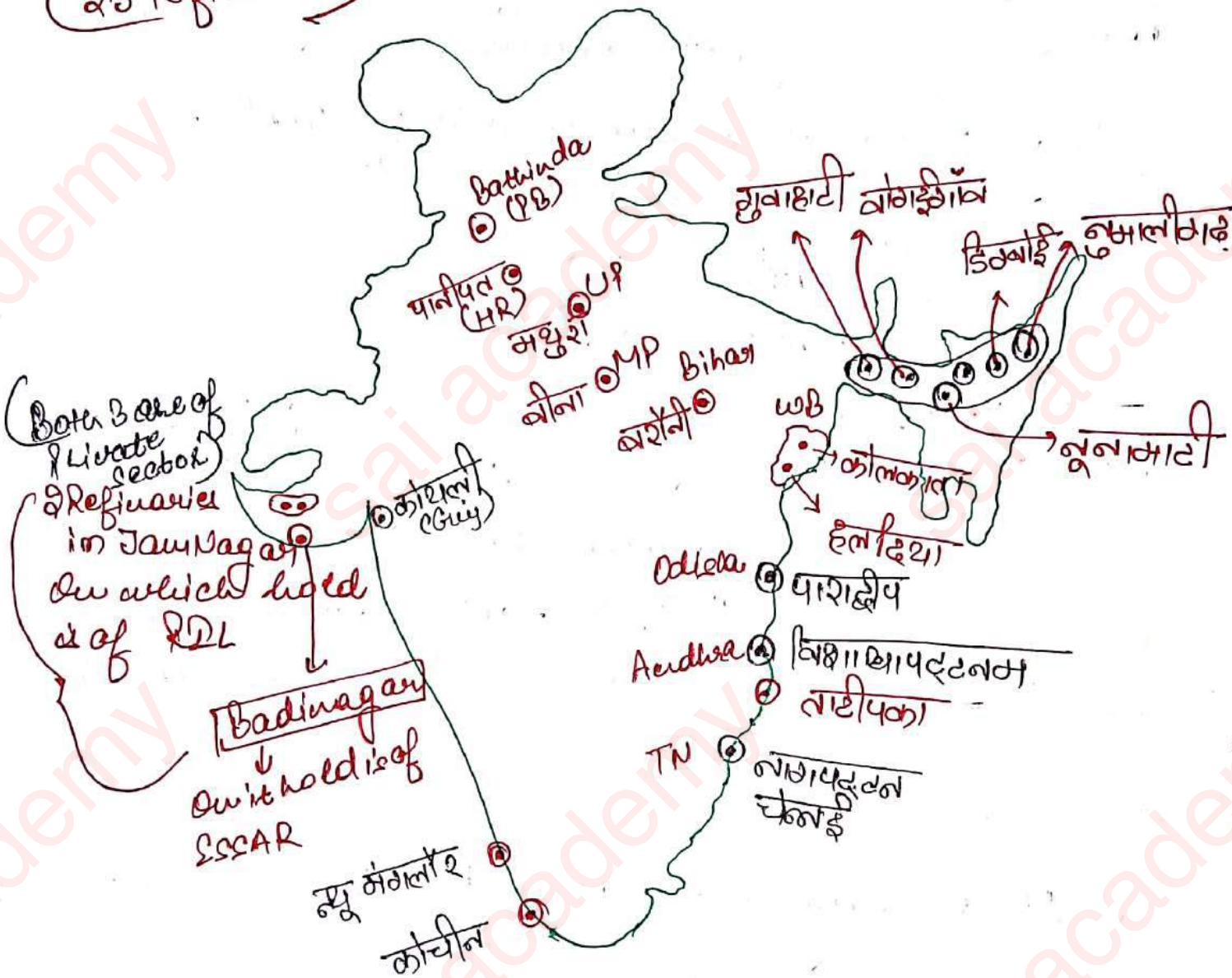
came in making in 1901.

→ Total Refinaries in India → 23

- 18 Refinary of Public sector
- 3 of Private sector
- 2 are coperative (Public Private both work)

→ Largest → Jamnagar, Gujarat.
→ Last → Paradeep, 2012 (in Odisha)

(23 Refinaries)



ONGC → Oil & Natural gas corporation
↓ work
discovering new places of Petroleum
↓
Pawanhans helicopter limited
↓
Provide helicopter to ONGC

→ More Petroleum found in → ~~[illegible]~~
(High Reserves) → वेनेजुएला
(Benizuela)

→ Head office of ONGC in → New Delhi
(in Vasant Kunj)

→ Biggest Refinary → Jamnagar (Gujarat)

23

Transport of India

Transport → is a process in which any object change its position.

↓

Transport → developed by Britishers :

Railway → 1st Railway line was started in 1853 from Mumbai to Thane } → 34km

→ It runs by coal.

→ In Feb 1925, 1st electric Railway line was started from Mumbai to Harbour } → 16km

→ In our India till now Electrilization Occured is 49%.

Railway Line

On the basis of width

(A) Narrow Gauge → Small line
→ 0.762 mt
→ found in Hilly Area

(B) Meter Gauge → 1 Meter
→ In whole India run

(C) Broad Gauge → 1.676 mt
→ Large line.

In 2012 → Uni-Gauge programme was started
↓ Objective
Meter Gauge converted into Broad Gauge.

→ India's longest line → Dibrugarh ↓to Kanyakumari 4234 km

→ World's longest line → Trans Sibberian line ↓ Bladivostak to Petersberg. 9289 km

Railway Junction

↓
A point at which no. of lines are joint

India's Largest → Mathura Junction
World's Largest → Chicago Junction

→ India's largest Railway station → हावड़ा Howda

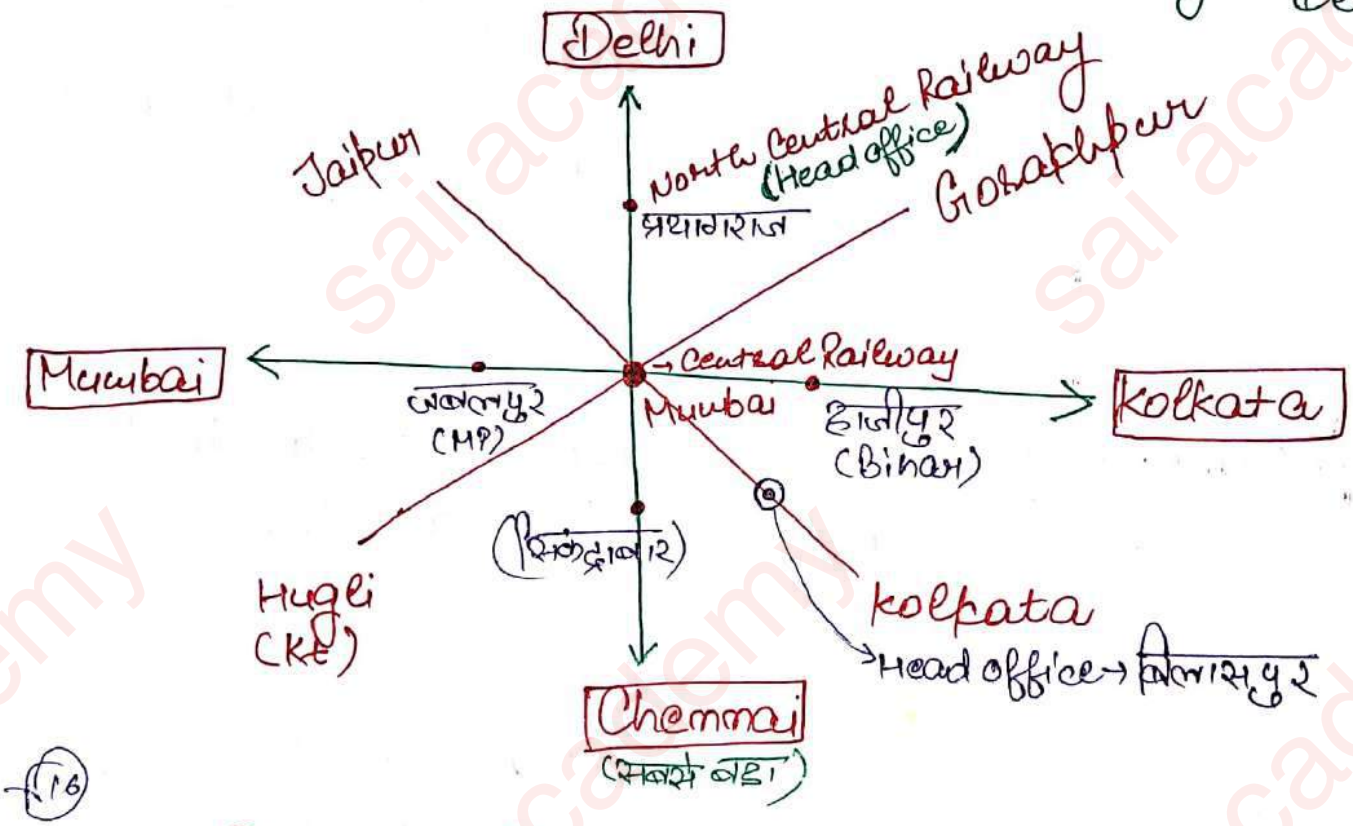
→ World's largest Railway station → Grand Terminal (Newyork)

Railway Zone

1st Railway zone formed in 1950-51

Total Railway zones → 18

North Railway → Head office Delhi



(16)

N.E → Frontier Railway → Head office
↓
One at Guwahati
One at Kolkata Metro

(17) East Coastal Railway → Bhubneshwar (Head office)

(18) Southern Coast (New Railway zone) → Vishakhapatnam

→ Largest Railway zone → ~~Chennai~~ North Railway

→ Oldest → Chennai

→ Longest distance travelled train of India

→ Vivek Express (Dibrugarh - Kanyakumari)

→ High Speed Train → Vande Bharat

↳ Delhi → Varanasi ↓

It replaced train-18

↓

old name

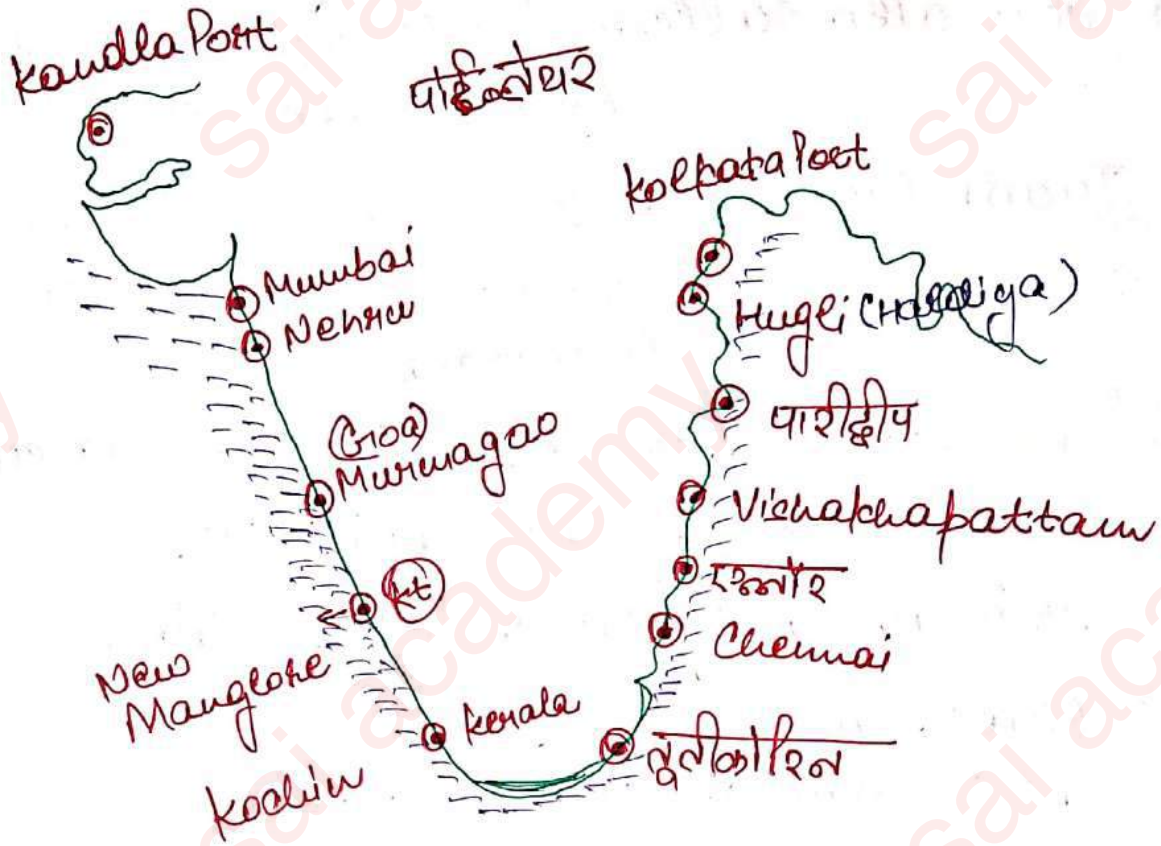
Speed → 180 km/hr.

Sea Port of India

Sea Port → Coastal Area which conduct water trade and travels.

- Artificial seaport
- Natural Seaport

Zone (18) divided into Division (68)



(A) **Kandla Port** → It is located in Gujarat

→ It was developed after partition of India.

→ West Countries trade was done from Karachi Port

↳ (but gone to Pakistan)

↓ So इसका Substitute तैयार करना था।

So Kandla Port formed.

New Name → Deendayal Port

Trade done of Petroleum, Electronics, Crude oil, Cotton.

(B) **Mumbai Port** → It is largest port of India

→ It is also called Gateway of Indian Agriculture Market.

→ Trade occurs of → Cotton, Automobiles, Petroleum, Electronics, Fertilizers.

→ Nehru Port was established to decrease work load of Mumbai port.

→ It is an artificial Port of India.

→ Other name → Nehavasheva Port

→ It is computerised port.

(C) **Murmagao Port** → Located on the bank of Mandovi River.

→ Only Major Port of ~~In~~ Goa.

→ Trade → Fish, Fertilizer, Iron Ore, पान के पत्ते।

(D) **New Mangalore Port** → Located in Karnataka

→ Trade → Kudremukh hill

↓ from

Iron Extracted Ore

↓ ~~Import~~ to Export

Japan.

(E) **Kochin Port** → Located on Wallingdon Island in Kerala.

Trade → Fish, coconut, leather product, spices.

Dahej Port in → Gujarat

(F) Kolkata Port → 2nd largest Natural Port of India.

→ Located on the bank of Hooghley River in West Bengal. (Here problem of silt)

→ Trade → Cotton, Jute, Cement, Fertilizers, Chemicals.

(G) Hughli Port (Haldiya Port) → Established to reduce the work load of Kolkata Port.

24

(H) Paradeep Port → Located in Odisha (Biggest Exporter of Iron ore.)

→ Natural Port, at harbour - artificial.

(I) Vishapapatnam → Located in Andhra.

→ Deepest port of India.

Trade → Fertilizers, Tobacco, Rice, leather.

(J) Chennai Port → located in Tamil Nadu.

→ It conduct trade with Sri-Lanka.

→ Ennore port conducted by private company. (used as substituent of Chennai Port)

Trade → Cement, fishes, Engineering product.

(k) **Tuticorin Port** → Located in Tamilnadu.

→ Conduct trade with Sri Lanka.

→ It's name has been changed
↓
Chidambaranar Port

→ It provide weekly container service to U.S.

National Highways

→ N.H - conducted by **NHAI** under central Govt.
↓
National Highway Authority of India
↓ Head office
New Delhi.

→ Border line N.H are formed by
↓
Border Road Organisation.

→ Longest N.H → **NH44** Srinagar to Kanyakumari (3745 km)

→ Shortest N.H →

From Notes

Census

↓

Counting of people in a certain area is called Census.

→ Ist ~~Sam~~ Census conducted in → 1872 ↓ by Lord Mayo

→ Decadal Census conducted in → 1881 ↓ by Lord Rippon.

→ Census is conducted by → Home ministry ↓ appoints Census commissioner

1st Census commissioner → Loudin

Last " " (2011) → Chandramoli (चन्द्रमौली)

Census of 2011 → Acc. to total → 15th Census. of Independ India → 7th Census.

Slogan → Our Census our future.

Logo → A lady teacher with laptop.

Total Population → 121 Cr.

सबसे ज्यादा Population → U.P

" " कम → Sikkim

Population Density → No. of people live in 1 km² area.

Density → No. of Person/km²

Max^m → Bihar → (1106)

Min^m → Arunachal Pradesh → (17)

Population Density of India → 382

Literacy of India → 74% (Avg.)

→ Max^m Literacy Rate → Kerala.

→ Min^m " " → Bihar

→ Male Literacy Rate → 82%

→ Female " " → 64%

Difference is due to Rajasthan

In U.Ts → Max^m → Lakshadweep

→ Min^m → Dadra Nagar Haveli

Sex Ratio → 943/1000 (of India)

Counted as → (Female / 1000 male)

→ Max^m → Kerala (1084)

→ Min^m → Haryana (878) (Currently 900+)

(Acc. to 2011)

→ Max^m population growth but literacy rate down is of Muslim religion

→ Max^m literacy is of Islam Religion

(ईसाई धर्म)

Tribes of India

** 8.6 % of the population acc. to census of 2011.

→ **Gond tribes** → widely spread in India (सबसे बड़ी)

* found near Satpura and Vindhya Range.
* M.P > CH > MH Gond tribes are found.
* Main work of this tribe is → Agriculture + Fishing + Animal Husbandry
* Men wear → Dhoti
  Women wear → Saree.
* They eat meat
* Height → Short, Hair → Straight,
* Snub nose (चपटी नाक)
** Colour → dark skin
* Rice lovers.

→ **Bhil tribes** → Tamil word → 'Villu' ↓ means 'Bow' / (धनुष)

→ They are also known as 'Bowman'
→ used bamboo for bow
→ 39% population of Rajasthan is under Bhil
→ Brave fighter.
→ Eklabya → Bhil.

* Shabri → Bhil
  ↳ offered Ber to lord Ram during search of Sita.
* They also speak Truth.
* Dance → Ghoomar.
→ Famous for Sculpture (मूर्तिकार)
* Wine consumers
* Low Economic Conditions.
* 2nd largest tribe in India.

→ **Santhal** → 3rd largest tribe of India.
→ Found near Rajmahal hill & Chota nagpur plateau.
→ area → where they are found Jharkhand, west bengal, Odisha, Bihar.
→ Protest against Permanent fighters.
→ Brave fighters.
→ needs fulfill by Plant Forest.
→ Form Basket + Mat to sell.
→ Main work → Agriculture.
→ Dance lover.
→ Celebrate Karam Festival → to increase wealth.

→ **Khasi** → Came from Mayanmar and stay in plains of Meghalya & Assam & Arunachal.

→ Northeast tribe of India

→ Female is preferred firstly
↓
i.e Property transfer from mother to youngest daughter.

→ They use butter Instead of Dairy Milk as Sweet for gifting.

→ Agriculture → Shifting Cultivation.

→ **Tharu Tribe** → found in Tarai Region of U.K & U.P
→ (सबसे जनसंख्या tribe found here)

* Main work Agriculture → Permanent.
* Max^m Rice production they do.
* They celebrate Diwali as a sorrow.
* Worship of Ravan they do.

→ **Naga Tribes** → found in Nagaland, Manipur, Arunach Pradesh.

→ Came from Mayanmar.

→ **Toda Tribes** → Lives on Nilgiri Mountain.

* They consider themselve as the ~~वंश~~ of Arya.
* Do shifting cultivation.
* Through stones from upward to downward (for rainfall).

→ **Bhutia Tribe** → Came from Bhutan and lives in Sikkim.

→ **Munda Tribes** → found near Chhota Nagpur plateau.

[*** → Make One page Note]

GROWTH OF CONSTITUTION UNDER THE COMPANY RULE [1773 - 1858]

⇒ The Regulating Act, 1773 :-

→ Features -

- Designated Governor of Bengal as Governor - General of Bengal. First Governor - General was Lord Warren Hastings. ***
- Made Governor of Bombay & Madras presidencies sub-ordinate to Governor - General of Bengal.
- Provided for establishment of SC at Calcutta (1774) comprising one Chief Justice & three other Judges.
- Prohibited company servants from engaging in any private trade.
- Created the Executive Council of four members to assist Governor-General of Bengal.

⇒ Pitt India Act, 1784 :-

→ To rectify the defects of the Regulating Act, 1773, British Parliament passed the Amending Act, 1781, also known as Act of Settlement.

→ Features (Pitt Act):

- Distinguised b/w commercial & political functions of the Company.
- It allowed the Court of Directors to manage the commercial affairs but created new body called Board of Control to manage political affairs. Thus, established a system of double government.

→ Significance -

- Company's territories in India were called "British possessions in India."
- British Govt. was given the supreme control over Company's affairs & its administration in India.

⇒ Charter Act, 1833 :-

→ Final step towards centralisation in British India.

→ Features :

- Made Governor General of Bengal as Governor General of India.

*** William Bantick was first Governor General of India.

- Deprive the Governor of Bombay & Madras & Governor General of India was given exclusive legislative powers for the entire British India.
- It ended the activities of East India Company as a commercial body, which became a purely administrative body.
- Attempt to introduce open system competition for selection of civil servants.

⇒ Charter Act, 1853 :-

→ Features :

- Introduce an open competition system of selection & recruitment of civil servants. [Macauley Committee in 1854]
- It first time seperated the legislative & executive functions of the Governor General's council.
- It provided for addition of six new members called legislative Councillors to the council.
- It introduce first time, local representation in Indian (Central) legislative council. (out of 6 members 4 were appointed by local (provincial) government of Madras, Bombay, Bengal & Agra.

The CROWN RULE
[1858 - 1947]

⇒ Government of India Act, 1858 :-

→ Also known as 'Act for the Good Goverment of India.'

→ Abolished the East India Co., and transfered the power of Govt., territories & revenues to the British Crown.

→ Features :

- Changed the designation of the Governor General of India to the Viceroy of India.
- Viceroy was the direct representative of British Crown in India.
  *** Lord Canning thus became the first Viceroy of India.
- Ended system of double government by abolishing the Board of Control & Court of Directors.
- It created a new office, Secretary of State for India, vested with complete authority & control over Indian administration.
- It established a 15 member Council of India to assist Secretary for India. He was also Chairman of the Council.

→ Largely confined to the improvement of the adminstration machinery by which the Indian Govt. was to be supervised & controlled in England.

⇒ Indian Council Act, 1861 :-

→ It is an important landmark in the constitutional & political history of India.

→ features :

- Made beginning of representative institutions by associating Indians with the law making process. It thus provided that viceroy should nominate some Indians as non-official members of his expanded council.
- Initiated process of decentralisation by restoring the legislative powers to the Bombay & Madras presidencies. It thus reversed the centralising tendency started from 1773.
- Established three new legislative councils for Bengal, North-West Frontier (NWFP) & Punjab.
- It empowered Viceroy to make rules & order for the more convenient transaction of business in the council.
- It empowered the Viceroy to issue ordinances, without the concurrence of the legislative council, during the emergency. Life of ordinance was 6 months.

⇒ Indian Council Act, 1892 :-

→ Features :

- Enlarged the size and functions of central & provincial councils.
- Increased the functions of legislative councils & gave them the power of discussing budget & addressing questions to the executive.

⇒ Indian Council Act, 1909 :-

→ It is also known as Morley-Minto Reforms. (Lord Morley was the Secretary & Lord Minto was Viceroy.)

→ Features :

- Increased the size of the legislative councils, both Central & provincial.
- It provided for association of Indians with the executive councils of the Viceroy & Governors. (Satyendra Prasad Sinha became the first, he was appointed as law member.)
- Give separate electorate to Muslims. Introduce system of communal representation.

  * Lord Minto was known as "Father of Communal Electorate."

- Beginning of non-official resolutions in the council.

****

⇒ Government of India Act, 1919 :-

→ It is also known as Montagu-Chelmsford Reforms.

→ Features :

- Relaxed the central control over the provinces by demarcating & separating the central & provincial subjects.
- Divided Provincial subjects into two parts – Transferred & Reserved subjects. The transferred subjects were to be administered by the Governor with the aid of ministers responsible to the legislative Council. The reserved subjects, were to be administered by the Governor & his executive council without being responsible to the legislative Council.

- The dual scheme of governance was known as 'Dyarchy'.
- It introduced, for the first time, bicameralism & direct elections in the Country.
- It required that 3 out of 6 members of Viceroy's Executive Council (other than Commander-in-chief) were to be Indian.
- It provided for establishment of public service Commission. Hence, a Central Public Service Commission was set up in 1926.
- It granted franchise to a limited no. of people on the basis of property, tax or education.
- Extended the principle of communal representation by providing separate electorate for Sikhs, Christians, Anglo-Indians & Europeans.
- It separated provincial budgets from the Central Budget & authorised the provincial legislatures to enact their budgets.
- Indian Legislature Council was to be called as the Indian legislature.

→ Significance :

- Simon Commission of 1927 was outcome of it.
- Rowlatt Act – Authorised Govt. to imprison any person without trial & conviction in a court of law.
- This was intended as a step towards complete responsible government.
- The viceroy however retained control of the Cent. Govt. & the role of the mostly elected bicameral legislature remained advisory.
- Division of subjects were not satisfactory.

⇒ Government of India Act, 1935 :-

→ It was second milestone towards completely responsible government.

→ Features :

- It provided for establishment of an All India federation consisting of provinces & princly states as units.
- The Act divided the powers b/w Centre and units in terms of 3 lists - federal list (for Centre with 59 items), Provincial List (for Provinces, with 54 items) & Concurrent list (for both, with 36 items).
- It abolished dyarchy in the provinces & introduced "Provincial Autonomy" in its place.
- It provided for adoption of dyarchy at the Centre. Consequently the federal subjects were divided into reserved & transferred subjects.
- It introduced bicameralism in six out of eleven provinces. However, many restrictions were placed on them.
- Separate electorate for depressed classes (SC's), women & labour.
- It extended the franchise, more than 10% of total population got the voting right.
- It provided for establishment of RBI to control the currency & credit of the country.
- It provided for establishment of not only federal Pub. Service Comm. but also a Provincial Pub. Service Comm. & Joint Public Service Comm.
- It provided for establishment of federal Court, which was set up in 1937.

→ Evaluation / Drawbacks :

- No preamble : the ambiguity (unclear) of British commitment to dominion status.
- No Bill of rights, means no rights were given.
- Numerous safeguards & special responsibilities of the governor-general worked as brake in proper functioning of Act.
- In provinces, governors still had extensive powers.
- The extension of system of communal electorates promoted separatist tendencies which results in partition of India.
- The Act provided a rigid constitution with no possibility of ~~no~~ internal growth. Right of amendment was reserved with British parliament.

→ Causes :-

- To incorporate recommendations of Simon Commission. (1920)
- Impact of Civil disobedience Movement & Salt Satyagraha launched by Gandhi (1930).
- following the recommendations of three Round table Conference (1930, 1931, 1932)
- To incorporate the provisions of Gandhi - Irwin pact.
- To incorporate the provisions of Poona pact b/w Gandhi & Ambedkar.

⇒ Indian Independence Act, 1947 :-

→ Causes :

- World war II & British indulgence in it which weakned Britain economically.
- Rale of INA outside India as well as in India.
- Cripps Proposal, 1942
- Quit India Movement launched by Gandhi in 1942.
- Cabinet Mission plan 1946, which provided for making of Consituent Assembly.
- Revolt in Indian Navy & Indian Army against Britishers.

→ Provisions :

- Ended British rule in India & declared India as an independent & soveign state from 15th August, 1947.
- Act provided for creation of two independent dominions - India & Pakistan.
- Abolish post of Secretary of state of India.
- The Governor General & provincial governors to act as Constitution Heads.
- It discontinued the appointment to civil services & reservation of posts by Secretary of State of India.
- It empowered the Consititutent Assemblies of the two dominions to frame & adopt any constitution for their respective nations & to repeal any act of the British Parliament, including the Independence Act itself.
- Crown ceased to be the source of authority.
- Dominion status was given.

***

* Lord Mountbatten – Last British Governor General of India / First Governor-General of India

* C. Rajagopalachari – Last Governor General of India / First Indian Governor-General

→ Shortcomings / Criticism:

- Get independence but divided into two nations.
- India independence was much delayed.
- For princely states, the prov. was made that they were free to join the Dominion of India or Pakistan or remain independent.

Making of Constitution

→ Idea of Constituent Assembly for India was put forward for first time by M.N. Roy in 1934.

→ In 1935, INC, for first time, officially demanded a Constituent assembly to frame the Constitution of India.

→ Demand was accepted in principle by British Govt in what is known as "August Offer" of 1940.

→ In 1942, Sir Stafford Cripps, a member of cabinet, came to India with draft proposal of British Govt. on framing of an Independent Constitution to be adopted after the World War II.

→ Cripps proposal was rejected by the Muslim League.

→ **Composition of the Constituent Assembly:**

- CA was constituted in Nov. 1946 under the scheme formulated by the Cabinet Mission Plan.
- Each province & princely state were given representation in CA in proportion of their respective population. Roughly, one seat was to be allotted for every one million population.
- Total Strength — 389 → 296
  - 210 (General)
  - 78 (Muslims)
  - 4 (Sikhs)
  - 4 (Chief Commissioners Provinces)
  - 93 (Princely states)

- The method of election was proportional representation by means of single transferable vote.
- In provinces the members were to be elected by members of Legislative Assembly.
- In princely states method of selection was on the basis of nomination/consultation.

→ First meeting of CA was held on 9th Dec 1946 which was boycotted by the Muslim League.

- Dr. Sachchidanand Sinha, temporary President.
- Later, Dr. Rajendra Prasad & HC Mukherjee was elected as President & Vice-President respectively.
- B.N. Rau was appointed as the Constitutional / Legal advisor.

→ On 26th July, 1947, a separate CA for Pakistan was created.

→ The CA of dominion of India (ex. Pak.) met for first time on 14th August, 1947.

→ On 29th August, 1947, the CA appointed drafting Committee under the Chairmanship of "Dr. B.R. Ambedkar."

→ Dr. B.R. introduced final draft of Const. on Nov. 4, 1948 (First Reading)
Second Reading (Clause by clause) on Nov. 15, 1948.
Third Reading started on 14th Nov. 1949.

→ Constitution of India was declared passed on 26th Nov. 1949. 284 members out of 299 signed over it than after it was signed by President of CA Dr. Rajendra Prasad.

→ The Constitution as adopted on Nov. 26, 1949 contained a Preamble, 395 Articles & 8 Schedules.

→ Provisions like Parliament, Election, Citizenship were implemented w.e.f. same date i.e. Nov. 26, 1949.

→ Remaining on 26th Jan. 1950. This day was chosen because Purna Swaraj (Date of Commencement of Const.) was celebrated on same day in 1930, following the resolution of Lahore Session (1929).

Salient features of the Constitution

→ Important Amendments are 7th, 42nd, 44th, 73rd & 74th Constitution Amendment Act.

→ 42nd Const. Amendment Act (1976) Known as Mini constitution.

→ **Features :**

- Lengthiest Written Constitution
- Drawn from Various Sources
- Mixup of Rigidity & Flexibility
- Federal cum Unitary System
- Parliamentary form of Govt.
- Synthesis of Parliamentary Sovereignty & Judicial Supremacy
- Integrated & Independent Judiciary
- Fundamental Rights
- —,— Duties
- Directive Principles of State Policy
- Secular state
- Single citizenship
- Universal Adult franchise
- Independent Bodies
- Emergency Provisions
- Three-tier Government

→ Important Sources of Indian Constitution :-

- Govt. of India Act :
  - Federal Structure
  - Centre - State Relations
  - Administrative Setup [Office of Governor]
  - Public Service Commissions

- Constitution of USA :
  - Fundamental Rights
  - Judicial Review
  - Preamble
  - Impeachment of President, removal of SC & HC Judges.

- Constitution of UK :
  - Parliamentary Model
  - Cabinet system
  - Writ Jurisdiction

- Constitution of Ireland :
  - DPSP
  - Elected President

- Constitution of Canada :
  - Residuary Powers
  - MP & MLA's Privileges

- Constitution of USSR : Fundamental Duties

- Constitution of Australia :
  - Concurrent List
  - Joint Sitting of Parliament

- Constitution of Germany : Emergency Provisions

- Constitution of South Africa : Procedure of Constitutional Amendment

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PREAMBLE

→ It refers to introduction or preface to the Constitution.

→ Preamble to Indian Constitution is based on "Objective Resolution" drafted & moved by Pandit Nehru.

→ It has been amended by 42nd Const. Amd. Act, 1976 which added three new words - Socialist, Secular & integrity.

→ Preamble is part of the Constitution & therefore it can be amended. [Keshvanand Bharti Case (1973)]

→ SC said if there is any difficulty in the interpretation of Constitution, it can be interpreted in the light of preamble.

→ Key words in the Preamble :

- Sovereign - It implies that India is neither a dependency nor a dominion of any other nation, but a independent state.

[Recently in news]
***

- Socialist - It means aim of Const. is to bring about socialistic pattern of the society. India follow 'democratic socialism' which holds faith in mixed economy.
- Secular - It means all religions in our country have same status & support from the state.

- Democratic - Two types - Direct & indirect. In direct democracy people exercise their supreme power directly. Four devices of direct democracy - Referendum, Initative, Recall & Plebiscite. In indirect democracy representatives elected by people exercise the supreme power.

- Republic - The head of State i.e. President is elected and not the heridiaty.

- Justice - Preamble makes Social, economic & Political Justice as one of the goal of Constitution. Social Justice means equal treatment of all citizens without any discrimination. Economic Justice means basic needs of people must be fulfilled & there shall be equality of Opportunity. Political Justice includes Right to Vote, Contest Election & hold public office etc.

- Liberty - Preamble reflects wider liberty of thought, expression, belief, faith & worship.

- Equality - It means absence of special privileges to any section & provision of adequate opportunities for all individuals without any discrimination.

- Fraternity - It means sense of brotherhood.

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PART-I [Article 1-4]

Article 1(1) : India, that is Bharat shall be a Union of States.

Article 1(2) : The State & its territory shall be as specified in first Schedule.

Article 1(3) : The territory of India shall comprise -

- Territory of States;
- Union Territories specified in first Schedule;
- Such other territories as may be acquired.

* Reason why 'Union of States' preferred to 'federation of States':
  - Indian federation is not the result of an agreement among the states like US federation.
  - The State have no rights to secede from the federation.

* 'Territory of India' is wider expression than 'Union of India' because later includes only state & former includes States + UT + Territories acquired by GOI.

Article 2 : Parliament may be law admit into the Union or establish New States on such terms & conditions, as it thinks fit.

Article 3 : Parliament may be law -

- form a New State by Separation of territory from any State or by uniting two or more States or parts of State or by uniting any territory to a part of any State;
- Increase the area of any State;

- Diminish the area of any State ;
- Alter the boundaries of any State ;
- Alter the name of any State.

→ Procedure related to creation of New State or make changes in Area, Boundary or name :

- Prior permission of President is required to introduce bill in either house.
- Before giving ~~assent~~ recommendation President shall refer the matter to the concern State Legislature for its opinion.
- The State Legislature is required to give his opinion within stipulated time limit or any extendended time limit.
- If State Legislature doesn't provide its view within the time limit or give contrary views after expiry of time limit, bill may be introduced in either house.
- Parliament is not bound to act in accordance with the opinion of State Legislature.
- To get this bill passed in Parliament, simple majority is required.

* No reference in case of UT.
* Territorial integrity or continued existence of any State is not guaranteed by the Constitution.

Article 4 : According to Art 4 such a bill itself contains the provisions for amendment of Schedule 1 & 4 and for this no separate Constitutional Amendment under Art. 368 required.

* First linguistic State 'Andhra'.

Article 11 : Empowers Parliament to make law regarding citizenship.

⇒ Citizenship Act, 1955 (Further amended in 1986, 2003 & 2005) :-

→ Person may get Indian Citizenship in following ways :

(i) By Birth : Child born before 1st July, 1987 & Child born after 1st July, 1987 but either of parents is citizen of India at time of his birth.

(ii) By Descent : Person born outside territory of India can apply if at the time of birth either of the parents is a Citizen of India.

(iii) By Registration :

- A person of Indian Origin who is ordinarily resident in India for 7 years before making application.
- A person of Indian Origin who is ordinarily resident in any Country.
- A person who is married to a citizen of India.
- Minor children of persons who are citizens of India.

← Ordinarily resident -

- Resided in India throughout the period of 12 months immediately before making application; and
-

(iv) By Naturalisation :

- He/She must belong to country where similar provision is given for Indian Citizen.
- Either resided in India or been in service of GOI, throughout the period of 12 months immediately preceeding the application.
- He can apply for it only after 11 years of lawful residence in India preceeding to 12 months residence.
- He must bear good moral Character.
- Working Knowledge of Indian language is essential.

(v) By incorporation of territory :

→ Loss of Citizenship :-

(i) By Renunciation (Voluntary Surrender)
(ii) By Termination (on getting other Countries Citizenship)
(iii) By Deprivation (Termination in case of fraud, misrepresentation)

⇒ Dual-Citizenship : Two limitations -

(i) No Right to Vote.
(ii) Can't hold any Constitutional post in India.

Fundamental Rights

[Part - III, Article 12 - 35]

→ Part III of Constitution is described as the "Magna Carta of India."

→ Part III is also called 'The Corner Stone of the Constitution' & together with Part IV (DPSP) constitute 'The Conscience of the Constitution.'

→ They aim at establishing 'a government of laws & not of men.'

→ They are fundamental because they are guranteed & protected by the Constitution, which is fundamental law of land.

→ The are fundamental also in the sense that they are most essential for all-round development of the individuals.

→ Article 12 : Definition of 'State' -

- In this part unless the context otherwise mentioned, the term 'State' includes -

  (a) Govt. & Parliament of India;

  (b) Govt. & Legislature of State;

  (c) All local & other authorities -

    (i) Within the territory of India, or

    (ii) Under the control of GoI.

→ Article 13 : Law inconsistent with Fundamental Rights

- It declares that all laws that are inconsistent with or derogation of any of the fundamental rights shall be void.

- Ambit of law :
  - Permanent law enacted by Parliament or State legislature.
  - Temparary law like ordiance issued by Pres. or Governor.
  - Order, By-laws, rule, regulation or notification.
  - Non-legislative sources of law i.e. custom & its usage having the force of law.

⇒ Right to Equality (Article 14-18)

→ Equality before law & equal Protection of law (Article 14)

- The State shall not deny to any person equality before law & equal protection of law.
- Person includes citizens & foreigners as well as legal persons.

Equality before Law

↓

- British Origin
- Negative Concept
- It prohibits special treatment.
- It is one of the aspects of 'Rule of law' by Prof. Dicey.

Equal Protection of Law

↓

- U.S. Origin
- Positive Concept
- It allows special treatments.
- It means equality of treatment under equal circumstances.
- It permits reasonable classification of Persons, Objects & transactions by the law.

– **Rule of Law:**

- No man can be punished except for breach of law.
- Everyone is equal before law.
- Constitution is result of rights of individuals rather than Constitution being the source of individual rights.

* First & Second element are applicable to Indian System.
* SC held 'Rule of law' is basic feature & cannot be amended.

– **Exception:**

- President & Governors (Article 361) • Foreign Diplomats i.e. UNO etc.
- Article 31-C • It provides the laws made by State for implementing DPSP contained in clause (b) & (c) of Art. 39 cannot be challenged.

→ Article 15 : Prohibition of Discrimination on Certain Grounds

It provides that ~~State~~ No citizen shall ~~not~~ on the grounds ~~of~~ only of Religion, Race, Caste, Sex or place of birth, subject to any disability, liability, restriction or condition with regard to -

- Access shops, public restaurants, hotels & place of public entertainment.
- The use of well, tanks, bathing ghats, roads & place of public resort maintained wholly or partly by State fund.

Exception -

- Special favour for SC's ; ST's & other weaker sections allowed.
- Special favour ~~for~~ can be given to women & childrens.

Article 16 : Equality of Opportunity in Public Employment

No citizen can be discriminated against or be ineligible for any employment or office under State on grounds of only religion, race, caste, sex, descent, place of birth or residence.

Exception -

- Parliament can prescribe residence as a condition for certain employment in State or UT or local authority.
- Special favours can be given to SC's, ST's & other weaker sections.
- Religion can be ground for discrimination in Special Cases.
  [Ex. Appointment of Imams in Madrasas.]

→ Article 17 : Abolition of Untouchability

- Art. 17 abolishes untouchability & forbids its practice in any form.
- Following acts are offensive as per Protection of Civil Rights Act, 1955 -
  - Preventing any person from entering any place of public worship.
  - Denying access to any shop, hotel or places of public entertainment.
  - Refusing to admit persons in hospitals, educational institution or hostels established for public benefit.
  - Insulting a person belonging to SC on ground of untouchability.
  - Preaching untouchability directly or indirectly.
  - Refusing to sell goods or render services

- Punishment -
  - Imprisonment upto 6 months or fine upto ₹ 500 or both.
  - Convicted person is disqualified for contesting election to Parliament or State Legislature.

→ Abolition of Titles [Article 18] :- ~~Four~~ Provisions are as follows

- It prohibits State from conferring any title except a military or academic.
- Prohibits a citizen of India from accepting any title from any foreign State.
- No foreigner working under State can receive any title from any foreign State with consent of President of India.
- Bharat Ratna, Padma Vibhushan, Padma Sri such awards do not amount to 'titles' as theory of equality does not mandate that merit should not be recognised.

⇒ Right to freedom [Article 19 - 22]

→ Freedom of Speech etc. [Article 19] [***V.Imp.] :- Originally there were seven rights from Article 19(1) (a) to (g) however Article 19(1)(f) i.e. Right to acquire property was abolished and now become legal right. Six rights are :

(a) Right to freedom of speech & expression.
(b) Right to assemble peacefully & without arms.
(c) Right to form associations or unions or Co-operative Societies. [Added by 97th Amd. Act, 2011]

(d) Right to move freely throughout the territory of India.
(e) Right to reside & settle in any part of the territory of India.
(f) Right to acquire Property [Abolished by 44th Amd. Act, 1978]
(g) Right to practice any profession or to carry on any occupation, trade or business.

— Right to freedom of Speech & expression: [V.Imp. *** along with Sect. 66A of I.T. Act]

- Every citizen has the right to express his views, opinions, belief & convictions freely by word of mouth, writing, printing, picturing or in any other mothers.
- Reasonable restrictions on ground of Sovereignty & integrity of India, Security of State, friendly relations with foreign states, public order, decency or morality, contempt of court, defamation, incitement to an offence.

— Freedom of Assembly: It includes right to hold public meetings, demonstrations & take out processions.

- The right does not include the right to strike.
- Restrictions on ground of public order and sovereignty & integrity of India including the maintance of traffic in the area concerned.

- Freedom of Association: It includes the right to form political parties, clubs, Companies, partnership firms, Societies, trade Unions or any body of persons.
  - Reasonable restriction on grounds of Public order, morality and Sovereignty & integrity of India.
  - SC held that the trade Unions have no guaranteed right to effective bargaining or right to strike or declare lock-out.

- Freedom of Movement and Freedom of Residence:
  - Restriction on the grounds of interests of general public & interest of any scheduled tribe.
  - Free of Movement have two dimensions (Internal - inside the country & External - Move outside country & come back to country). First dimension is covered Under Article 19, second Under Article 21.

- Freedom of Profession etc.:
  - Restriction on right in interest of general public.
  - Prescribe professional or technical qualification necessary.
  - It does not include right to carry on a profession or business that immoral or dangerous.

→ Protection In respect of Conviction for Offences: Art. 20 grants protection against arbitary & excessive punishment to an accused person, whether citizen or foreigner or legal person. It contains three provisions -

- No ex-post-facto law: It means retrospective criminal legislation. Under this rule no person can be punished with restrospective effect.
  - This limitation is imposed only on criminal cases not civil laws or tax laws.
  - Immunity cannot be claimed in case of preventive detention.

- No Double Jeopardy : No person shall be prosecuted & punished for the same offence more than once.
  - It is available only in proceedings before court of law or a Judicial tribunal.

- No self-incrimination : No person accused of any offence shall be compelled to be witness against himself.
  - It extends only to criminal proceeding & not to civil proceedings.

→ Protection of life & Personal Liberty [Article 21] :- No person shall be deprived of his life or personal liberty except according to procedure established by law.
[V.Imp***]

- In case of 'Menaka (1978)' SC held that the protection under Art. 21 should be available not only against arbitary executive action but also against arbitary legislative action.
- The court held that 'right to life' as embodied in Art. 21 is not merely to confined to animal existence or survival but it includes within its ambit the right to live with human dignity & all those aspects of life which go to make a man's life meaningful, complete & worth living.
- following rights included in Article 21 -
  - Right to Health [** V.Imp.]] - Recently in News
  - Right to Shelter [** V.Imp.]]
  - Right to Privacy
  - Right to decent environment
  - Right to livelihood
  - Right to Information [* Imp.]

→ Right to Education [Article 21A] :-

- The State shall provide free & compulsary education to all children of the age of 6-14 years in such a manner as the State may determine.
- It made elementary education fund. Right.
- ~~Befar~~
- Added by 86th Const. Amendment Act, 2002.
- Before this amendment, Constitution contained a provision for free & compulsary education for children under Article 45 of Part IV. However, it was not enforceable by the courts.
- In pursuance of Article 21A, Parliament enacted the Right to Children to Free & Compulsary Education Act, 2009.

→ Protection against Arrest & Detention [Article 22] :

Ordinary Law	Preventive Detention
• Right to be informed of the grounds of arrest.	• Detention can't exceed 3 months unless an advisary board reports sufficient cause for extended detention.
• Right to consult & be defended by a legal practitioner.	• Grounds of detention should be communicated to the detenu.
• Right to be produced before a magistrate within 24 hours (excluding Journey time)	• Detenu should be afforded an opportunity to make a representation against the detention order.
• Right to be released after 24 hours unless the magistrate authorises further detention.	
• Not available to an alien or person arrested under preventive detention.	

⇒ Right Against Exploitation [Article 23-24]

→ Prohibition of Traffic in human being & forced labour [Article 23]:

- This right available to both citizens & non-citizens against the State as well as against private persons.
- Traffic in human beings include -
  - Selling & buying of men, women & children like goods;
  - Immoral traffic & children, including prostitution.
  - Devadasis
  - Slavery
- This Article prohibits 'Forced labour'. Forced labour includes :-
  - Compelling a person to work against his will.
  - No remuneration for work done.
  - Remuneration less than minium wages prescribed by the govt.
  - Bonded labour System (Abolition) Act, 1976, The Minimum Wages Act, 1948, Contract Labour Act, 1970 are action taken by govt. to prohibit forced labour.
- Article 23 exempts State to impose compulsary service for public services.

→ Prohibition of employment of children in factories etc. [Article 24]:

- It prohibits the employment of children below the age of 14 years in any factory, mine or other hazardous activities.
- It does not prohibits their employment in any harmless work. However, ~~Under~~ Government puts total ban on child labour.

⇒ Right to Freedom of Religion [Article 25-28] :-

→ Freedom of Conscience & free Profession, Practice & Propagation of Religion [Article 25] : [V. Imp*** Related to Ghar Wapsi]

- The implication of right is -
  - Freedom of Conscience
  - Right to profess
  - Right to Practice
  - Right to Propogate
- Subject to public order, morality, health & other provisions relating to fund. Rights. Further, the State is permitted to -
  - Regulate or restrict any economic, financial, political or other secular activity associated with religious practice; and
  - Provide for social welfare & reform or throw open Hindu religious institutions of a public character to all classes & sections of Hindus.

→ Freedom to Manage Religious Affairs [Article 26] : Every religion denomination or any of its section shall have following rights -

- Right to establish & maintain institutions for religious & charitable purposes.
- Right to manage its own affairs in matters of religion.
- To own & acquire movable & immovable property.
- Manage such property in accordance with law.

→ Freedom for Taxation for Promotion of a Religion [Article 27] : No person shall be compelled to pay any taxes for the promotion or maintance of any particular religion or religious denomination. This provisions prohibits State from favouring, patronising & supporting one religion over other. This provision prohibits only levy of tax & not a fee.

→ Freedom from Attending Religious Instruction [Article 28]: According to Article 28, educational institutions are classified into four categories:

(i) Institutions wholly maintained by the State.
(ii) Institutions recognized by the State.
(iii) Institutions receiving aid from ~~schoo~~ State.
(iv) Administered by state established under any endowment or trust.

- In (i) religious instruction is completely prohibited, while in (ii) & (iii) religious instruction is permitted on voluntary basis. In (iv) religious instruction is permitted.

⇒ Cultural & Educational Rights [Article 29 & 30]

→ Protecting of Interests of Minorities [Article 29]:
- Any section of citizens residing in any part of India, having a distinct language, script or culture of its own, shall have right to conserve the same.
- No citizen shall be denied admission into any edu. institution maintained by state on grounds of religion, race, caste or language.
- It protects both religious as well as linguistic minorities.

→ Right of Minorities to Establish & Administer Edu. Institutions [Article 30]: All minorities shall have this right. The compensation amt. fixed by State for compulsory acquisition of any property of a minority edu. institution shall not restrict the right guaranteed to them. In granting aid, the State shall not discriminate against any edu. institution managed by minority.

⇒ Right to Constitutional Remedies [Article 32] :-

→ SC has ruled that Art. 32 is a basic feature of Constitution. It contains following four provisions :

- Right to move to SC by appropriate way for enforcement of F.R.
- SC shall have power to issue directions or writs for enforcement of any of the F.R.
- Parliament can empower any court to issue directions, orders & writs of all kinds.
- Right to move to SC shall not be suspended except as otherwise provided by the Constitution.

→ Types of Writs –

- Habeas Corpus : It means "to have the body," means to be produced before the court physically or bodly. This writ issued to protect personal liberty of individual as give in Art. 21. from illegal detention. This writ is issued against the State as well as private individual.
- Mandamus : It literally means "we command." This writ is issued against Public official, public body, corporation, inferior court, tribunal or government asking them to perform their official duties. However it cannot be issued against Private Individual or body, President and Governor, Chief Justice of high court.
- Prohibition : It means 'to forbid'. It is issued by higher court to lower court or tribunal to prohibit sub-ordinate courts from initating or continuing proceeding in any particular case. Not available against administrative authorities, legislative bodies & private individuals.

- Certiorai : It means 'to be certified' or 'to be informed'. It is issued by higher court to a lower court or tribunal either to transfer a case pending or squash the orders of lower courts. It is issued on the grounds of lack of jurisdiction or excess of jurisdiction.

- Quo-Warranto : Literally means 'what is your authority'. It is issued by court to enquire into the legality of claim of a person to a public office. Writ can be issued only in case of substantive public offices not against ministerial or private office.

→ Article 33 : According to this Article Parliament is empowered to restrict & modify F.R. of certain categories of armed forces.

→ Article 34 : This Article empowers Parliament to identify a person or restrict his F.R. in case of Martial law is declared in any part of territory of India.

→ Article 35 : According to this Article ~~it~~ is power of the Parliament & not State Legislature to implement F.R by making laws.

→ Rights outside Part III :

- No tax shall be levied or collected except by authority of law [Article 265 Part XII].
- Right to Property [Article 300-A , Part XII]
- Trade, commerce & intercourse throughout the territory of India shall be free [Article 301 Part XIII]

Directive Principles of State Policy
[Part - IV, Article 36-51]

⇒ Article 36 : Definition of State. Same as Part - III.

⇒ Article 37 : Directive Principles are non-justicable but fundamental in the governance of Country.

⇒ Article 38 : Duty of the State to secure welfare of the People. Minimise inequalities in income, status, facilities & opportunities.

⇒ Article 39 : The State shall direct its policy to secure -

- Right to adquate means of livelihood for all citizens.
- Equitable distribution of resources of the community for the common good.
- Prevention of concentration of wealth & means of prod.n
- Equal pay for equal work for men & women.
- Preservation of Health & strenght of workers against abuse.
- Opportunity for healthy development of children.

⇒ Article 39 A : Equal Justice & free legal aid to the poor.
[*** - Added by 42nd Amd. Act, 1976]

⇒ Article 40 : Organisation of Village panchayats to function as units of self-government.

⇒ Article 41 : Right to work, to education and to public assistance in case of unemployment, sickness & disablement.

⇒ Article 42 : Provisions for just & humane conditions for work & maternity relief.

⇒ Article 43 : Promote cottage industries on an individual or co-operation in rural areas

⇒ Article 43A : Participation of workers in the management of industry. [Added by 42nd Amd. Act, 1976]

⇒ Article 43 B : Organisation of Co-operative Society. [Added by 42nd Amd. Act, 1976]

⇒ Article 44 : Uniform Civil code for citizens throughout the country.

⇒ ***Article 45 : Provide early childhood care & education for all children below the age of 6 years. [Earlier it was 6-14 years, amended by 86th Amd. Act, 2002]

⇒ Article 46 : Promotion of educational & economic interest of SC's, ST's & other weaker section of the society.

⇒ Article 47 : Raise level of nutrition & standard of living & to improve public health, prohibition of consumption intoxicating drinks & drugs.

⇒ Article 48 : Organisation of agriculture & animal husbandry, prohibition of slaughter of cows, calves & other milch & draught cattle.

⇒ Article 48A : Protection & improvement of environment & safeguarding of forest & wild life. [Added by 42nd Amd. Act, 1976]

⇒ Article 49 : Protection of monuments, places & objects of national importance.

⇒ Article 50 : Separation of Judiciary from executive in public services of the State.

⇒ Article 51 : Promotion of International Peace & Security -

- Promote International peace & security.
- Maintain just & honourable relations b/w nations.
- Fosters respect for International law & treaty obligation.
- Encourage settlement of Int. disputes through arbitration.

Socialist Principles in DPSP : Article 38, 39, 39A, 41, 42, 43A, 45.

Gandhian Principles in DPSP : Article 40, 43, 45, 46, 47, 48

Western Liberal Principles : Article 44, 45, 49, 50, 51

→ DPSP outside Part IV :-

- Claims of SC's & ST's to Services [Article 335]
- Instruction is mother tongue [Article 350-A]
- Development of Hindi Language [Article 351]

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PART - IV A [Article 51A]

→ Original Constitution doesn't contain fundamental Duties. They are incorporated in our Constitution on recommendation of Swaran Singh Committee Report by 42nd Const. Amd. Act, 1976.

→ In starting 10 duties (a-j), later in 2002 11th duty was added.

→ Fundamental Duties :-

(a) Abide by Const. & respect its ideals, National Flag & Anthem.
(b) To cherish & follow the noble ideals that inspired national struggle for freedom.
(c) To uphold & protect Sovereignity, unity & integrity of India.
(d) To defend the country & render national service.
(e) To promote harmony & spirit of common brotherhood.
(f) To value & preserve the rich heritage of Country's culture.
(g) To protect & improve the natural environment.
(h) To develop scientific temper, humanism & spirit of enquiry & reform.
(i) To safeguard public properts & to abjure violence.
(j) To strive towards excellence in all spheres.
(k) To provide opportunity for education to his child or ward b/w age of 6-14 years. [Added by 86th C.A. Act, 2002].

→ They are non-justicable in nature.
→ They refer to such values which have been a part of the Indian Tradition, mythology, religion & practices. They essentially contain just a codification of tasks integral to the Indian way of life.

Amendment of Constitution

→ **Procedure for Amendment : [Article 368]**

- Can be introduced in ~~either~~ either house of Parliament and not in State legislatures. No need of prior permission of President.
- Can be introduced by a minister or by a private member.
- The bill must be passed in each house by a Special Majority i.e. More than 50% of total membership of House & majority of 2/3 of members present & Voting.
- Each house must pass the bill. No provision of Joint sitting.
- If bill seeks to amend federal provisions [Note 1] of Const. it must also be ratified by the legislatures of half of states by a simple majority i.e. members present & Voting.
- After duly passed by Both houses & ratified by State legislatures, the bill is presented to the President for assent.
- President must give his assent. He can neither withhold his assent nor return the bill for reconsideration.

Note 1:
- Election of President & its manner.
- SC & HC.
- Power of Parliament to amend Constitution (Art 368 itself)
- Any of lists in 7th Schedule.
- Representation of States in Parliament.
- Distribution of Legislative power b/w Union & States.

Amendment of the Constitution

→ Procedure for the Amendment of Constitution [Article 368]:

- Amendment of Constitution can be initiated only by Introduction of bill for the purpose in either house of parliament and not in the State legislature.
- It can be introduced either by a minister or by a private member & does not require prior permission of the President.
- The bill must be passed in each house by a Special Majority. [Majority of the total members of the house + 2/3 of the members present & Voting]
- There is no provision of Joint Sitting for the passage of the bill.
- If the bill seeks to amend the federal provisions [Note1] of the Constitution, it must also be ratified by the legislature of half of the states by a simple majority.
- After duly passed by both the houses & ratified by the State legislature, bill is presented to president for assent.
- President must give his assent. He can neither withhold his assent nor return the bill for reconsideration.

→ Types of Amendment of Constitution:

- Amendment by Simple majority of the Parliament.
- Amendment by Special majority
- Amendment by Special majority & ratification of half of the State Legislatures.

– Amendment by simple majority includes -

- Admission or establishment of new states.
- formation of new states
- Citizenship - Acquisition & termination.
- Salaries & allowances of MP's

and so on.

– Amendment by Special Majority includes -

- Amendment in fund. Rights
- Amendment in DPSP.

– Amendment by Special Majority + Ratification [Note 1]

- Election of President & its manner.
- SC & HC
- Distribution of legislative power b/w Union & States.
- Representation of states in parliament
- Any of the list in 7th Schedule.
- Power of Parliament to amend the Constitution & its procedure (Art. 368 itself)

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PARLIAMENTARY SYSTEM

→ Constitution of India provides for Parliamentary form of govt., both at Centre & State. [Article 74 & 75 with parliamentary system at Centre and Article 163 & 164 in States.]

→ Parliamentary Govt. is one in which executive is responsible to the legislature for its policies & acts.

→ The Presidential system of Govt., in which the executive is not responsible to legislature for its policies & acts.

→ Parliamentary Govt. also known as 'Responsible Govt.', 'Cabinet System'

↓ As cabinet is accountable to Parliament & stays in office so long as its enjoys confidence

↓ Because Cabinet is nucleus of power in Par. System.

→ Features of Parliamentary Government:

- Nominal & Real Executive: President is nominal Executive & PM is real executive. PM is head of Government & President head of State.

- Majority Party Rule: President appoints leader of majority winning party as PM. When no single party gets majority, a coalition of parties may be invited by President, to form the Govt.

- Collective Responsibility: Ministers are collectively responsible to the Parliament in general & LS in particular (Article 75).

- Political Homogeneity: Members are of same party in Council of Ministers, hence they share same idealogy.

- Double Membership: Minister & member of Parliament. To become minister need to be member.

- Leadership of Prime Minister: He is leader of Council of Min., Leader of Parliament & leader of party in power.

- Dissolution of Lower House: President can dissolve the Parliament on recommendation of PM.

→ Reasons for Adopting Parliamentary System:

- Familiarity with the System
- Preference to more responsibility
- Need to avoid Legislative - Executive conflicts
- Nature of Indian Society.

Merits	Demerits
• Harmony b/w legislature & Executive	• Unstable Government
• Responsible Government	• No continuity of policies
• Prevents despotism (तानाशाही)	• Against separation of powers.
• Wide Representation	• Govt. by amateurs.

Sales

Federal System

→ Federal features of the Constitution :-

- Dual Goverment i.e. Union at Centre & States at periphery.
- Written Constitution
- Division of powers b/w Centre & States i.e. Union List, State list & Concurrent list.
- Supermacy of Constitution i.e. Constitution is supreme or highest law.
- Rigid Constitution i.e. cannot be amended easily.
- Independent Judiciary.
- Bicameralism i.e. Upper House & Lower House. Upper House represents the States & Lower House represents the people of India as a whole.

→ Unitary features of the Constitution :-

- Single Citizenship
- Single Constitution for both Union & States
- Strong Centre :
  - More subjects in Union list
  - More important subject included in Union list
  - Residuary power left with Centre.
- Flexible Constitution
- Emergency Provisions
- Integrated Judiciary
- Appointment of Governor by ~~Stat~~ Centre.
- Power of Parliament to create All India Services.
- Parliament power to make laws on State-list subject. [Article 249, 252, 253, 352 & 356]
- Power of Governor to reserve the Bill passed by State Legislature for the consideration of President i.e. Veto power

Emergency Provisions

Part - XVIII

Article 352 - 360

→ Rationale behind the incorporation of these provisions in Constitution is to safeguard the Sovereignty, Unity, integrity & Security of the Country.

⇒ National Emergency (Article 352) :-

→ Grounds of Declaration :

- President can declare a national emergency due to external aggression war or armed rebellion. [Added by 44th Amd. Act, 1978]
- National emergency declared on the ground of war or external aggression, it is called external emergency.
- When declared on ground of armed rebellion, it is known as internal emergency.
- Proclamation of national emergency may be applicable to entire country or only a part of it. [42nd Amd. Act, 1976]
- President can proclaim a national emergency only after receiving a written recommendation from cabinet.
- As per Minerva Mills case (1980), proclamation of National emergency can be challenged in court on the ground of malafide or that the declaration was based on irrelevant facts.
- Proclamation of Emergency must be approved by both the houses of Parliament within one month from date of issue.
- If proclamation is issued at time of dissolution of LS or dissolution takes place during period of 1 month, then the proclamation survives until 30 days from the first sitting of LS after its reconstitution provided RS has in the meantime approved it.

- If approved by both the houses the emergency continues for six months, and can extended to an indefinite period with approval of Parliament for every six months.
- Resolution approving proclamation must be passed by either House by a special majority i.e. Majority of Total Membership and 2/3 of members present & voting.

→ Revocation of Proclamation:

- It may be revoked by President at any time by a subsequent proclamation.
- If 1/10th of members of the LS given a written notice to the Speaker (or President if house not in Session), a special sitting of House should be held within 14 days for the purpose of considering a resolution ~~the~~ disapproving proclamation. It needs simple majority.

→ Effect of National Emergency:

(i) Effect on Centre - State Relations -

Not only to State where N.E. is in operation but also to any other State.

- Executive – During national emergency, the Centre become entitled to give executive directions to State on 'any' matter.
- Legislative – During emerg. the Parliament becomes empowered to make laws on any subject mentioned in State list. However, legislative power of State legislature is not suspended. The laws made by Parliament on State subjects during N.E. become inoperative six (6) months after emergency ceased to operate.
- Financial – President can modify constitutional distribution of revenue b/w Centre & States. Such modification continues till end of the F.Y. in which the emergency ceases to operate.

(ii) Effect on life of LS & State Assembly –

- Life of LS may be extended beyond 5 years by a law of parliament for one year at a time (for any length of time).
- This extension cannot continue beyond a period of six months after emergency ceased to operate.
- Same provision for state assembly i.e. 1 year & 6 months after cessation.

(iii) Effect on fundamental Rights –

- Suspension of fundamental Rights under Article 19 (Article 358)
- Suspension of other fundamental Rights except Art. 20 & 21 [Article 359]

* Article 358 suspends F.R. under Article 19 only in case of war or external aggression not on ground of armed rebellion.

* Under 359, F.R. are not suspended only enforcement suspended. Not all rights but only those which are mentioned in the proclamation order for period mentioned in order.

⇒ President Rule [Article 356] :-

→ It is also known as 'State Emergency' or 'Constitutional Emergency'.

→ President rule can be proclaimed under Article 356 on two grounds :

- Article 356 empower President to issue proclamation, if he satisfied that a situation has arisen in which State Govt. cannot be carried in accordance with provisions of the Constitution. [With or without Governor Report]
- Article 365 says that whenever a state fails to comply with or to give effect to any directions of Centre, it will be lawful for the President to hold the situation has arisen for President rule.

→ Proclamation must be approved by the both houses within 2 months from date of its issue.

→ If approved by both the houses, President rules continues for 6 months. It can be extended for a maximum period of 3 years.

→ Approval passed by simple majority.

→ Beyond one year, President rule can be extended by 6 months at a time only when the following two conditions are fulfilled :

- Proclamation of National Emergency should be in operation in the whole of India or whole or any part of State ; and
- General elections of L.A. cannot be held on account of difficulties.

→ A proclamation of President Rule may be revoked by President anytime.

→ Consequences of President's Rule -

- President can take up the functions of the state govt. and powers vested in governor.
- President can declare that the powers of state legislature are to be exercised by the Parliament.
- He can take all other necessary steps including the suspension of the const. prov. relating to any body or authority in state

During Suspension of State Legislature:
- President can promulgate, when Parliament is not in session, ordinances for governance of state.
- Parliament can delegate the power to make laws for state to President or any other authority specified by him.

→ Law made by Parliament or president or any other specified authority continues to be operative even after President Rule. This means that the period for ~~such~~ which such law remains is not co-terminous with duration of proclamation. But it can be repealed or altered or re-enacted by the state legislature.

→ President Proclamation imposing President's Rule is subject to Judicial review.

⇒ Financial Emergency (Article 360):

→ Art. 360 empowers President to proclaim fin. Emergency if he is satisfied that situation has arisen due to which financial stability or credit of India is threatened.

→ Proclamation must be approved by both the houses within 2 months.

→ There is no maximum period prescribed for its operation.

→ Repeated parliamentary approval is not required for its continuation.

→ Resolution approving proclamation can be passed by either house by a simple majority.

→ Proclamation can be revoked by President any time.

→ It is subject to Judicial review.

President

→ Union executive consists of President, Vice President, Prime minister, Council of ministers & AGI.

→ President is head of Indian State / Union executive.

→ Election of President :

- According to the Constitution the President of India is elected by an electoral college through proportional representation by means of single transferable vote.
- Electoral college consists of elected members of the both the houses of Parliament + Elected members of the legislative assemblies of the states + Elected members of legislative assemblies of UT of Delhi & Puducherry.
- Since the President represents the entire nation, in this election, in order to maintain a balance b/w the centre & the state within Indian federal system. Value of Vote is calculated as following:

$$\text{Value of Vote of MLA} = \frac{\text{Total Population}}{\text{Total no. of elected members in the State legislative assembly}} \times \frac{1}{1000}$$

$$\text{Value of Vote of MP} = \frac{\text{Total Value of Votes of all MLA's of all states}}{\text{Total no. of elected members of Parliament}}$$

- In election of President, to win a candidate has to get the vote at least upto the Quota, which is calculated as -

$$\text{Quota} = \frac{\text{Total no. of Valid Votes polled}}{\text{No. of Post} + 1} + 1$$

→ Qualification :

- He must be citizen of India.
- He must have completed 35 years of age.
- He must have qualification to become member of LS.
- He must not hold any office of profit.

→ Nomination of a candidate for election of President must be subscribed by at least 50 electors & 50 as seconders. Every candidate have to make security deposit of ₹15000 in RBI. Security deposit liable to forfeited in case candidate fails to secure 1/6 of votes polled.

→ The oath of President is administered by the CJI & in his absence, the seniormost judge of SC available.

→ Conditions of Presidents office :

- He should not be a member of either of House of Parliament or a house of State legislature.
- He should not hold any office of profit.
- President is entitled to a number of privileges & immunities.
  - He enjoys personal immunity from legal liability for his official acts.
  - During his term of office, he is immune from any criminal proceeding, even respect of personal acts.
  - He cannot be arrested or imprisoned.
  - However after giving 2 months notice, civil proceedings can be institude against him.

→ Vacancy in office of President :

- On the expiry of his tenure of 5 years.
- By his resignation
- By his death
- On his removal by the process of impeachment.

- If office vacant by resignation, death or removal, then election to fill vacancy must be held within 6 months.
- In case of vacancy, VP acts as president & in absence of VP, CJI or senior most judge act as president.

→ Impeachment :

- President can be removed from office by a process of impeachment for 'violation of Constitution'.
- An impeachment is 'quasi-judicial' procedure in the Parliament.
- ~~Nomi~~ The impeachment charges can be initiated by either House of Parliament.
- These charges must be signed by not less than 1/4 of the total members of the house.
- 14 days prior notice must be given to President before initiating.
- After the resolution is passed by majority of 2/3 of total members of that, it is sent to the other house, which investigates the charges.
- If other house also sustains charges & pass resolution by 2/3 of majority, the President stands removed.
- Nominated members of both the houses of parliament take participation in impeachment.
- Elected members + Nominated members of State legislature do not participate.

→ Powers & functions :

- Executive Powers -

- All executive actions of Govt. are formally taken in his name.
- He appoints PM & other ministers.
- He appoints AGI, CAG, Chief election Commissioner, Chairman & members of UPSC, governors of State & chairman & members of finance Commission.
- He can seek any information relating to adm. of affairs & proposals for legislation from PM.
- He can appoint a comission to Investigate into the conditions of SC's, ST's & other backward classes.
- He can appoint an inter-state council to promote Center-State & inter-state cooperation.
- He directly administers the UT through administrators appointed by him.
- He can declare any area as scheduled area & has powers with respect to the adm. of Scheduled area & tribal areas.

- Legislative Powers -

- He can summon or prorogue the Parliament & dissolve the LS.
- He can also summons joint sitting of both the houses.
- Some of bill requires prior permission of President for intro. in the Parliament - Money Bill, Bill for creation of new States.
- He can nominate 12 members to RS & 2 anglo-Indian members to LS.
- He can address the Parliament at commencement of first session after each general election & first session of each year.
- He can promulgate ordinances when Parliament not in session.
- He lays the report of CAG, UPSC, FC & Budget before the Parliament.

- Diplomatic Powers - International treaties & agreements are negotiated & concluded on behalf of president. However, they are subject to the approval of the Parliament.

- Military Powers - He is the supreme commander of the defence forces of India. He appoints the chiefs of the Army, the Navy & the Air force. He can declare war or conclude peace, subject to approval of the Parliament.

- Emergency Powers - Already discussed in Chapter 16. Article 352-360.

- Judicial Powers - He can grant pardon, reprieve, respite & remission of punishment or commute the sentence of any person, if it is given by/under:

  - A court martial;
  - for an offence against a Union law.
  - Death sentence.

Pardon: It means to set the offender free from sentence & the conviction or absolves him completely.

Commutation: It means substitution of one form of punishment for a lighter form. for ex. Death sentence to life time imprisonment.

Remission: It implies reducing the period of sentence without changing its character. for ex. 10 years imprisonment can be remitted to 5 years.

Respite: It means awarding a lesser punishment in place of originally awarded due to special facts. for ex. Physical disable or pregnant women.

Reprieve: It means temporary suspension of sentence especially death sentence.

- Financial Powers -

- Money bill can be introduced in the Parliament only with his prior recommendation.
- He causes to be laid before the the Parliament the annual financial statements i.e. Union Budget.
- He can make advances out the contingency fund of India to meet any unforeseen expenditure.
- He constitutes a finance commission after every 5 years.
- No demand for grant can be made except on his recommendation.

- ~~Ord~~ Ordinance Making Power [Article 123] - *** (Recently in News)

- This article empowers the President to promulgate ordinances during the recess of Parliament.
- He can promulgate ordinances only when both the Houses of Parliament are not in session or when either house of Parliament is not in session.
- He can make ordinance only when he is satisfied that the circumstances exist that render it necessary for him take immediate action.
- An ordinance can be issued only on those subjects on which Parliament can make law.
- An ordinance is subject to same constitutional limitation as an act of Parliament.
- The ordinance ceases to operate on the expiry of 6 weeks from the reassembly of Parliament.
- President can withdraw ordinance at any time on the advice of council of ministers headed by PM.

— Veto Power: When a bill is presented to the President for his assent, he has three alternatives (Article 111):

(i) Give his assent to the bill, or
(ii) Withhold his assent to the bill, or
(iii) He may return the bill (Except Money Bill & Const. Amd. Bill) for reconsideration of Parliament.

The object of conferring this power to President is two-fold:

(i) To prevent hasty & ill-considered legislation by the Parliament;
(ii) To prevent a legislation which may be unconstitutional.

Absolute Veto: If a bill is rejected by the president which is passed by the Parliament, it is called absolute veto. In this case there is death of bill. However, President can exercise absolute veto only on following types of bills:

(i) A private members bill
(ii) With respect to the govt. bills when cabinet resigns.
(iii) State bill reserved by Governor for consideration of the President.

Suspensive veto: President exercise this veto when he returns a bill for reconsideration of Parliament to the originating house once. This is called Suspensive Veto. However, if the bill is passed again by the Parliament with or without amendment & again presented to the President, it is obligatory for President to give his assent to the bill. (Not in case of money bill & Const. amd. Bill.)

- Pocket Veto : In this case, the President neither ratifies nor rejects nor return the bill, but simple keeps the bill pending for a indefinite period. This power of President not to take any action (either positive or negative) is called Pocket Veto. (No Pocket Veto in respect of Constitutional Amendment Bill.)

PARLIAMENTARY FORUMS

→ The First Parliamentary forum on Water Conservation & Management was constituted in the Year 2005.

→ At present, there are six Parliamentary forums:

- forum on Water Conservation & Management
- forum of Youth (2006) • forum on children (2006)
- forum on Population & Public Health (2006)
- forum on Global warming & Climate Change (2008)
- forum on Disaster Mgt. (2011)

→ Composition of the forums:

- Speaker of Lok Sabha is president of all the forums except the forum on Population & Public Health wherein the Chairman of RS is the president & the Speaker is the Co-president.
- The Deputy Chairman (RS), Deputy Speaker of LS, the concerned Ministers & the chairman of Departmentally Related Standing Committies are the ex-officio Vice-presidents of respective forums.
- Maximum 31 members (excluding President & ex-officio VP) out of which 21 from LS & 10 from RS.

Vice - President

[Article 63 - 71]

→ He is elected by the members of an electoral college consisting of the members of both houses of parliament.

- Includes both elected & nominated members of parliament.
- Does not include members of State legislature.
- Elected by system of proportional representation by means of single transferable vote & voting is by secret ballot.

→ Qualifications :

- He should be citizen of India.
- He should have completed 35 years of age.
- He should have qualification to become member of Rajya Sabha.
- He should not hold any office of Profit.

→ The nomination of a Candidate for election to office of VP must be subscribed by at least 20 electors as proposers & 20 electors as seconders. Every Candidate has to make security deposit of ₹ 15000 in RBI.

→ Oath of VP is administered by the President or some person appointed in that behalf by him.

→ He should not be a member of either House of Parliament or a house of the State legislature.

→ Term of office :

- VP holds office for a term of five years from date on which he enters upon his office.
- He can be removed by a resolution of Rajya Sabha by an absolute Majority (i.e. Majority of Actual Total Strenght of House) & agreed by the LS (i.e. simple majority).

- No such resolution can be moved unless atleast 14 days advance notice has been given.
- He may be elected for any number of terms.

→ Vacancy in office of VP:

- On the expiry of his tenure of 5 years.
- By his resignation
- On his removal
- By his death.
- Declared disqualified by SC.

→ All doubts & disputes in connection with election of the VP are inquired into & decided by the SC whose decision is final.

→ Powers & functions:

- He acts as ex-officio Chairman of Rajya Sabha. In this Capacity, powers & functions are similar to those of the Speaker of LS.
- He acts as President when a vacancy occurs in office of Pres. due to his resignation, removal, death or otherwise.
- He can act as President only for a maximum period of 6 months.
- While acting as President, VP does not perform the duties of the office of the Chairman of RS.

→ Emoluments:

- Constitution has not fixed any emoluments for VP in that Capacity.
- He draws his regular Salary in this Capacity as the ex-officio Chairman of the RS.
- When acting as President, he is entitled to salary & allowances of President.

PRIME MINISTER

[Article 74, 75, 77 & 78]

→ Article 75 : It says that the Prime Minister shall be appointed by the President.

- President has to appoint the leader of the majority party in the LS as PM.
- When no party has a clear majority in LS, then the President may exercise his personal discretion in selection & appointment.
- In such situation, President usually appoints leader of largest party or coalition in the LS as the PM & ask him to seek vote of confidence in the House within a month.
- There is also one more situation when president may have to exercise his judgement in selection & appointment of PM, i.e. when PM dies suddenly & there is no obvious successor.
- However, if on the death of an incumbent PM, the ruling party elects a new leader, the President has no choice but to appoint him as PM.
- A person who is not a member of either house of Parliament can be appointed as PM for 6 months, within which, he should become a member of either house of Parliament.
- PM may be a member of any of the two houses of the Parliament.
- Term of PM is not fixed & he holds office during the pleasure of the president. So long as the PM enjoys the majority support in the LS, he cannot be dismissed by the President.

→ Functions of PM :-

- He recommends person who can be appointed as ministers by the president.
- He allocates & reshuffles various portfolios among ministers.
- He can ask a minister to resign or advice President to dismiss in case of difference of opinion.
- He presides over the meeting of council of ministers & influence its decisions.
- He guides, directs, controls & coordinates activities of all the ministers.
- In case of resign or death of PM, council of ministers dissolves automatically.
- Duty of PM to communicate to President all decisions of CoM relating to administration of the affairs of Union.
- Furnish information as the President may call.
- Advices President with regard to appointment of important officials like AG I, CAG, Chairman of UPSC etc.
- He advices President with regard to summoning & proroguing of the sessions of the Parliament.
- He announces govt. policies on the floor of the house.

→ Constitutional duties of PM [Article 78] :

- To communicate to President all decisions of CoM relating to administration & proposals of legislation.
- Furnish information relating to adm. of the affairs of the Union & legislation proposals as President may call.
- If President so requires, to submit for the consideration of the council of min. any matter on which a decision has been taken by minister but not considered by the council.

Central Council of Ministers

→ Article 74 - Council of Ministers to aid & advice President

There shall be a COM with the PM at the head to aid & advise the President who shall, in the exercise of his functions, act in accordance with such advice. Advice by Ministers not be inquired into any court.

→ Article 75 - Other Provisions as to Ministers:

- PM shall be appointed by the Pres. & other ministers on the advice of PM.
- The total number of ministers including PM, in COM shall not exceed 15% of the total strength of LS. [Added by 91st Amd. Act, 2003]
- The COM shall be collectively responsible to the LS.

→ Article 77 - Conduct of Business of the GOI

→ Article 78 - Duties of PM [Already discussed]

→ Responsibility of Ministers -

- Collective Responsibility -
  - When LS passes a no-confidence motion against the COM, all the ministers have to resign including members who are from RS.
  - COM can advice the President to dissolve the LS.
- Individual Responsibility -
  - In case of difference of opinion or dissatisfaction with the performance of a minister, the PM can ask him to resign or advise the President to dismiss him.

→ COM consists of Cabinet Ministers, Ministers of State & Deputy Ministers.

- Cabinet Ministers → Individual ministeries such as defence, home, finance, external
- Deputy Ministers → Attached to Cab. Ministers or State ministers
- Ministers of State → Individual / Attached to Cabinet ministers

→ Cabinet – Refer book [Page No. 20.5]

CABINAT COMMITTEES

→ Features of Cabinat Committees:

- They are extra-constitutional, not mentioned in Const.
- Two types – Adhoc & Standing.
- Set up by the PM according to situation.
- Membership varies from 3 to 8. Include only cabinat members however non-cabinat members are not debarred from their membership.

→ Functions of Cabinat Committies:

- Political affair Comm. deals with all policy matters domestic & foreign affairs. [Most Powerful]
- Economic affair Comm. directs & coordinates the Govt. activities in the economic sphere.
- Appointments Comm. decides all higher level appoint. like Central Secretariat etc.
- Parliamentary Affair Comm. looks after the progress of Govt. business in the Parliament.

* First 3 comm. chaired by PM & last one by Home Minister.

* Must read ARC recommendation on Group of Ministers [Page No. 21.3]

Supreme Court [Article 124 to 147]

→ Organisation of SC :

- At present, the SC consists of 31 Judges (1 CJI & 30 other Judges).
- Originally, the strength of SC was 8 (1 CJI & 7 other Judges)

→ Appointment of Judges :

- Judges of SC are appointed by the President.
- CJI is appointed by the President after consultation with such Judges of the SC & HC as he deems necessary.
- Other judges are appointed after consultation with CJI & such other judges of SC & HC as he deems necessary.
  [Consultation with CJI is obligatory in appointment of Judge other than Chief Justice.]

→ Qualification of Judges :

- He must be citizen of India.
- He should have been Judge of a HC for 5 years

  or

  He should have been advocate of a HC for 10 years

  or

  He should be distinguished jurist in opinion of President.

→ Tenure of Judges : Constitution has not fixed tenure. However, it makes following three provisions:

- He holds office until he attains the age of 65 years.
- He can resign his office by writing to the president.
- He can be removed from his office by the President on recommendation of the Parliament.

→ Removal of Judges:

- Grounds for removal – proved misbehaviour or incapacity.
- Removal motion signed by 100 members (in case of LS) or 50 members (in case of RS) is to given to the Speaker/Chairman.
- The speaker/Chairman may admit the motion or refuse to admit it.
- If it is admitted, Speaker is to constitute a 3-member committee to investigate the charges.
- Committee should consist of – (a) CJI of Judge of SC (b) CJ of HC & (c) distinguished jurist.
- If committee finds the judge to be guilty of misbehaviour or suffering from incapacity, the House can take up the consideration of the motion.
- After the motion is passed by each House of Parliament by special majority, an address is presented to the president for removal of the Judge.

→ Acting Chief Justice: President can appoint a judge of SC as an acting CJI when:

- office of CJI is vacant; or
- CJI is temporarily absent; or
- CJI is unable to perform the duties of his office.

→ Independence of SC:

- Mode of Appointment
- Security of tenure
- fixed Service conditions
- Exp. charged on Consolidated fund
- Conduct of Judges cannot be discussed
- Ban on practice after retirement
- Power to punish for its contempt
- freedom to appoint its staff
- Separation from executive

→ Powers & Jurisdiction of SC :

- Original Jurisdiction - All the cases of federal nature i.e. (i) any dispute b/w Centre & state (ii) Centre & any state or states on one side and one or more states on other, (iii) b/w two or more state, can be settled only in SC. No other court is allowed to hear such cases.

- Writ Jurisdiction - The SC is empowered to issue writs including habeas corpus, mandamus, prohibition, quo-warranto & certiorari for the enforcement of fund. Rights.

- Appellate Jurisdiction - A person can move to SC against following cases -
  - Constitutional matters
  - Civil matters
  - Criminal matters
  - Special leave

- Advisory Jurisdiction - Art. 143 authorises the president to seek opinion of SC in two categories:
  - On any question of law or fact of public importance which has arisen or likely to arise.
  - On any dispute arising out of pre-constitutional treaty, agreement, engagement etc.

  SC may tender or may refuse to tender its opinion to president in first case. But, in second case, the SC "must" tender its opinion to the president.

- Court of record - Because whatever decisions it takes in cases become record & can be cited in other similar cases.

- Judicial Review - It is power of SC to examine the constitutionality of the legislative enactments & executive orders of both the Central & State governments.

→ Supreme Court Advocates :

- Senior Advocates - They are designated as Senior advocates by the SC of India or by any HC. They are not entitled to appear without an Advocate-on record in the SC or without a junior in any court or tribunal in India.

- Advocate-on-Record - Only these advocates are entitled to file any matter or document before the SC. They can also file an appearance or act for a party in the SC.

- Other Advocates - They can appear & argue any matter on behalf of a party in SC but they are not entitled to file any document or matter before the court.

Parliament

→ Under Constitution, the Parliament of India consists of three parts viz, the President, the Council of States & the House of the People.

→ Composition of two Houses -

- Rajya Sabha :
  - Maximum Strength of RS is fixed at 250, out of which 238 are the representatives of the States & UT (only Delhi & Pudicherry) elected indirectly & 12 are nominated by President.
  - Presently, strength is 245, out of which 229 represent states, 4 represents UT & 12 are nominated by President.
  - Members of RS are elected by the members of Legislative Assembly of the state through proportional representation by mean of single transferable vote.

- Lok Sabha :
  - Maximum Strength - 552
    - 530 (Represents State)
    - 20 (Represents UT)
    - 2 (Nominated by the President) Anglo-Indians
  - Present Strength - 545
    - 530 (Represents State)
    - 13 (Represents UT)
    - 2 (Nominated by the President)

→ Duration of two Houses -

- Rajya Sabha :
  - RS is a permanent house not subject to dissolution.
  - 1/3 of its members retire every 2nd Year. Their seats are filled up by fresh elections at beginning of every 3rd year.
  - Retiring members are eligible for reelections & re-nomination for any no. of times.
  - The Representation of People Act, 1951 provided that the term of office of a member of RS shall be 6 years.

- Lok Sabha :
  - Its normal term is 5 years from date of its first meeting after the general elections.
  - The term of LS can be extended during the period of national emergency for 1 year at a time for any length of time.
    However, extension cannot continue beyond 6 months after the emergency ceases to operate.

→ Qualifications of MP's :-

- He must be a citizen of India.
- He must take oath & affirmation before person authorised by EC.
- Must not be less than 30 years of age in case of RS and not less than 25 years of age in case of LS.
- He must be registered elector for a parliamentary constituency, this is same in case of both i.e. RS & LS.
- Candidate contesting election to RS from a particular state should be an elector in that particular state.

→ Disqualifications of MP :

- As per Constitution -
  - if he holds any office of profit.
  - if he is of unsound mind & stands so declared by a court.
  - if he is an undischarged insolvent.
  - if he is not a citizen of India.

- As per Representation of People Act, 1951 -
  - Must not have been found guilty of certain election offences or corrupt practices in the elections.
  - He must not have been convicted for any offence resulting in imprisonment for 2 or more years.
  - Must not have failed to lodge an account of his election expenses within the time.
  - Must not have any interest in govt. contracts, works or services.
  - Must not be director or managing agent in a corporation where the govt. has at least 25% share.
  - Must not have been dismissed from govt. service for corruption.

- On grounds of Defection [Schedule Tenth] - A member incurs disqualification under the defection law :
  - if he voluntary gives up the membership of the political party on whose ticket he is elected to the house ;
  - if he votes or abstains from voting in the house contrary to any direction given by his political party ;
  - if any independently elected member joins any party ; and
  - if any nominated member joins any political party after the expiry of 6 months.

- Question of disqualification under Tenth Schedule is decided by the Chairman in case of RS and Speaker in case of LS., decision is subject to Judicial review.

→ Vacating of Seats -

- Double membership :
  - A person cannot be member of both houses of parliament at the same time.
  - If a person is elected to both the houses, he must intimate within 10 days in which house he desire to serve. By default, his seat of RS becomes vacant.
  - A person cannot be member of both the Parliament & the State Legislature at same time.
    If person so elected, his seat in Parliament becomes vacant if he does resign his seat in state legislature within 14 days.

- Disqualification : If a member of Parliament becomes subject to any of the disqualification.

- Resignation : A member may resign his seat by writing to the Chairman of RS or Speaker of LS.

- Absence : A house can declare the seat of a member vacant if he is absent from all its meetings for a period of 60 days without its permission.

- Other case :
  - Appointed as governor of a State.
  - Elected to President or VP.

* Salary & allowances of MP's ; Speaker of LS, Chairman of RS are charged on the Consolidated of fund & not subject to annual vote of Parliament.

→ Speaker of Lok Sabha :-

- Speaker is elected by the LS from among its members. The date of election of Speaker is fixed by the President.

- He can vacate his office in following three cases :

  - if he ceases to be member of LS;
  - if he resigns by writing to the Deputy speaker ; and
  - if he removed by a resolution passed by a majority of all the members of the LS. Such a resolution can be moved only after giving 14 days advance notice.

- He holds his office even after dissolution of LS till new LS constituted. Because he heads the LS Secretariat which continues to function even after dissolution of LS.

- Role, Power & Functions : The speaker of LS derives his powers & duties from three sources i.e. the Constitution, the Rules of Procedure & Conduct of Business of LS and Parliamentary conventions. Following are some powers & duties :

  - He decides whether a bill is money bill or not & his decision is final.
  - He presides over a joint sitting of the two houses of Parliament.
  - He does not vote in first instance. He can only vote in the case of tie. Such vote is called casting vote.
  - He adjourn the House or suspends the meeting in absence of a quorum. Minimum quorum is 1/10th of the total strength of house.
  - He appoints the chairman of all the parliamentary committees of the LS & supervises their functioning.
  - He acts as the ex-officio chairman of Indian Parliamentary Group of Inter-Parliamentary Union.
  - He decides the question of disqualification of member of LS, arising on the ground of defection. [Schedule Tenth]

- Following provisions ensure the independence & impartiality of the office of Speaker :-

- He is provided with a security of tenure. He can be removed only by a resolution passed by the LS by an absolute majority. [Majority of Total members (Total - Vacant)].
- The motion of removal can be considered & discussed only when it has the support of at least 50 members.
- His salaries & allowances are fixed by Parliament & charged on Consolidated fund of India.
- His work & conduct cannot be discussed & criticised in LS.
- His powers of regulating procedure or conducting business or maintaining order in house are not subject to Jurisdiction.

→ Deputy Speaker of Lok Sabha :-

- DS is also elected by the LS itself from amongs its members.
- The date of election is fixed by the Speaker.
- Vacate office in same cases as of Speaker ~~except~~ in writing to Speaker, ceases to be member of LS etc.
- He performs the duties of the Speaker's office when it is vacant or Speaker is absent.
- He has one special privilege i.e. whenever he is appointed as a member of a parliamentary committee, he automatically becomes its chairman.
- Like Speaker he also vote only in case of tie. (While presiding)
- Entitled to a salary & allowances which charged on the Consolidated fund of India.

→ Speaker Pro Tem :-

- As provided in Constitution, the Speaker of the last LS vacates this office immediately before the first meeting of newly-elected Lok Sabha.
- President appoints a member of the LS as the Speaker Pro tem. Usually, the Seniormost is selected for this.
- The President himself administers oath to Speaker Pro tem.
- He has all the powers of the Speaker.
- He presides over the first sitting of the newly-elected LS.
- His main duty is to administer oath to new members & he also enables the house to elect new speaker.
- When new speaker is elected by the house, his office ceases to exist.

→ Chairman of Rajya Sabha :-

- Presiding officer of the RS is known as the Chairman.
- Vice President of India is the ex-officio Chairman of the RS.
- Chairman of RS can be removed from his office only if he is removed from the office of the VP.
- The Power & functions are similar to the Speaker of the LS except 2 cases i.e. Deciding whether a bill is money bill or not and presiding Joint sitting.
- Unlike, the Speaker he is not member of the House. But like Speaker, he can also vote in case of tie only.
- His Salary & allowances also charged on Consolidated Fund of India & not subject to annual vote of Parliament.

→ Deputy Chairman of RS :-

- He is elected by the RS itself from amongst its members.
- Vacation of office same as Deputy Speaker of LS.
  [Same 3 cases ceases to member, resign & removed by resolution]
- He can also vote only in case of tie.
- His salary & allowances also charged on the Consolidated fund of India.

→ Leader of the House : Under the rules of LS, the 'Leader of the House' means the PM, if he is a member of the LS, or a minister who is member of LS & is nominated by the PM to function as the Leader of the House. Same is the case with Rajya Sabha.

→ Leader of Opposition : In each house of Parliament, there is 'Leader of the Opposition'. The leader of the largest opposition party having not less than 1/10th seats of the total strength of the House is recognised as the leader of opposition in that house. [Case of Congress in latest LS]

→ Whip : ~~Un~~like above both concepts, this is also not mentioned in constitution and it is ~~mentio~~ based on the conventions of Parliamentary government.

- He is appointed by the political party to serve as an assistant floor leader.
- He is charged with responsibility of ensuring the attendance of his party members in large numbers & securing their support in favour of or against a particular issue.

⇒ Sessions of Parliament :-

→ Summoning : President from time to time summons each house to meet. But maximum gap b/w 2 sessions cannot be more than 6 months. Usally three sessions in a year -

- Budget Session (Feb. to May)
- Monsoon Session (July to Sep.)
- Winter Session (Nov. to Dec.)

* The period spanning b/w the prorogation & its reassembly of a house is called "recess."

→ Adjournment : It suspends the work in a sitting for a specified time, which may be hour, day or weeks.

→ Adjournment Sine Die : It means terminating a sitting of Parliament for an indefinite period. In simple words, when house adjourned without naming a day for reassembly.

* Both Adjournment & Adjournment sine die is done by Presiding officer of the House.

→ Prorogation : The presiding officer declares the house adjourned sine die, when the business of a session is completed. Within the next few days, the President issues a notification for prorogation of the session.

→ Dissolution : Dissolution of LS may take place in two ways :-

(i) Automatic dissolution on the expiry of its tenure of 5 years.

(ii) When the President decides to dissolve the House.

- The position of lapsing of bills is as follows :-

- Bill pending in LS lapses (whether originating LS or transmitted to it by the RS.)
- Bill passed by the LS but pending in RS lapses.
- Bill pending in RS but not passed by the LS does not lapse.
- Bill passed by both houses but pending assent of the President does not lapse.
- Bill passed by both houses but returned by president for reconsideration of the Houses does not lapse.
- Bill not passed by both two houses due to disagreement & joint sitting is notified before the dissolution of LS, does not lapse.

→ Quorum : It is the minimum no. of members required to be present in the house before it can transact any business. It is 1/10th of the total number of members in each house including the Presiding office. [55 in LS & 25 in RS]

→ All matters at any sitting of either or Joint sitting of both the Houses are decided by a majority of votes of the members present & voting, excluding the presiding officer.

→ Constitution declared Hindi & English to be language for transacting business in the Parliament. However, the Presiding officer can permit a member to address the House in his mother tongue.

→ Rights of Ministers & Attorney General :-

- They can participate or have the right to speak & take part in the proceedings of either house, any joint sitting of both houses & any committee of Parliament of which he is a member.
- They are not entitled to vote.
- Minister can participate in proceedings of a house, of which he is not a member.

→ Devices of Parliamentary Proceedings :-

- Question Hour : First hour of every parliamentary sitting is slotted for this. During this time, members ask question & ministers usually give answers. Three type of questions :
  - Starred - It requires oral answer hence supplementary question can follow.
  - Unstarred - It requires written answer.
  - Short Notice Question - It is that which is asked by giving a notice of less than 10 days. It is orally ans.

- Zero Hour : It is an informal device available to the members of the Parliament to raise matters without any prior notice. It starts immediately after the question hour & lasts untill the agenda for day is taken up.

- Motions :
  - Closure Motion - It is a motion moved by a member to cut short the debate on matter before the house. If motion is approved debate is stopped & the matter is put to vote. Four kinds of closure motions :-

Simple Closure - It is one when member moves that the "matter having been sufficiently discussed"

Closure by Compartments - Clause of bills or lengthy resolutions are grouped into parts before debate.

Kangaroo Closure - Only important clauses are taken up for debate & voting.

Guillotine Closure - It is one when undiscussed clauses of bill are also put to vote along with discussed ones.

- Privilege Motion - It is moved by a member when he feels that a minister has commited a breach of privilege of the house. Its purpose is to censure the concerned minister.
- Calling Attention Motion - It is introduced in parliament by a minister to call attendance of a minister to a matter of urgent public importance and to seek an autharitative statement from him.
- Adjournment Motion - It is introduced in the Parliament to draw attention of the house to a definite matter of urgent public importance and needs the suppart of 50 members to be admitted. Not permitted to RS.
- No Confidence Motion - Art. 75 says that CoM responsible to the LS. It means, the LS can remove the ministry from the office by passing a no confidence motion which is supported 50 members.

*** (In News)
- Motion of Thanks - Address of president ~~put~~ is discussed in both houses on 'Motion of thanks.' At end of the discussion, it put to vote. The motion must be passed in both houses, otherwise, it amounts to defeat of govt.

- Point of Order : A member can raise a point of order when the proceedings of the house do not follow the normal rules of procedure.

- Half an hour Discussion : It is meant for discussing a matter of sufficient public importance, which has been subjected to a lot of debate & answer to which needs elucidation on a matter of fact. The speaker can allot 3 days in a week for such discussion.

- Short Duration Discussion : Also known as 2 hour discussion as time alloted for such discussion should not exceed 2 hours. The speaker can allot 2 days in a week.

- Special Mention : Calling attention notice or under any rule of the house can be raised under special mention in RS.

- Resolutions : Members can move resolutions to draw attention of house or govt. to matters of general public interest. Classified into three categories -

Private Member's Resolution - It is moved by private member. It is discussed on alternate Friday & in the afternoon sitting.

Government Resolution - It is one that is moved by a minister. It can be taken up any day from monday to thursday.

Statutary Resolution - It can be moved either by a private member or minister. It is always tabled in pursuance of a provision in the Constitution.

→ Legislative procedure in Parliament :

- The legislative procedure is identified in both the houses of Parliament.
- Every bill has to pass through the same stages in each house.
- Bills introduced in the Parliament are of two kinds: Private Bill & Public Bill.
- Four Categories of bills -
  - Ordinary Bill
  - Money Bill (Article 110)
  - Finance Bills [Article 117] < Class I / Class II
  - Constitutional Amendment Bill [Already discussed]
- The Money Bill, Financial & Ordinary Bill under Article 3 are essentially government bill [Need President prior recommendation.]
- Govt. Bill is introduced in the house by a minister whereas private bill is introduced by any member of house other than minister.

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Ordinary Bills:

All the bills other than money, financial, Const. Amd. Bills are ordinary bills. An ordinary bill can be introduced in either house of the Parliament. Prez's prior recomendation is not necessary to introduce it. (except Art.3)

To get ordinary bill passed only simple majority is required in both the houses. In each house bill has to go through 3 stages called as readings.

Ist Reading:- It is the introduction stage in which the bill is introduced by reading it, and a copy is distributed and no discussion takes place. [Introductary Stage]

IInd Reading:- This is consideration stage in which bill is discussed clause by clause. ~~Amde~~ Amendment to the bill are proposed. All additions and deletions are made [Consideration Stage]

IIIrd Reading:- During this stage a brief general discussion a final draft of bill takes place and the bill is finally placed for voting.

When the bill is passed in one house it is transferred to other house, where similar procedure is followed. If the bill is passed by both the houses, it is sent to the prez. for his ascent. Prez. may give his assent or may return the bill for reconsideration by the parliament once. After reconsideration by both the houses bill is again sent to the prez.; he can't withhold his ascent to the bill.

If the bill is passed by one house and rejected by another house or other house takes no action for six months [from date bill introduced in that house] or other house make some ammendment to the bill and sent the bill back to the originating house, which doesn't agree with those ammendments, there is deadlock over the bill. Then President under Art 108 calls for the a joint sitting of the parliament to resolve the deadlock. In a joint sitting only a simple majority is required to pass the bill.

After it the bill is sent to the president and his assent is mandatory. [Can't withhold]

* Private Member Bill can be rejected by the President, but Govt. Bill either assented or sent for re-consideration once.

* Except Const. Amd. Act all Bills passed by Simple majority.

Money Bill:-

Money bill is defined in Art 110 of the const from (a) to (g).

Any bill that exclusively contains matters given in Art. 110 such as
i) imposition, ii) ~~Abolition~~ Reduction Remission, Abolition, iii) Alteration or regulation of any tax.

ii) Regulation of borrowing of money and giving guarantee by govt. of India.

iii) Custody of consolidated or Contingency fund of India. Payment made in to it and withdrawal of money from it.

iv) Declaring any expenditure as 'charged' on consolidated fund of India etc., is a money bill. [Art 266]

Weather a bill is money bill or not is certified by speaker, his decision is final & binding. Money bill can only originate in the Lok Sabha after prior recommendation of the president. After being passed by Lok Sabha, the money bill is transmitted to R.S which has four options:

i) Pass the bill in original form
ii) Reject the bill
iii) Take ~~four~~ no action for 14 days
iv) Send the bill back to Lok Sabha with suggestion amendments.

In case 'a' bill is sent to the prez for his assent.

In case of 'b' & 'c' the bill is automatically deemed to have been passed by the R.S.

In case of 'd' Lok Sabha has the sole authority to accept or reject one or all of the recommendations In either case bill shall be deemed as passed with/ ~~out~~ without any recomendations.

There is no provision for joint sitting of Parliament to pass a money bill. Prez. has no right to withhold his assent in money bill. Even prez. can't send it back to the parliament for reconsideration. Budget is a kind of money bill.

Financial Bill

Under Art 117. any bill dealing with revenue or expenditure but not certified as money bill by the Speaker is called as financial bill.

Financial bills are of two classes.

a) A bill containing any of the matter specified in Art. 110 but not exclusively dealing with those matters, is called as financial bill of 1st class

example:- A bill containing taxation clause but not exclusively dealing with taxation.

b) An ordinary bill containing provision involving expenditure from consolidated fund of India is called as financial bill of 2nd class. It is exactly passed as ordinary Bill.

A financial bill is as good as ordinary bill except two things.

a) financial bill can't be introduced without prez's approval [Class 1 not Class II]

b) It can be introduced only in the Lok Sabha. [Class 1 not Class II]

Regarding its passage it is as good as ordinary bill. Infact there can be joint sitting in case of dead lock.

Constitutional Amendment Bill.

Art 368 empowers the parliament to amend the Constitution. A Bill for this can be introduced in either House of the Parliament. And there is no need for Prez. prior recomendation. A CAB can be Govt. Bill / Pvt. Member Bill.

[No Joint Sitting] The constitutional Amendment Bill must be Passed by each house seperately with special majority mentioned in Art 368 that is

[A majority of total members of that house and 2/3rd of members present & voting.] The joint sitting of Parliament is not possible to pass such a bill. If the bill is passed by both the houses and goes for prez. assent it is obligatory for prez. to give his assent.

[L.S = Total Seat Vacant = Absent Present Abstain Present & Vote 250 Vote in Favoured
545 - 5 = 540 - 40 = 500 - 200 = 300 [2/3 = 200]
[2/3 = 273]

Bill not Passed as one Condition fullfilled not both

Some of the provisions of the constitution such as power of the president, his election, etc, can only be ammended by a special majority in the Parliament as well as the support of not less than half of the total State legislatures. [Simple Majority by State Legislatures]

Parliament is empowered to amend the Constitution, however these amendments are subjected to basic structure of the Const as said by Supreme Court in K.B case v/s State of Kerala case, 1973.

Joint Sitting of the Parliament:— (Art 108)

There are two occasions on which the joint sitting of the Parliament are convened.

a) For a special address by the President.

i) at the commencement of the first session after each general election to Lok Sabha, and at the commencement of the first session of each year (normally the Budget Session), the Prez. convenes joint sitting of the parliament and inform the parliament the causes of its summons. [Priority & Policies of Govt., Introductory] & followed by vote of thanks.

b) For resolving any dead lock over passage of a bill.

There are three circumstances which lead to a deadlock b/w two houses of Parliament.

i) other than Money bill or C.A.B., if a bill is passed by one house and transmitted to other house and :—

> The bill is rejected by other house.

> For six months, bill is not considered or passed by other house.

> other house make some amendment to the bill and send it back to the originating house, which is not accepted by originating house.

In above mentioned three situations the Prez. calls for joint sitting of the parliament. This joint sitting is presided over by the ① Speaker and in his absence the ② deputy of Speaker; if he too is absent then the ③ Deputy Chairman of R.S; if he too is absent, then any ④ member of Parliament can preside by consensus of both the houses.

Only simple majority is required to pass the bill in joint session. Because of numerical strength of Lok Sabha it has upper hand in the joint sitting. Prez. can't with hold his assent to the bill produced before him after passed by joint sitting.

Budget in Parliament :-

→ Constitution refers to the budget as 'annual financial Statement'.

→ Budget is a estimated receipt & expenditure statement of GOI in a financial year.

→ The budget contains the following :

- Estimates of revenue & capital receipts ;
- Ways & means to raise the revenue ;
- Estimates of expenditure ;
- Details of actual receipts & exp. of the closing F.Y. & the reasons for any deficit or surplus.
- Economic & financial policy of the coming year.

→ Constitutional Provisions :

- President shall in respect of every F.Y. cause to be laid before both the House a statement of estimated receipts & exp. of GOI.
- No demand for grant shall be made except on the recommendation of president.
- No money shall be withdrawn from the Consolidated fund of India except under appropriation made by law.
- No money bill imposing tax shall be introduced in the Parliament except on recomm. of President & such bill shall not be introduced in RS.
- Money bill or finance bill dealing with taxation must be introduced in LS only.
- RS has no power to vote on the demand for grants.

→ Stages in Enactment :

(i) Presentation of budget
(ii) General discussion
(iii) Scrutiny by Dept. Committees
(iv) Voting on demands for grants
(v) Passing of appropriation bill
(vi) Passing of finance bill

(i) Presentation of Budget :-

- Presented in two parts - Railway Budget & General Budget.
- RB presented by Railway minister in LS.
- Finance Minister presents the General Budget with a speech. Known as Budget Speech in the LS.

(ii) General Discussion :-

- It begins a few days after presentation. It takes place in both the houses of Parliament.
- No cut motion can be moved nor can budget be submitted to the vote of the house.

(iii) Scrutiny by departmental Committees :-

- After the general discussion on budget is over, houses are adjourned for about 3-4 weeks.
- During this period, the 24 Dep. Comm. examine & discuss in detail the demand for grants of the concerned ministers & prepare report on them.

(iv) Voting on Demands for Grants :-

- In the light of reports of deptt. standing comm, the LS takes up voting of demands for grants.
- Motion to reduce any demand for grant are called 'Cut Motion', which are of 3 kinds -

Policy Cut Motion - It represents the disapproval of the policy underlying the demand. It states that amount of demand be reduced to Re.1.

Economy Cut Motion - It represents the economy that can be affected in the proposed expenditure. It states that the amount of the demand be reduced by a specified amt.

Token Cut Motion -

(v) Passing of Appropriation Bill :-

- No money shall be withdrawn from the Cons. fund of India except under appropriation made by law.
- It is introduced to provide for the appropriation out of CFS, all money required to meet -
  - # Grants voted by the LS.
  - # Exp. charged on the CFS.
- The App. bill becomes the App. Act after it is assented to by the President. This act authorises the payments from CFS.

(vi) Passing of Finance Bill :-

- Finance bill is introduced to give effect to the financial proposals of the GoI for the following year.
- The Finance Bill must be enacted (i.e. passed by the Parliament & assented to by President) within 75 days.

FUNDS :-

→ Consolidated Fund of India [Article 266] :

- It consists of - [
  - Revenue received by the GoI ;
  - All loans raised by the Govt. by issue of treasury bills, loans.
  - All money received by the govt. in repayment of loans.
- All the legally authorised payments on the behalf of GoI are made of this fund.

→ Public Account of India [Article 266] :

- All other public money (other than which are credited to CFS) received by or on behalf of GoI shall be credited here. This includes, PF deposits, Judicial deposits, Savings bank deposits.
- This account is operated by executive action, the payment can be made without parliamentary appropriation.

→ Contingency fund of India [Article 267] :-

- Into Cont. fund of India amt. determined by law are paid from time to time.
- This fund is placed at the disposal of the President & he can make advances out of it to meet unforseen exp. pending its authorisation by the Parliament.
- fund is held by finance secretary on behalf of President.

Multifunctional Role of Parliament :-

→ Legislative Powers & functions :

- Primary function of Parliament is to make laws.
- Parliament has exclusive power to make laws in subjects of Union list, however in following cases it can make law on State list also :
  - When RS passes a resolution to that effect.
  - In case of National emergency.
  - In case of President Rule.
  - When 2 or more states make a joint request to Parliament.
  - When necessary to give effect to international treaties etc.

→ Executive Powers & functions :

→ Financial Powers & functions

→ Constituent Powers & functions : This power is not unlimited, it is subject to 'basic Structure' of Constitution.

→ Judicial Powers & functions : Impeachment & removal.

→ Electoral Powers & functions :

Special Powers of Lok Sabha :-

- Money bill can be introduced only in LS not RS.
- RS cannot amend or reject Money, must return bill within 14 days.
- LS can either accept or reject recommendation of the RS.
- Financial Bill (Class I) can only be introduced in LS. But, with regard to its passage, both the houses have equal powers.
- final power to decide whether a particular bill is money bill or not is vested in the Speaker of LS.
- RS cannot remove the COM.
- Resolution for the discontinuance of the National emergency can be passed only by the LS not by the RS.

Special Powers of Rajya Sabha :-

- It can authorise the Parliament to make law on a subject in the State List [Article 249].
- It can authorise Parliament to create new all India services common to both the centre & States [Article 312].
- Resolution for removal of Vice President can only be initiated in RS [Article 67].

Individual Privileges :-

- Freedom of Speech : No member is liable to any proceeding in any court for anything said within house & with the permission of the house. Two exceptions to it -
  - It must be confirmity with the rules of Parliament.
  - A MP can't speak against the conduct of the Judge of SC & HC.

- Freedom from Arrest: They cannot be arrested during the Session of the Parliament and 40 days before the beginning & 40 days after the end of session. Available only in civil cases not criminal cases or preventive cases.

- Freedom from Jury Service: They can refuse to give evidence & appear as a witness in a case pending in a court when Parliament is in session.

Collective Privileges:

- It has the right to publish its reports, debate & proceedings & also the right to prohibits others from publishing the same.
- It can exclude strangers from the proceedings & hold secret sittings.
- Right to regulate the external affair of house & decide about parliamentary business.
- It can punish members as well as outsiders for breach of its privileges or its contempt.
- The courts are prohibited to inquire into the proceeding of a House or its committees.

Note : Only Imp. Committees Covered.

Parliamentary Committee:— [Chairman is of L.S.]

The legislature has to perform complex and enormous quantity of work. Due to shortage of time, in the legislature the initial work of the parliament is mostly done by the committee, appointed or elected for a specific purpose. These committees essentially belong to Lok Sabha and function under the Speaker to whom they submit their report.

Parliamentary Committee are of two types

i) Standing Committee
ii) Ad-hoc Committee. [Joint Parliamentary Committee is example]

Standing committee are permenant in nature where as Ad-hoc committees are constituted for special purpose and they seize to exist after completion of specific work.

The examples of Standing Committee are :—

i) PAC
ii) P Under taking Committee
iii) Estimate Committee
iv) Committee on welfare of ST / SCs
v) Business advisory Committee.
vi) Rule Committee
vii) Advisory Committee

Joint Parliamentary Committee is an exampl of Ad-hoc committee.

Estimate Committee :

i) It consists of 30 members all from Lok Sabha

ii) All parties in the Lok Sabha are given Propotional representation in this Committee

iii) The Chairman of Committee is appointed by the Speaker from among ~~the~~ its members.

iv) A Minister can't be a member of this Committee. If any member of this committee is apointed by as minister he seizes to be the member of this committee. The term of this office is one year.

Functions:-

(a) To report on the efficiency of the Policy underline the estimate.

(b) To examine whether the money is well laid out within the limits of the policy implied in the estimate.

(c) To suggest the form in which the estimates are to be presented in the Parliament.

Public Accounts Committee:-

It contains 22 members 15 from Lok Sabha and 07 members from Rajya Sabha elected through single transferable vote in both houses. The chairman was elected by the Speaker from among the Lok Sabha members of the Public Accounts committee.

By convention, the speaker appoints a member of opposition party as chairman of this committee. A minister cant be a member of this committee. If any member is appointed as minister, he seizes to be a member of this committee. The term of office is one year.

Functions:-

(a) To examine the accounts showing the appropriation granted by the Parliament; to meet the expenditure of govt. of India.

(b) To examine the annual financial account of the govt. of India. and other accounts laid before the house.

(c) To examine the report of Comptroller and the Auditor General.

Public Undertaking Committee: ☆☆

It consists of 22 members, 15 from Lok Sabha and 07 from Rajya Sabha, elected by means of single transferable vote in both the houses. The Chairman of the Committee is appointed by the Speaker from amongst the Lok Sabha member of the Committee. A minister can't be a member of this Committee. And if any member of the Committee becomes the minister, he seizes to be the member of the Committee.

Functions:-

(a) To examine the report & accounts of Public Sector Undertaking.

(b) To examine the efficiency and autonomy of P.S.U.

(c) To examine other specific subjects or matters referred to it by the house or the speaker.

[Chapter 38 - 47]

⇒ Election Commission :-

→ It is independent body established by the Constitution.

→ It is concerned with elections of Parliament, State Legislatures, office of President & Vice-president.

→ It is not concerned with elections of Panchayat and municipalities in the states.

→ Composition of Election Commission :

- It consists of Chief Election Commissioner & such number of other election comm. as the president may from time to time fix.
- Appointment of Chief election Comm. & other election Comm. shall be made by president.
- They hold office for term of 6 years or untill they attain age of 65 years, whichever is earlier.

→ Independence :

- CEC is provided with the security of tenure. He cannot be removed except in same manner & grounds as a judge of SC.
- Any other elec. comm. or regional comm. cannot be removed except on recommendation of CEC.
- Const. has not debarred the retiring election comm. from any further appointments by the govt. [Flaw]

→ Powers & Functions :

- Determine the territorial areas of the electoral constituencies throughout the country.

- To prepare & periodically revise electoral rolls & register all eligible voters.
- Notify the dates & schedules of elections & to scrutinise nomination papers.
- To grant recognition to political parties & allot election symbols to them.
- To determine the code of conduct to be observed by the parties & candidates during the elections.
- To advise the president / Governor on matters relating to the disqualifications of member of Parliament / State Legislature.
- To advise president whether elections can be held in a state under President's rule in order to extend the period of emergency after 1 year.

⇒ UNION PUBLIC SERVICE COMMISSION (UPSC) :-

→ Art. 315 - 323 contains provisions regarding composition, appointment & removal of members.

→ <u>Composition</u> :

- It consists of Chairman & other members appointed by the President.
- Strength is decided by the President which is usually 9-11 members including Chairman.
- No qualifications are prescribed for membership except that 1/2 of the members of commission should be such person who have held office for at least 10 years either under of GOI or GOS.
- The Chairman & members hold office for a term of 6 years or untill they attain age of 65 years, whichever is earlier.

→ **Removal:** President can remove under following circumstances -

- If he is adjudged an insolvent (gone bankrupt)
- If he engages, during his term of office, in any paid employ. outside the duties of his office.
- If he, in opinion of President, unfit to continue in office by reason of infirmity of mind or body.
- On grounds of misbehaviour, but in this case, the President has to refer the matter to the SC for an enquiry. If SC, after enquiry, upholds the cause of removal & advises so, the president can remove them. [Advice by SC is binding upon President.]

→ **Independence:**

- Removed from office by President only in manner prescribed in the Constitution, enjoys tenure security.
- Salary & allowances & pensions are charged on the Consolidated Fund of India.
- Chairman of UPSC (on ceasing to hold office) is not eligible for further employment in GOI or state.
- Member of UPSC (on ceasing to hold office) is eligible for appointment as Chairman of UPSC or SPSC but not any other employment in GOI or State.
- Chairman or member are not eligible for reappointment.

→ **Functions & Role:**

- Conducts examination for appointment ~~of~~ to the All India services, Central services.
- Advises Govt. when consulted on promotion & disciplinary matters.
- UPSC present annually, to the president a report of its performance. President places this report before both houses, along with a memorandum explaining the cases where advice of commission not accepted.

- Assists States (if requested by 2 or more States) in framing & operating schemes of joint recruitment for any services.
- It is not concerned with the classification of services, pay & service conditions, cadre management, training etc.

→ The role of UPSC is limited even its recommendations are only of advisory nature, hence, not binding on the government.

⇒ STATE PUBLIC SERVICE COMMISSION [SPSC] :-

→ It consists of Chairman & members appointed by the governor.

→ Strength is not fixed & decided by the governor.

→ Qualification not prescribed except that 1/2 of members should be such person who have held office for at least 10 years either in GOI or state.

→ Chairman & members hold office for a term of 6 years or until they attain the age of 62 years, whichever is earlier.

→ Removal [Same grounds as of UPSC]

* In SPSC chairman & members are appointed by the Governor but removed by the president.

→ Independence [Same provisions as of UPSC]. Chairman on ceasing office can be appointed as Chairman of UPSC or other SPSC.

→ Role & functions [Same as of the UPSC]
SPSC is consulted by the governor while framing rules for appointment to judicial services of state other than posts of District Judges, in this regard, HC is consulted.

⇒ FINANCE COMMISSION [Article 280] :-

→ It is a Quasi - Judicial body.

→ It consists of a Chairmand & four (4) other members to be appointed by the president.

→ They hold office for such period as specified by the president & they are also eligible for reappointment.

→ Qualifications of chairman, he should be a person having experience in public affairs & four other members should be selected from among the following:

- A judge of HC or one qualified to be appointed;
- A person who has specialised knowledge of finance & accounts of the govt.
- A person who has wide experience in financial matters & in administration.
- A person with special knowledge of economics.

→ <u>Functions</u>: FC is required to make recommendation to the president on following matters :-

- Distribution of net proceeds of taxes to be shared b/w centre & the states.
- Principle that should govern the grant-in-aid to the states by the Centre (out of Consolidated fund of India)
- The measures needed to augment to Consolidated fund of state to supplement the resources of the panchayats & municipalities.
- Any other matter, referred by the president.

→ Comm. submit its report to President & he lays it before both the houses along with an explanatory memorandum as to the action taken on its recommendation.

⇒ National Commission for SC's :-

→ It is a constitutional body in the sense that it is directly established by Art. 338.

→ The separate National Comm. for SC's came into existence in 2004 [89th C.A.A.].

→ It consists of Chairperson, a vice-chairperson & three other members, they are appointed by the president under his hand & seal.

→ Functions of the Commission :

- Investigate & monitor all matter relating to the constitutional & other legal safeguards.
- Inquire into specific complaints with respect to the deprivation of rights & safeguards of SC's.
- To present president annually, reports upon the working of those safeguards.
- To participate & advice on the planning process of socio-eco. development of SC's.

→ The president places all such reports before the Parliament, along with a memorandum explaining the action taken on the recomm.

→ Powers : It has all power of civil court trying suit & in particular in respect of following matters -

- Summoning & enforcing the attendance of any person from any part of India & examining him on oath;
- requiring the discovery & prod.n of any document.
- receiving evidence on affidavits.
- requestioning any public record from any court or office.
- issuing summons for examination of witnesses & documents
- any other matter which president may determine.

⇒ National Commission for ST's :-

→ It is constitutional body established by Article 338-A.

→ It consists of chairperson, a vice-chairperson & three other members.

→ They are appointed by the president & conditions of service & tenure of office determined by the president.

→ Functions [Same as National Comm. for SC's], some additional functions are as follows:

- Measures to be taken to ensure full implementation of the provisions of PESA Act, 1996.
- Measures to be taken over conferring ownership rights in respect of minor forest produce to ST's living in forest areas.
- Measures to be taken to safeguard rights of tribal communities over mineral resources, water resources.
- Measures to be taken for the development of tribals & to work for more viable livelihood strategies.

→ Submit its report to the president & president lays down report before both the houses.

→ Powers [Same as National Comm. for SC's]

⇒ Special officer for Linguistic Minorities :-

→ In pursuance of Art. 350-B, the office of Special officer for Linguistic minorities was created in 1957.

→ The Commissioner has his headquarter at Allahabad (UP). He has three regional offices at Belgaum (Karnataka), Chennai (TN) & Kolkata (WB).

⇒ Comptroller & Auditor General of India :- [Article 148-151]

→ He is the head of Indian Audit & Accounts department.

→ **Appointment & term :**

- CAG is appointed by the president of India by a warrant under his hand & seal.
- He holds office for a period of 6 years or upto the age of 65 years, whichever is earlier.
- He can removed by the president on same grounds & manner as a judge of the SC.

→ **Independence :**

- He is provided with security of tenure. Removed by president only in manner mentioned in constitution.
- He is not eligible for further office, either under GOI or of any state, after ceases to hold office.
- Administrative expenses of office CAG, including all salaries, allowances & pensions are charged upon the consolidated fund of India.
- No minister can represent the CAG in parliament & no minister can be called upon to take any responsibility for any actions done by him.

→ **Duties & Powers :**

- He audits the accounts related to all expenditure from the consolidated fund of India, of each state & of each UT having legislative assembly.
- He audits all expenditure from the contingency fund of India & the public account of India as well as contigency fund & public account of each state.
- He audits all trading, manufacturing, P&L accounts & Balance sheet kept by the department of Central Govt. and state govt.

- He audits the receipts & exp. of the centre & each state to satisfy himself that the rules & procedures in that behalf are designed to secure an effective check on the assessment, collection & proper allocation of revenue.
- He audits the receipts & exp. of the following -
  - # All bodies & authorities substantially financed from the Central or State revenue;
  - # Govt. companies; and
  - # Other Corporation & bodies, when so required by related law.
- He advises president with regard to prescription of the form in which the accounts of the centre & state shall be kept. [Article 150]
- He submit his audit report relating to the accounts of the Central/State to President/Governor, who shall in turn, place them before Parliament/State Legislature.
- He ascertains & certifies net proceed of any tax or duty (Art. 279) His certificate is final.
- He acts as a guide, friend & philosopher of the public accounts of the Parliament.
- He compiles & maintains the accounts of state govt.

→ CAG submit three reports to President - Audit report on appropriation account, Audit report on finance accounts & Audit report on Public undertakings.

→ President lays these reports before both houses of Parliament. After this, the Public Accounts Committee examines them & reports its findings to the Parliament.

→ **Role :**

- Role of CAG is to uphold the constitution of India & the laws of Parliament in the field of financial administration.
- CAG is an agent of the Parliament & conduct audit of expenditure on behalf of the Parliament. [He is responsible only to the Parliament.]
- CAG has no control over the issue of money from the Consolidated fund & many departments are authorized to draw money be issuing cheques without specific authority from the CAG. [Role mainly concerned with auditor not comptroller]

⇒ Attorney General of India [Article 76] :-

→ **Appointment & term:**

- He is appointed by the President.
- He must be a person who is qualified to be appointed a judge of SC.
- The term of office is not fixed by the Constitution. He holds office during the pleasure of the president.

→ **Duties & functions:**

- To give advice to the GOI upon such legal matters, which are referred to him by president.
- To perform such other duties of a legal character that are assigned to him by the president as follows -
  - # To appear on behalf of GOI in all cases in SC in which GOI is concerned.
  - # To appear in any HC in any case in which the GOI is concerned.
  - # To represent the GOI in any reference made by the President to the SC under Art. 143.

→ **Rights & Limitations:**

- He can become audience in all courts in the territory of India.
- He can speak & take part in the proceeding of both the Houses of Parliament or their joint sitting and any Committee of Parliament of which he may be named a member, but without a right to vote.
- He enjoys all the privileges & immunities the are available to a MP.

- He should not advise or hold a brief against the GOI.
- He should not advice or hold a brief in cases in which he is called upon to advise for the GOI.
- He should not defend accused persons in criminal prosecutions with the permission of GOI.
- He should not accept appointment as a director in any company without permission of GOI.
- He is not debarred from private legal practise.

⇒ Advocate General of the State :- [Article 165]

→ He is appointed by the governor.
→ He must be a person who is qualified to be appointed a judge of HC.
→ He holds office during pleasure of governor.
→ Duties & functions [Same as Attorney]
→ Rights [Same as Attorney - Replace ward India's teritory within State - # And Parliament with State Legislature]

Planning Commission :-

→ It was established in March, 1950 by an executive resolution of the GOI. It is neither a Constitutional body nor a Statutory body.

→ Composition :

- PM is the chairman of the Commission. He presides over the meeting of the commission.
- Commission has a deputy chairman. He is the de-facto executive head (i.e. full time functional head).
  He is responsible for the formulation & submission of the draft five-year plan to the Central Cabinet.
  He enjoys the rank of cabinet minister.
- Some central ministers are appointed as a part-time members.
- The Commission has 4-7 full time expert members. They enjoy the rank of a minister of state.
- The commission has a member-secretary. He is usually a senior member of IAS.

→ Functions :

- To make assessment of material, capital & human resources of country & investigate the possibilities of augmenting them.
- To formulate a plan for the most effective & balanced utilisation of the country's resources.
- To determine priorities & to define stages in which the plan should be carried out.
- To indicate the factors that retard economic development.
- To determine the nature of the machinery required for successful implementation of plan in each stage.

National Development Council [NDC]:

→ It was established in August, 1952. It is neither Constitutional nor a Statutory body.

→ Composition:

- PM of India as its Chairman/head.
- All Union Cabinet Ministers
- Chief Ministers of all States
- CM/ Administrators of all UT.
- Members of Planning Commission.

* Secretary of PC acts as the Secretary to the NDC.

→ Objectives:

- To secure co-operation of States in the execution of the plan.
- To promote common economic policies in all vital spheres.
- To ensure balanced & rapid development of all parts of country.
- To strengthen & mobilise the efforts & resources of the nation in support of the plan.

→ Functions:

- To prescribe guidelines for preparation of the national plan.
- To consider the national plan as prepared by the PC.
- To make an assessment of resources that are required for implementing the plan.
- To consider important question of social & economic policy affecting national development.
- To review the working of National Plan from time to time.
- To recommend measures for achievement of the aims & targets set out in national plan.

* It is highest ~~poli~~ body, below Parliament responsible for policy matters/planning.

National Human Rights Commission :-

→ It is a statutory body established in 1993 under Protection of Human Rights Act, 1993.

→ Composition of the NHRC :

It consisty of Chairman, four members (full time) & four ex-officio members -

- Chairman (Retired CJI)
- Member 1, Serving or retired Judge of SC
- Member 2, Serving or retired Chief Justice of HC
- Member 3] - Persons having knowledge or practical experience
- Member 4] with respect to human rights.
- Ex-officio Chairman of National Commission for Minorities
- ——— " ——— " ——— for SC's
- ——— " ——— " ——— for ST's
- ——— " ——— " ——— for Women

The Chairman & members are appointed by the President on the recommendation of 6-member committee consisting of -

- Prime Minister
- Speaker of LS
- Deputy Chairman of RS
- Home Minister
- Leaders of Opposition of both the houses.

- Chairman & members hold office for a term of 5 years or untill they attain the age of 70 years, whichever is earlier. [Not eligible for re-appointment]

- President can remove on following grounds -
  - If he is insolvent, - Unfit to continue in office
  - Engages in any paid employment outside the duties.
  - He is of unsound mind - Convicted or sentenced to imprisonment for an offense.

→ Functions :

- To inquire into any violation of human rights or negligence in the prevention of such violation by a public servant, either suo motu or on a petition presented to it or on order of a court.
- To intervene in any proceedings involving allegation of violation of HR pending before a court.
- To visit jails & detention places to study the living conditions & recommendations thereon.
- To review the constitutional & other legal safeguards for the protection of human rights & recommend measures for their effective implementation.
- To study treaties & other international instruments on HR & make recomm. for their effective implementation.
- To spread HR literacy among the people & promote awareness.
- To undertake & promote R&D in field of HR.
- To encourage the efforts of NGO working in the field of HR.

→ Working of the Commission :

- It has all powers of a civil court.
- It may call for info. or report from the Central & State govt. & other authority subordinate them.
- It can inquire into a matter within 1 year of its occurence.
- It may recommed the concerned govt. or authority to make payment of compensation to the victim / for the grant of immediate interim relief to the victim.
- It may recommend to the concerned govt. or authority the initiation of proceeding or any other action against the guilty public servant.

State Human Rights Commission :-

→ The Protection of Human Rights Act, 1993 also provides for creation of SHRC.

→ It can inquire into violation of human rights only in respect of subjects mentioned in State list & Concurrent list.

→ Composition of SHRC :

- Chairman (Retired Chief Justice of HC)
- Member 1 (Serving or retired judge of HC or District Judge in State minimum of 7 years experience)
- Member 2 (Knowledge & practical experience respect to human rights)

The Chairman & members are appointed by the Governor on the recommendation of a committee consisting of -

- Chief Minister.
- Speaker of Legislative Assembly.
- State Home Minister.
- Leader of Opposition of Leg. Assembly.

→ Term of office [Same as NHRC]

→ Removal grounds & procedure [Same as NHRC]
[Appointed by Governor but removed by President]

→ Functions & Working [Same as NHRC, replace Centre with State]

Central Information Commission :-

→ Constituted through an official Gazette Notification under the provisions of RTI Act, 2005.

→ **Composition :**

- Consists of Chief Information Commissioner & not more than 10 information Commissioners.
- Appointed by the President on the recommendation of the Committee consisting -
  - Prime Minister [Chairperson]
  - Leader of Opposition in LS
  - Union Cabinet Minister appointed by PM.

→ **Tenure & Service Conditions :**

- CEC & IC hold office for a term of 5 years or until they attain age of 65 years, whichever is earlier.
- President can remove on following grounds -
  - Adjudged an insolvent.
  - Convicted of an offence (involves moral turpitude)
  - Engage in any paid employment
  - Acquired such financial or other interest as likely to affect prejudically his official functions.
  - On grounds of proved misbehaviour or incapacity.

→ **Powers & functions :**

- While Inquiring, the Commission has the powers of civil court.
- The Commission can order inquiry into any matter if there are reasonable grounds (suo-moto power).

- The Commission submits an annual report to the CG on the implementation of the provisions of this Act. The CG places this report before each house of Parliament.

- It is duty of Comm. to receive & inquire into a complaint from any person -
  - who has not been able to submit an information request because of non-appointment of Public Info. Officer.
  - who has been refused info. that was requested.
  - who thinks fee charged are unreasonable.
  - who thinks info. given is incomplete or false or misleading.
  - who not received response within the specified time limits.

- All public records must be given to the Commission during inquiry for examination.

State Information Commission :-

→ Composition :

- Same as Central information Commission
- Committe consists of -
  - Chief Minister
  - Leader of Opposition in Legislative Assembly
  - State Cabinet Minister appointed by CM.

→ Tenure & Service Conditions [Same as Cent. Info. Commission] [Appointed & removed by Governor]

→ Powers & functions [Same as CEC, replace centre with State]

Central Vigilance Commission :-

→ It was established in 1964 by an executive resolution of the Central Govt.

→ Originally CVS was either a constitutional body nor a statutary body. In 2003, Parliament enacted a law conferring statutary status on the CVC.

→ Composition :

- It consists of Central Vigilance Commissioner (Chairperson) & not more than 2 vigilance commissioners.
- They are appointed by the President on the recommendation of committee consists of -
  - Prime Minister
  - Union Minister of Home affairs
  - Leader of opposition in the LS
- They hold office for a term of 4 years or until they attain age of 65 years, whichever is earlier.
- Removed by President on same grounds as of Central Information Commission.
- Salary & allowances of CVC is same to Chairman of UPSC & vigilance comm. are similar to member of UPSC.

→ Organisation
- → Secretariat
- → Chief Technical Examiner's Wing
- → Wing of Commissioners for Departmental Inquiries.

→ Working :

- CVC conducts its proceedings at its headquarters (Delhi).
- It is vested with power to regulate its own procedure.
- It has all powers of a civil court & its proceedings have a judicial character.
- CVC has present annually to the President a report of its performance. The President places this report before each house of parliament.

→ Functions [Can be viewed in book as there is long list]

Central Bureau of Investigation :-

→ CBI is not a statutory body, it derives its powers from the Delhi Special Police Establishment Act, 1946.

→ Composition of CBI :

- CBI headed by a director. He is assisted by a special director or additional director.
- The director of CBI as Inspector-General of Police, Delhi Special Police establishment, is responsible for the administration of the organisation.
- The director of CBI has been provided security of 2 years tenure by the CVC Act, 2003.
- The CVC Act also provides the mechanism for the selection of the Director of CBI & other officers of the rank of SP & above in CBI.

- Director of CBI is appointed by the C.G. on the recommendation of a committee consisting of -
  - Central Vigilance Commissioner (Chairman)
  - Vigilance Commissioner
  - Secretary to the GOI in-charge of the MHA.
  - Secretary (Coordination & Public Grievances) in the Cabinet Secretariat.

→ Functions :

- Investigating cases of corruption, bribery & misconduct of C.G. employees.
- Investigating cases relating to infringment of fiscal & economic laws.
- Investigating serious crimes, having national & international ramifications.
- Coordinating the activities of the anti-corruption agencies & the various state police.
- Taking up, on the request of a State govt., any case of public importance for investigation.

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GOVERNOR

→ Governor is Chief executive head of the State. (Like President, he is a nominal executive.)

→ Governor now acts as an agent of the C.G. The office of governor has a dual role.

→ Same person can be appointed as a governor of two or more States.

→ He is appointed by the president by warrant under his hand & seal.

→ It is an independent constitutional office & is not under the control of or subordinate to the C.G. (SC ruling)

→ Constituent Assembly opted for the present system of appointment of governor by the president.

→ Constitution lays down only two qualifications for appointment –

- He must be citizen of India.
- He must have completed the age of 35 years.

* President is required to consult CM of the State. (Convention)

→ <u>Conditions of Governor's office</u> [Same as President]

→ Oath of office to the governor is administered by the Chief Justice of the concerned state high court & in his absence, the senior-most judge of the court.

→ <u>Term of Governor's office:</u>

- Governor holds office for a term of 5 years from the date on which he enters upon his office. However, this term of 5 years is subject to the pleasure of the President.

- SC held that the pleasure of President in non-justifiable.
- The governor has no security of tenure & no fixed term of office.
- The constitution does not lay down any grounds upon which a governor may be removed by the President.
- President may transfer a Governor appointed to one State to another State for the rest of term.
- A governor may be reappointed in the same state or any other State.

→ Powers & functions :

- Executive Powers -
  - He acts as the chancellor of universities in the state. He also appoints VC of the universities in the state.
  - He can recommend the imposition of constitutional emergency in a state to the president.

  .....[Remaining same as President, replace Union with State]

- Legislative Powers -
  - He can prorogue or summon the state legislature and dissolve the state legislative assembly.
  - He can address the state legislature at the commencement of the first session after general election & first session of each year.
  - He nominates 1/6 members of the state legislative council.
  - He can ~~appoint~~ nominate 1 member to the state legislature assembly from Anglo-Indian Community.

- He decides on the question of disqualification of members of State legislature in consultation with EC.
- When a bill sent to the governor after it is passed by State legislature, he can:
  - # Give assent to the bill, or
  - # Withhold his assent to the bill, or
  - # Return the bill (if not a money bill) for reconsideration to the State legislature, or
  - # Reserve the bill for the consideration of the President.
- He can promulgate ordinances when the State legislature is not in session.

- Financial Powers - [Same as President]
- Judiciary Powers -
  - He can grant pardons, reprieves, respites and remissions of punishment or suspend, remit & commute the sentence of any person convicted of state law.
  - He is consulted by the President while appointing the judges of the concerned state HC.
  - He makes appointment of DJ in consultation with the State high court.

* He cannot pardon a death sentence.
* He cannot do anything in relation to court-martial.

Chief Ministers

→ Governor is nominal executive authority (de jure executive) & the CM is real executive (de facto executive).

→ He is appointed by the Governor (Article 164)

→ Constitution does not require that a person must prove his majority in the legislative assembly before he is appointed as the CM.

→ A person who is not a member of state legislature can be appointed as CM for 6 months, within which time, he should be elected to the state legislature, failing which he ceases to be CM.

→ CM may be member of any of the two houses of a State legislature.

→ Governor administers to him the oaths of office & secrecy.

→ Powers & functions :

— In relation to Council of Ministers -

- Governor appoints only those persons as ministers who are recommended by the CM.
- He allocates & reshuffles the portfolio among ministers.
- He presides over the meeting of the CoM & influence its decision
- He can bring about the collapse of the CoM by resigning from office.

— In relation to State Legislature -

- He advises the governor with regard to summoning & prorogue of the sessions of the State legislature.
- He announces the govt. policies on the floor of the house.
- He can recommend the dissolution of the legislative assembly to the governor at any time.

- In relation to the governor -

- He is principal channel of communication b/w the governor and the CM. It is the duty of CM :

  # to communicate to the governor all decisions of CM relating to the administration.

- He advises the governor with regard to the appointment of important officials like advocate general, Chairman & members of the SPSC, state election commissioner etc.

→ Other Powers & functions :

- He is the Chairman of the State Planning Board.
- He acts as the Vice-President of the concerned zonal council by rotation, holding office for 1 year at a time.
- He is a member of Inter-State council & NDC, both headed by the PM.

→ Relationship with the Governor :

Article 163 : There shall by COM with the CM as the head to aid & advice the governor on exercise of his functions.

Article 164 :

- CM shall be appointed by the governor & other minister on the advise of the CM;
- Ministers hold office during the pleasure of governor;
- COM collectively responsible to the legislative assembly.

Article 167 : Communicate to the governor all decisions of the COM relating to administration.

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- Ministers hold office during the pleasure of governor;
- CM collectively responsible to the legislative assembly.

Article 167 : Communicate to the governor all decisions of the CM relating to administration.

High Court

→ The Constitution provides for a high court for each State, but the 7th Amd. Act, 1956 authorised Parliament to establish a common HC for 2 or more States or for 2 or more state and UT.

→ At present, there are 24 high courts in India. Out of them, 3 are common HC.

→ Appointment of Judges :

- CJ is appointed by the President after consultation with the CJI & the governor of the State concerned.
- For appointment of other judges, Chief Justice of concerned high court is also consulted.

* In third Judges case (1998), SC opined that in case of the appointment of HC judges, the CJI should consult a collegium of 2-senior most judges of the the SC. [No Sole opinion]

→ Qualifications :

- He should be citizen of India.
- He should have held a judicial office in the teritory of India for 10 years ; or
- He should have been an advocate of HC for 10 years.

→ Removal : Procedure for impeachment of a judge of a HC is same as that for a judge of SC.

→ Tenure :

- Constitution has not fixed the tenure of a judge of a HC. However, it makes following four provisions -

  - He holds office until he attains the age of 62 years.
  - He can resign his office by writing to the president.
  - He can be removed from his office by the President on the recommendation of the Parliament.
  - He vacates his office when appointed as a judge of SC or transfered to another HC.

→ President can transfer a judge from one high court to another after consulting the CJI. CJI should consult, in addition to the Collegium of 4 seniormost judges of SC, the chief justice of 2 HC (one from which the judge being transferred & othe receiving him.)

→ <u>Jurisdiction & Powers of High Court :-</u>

- Original Jurisdiction :
  - Matters of admiralty, will, marriage, divorce, company law & contempt of court.
  - Disputes relating to election of MP & MLA.
  - Regarding revenue matter.
  - Enforcement of fund. Rights of citizens.
  - Cases transferred from sub-ordinate courts.

- Writ Jurisdiction :
  - HC can issue writs including habeas corpus, mandamus, certiorari, prohibition & quo-warranto for enforcement of fund. Rights or for any other purpose.
  - Writ Jurisdiction HC is not exclusive but concurrent with writ jurisdiction of SC.

- Appellate Jurisdiction - It hears appeals against the judgements of Subordinate courts functioning in its territorial jurisdiction. It has appellate jurisdiction in both civil & criminal matters.

- Supervisory Jurisdiction - HC has the power of superintendence over all courts & tribunals functioning in its territorial jurisdiction (except martial court).

- Central over Subordinate Courts

- A court of Record

(*** Sec 66A) — Power of Judicial Review -

- It is the power of HC to examine the constitutionality of legislative enactments & executive orders of both the central & state govt.
- Constitutional validity can be challenged in HC on the following three grounds -
  - # it infringes the fund. rights (Part III)
  - # it is outside the competence of the authority which has framed it, and
  - # it is repugnant to the constitutional provisions.

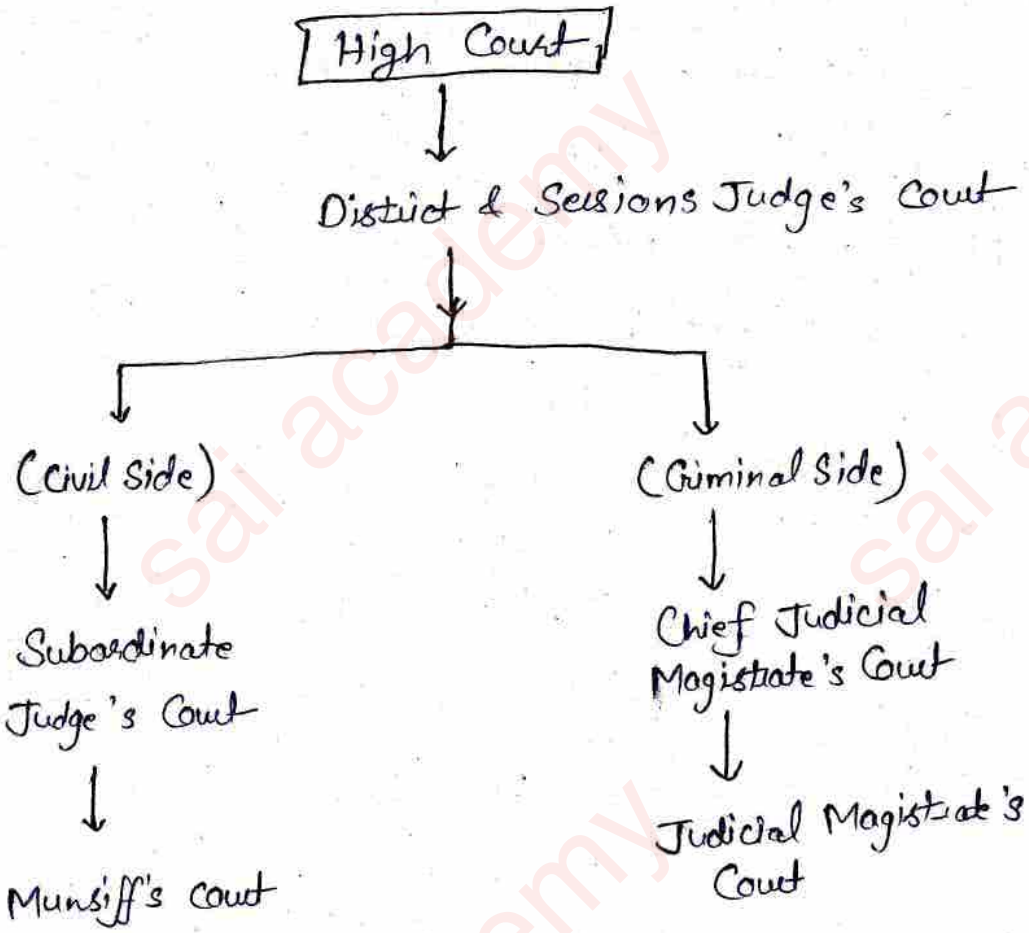
SUBORDINATE COURTS

→ Appointment of District Judges :

- Appointment, posting & promotion of district judges are made by the governor in consultation with the high court.
- Qualifications -
  - He must not already be in the service of the central or the State govt.
  - He must have been an advocate or pleader for 7 years.
  - He must be recommended by the HC for appointment.

→ Appointment of other Judges : Appointment of persons to the judicial service of a state are made by the governor after consultation with SPSC & high court.

→ Structure of the subordinate courts -



State Council of Ministers

→ Article 163 – Council of Ministers to aid & advise Governor :

- There shall be a CoM with the CM as the head to aid & advise the governor in exercise of his functions.
- Advise tendered by Ministers to the governor shall not be inquired into in any court.

→ Article 164 – Other provisions as to Ministers :

- CM shall be appointed by the governor & other ministers on the advise of CM.
- The total no. of ministers including CM, in the CoM in a state shall not exceed 15% of the total strength of the legislative assembly of that state.
- But, the number of ministers including CM, in a state shall not be less than 12.
- CoM shall be collectively responsible to the state legislative assembly.

→ Article 166 – Conduct of Business of the govt. of a state

→ Article 167 – Duties of CM [Already discussed]

→ Responsibility of Ministers –

- Collective Responsibility : [Same as central CoM]
- Individual Responsibility : [Same as central CoM]

→ Composition of Council of Ministers : [Same as Central CoM]

State Legislature

→ Organisation of State Legislature :-

- Unicameral System consists of the governor & the legislative assembly.
- Bicameral system consists of the governor, legislative council & the legislative assembly.
- Constitution provides for the abolition or creation of legislative council in state. Accordingly, the Parliament can abolish or create L.C., if the legislative assembly of the concerned state passes a resolution to that effect. [Such specific resolution must be passed by the state assembly by a special majority.]

→ Composition of Legislative Assembly :-

- Strength :
  - Maximum strength is fixed at 500 & minimum strength at 60.
  - In case of Arunachal Pradesh, Sikkim & Goa, minimum no. is fixed at 30.

- Nominated Member :
  - The governor can nominate 1 member from the Anglo-Indian community, if the community is not adequately represented in the assembly.

→ Composition of Legislative Council :-

- Strength :
  - Maximum strength is fixed at 1/3 of the total strength of the assembly & minimum strength is fixed at 40.
- Manner of election : of the total number of members of council -
  - 1/3 are elected by the members of local bodies like municipalities, district boards etc.
  - 1/12th are elected by graduates of 3 years standing & residing within state.

- 1/12 are elected by teachers of 3 years standing in the state, not lower in standard than secondary school.
- 1/3 are elected by the members of legislative assembly of the state from among persons who are not members of the assembly.
- Remainder are nominated by the governor.
- 5/6 of total members are indirectly elected & 1/6 are nominated by the governor.

→ Duration of Assembly : Like the LS, the legislative assembly is not a continuing chamber. Its normal term is 5 years from the date of its first meeting after the general elections.

→ Duration of Council : Like the RS, the legislative council is a continuing chamber i.e. it is a permanent body & is not subject to dissolution. But 1/3 of its members retires on the expiration of every second year.

→ Membership of State Legislature :-

– Qualifications :

- He must be a citizen of India.
- He must not be less than 30 years in case of council & not less than 25 years in case of assembly.
- A person to be elected to the council must be elector for an assembly constituency in the concerned state & to be qualified for the governor's nomination, he must be a resident in concerned state.
- A person to be elected to the assembly must be an elector for an assembly constituency in the concerned state.

- Disqualifications :
  - if he holds any office of profit under the Union or state government,
  - if he is of unsound mind,
  - if he is an undischarged insolvent,
  - if he is not a citizen of India,
  - if he is so disqualified under any law made by Parliament.

- Vacation of Seats :
  - Double membership
  - Disqualification
  - Resignation
  - Absence (for a period of 60 days)

→ Speaker of Assembly [Same Role, power & functions of LS Speaker]

→ Deputy Speaker of Assembly [Same provisions as of Deputy Speaker of LS]

→ Chairman of Council :-
- Chairman is elected by the council itself from amongst its members.
- Chairman vacates his office in any of following three cases :
  - if he ceases to be member of council,
  - if he resigns by writing to the deputy chairman, and
  - if he is removed by a resolution passed by a majority of all the then members of the council.
- As presiding officer, the powers & functions of the Chairman is similar to those of the speaker in the assembly. [Except deciding whether bill is money bill or not]

→ Deputy Chairman of Council [Same provisions as of Deputy Chairman of Rajya Sabha]

→ Sessions of State Legislature :-

- Summoning [Same provision as of Parliament]
- Adjournment [Same as Parliament]
- Prorogation [Same as Parliament]
- Dissolution [Same as Parliament]
- Quorum : It is 10 members or 1/10th of total number of members of House (including presiding officer), whichever is greater.

→ Rights of Ministers & Advocate General [Same as of Central Min. & AG]

CLASSIFICATION OF INDIAN ECONOMY

1 SECTORS OF ECONOMY

Economic activity is divided into three sectors:

- **Primary:** The primary sector of the economy makes direct use of natural resources. This includes agriculture, forestry, fishing, and mining. (A farmer and a coal mine worker would be workers in the primary sector.)

  The industries engaged in the production or extraction of natural resources such as crops, oil, and ores are part of the primary sector.

- **Secondary:** The secondary sector of the economy involves the transformation of raw or intermediate materials into final goods, e.g. manufacturing steel into cars, or textiles into clothing. (A welder and a dressmaker would be workers in the secondary sector.)

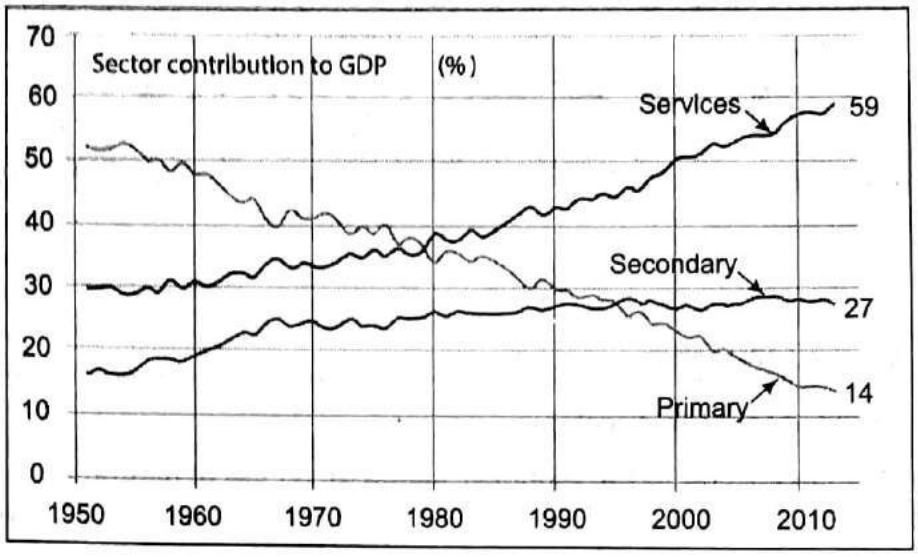
  This sector generally takes the output of the primary sector and manufactures finished goods or intermediate goods. Many of these industries consume large quantities of energy and require factories and machinery to convert the raw materials into goods and products. They also produce waste materials and gases that may cause environmental problems or pollution. The secondary sector supports both the primary and the tertiary sector.

Largest countries by industrial output in nominal GDP, according to IMF and CIA World Fact Book, 2015

Economy	Countries by industrial output in 2015 (billions in USD)
(01) China	4922
(02) United States	3752
(03) Japan	1164
(04) Germany	1016
(05) United Kingdom	588
(06) India	559

- **Tertiary:** The tertiary sector of the economy involves the supply of services to consumers and businesses, such as babysitting, cinema, and banking. (A shopkeeper and an accountant would be workers in the tertiary sector.)

Contribution of various sectors in Indian economy



2 GOODS AND SERVICES

Goods refer to tangible consumable products, articles, and commodities and have physical characteristics, i.e. shape, appearance, size, weight, etc. Some items are made for one-time use by the consumer, while some can be repeatedly used.

Goods are products that are traded in the market. There is a time gap in the production, distribution, and consumption of goods. When the buyer purchases goods and pays the price, the ownership is passed from the seller to the buyer.

Products are manufactured in batches, which produce identical units. In this way, a particular product offered by the company will have the same specifications and characteristics all over the market. Examples include books, pens, bottles, bags, etc.

Services lack physical identity and are thus intangible in nature. Services are produced and consumed at the same time. Services are considered sold at the time of their consumption. Services cannot be owned but can only be utilized.

For example, if one buys a ticket for watching a movie at the multiplex, it does not mean that one has purchased the multiplex, but one has only paid the price of availing services. Examples include retail, banking, insurance, transport, communication, courier delivery, etc.

Index of Industrial Production and Core Sector

The index of industrial production (IIP) is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period. It is compiled and published monthly by the Central Statistical Organisation (CSO). The current base year for IIP is 2011–12 with a value of 100. Recently, the government has proposed to change the base year to 2017–18.

Eight core industries comprise nearly 38% of the weight of items included in the IIP

1. Electricity generation (weight: 10.32%)
2. Steel production (weight: 6.68%)
3. Petroleum refinery production (weight: 5.94%)
4. Crude oil production (weight: 5.22%)
5. Coal production (weight: 4.38%)
6. Cement production (weight: 2.41%)
7. Natural gas production (weight: 1.71%)
8. Fertilizer production (weight: 1.25%)

What Are Core Industries?

Core industries are the backbone of the overall economy. Their output is used by various other industries. Thus, the core industries determine the state of overall industrial development of the economy.

Manufacturing Purchasing Managers Index (PMI)

Apart from the Index of Industrial Production (IIP), there is another key parameter to gauge the level of activity in the manufacturing sector: Manufacturing Purchasing Managers Index (PMI).

Difference Between PMI and IIP

There are two main points of difference between the PMI and the IIP.

1. The first difference is that IIP is a measure of output, PMI, as the name suggests, measures activity at the purchasing or input stage.

   Together the two indices provide comprehensive information about the formal manufacturing sector.
2. The second is that the PMI is a private sector survey, while the IIP is by the government.

Limitations of PMI and IIP

1. As with the IIP, the PMI suffers from the weakness of not measuring informal sector activity.
2. Both the PMI and the IIP are based on surveys and hence, represent only a sample of the entire formal manufacturing sector. As with all surveys, the two are also susceptible to sampling errors.

Advantage of PMI Over IIP

The manufacturing PMI report for any given month comes out either on the last day of that month or on the first day of the next month. The IIP, however, comes out after considerable delay. The data for a given month comes out almost one and a half months later.

3 COMPARISON OF INDIAN ECONOMY WITH ECONOMIES OF THE WORLD

No.	Country/Economy	Nominal GDP	Primary	Secondary	Tertiary
	World	75.6 trillion	5.9%	30.5%	63.6%
1.	United States	17.9	1%	19%	80%
2.	China	11	9%	41%	50%
3.	Japan	4.7	1%	28%	71%
4.	Germany	3.5	1%	28%	71%
5.	United Kingdom	2.7	1%	21%	78%
6.	France	2.5	2%	18%	80%
7.	India	2.25	14%	27%	59%

Nominal GDP sector composition, 2016 (in percentage and in dollars)

On the basis of the above table, we can conclude the following:

- **Comparison of US and Indian GDP:** In 2016, India's GDP was $2.25 trillion and the US GDP was $17.9 trillion. Thus, US GDP was approximately eight times that of India's GDP.
- **Relative contribution of various sectors:** The relative contributions of the primary, secondary, and tertiary sectors in India's GDP are 14%, 27%, and 59%, respectively. On the other hand, the relative contributions of the primary, secondary, and tertiary sectors in the US GDP are 1%, 19%, and 80%, respectively.

  The relative contribution of the secondary and tertiary sectors increases as the economy continues to transit from a developing to a developed economy. This is because when the level of development increases, the consumption of agricultural commodities can increase only to an extent. However, people consume more and more manufactured goods and services.
- **Comparison of actual size of particular sector:** The US GDP is eight times compared to India's GDP. The relative contributions of the services sector in the United States and India are 80% and 59%, respectively. Thus, the ratio of the actual size of the services sector in India and the United States is 59 and 640 (80 × 8).
- **Workforce distribution in various sectors of economy:** Distribution of workers by different industrial categories (in India).

Industrial Category	Percentage (%)
Total workers	100.0
Agriculture and allied activities	56
Mining and quarrying	1
Primary sector (Agriculture and allied activities and mining and quarrying)	**57 (subtotal)**
Manufacturing	14

Industrial Category	Percentage (%)
Electricity, gas, and water supply	0.5
Construction	3.5
Secondary sector (manufacturing, electricity, gas and water supply, and construction)	**18 (subtotal)**
Wholesale, retail trade and repair work, hotels and restaurants	10.0
Transport, storage, and communications	4.0
Financial intermediation, business consultancy	2.0
Other services	9.0
Services sector	**25 (subtotal)**

As India will continue to grow, more and more workforce will shift from primary activities to secondary and tertiary activities. For instance, typical labour participation in a developed country is 10% in the primary sector, 20% in the secondary sector, and 70% in the tertiary sector. More machinery is deployed in the primary sector, which reduces the number of workers needed. As a result, the demand for machinery production in the secondary sector increases. Further, the primary and secondary sectors are increasingly dominated by automation and the demand for workforce reduces in these sectors. It is replaced by the growing demands of the tertiary sector.

- **Per capita income and labour productivity:** In India, the relative contributions of the primary, secondary, and tertiary sectors in the GDP are 14%, 27%, and 59%, respectively. On the other hand, the percentages of workforce employed in these sectors are 57%, 18%, and 25%, respectively. Thus, it can be concluded that workforce productivity is highest in the tertiary sector and lowest in the primary sector. This is due to the fact that delivery of services demands higher skills.

  More population shifting to secondary and tertiary activities signifies rise in the overall labour productivity and consequently rise in the per capita income. The populations of the United States and India are 32 crore and 132 crore (in 2016), respectively. On the other hand, the US GDP is eight times the size of India's GDP. Thus, the per capita income in the United States is 33 (132/32 × 8) times that of India.

4 USUAL TRANSITION IN ECONOMY

The relative shares of various sectors in the economy undergo transition with the level of development in the economy. In the least developed countries, the relative share of the primary sector is high in comparison to the shares of the secondary and tertiary sectors (there are no fixed percentages).

In the developing countries, the share of the secondary sector is the highest. The relative shares of the primary and tertiary sectors are lower than that of the secondary sector. In the developed economy, the share of the tertiary sector is the highest. The tertiary sector even exceeds the total contribution made by the primary and secondary sectors.

Least Developed Countries, Developing Countries, and Developed Countries

The least developed countries (LDCs) are countries that, according to the United Nations, exhibit the lowest indicators of socioeconomic development, with the lowest human development index (HDI) ratings of all the countries in the world. The concept of LDCs originated in the late 1960s. A country is classified among the LDCs if it meets three criteria:

1. Poverty—an adjustable criterion based on the per capita averaged over three years. As of 2015, a country must have GNI per capita less than $1035 to be included on the list, and over $1242 to graduate from it.
2. Human resource weakness based on the indicators of nutrition, health, education, and adult literacy.
3. Economic vulnerability based on the instability of agricultural production, instability of exports of goods and services, economic importance of non-traditional activities, merchandise export concentration, and the percentage of population displaced by natural disasters.

The LDC criteria are reviewed every 3 years by the Committee for Development Policy (CDP) of the UN Economic and Social Council (ECOSOC). Countries may "graduate" out of the LDC classification when indicators exceed these criteria.

A developing country, also called a less developed country or an underdeveloped country, is a nation or a sovereign state with a less developed industrial base and a low HDI relative to other countries. There are no universally agreed criteria that make a country developing or developed, although there are general reference points such as a nation's GDP per capita compared to other nations.

Less developed country is a general term and should not be confused with the specific term, least developed country. The definition of the least developed country is given by the United Nations.

A developed country, industrialized country, or "more economically developed country" (MEDC), is a sovereign state that has a highly developed economy and advanced technological infrastructure relative to other less industrialized nations. Most commonly, the criteria for evaluating the degree of economic development are GDP, per capita income, level of industrialization, amount of widespread infrastructure, and general standard of living. Criteria are to be applied, and which countries can be classified as being developed are subjects of debate.

Developed countries have post-industrial economies, meaning the service sector provides more wealth than the industrial sector.

5 PECULIAR CASE OF INDIA'S GROWTH STORY: SERVICES-LED GROWTH

India's economic growth is mainly on account of growth in the services sector. It has bypassed the stage of growth in the secondary sector. India has witnessed high growth in the services sector due to the following reasons:

- Low cost of workers
- Availability of skilled personnel
- People who can speak English and, thus, provide services abroad
- Information technology facilitating delivery of services from India to anywhere across the world

On the other hand, India has not witnessed much growth in the secondary sector due to the following reasons:

- Late entry of the private sector in the economy due to delayed liberalization
- Competition from Chinese goods, which are available at cheap prices and are available in wide range
- Poor quality of infrastructure, which enhances the cost of doing business and hampers the pace of business operations. For instance, electricity produced by diesel can cost twice as much as the energy produced from coal or hydropower based systems. High energy costs combined with other infrastructure deficits, such as rail and road problems, have lowered the productivity rates of manufacturing industries in India.
- Excessive rules and regulations in India (or red tape). For example, securing numerous clearances before setting up a business enhances the cost of functioning of business. The high cost of functioning makes survival difficult for the business in the highly competitive environment. Difficulty in starting a business dissuades people from entering into business activity.

Consequences of Low Growth in Secondary Sector

The secondary sector produces machinery for use in primary and tertiary activities. Slow growth in the secondary sector hampers mechanization and automation in the primary and tertiary sectors as well.

6 ORGANIZED AND UNORGANIZED SECTORS

Sectors of economy are majorly divided into three categories: primary, secondary, and tertiary. Based on the employment conditions, these are further classified as organized and unorganized sectors.

Organized sector

The sector that is registered with the government is called an organized sector. In this sector, the employment terms are fixed and regular. A number of acts apply to enterprises covered under the organized sector.

Unorganized sector

The sector that is not registered with the government and whose terms of employment are not fixed and regular is considered an unorganized sector. In this sector, no government rules and regulations are followed.

Basis	Organized Sector	Unorganized Sector
Meaning	The sector in which employment terms are fixed and employees have assured work	The sector that comprises small-scale enterprises or units which are not registered with the government
Governed by	Various acts such as Factories Act, Bonus Act, PF Act, Minimum Wages Act, etc.	Not governed by any act
Remuneration	Regular monthly salary	Usually daily wages

Indian Context

Nearly 93% of the Indian workforce is in the unorganized sector and only 7% is in the organized sector. Both the unorganized and organized sectors contribute nearly 50% to the GDP.

Almost all the workforce in the primary sector is part of the unorganized sector. The unorganized sector is not covered under various laws and thus lacks bare minimum social security benefits such as pension, insurance, etc.

Care Economy: The Human Side of Economy

The care economy is that part of human activity, both material and social, which is concerned with the process of caring for the present and future human population, including the domestic provisioning of food, clothing, and shelter, regardless of whether it is of paid or unpaid nature.

What Is the Need of Recognizing "Care Economy"?

There is a need to shift economic measurements, policies, and practices from the current focus on GDP to a humane and prosperous economy that recognizes the enormous return on investment in the most important, yet undervalued, human work: the work of caring for and educating people.

Investing in Care Grows Our Real Wealth

We need new economic measures and policies that recognize the enormous financial return from investing in caring for people. Investing in our human infrastructure reduces the back-end costs of crime, illness, and lost potential—the enormous yet avoidable costs of an uncaring economy.

Empowering Women

Because women do most of the work of care for little or no pay, the Caring Economy Campaign is essential to lift the status of women.

Global Competitiveness Report

The Global Competitiveness Report (GCR) is a yearly report published by the World Economic Forum.

Global Competitiveness Report ranks countries based on the Global Competitiveness Index.

The report assesses the ability of countries to provide high levels of prosperity to their citizens.

This, in turn, depends on how productively a country uses available resources. Therefore, the Global Competitiveness Index measures the set of institutions, policies, and factors that set the sustainable current and medium-term levels of economic prosperity.

There are 12 pillars of competitiveness. These are

1. institutions
2. appropriate infrastructure
3. a stable macroeconomic framework
4. good health and primary education
5. higher education and training
6. efficient goods markets
7. efficient labor markets
8. developed financial markets
9. the ability to harness the benefits of existing technologies
10. market size, both domestic and international
11. producing new and different goods using the most sophisticated production processes
12. innovation

Global Competitiveness Report 2017–2018

India' rank slipped by one notch to 40th position out of a total of 137 countries. In the 2016–17 report, India ranked 39 out of a total of 138 countries.

PLANNING

1 HISTORY

Even before independence, the leaders of our freedom struggle were inspired by the model of planning adopted in the Soviet Union. The National Planning Committee (NPC) was constituted in 1938 on the initiative of Subhash Chandra Bose and under the chairmanship of Jawaharlal Nehru for the development of the overall programme to facilitate economic and social development.

The NPC produced 29 volumes of recommendations on economic planning, which guided planning in India after independence. These recommendations were in synchronization with the Bombay Plan.

Bombay Plan

This plan was prepared by the leading industrialists of India and was published in 1944–45. The title of the plan was "A Plan for Economic Development of India". The plan was in synchronization with the recommendations given by the NPC. Most of the industrialists were also NPC members. The important recommendations of the Bombay Plan were as follows:

- Rapid industrialization with emphasis on the development of capital goods and core industries
- Agrarian restructuring through land reforms
- State to play an active role in economy through planning, controlling, and overseeing different sectors of the economy
- Large-scale measures for social welfare of the masses

2 FIVE-YEAR PLANS IN INDIA

First Five-Year Plan (1951–56)

This plan emphasized on the development of agriculture, including important irrigation projects, namely, Bhakra Nangal and Hirakud dams. During this plan, an active role was played by the state on account of deficiency of capital with the private sector.

Second Five-Year Plan (1956–61)

The plan was based on the Mahalanobis model. The plan emphasized on the development of heavy industries. The Mahalanobis model was given by Indian statistician P. C. Mahalanobis who mathematically demonstrated the role of heavy industries in the overall growth of the economy.

Third Five-Year Plan (1961–66)

This plan again emphasized on improvements in agriculture. However, on account of Chinese aggression in 1962, the focus of economy shifted towards defence.

In 1965–66, India fought a war with Pakistan. Simultaneously, there was a large-scale drought in the country. On account of wars and severe drought, the plan targets could not be achieved.

The country also went through a severe foreign exchange crisis. As a result, large-scale devaluation of rupee was carried out in 1966. Also, there was a shortage of food grains in the country. The United States exported food grains to India in exchange of Indian rupee. The food aid is popularly called PL-480 because it was given by the United States under Section 480 of Public Law.

Three Annual Plans (1966–69)

On account of poor financial conditions, government decided to go for three annual plans. This period is also known as the period of "Plan Holiday".

Fourth Five-Year Plan (1969–74)

Droughts and Indo–Pak war (1971–72) led to a significant drain on funds. During this plan, the government initiated populist measures involving a large amount of subsidies, which lead to high fiscal deficit.

Nationalization was also carried out at large scale: private sector banks, insurance companies, coal mines, etc. were acquired by the state.

Fifth Five-Year Plan (1974–79)

The government adopted the Twenty-Point Programme in 1975 with the objective of improving the quality of life of people, especially BPL families. Thrust was given on poverty alleviation, employment generation, housing, education, health, etc. particularly in rural areas.

On account of heavy spending by the government, the economy witnessed double digit inflation. Decision-making on monetary policy was handed over to the RBI.

In 1977, the Janata Party government came to power. It suspended the Five-year Plan initiated by the Congress government. After returning to power in 1980, the Congress government treated 1978–79 as part of the Fifth Five-year Plan and 1979–80 as a separate annual plan.

Sixth Five-Year Plan (1980–85)

This plan was adopted with the slogan "Garibi Hatao". It attempted poverty alleviation with more targeted approach. The direct attack on removal of poverty, adopted in the Fifth Plan, was further given emphasis under the Sixth Plan.

A number of national-level programmes such as National Rural Employment Programme (1980), Village and Small Industries Development Programme (1983), etc. were launched.

Seventh Five-Year Plan (1985–90)

The basic objectives of planning—growth, modernization, self-reliance, and social justice—remained the guiding principles. Though the economy achieved higher growth rates, it suffered from high fiscal deficits

and balance of payment problems. Balance of payment problems emerged on account of liberalization of imports. At the same time, exports could not be increased. Further, the Gulf War between Iran and Iraq led to the escalation of oil prices and reduction in remittances from West Asia.

Two Annual Plans (1990–92)

Five-year plans were delayed so that the economy could recover and emphasis could be laid on immediate problems, namely balance of payments and fiscal deficit. In these two annual plans, economic reforms were undertaken towards liberalization.

Changing Role of Government before and after Liberalization

Liberalization refers to the reduction in restrictions over business in the economy. The Government of India has been reducing the restrictions over business since independence, but in 1991, there was a significant reduction in restrictions. Liberalization opened the doors for privatization.

Privatization refers to the greater role of the private sector in the economy either through new investment or through sale of existing government undertakings to the private sector.

Consequently, a larger role was given to the private sector in the economy. The role of the government has reduced to that of facilitator and regulator (from that of major investor as well as regulator). Henceforth, the government as a facilitator creates conditions for the growth of the private sector. As a regulator, the government supervises the activities of the private sector.

However, the government still remains a major investor in those areas where it is not commercially feasible for the private sector to park funds, such as the social sector. The government can undertake detailed planning only in fields where it is actually an investor. As a result, the role of planning got confined mainly to the social sector.

Eighth Five-Year Plan (1992–97)

Economic reforms, which were initiated in 1991, were continued. The larger role of the private sector was recognized in the economy. Also, emphasis was given on the development of infrastructure in backward regions.

Ninth Five-Year Plan (1997–2002)

This plan emphasized on minimum basic services in a time-bound manner to the population, such as safe drinking water, health services, universalization of education, and fiscal consolidation.

Tenth Five-Year Plan (2002–07)

During this plan, many important initiatives were undertaken in relation to administration of plans:

- Objective targets for selected indicators of development were set for the centre and states with responsibility of ministers.
- Emphasis was given on greater involvement of Panchayati Raj Institutions in the planning process.

- Fiscal Responsibility and Budget Management Act, 2003, was passed, which emphasized fiscal deficit targets for the central and state governments.

Eleventh Five-Year Plan (2007–12)

This plan emphasized on the idea of inclusive growth. The salient features of the plan are as follows:

- The investment rate has been proposed to be raised to 36.7% from 30.8% in the previous plan.
- The major thrust of the plan will be on the social sector, including agriculture and rural development.
- Important targets include reducing poverty by 10 percentage points, generating 7 crore new employment opportunities, and ensuring electricity connection to all villages.
- More investment in the infrastructure sector, including irrigation, drinking water, and sewage.

Twelfth Five-Year Plan (2012–17)

The theme of the Twelfth Five-year Plan is "Faster, Inclusive and Sustainable" growth. Thus, it emphasizes on the higher rate of economic growth, which benefits all sections of society and which is undertaken in an environment-friendly manner. The major targets under the plan are as follows:

- The draft document aims at a growth rate of 8%. This is the revised rate when compared to the initial approach paper.
- Poverty rate to be reduced by 10% than the rate at the end of Eleventh Plan.
- Five crore new work opportunities and skill certifications in the non-farm sector.
- Investment in infrastructure at 9% of GDP.
- Increase green cover by 1 million hectare every year.

3 TYPES OF PLANNING

Single-Level Versus Multilevel Planning

Planning is a process to achieve certain objectives and goals. A planning process can be either (i) single level or (ii) multilevel.

Single-level planning

In the single-level planning, the formulation of plans and decision-making are done at the national level; the process is centralized and the lower territorial levels play a role only in the execution of plans. Indian planning has been essentially single-level economic planning.

Multilevel planning

In the multilevel planning process, the national territory is divided into small territorial units at various levels. In such plans, there is participation of the lower-level administrative bodies in the planning process.

The various levels of multilevel planning in India are (1) centre, (2) states, (3) districts, (4) blocks, and (5) villages. Before the Amendment to the Constitution in 1992, the task of plan formulation was

basically carried out by the centre and the state governments. However, after 1992, the lower levels have been given role in the formulation of plans as well.

1. **Central level:** The actual task of plan formulation was done by the Planning Commission at the centre with the Prime Minister as chairman.
2. **Second level or state level:** The state-level planning body is headed by the Chief Minister.
3. **District level:** The district-level planning task is under the overall charge of the collector, also known as deputy commissioner in some states.
4. **Block level:** Block-level planning was started during the First Five-year Plan. Each district was divided into a number of blocks, and each block comprised about 100 villages with a population of about 60,000. Hence, a new unit of planning was created at the block level under the leadership of a block development officer.
5. **Panchayat level:** Through the Constitution Amendment Act 1992, the Panchayat has been authorized to look after the preparation and implementation of plans.

Multilevel planning has failed on account of the following reasons:

- Lower levels lack skilled officials to carry out planning process.
- The funds are concentrated with the central and state-level bodies. As a result, the constraint over financial resources prevents lower-level bodies to commit financial resources under the plans.

Decentralized Planning

Decentralized planning refers to the transfer of power and responsibilities regarding implementation and formulation of development programmes, from the highest institution at the national-level or medium-level state institutions to sub-state-level institutions such as Panchayati Raj Institutions, Zila Parishads, etc.

Decentralized planning has the following advantages over centralized planning:

- Plans are made according to the local needs, and thus the use of resources allocated under the plan is also efficient.
- The participation of people is high in the plans made by local bodies.

District planning committee

The District Planning Committee consolidates the plans prepared by Panchayats and municipalities in the district and prepares a draft development plan for the district as a whole and forwards the plan to the state planning committee.

Metropolitan planning committee

The Metropolitan Planning Committee is meant to prepare a draft development plan for a metropolitan area having a population of more than 10 lakhs and forward it to the state planning committee.

Difference between Multilevel Planning and Decentralized Planning

In multilevel planning, administrative bodies at various levels commit their own available financial resources to the plans. On the other hand, in decentralized planning, lower-level bodies make plans even pertaining to the funds used by higher-level bodies. The plans of lower-level bodies are to be incorporated into larger plans of national and state-level bodies.

4 CRITICISM OF PLANNING

Though planning has facilitated economic development in India, it is criticized on account of various reasons:

- One of the main objectives of planning was promotion of balanced growth and development. However, economic disparity among various regions proves that planning has failed to promote balanced growth and development.
- The planning has remained centralized in nature. The welfare programmes in India have been criticized on the ground that they have been programme driven (or one size fits all) rather than local demand driven.
- During the initial phase of planning, excessive emphasis was laid on public-sector undertakings for economic development at the cost of private sector, which proved to be counter productive in the long run.
- Even though nearly two-thirds of the population was dependent on agriculture and allied activities, the emphasis on agriculture was low.

5 IMPERATIVE TO INDICATIVE PLANNING

An imperative plan is characteristic of a socialist economy in which all the economic activities are bound by the plan. For instance, the plan specifies how much the producer would produce, how the product would be distributed, and what the consumer would pay for it.

On the other hand, in the case of contemporary mixed economies practising indicative planning, the role of the government is mostly that of a facilitator (that is, providing an environment conducive for economic growth). Such an economy generally has a strong private sector with a great deal of autonomy. The government is confined to mainly the social sector and a few strategic industries.

Indian planning is moving from imperative to indicative nature. Thus, the role of planning has significantly reduced in economy.

6 FUTURE OF PLANNING

The relevance of five-year plans has reduced with an increased role of the private sector in the economy. Presently, the government seeks to introduce 15-year vision document in place of five-year plans. The

vision document seeks to attain transformational changes in place of the incremental changes attained under five-year plans. The 15-year vision document will be prepared by the NITI Aayog.

7 PLANNING COMMISSION AND NITI AAYOG

Planning Commission

The Planning Commission has been replaced by the NITI (National Institution for Transformation of India) Aayog on 1 January 2015. Like the NITI Aayog, the Planning Commission was a non-statutory body of the centre. The main function of the Planning Commission was preparation of plans for social and economic development of the country. The Planning Commission used to make recommendations in the form of plans. These recommendations were not binding on the union executive.

NITI Aayog

The National Institute for Transformation of India (NITI) is a Government of India think tank established by Prime Minister Narendra Modi to replace the Planning Commission.

The primary aim of creating the NITI Aayog is to foster the involvement and participation of state governments in the economic policy-making process. It has adopted a "bottom-up" approach towards planning. A "bottom-up" approach towards planning means that plans are made according to the needs of the local people and according to the local conditions.

Composition

- The Prime Minister shall be the ex-officio chairperson of the NITI Aayog.
- Full-time organizational framework (in addition to Prime Minister as the chairperson) comprises:
  - Vice chairperson
  - Three full-time members
  - Two part-time members on a rotational basis
  - Four ex-officio members from the Union Council of Ministers to be nominated by the Prime Minister
  - Chief executive officer to be appointed by the Prime Minister for a fixed tenure
  - Secretariat as deemed necessary
- Governing Council comprising Chief Ministers of all states and union territories with legislatures and Lieutenant Governors of other union territories.
- Regional Councils will be formed for a specific tenure to address specific issues and contingencies impacting more than one state or a region. These councils will be composed of the Chief Ministers of the states and Lieutenant Governors of Union Territories in the region. These will be chaired by the chairperson of the NITI Aayog or his/her nominee.

Differences between Planning Commission and NITI Aayog

Planning Commission	NITI Aayog
The Planning Commission had the power to allocate funds to ministries and states.	The NITI Aayog is essentially a think tank and the funds are allocated by the Finance Ministry.
The Planning Commission formed the central plans and allocated funds for the same.	The NITI Aayog will not formulate any plans but will contribute ideas in the formation and implementation of programmes.
There was a limited role of states in the Planning Commission era.	The NITI Aayog incorporates all the Chief Ministers of states and the administrators of union territories in the Governing Council, which is fundamental to its functioning.
It followed the top-down approach for policy making.	It emphasizes on the bottom-up approach for policy making.
There was no specific body to address local issues.	There is a regional council for the purpose of addressing local issues.

Monetary Policy

1 MONETARY POLICY

Monetary policy is the policy related to money supply in the economy. In India, the Reserve Bank of India (RBI; Central Bank) manages money supply.

While managing money supply, the RBI keeps primarily two factors in mind: (1) inflation and (2) economic growth.

Inflation is undesirable, whereas economic growth is desirable. Decrease in inflation is desirable, whereas decrease in economic growth is not desirable. It is seen that usually both inflation and economic growth move in the same direction.

Relation between Inflation and Economic Growth

With increase in money supply, people demand more products because they have more funds in hand. Greater demand for products leads to inflation. At the same time, on account of increase in money supply, people invest more money, leading to higher economic growth.

To conclude, in times of increase in money supply, inflation rate as well as economic growth increases. (One is undesirable, and the other is desirable). On the contrary, if there is decrease in money supply, the rate of inflation as well as the growth rate reduces.

Working of Monetary Policy

When inflation rates are high in the economy, the main focus of the RBI is to target inflation and, thus, the growth objective is sidelined. Inflation targeting is given priority over economic growth because inflation affects both rich and poor, whereas economic growth mainly benefits the rich.

To counter inflation, demand needs to be reduced, so the RBI reduces the money supply in the economy by making credit dearer (costlier). Thus, in times of high inflation, the RBI adopts dear money policy.

On the contrary, when inflation rate is low or moderate, the main focus of the RBI is on increasing growth in the economy. Therefore, the RBI increases money supply by making credit cheaper. Thus, in times of low or moderate inflation, the RBI adopts cheap money policy.

2 TOOLS TO EXERCISE MONETARY POLICY

The RBI uses quantitative as well as qualitative measures to control the flow of credit (money supply) in the economy. Quantitative or general measures influence the total volume of credit, while qualitative measures are used to influence availability of credit among various type of borrowers.

Quantitative Measures

Some of the quantitative measures are as follows:

1. **Reserve ratios:** Reserve ratios are calculated over total deposits received by a commercial bank. Reserve ratios are of two types:

   a. **Cash reserve ratio (CRR):** It is the percentage of total deposits a commercial bank is required to maintain with the RBI. According to the Banking Regulation Act, CRR cannot exceed 15% and cannot be less than 3%. The present rate of CRR (1 September 2018) as prescribed by the RBI is 4%.

   CRR serves two purposes. The amount deposited with the RBI as CRR acts as an assurance to the depositors that their money will be returned. Moreover, CRR can be used to manage money supply in the economy and thus inflation.

   In case the RBI increases CRR, the funds available with commercial banks reduce. The commercial banks further reduce the credit in the economy, thereby reducing the money supply. Reduction in money supply further leads to fall in prices. In case the RBI decreases CRR, the money supply in the economy increases leading to rise in prices.

   CRR is used to adjust money supply over a long time period (more than a year). The RBI makes changes in CRR when it expects inflation levels to persist over a longer time period.

   b. **Statutory liquidity ratio (SLR):** It refers to the percentage of total deposits that a commercial bank is required to maintain with itself in the form of liquid assets.

   Liquid assets are those assets that can be converted into cash within 3 months without any significant risk involved. The term liquid assets include gold, government securities, etc.

   According to the Banking Regulation Act, SLR cannot be higher than 40% and cannot be lower than 15%. The present rate of SLR is 19.5%.

   Like CRR, SLR serves two purposes. The amount kept in the form of liquid assets can meet even the sudden high demand for return of money by depositors. Moreover, SLR can also be used to manage money supply in the economy and thus inflation.

   If the RBI increases SLR, the funds available with commercial banks for lending operations reduce. The commercial banks further reduce the credit in the economy and thereby money supply reduces, leading to fall in prices.

   If the RBI decreases SLR, the money supply in the economy increases, leading to rise in prices.

   SLR is also used to adjust money supply over a long time period (more than a year). The RBI makes changes in SLR when it expects inflation levels to persist over a longer time period.

   SLR serves another important purpose. It serves as a financing mechanism to government because to meet SLR requirements, banks are required to invest in government securities.

2. **Interest rate changes:** Interest rate changes can be used to adjust the money supply in the following ways:

   - **Bank rate:** It refers to the official interest rate at which the RBI provides loans to the banking system, which includes commercial/cooperative banks, development banks, etc. Such loans are given out either by direct lending or by rediscounting (buying back) the bills of commercial banks. Thus, bank rate is also known as discount rate.

Bank rate is used as a signal by the RBI to communicate interest rate levels to commercial banks. Thus, it is also considered benchmark interest rate of the economy. Bank rate at present (1 September 2018) is 6.75%.

Significance of bank rate: Bank rate is the interest rate charged by the RBI for long-term lending. It serves as a benchmark rate or only as an indicative rate. Commercial banks do not prefer to borrow money from the RBI for long term and rather prefer low interest deposits from common people.

However, bank rate reflects the policy of RBI. When the RBI increases the bank rate, the cost of borrowing rises. Consequently, demand for credit also reduces, leading to reduction in money supply. Thus, increase in bank rate reflects tightening of monetary policy by the RBI.

- **Repo rate:** Under repo or repurchase agreement, the RBI lends money to commercial banks and commercial banks give government bonds to the RBI with an agreement to purchase them back. In other words, repo rate or repurchase rate is the rate at which the RBI lends money to banks for a short time period.

  Objective of repo: Commercial banks borrow from the RBI by means of repo. Thus, repo is used to inject liquidity (money supply) in the system. If the RBI wants to reduce money supply, it increases the repo rate. Similarly, if it wants to increase money supply, it reduces the repo rate.

- **Reverse repo rate:** Under the reserve repo or reverse repurchase agreement, commercial banks park their excess funds at fixed rate with the RBI and the RBI gives government bonds to commercial banks with an agreement to purchase them back. The reverse repo rate, or reverse repurchase rate, is the rate at which commercial banks lend money to the RBI for a short time period.

  Objective of reverse repo: Commercial banks park excess funds with the RBI by means of reverse repo. Thus, reverse repo is used to suck liquidity (money supply) from the system. If the RBI wants to reduce money supply, it increases the reverse repo rate. Similarly, if it wants to increase money supply, it reduces the reverse repo rate.

  If the RBI increases the reverse repo rate, banks have more incentive to park their money with the RBI and vice versa. The repo rate is always higher than the reverse repo rate. That is, the rate at which the RBI lends money to commercial banks is always higher than the rate at which the RBI borrows from commercial banks. As on 1 September 2018, the repo and reverse repo rates were 6.5% and 6.25%, respectively.

  Unlike the bank rate, the repo and reverse repo rates are frequently used by commercial banks to adjust short-term deficit and surplus of funds, respectively.

  Difference between bank rate and repo rate: Bank rate and repo rate seem to be similar because in both, the RBI lends to the banks. However, repo rate is a short-term measure. It is used to adjust temporary increase or decrease in money supply. On the other hand, bank rate is a long-term measure and is governed by the long-term monetary policies of the RBI.

Liquidity Adjustment Facility (LAF)

LAF is a monetary tool that allows the banks to borrow money through repurchase agreements. It is used to aid banks in adjusting the day-to-day mismatches in liquidity. It consists of repo and reverse repo operations.

- **Marginal standing facility:** The marginal standing facility (MSF) is a window for banks to borrow from the Reserve Bank of India in an emergency situation when inter bank liquidity dries up completely.

  Banks borrow from the central bank by pledging government securities at a rate higher than the repo rate. The MSF rate is pegged 100 basis points or a percentage point above the repo rate. Under MSF, banks can borrow funds up to 1% of their net demand and time liabilities (NDTL).

3. **Open market operations:** Open market operations are conducted by the RBI by way of sale or purchase of government securities to adjust money supply. The central bank sells government securities to suck out liquidity from the system and buys back government securities to infuse liquidity into the system.

   These operations are often conducted on a day-to-day basis in a manner that balances inflation while helping banks continue to lend.

   Why is it important? Liquidity management is essential so that banks and their borrowers do not face cash crunch. The RBI buys government securities if it thinks liquidity needs a boost and sells them if it wants to mop up excess money.

   Open market operations by the RBI also help the borrowing programme of the government because the sale of government securities generates funds for the government.

What Is Sterilization?

Sterilization refers to the process by which the RBI takes away money from the banking system to neutralize the fresh money that enters the system.

Suppose the RBI decides to buy US dollars from the market. Now the money held by the RBI does not form part of the banking system. So if the RBI releases rupees in the market to buy dollars, the money supply in the banking system increases. This can lead to inflation.

It will reduce (sterilize) liquidity by selling the government bonds that it holds. Thus, sterilization is possible only to the extent that the RBI holds government bonds in its portfolio.

This process of selling government bonds to reduce liquidity is part of its open market operations.

4. **Currency printing:** Currency printing is undertaken by the RBI based on the availability of goods and services in the economy and the corresponding requirement of cash to purchase available goods and services. While printing currency, the RBI also considers popularity of plastic money among people, tendency of people to hoard cash, available cash in the economy, etc.

   One-rupee note is printed by the Ministry of Finance and contains signature of the secretary to the Ministry of Finance. Rest of the currency is printed under the supervision of the RBI and contains signature of the RBI governor.

   Implications of printing more currency: When more currency is printed, people start demanding more commodities, but the supply of commodities does not increase in a short period. Consequently, the prices of commodities increase and the value of currency reduces. This situation may lead to extraordinary price rise of commodities.

Qualitative Measures

Qualitative measures are also called instrument of selective credit control. Selective credit control refers to influence in division of credit among various types of borrowers. Some of them are as follows:

1. **Margin requirement:** This refers to the difference between the securities offered and the amount borrowed from the banks. In case the RBI mandates banks to demand higher margin requirements, the amount of credit given on security reduces.
2. **Consumer credit regulation:** This refers to the issuing of rules regarding downpayments and maximum time period of instalment credit for purchase of goods.
3. **Guidelines:** The RBI issues oral, written statements, appeals, guidelines, and warnings to the banks. For instance, the RBI requests commercial banks to pass the benefits of decrease in interest rates to the final consumers.
4. **Rationing of credit:** The RBI controls the credit allocated by commercial banks to various sectors. For instance, the RBI mandates banks to issue 40% of their credit to the priority sector. Priority sector refers to those sectors of the economy that may not get timely and adequate credit in the absence of this special dispensation but are important for overall growth of economy. Priority sector lending is an important role given by the RBI to the banks for providing a specified portion of the bank lending to a few specific sectors such as agriculture and allied activities, micro and small enterprises, housing for poor people, education for students, social infrastructure, renewable energy, export credit and other low-income groups and weaker sections.
5. **Moral suasion:** A moral suasion is a persuasion tactic used by the RBI to influence and pressure, but not force, banks in adhering to policy. Tactics used are closed door meetings with bank directors, increased severity of inspections, appeals to community spirit, or vague threats.
6. **Direct action:** This step is taken by the RBI against the banks that do not fulfil conditions and requirements. The RBI may refuse to rediscount their papers or charge a penal rate of interest over and above the bank rate, for credit demanded beyond a limit.

3 MARGINAL COST OF FUNDS BASED LENDING RATE VERSUS BASE RATE

Marginal Cost of Funds Based Lending Rate

The RBI has brought a new methodology of setting the lending rate by commercial banks under the name Marginal Cost of Funds based Lending Rate (MCLR). It has modified the existing base rate system since April 2016 onwards.

The new methodology requires banks to charge interest rates based on the additional cost or marginal cost incurred by banks to obtain the funds.

Why the MCLR reform?

At present, banks are slightly slow to change their interest rate in accordance with the interest rate change by the RBI. Commercial banks significantly depend on the RBI's repo to get short-term funds. But they are reluctant to reduce their individual lending rates and deposit rates with periodic reduction in repo rate.

Whenever the RBI is changing the repo rate, it verbally compels the banks to make changes in their lending rate. The purpose of changing the repo rate is realized only if the banks change their individual lending and deposit rates.

Base Rate

The base rate is the minimum interest rate of a bank below which it cannot lend, except in the cases allowed by the RBI. The base rate system was introduced with effect from 1 July 2010. The base rate includes all those elements of the lending rates that are common across all the categories of borrowers. Banks may choose any benchmark to arrive at the base rate for a specific tenor that may be disclosed transparently.

Base rate is decided in order to enhance transparency in the credit market and ensure that banks pass on the lower cost of funds to their customers. Loan pricing is done by adding base rate and a suitable spread depending on the credit risk premium.

Monetary Policy Committee

The Monetary Policy Committee (MPC) has the responsibility to take decisions on monetary policy matters to meet inflation target as decided between the central government and the RBI.

Composition

The six-member committee comprises three members from the RBI, including the governor, who will be the ex-officio chairperson, a deputy governor and one officer of the central bank. The other three members are appointed by the centre on the recommendations of a search-cum-selection committee to be headed by the Cabinet Secretary. These three members of the MPC are experts in the field of economics or banking or finance or monetary policy and are appointed for a period of 4 years and shall not be eligible for re-appointment.

Decision Making by MPC

The committee meets four times a year. MPC decisions are taken on a majority basis and the chairman of the committee will have casting vote only (and not veto power).

Implications of Setting up MPC

Earlier, decisions on monetary policy were taken solely by the RBI. With the establishment of the MPC, the central government has equal say in deciding on monetary policy matters.

Inflation Targets

In August 2016, the government notified an inflation target of 4% for the next 5 years, which the MPC has to achieve through its interest rate policy. The government has provided a margin of plus or minus 2% in the retail inflation target, fixing the upper tolerance level at 6% till 2021.

4 RESERVE BANK OF INDIA

The RBI is India's central bank, which commenced its operations on 1 April 1935 during the British Rule in accordance with the provisions of the Reserve Bank of India Act, 1934.

The RBI is an independent apex monetary authority that also regulates banks and provides important financial services such as storage of foreign exchange reserves, availability of credit, accept deposits from government and banks. Specifically, the RBI performs the following important functions:

Eight Major Functions of the Reserve Bank of India

1. **Issue of bank notes:** The RBI has the sole right to issue currency notes except one-rupee notes, which are issued by the Ministry of Finance.

   This function of the RBI has a number of advantages: (i) it brings uniformity in issue of notes; (ii) it makes possible effective state supervision; (iii) it is easier to control and regulate credit in accordance with the requirements in the economy

2. **Banker to the government:** As banker to the government, the RBI manages the banking needs of both Central and State Governments. It has to maintain and operate the government's deposit accounts. It collects receipts of the funds and makes payments on behalf of the government. It issues and manages government securities. It represents the Government of India as the member of the IMF and the World Bank.

3. **Custodian of cash reserves of commercial banks:** The commercial banks hold deposits in the Reserve Bank, and the latter has the custody of the cash reserves of the commercial banks.

4. **Custodian of country's foreign currency reserves:** The Reserve Bank has the custody of the country's reserves of international currency, and this enables the Reserve Bank to deal with crisis connected with adverse balance of payments position.

5. **Lender of last resort:** The commercial banks approach the Reserve Bank in times of emergency to tide over financial difficulties, and the Reserve Bank comes to their rescue though it might charge a higher rate of interest.
6. **Central clearance and accounts settlement:** Since commercial banks have their surplus cash reserves deposited in the Reserve Bank, it is easier to settle the claim of these banks on each other through entries in the books of the Reserve Bank. The clearing of accounts has now become an essential function of the Reserve Bank.
7. **Controller of credit:** Since credit money forms the most important part of supply of money, and since the supply of money has important implications for economic stability, the importance of control of credit becomes obvious. Credit is controlled by the Reserve Bank in accordance with the economic priorities of the government.
8. **Regulator of banks and non-banking financial companies:** Opening a bank or a non-banking financial company (NBFC) requires a license from the RBI. It ensures that financial interest of the depositors is not hampered. It also keeps checks that the banks and NBFCs adhere to capital adequacy norms, etc.

5 TYPES OF BANK ACCOUNTS

Traditionally, bank accounts are classified into four different types:

1. **Current account** is mainly for business persons, firms, companies, public enterprises, etc. and is never used for investment or savings. These deposits are the most liquid deposits and there are no limits for the number of transactions or the amount of transactions in a day. While there is no interest paid on the amount held in the account, banks charge certain service charges on such accounts. The current accounts do not have any fixed maturity as these are on continuous basis.
2. **Savings account** is meant for saving purposes. Most of the salaried persons, pensioners, and students use savings account. The advantage of having a savings account is that the banks pay interest for the savings. The savings account holder is allowed to withdraw money from the account as and when required.

   The rate of interest ranges from 4% to 6% per annum in India. There is no restriction on the number and amount of deposits. But withdrawals are subjected to certain restrictions. Some banks recommend maintaining a minimum amount to keep it functioning.
3. **Recurring deposit account or RD account** is opened by those who want to save a certain amount of money regularly for a certain period of time and earn a higher interest rate. In RD account, a fixed amount is deposited every month for a specified period and the total amount is repaid with interest at the end of the particular fixed period.

   The period of deposit is minimum 6 months and maximum 10 years. The interest rates vary for different plans based on the amount one has to save and the period of time for which it is deposited. No withdrawals are allowed from the RD account. However, the bank may allow closing of the account before the maturity period.

These accounts can be opened in single or joint names. Banks also provide nomination facility to RD account holders.

4. **Fixed deposit account (FD account)** holds a particular sum of money in a bank for a specific period. It is a one-time deposit and one-time take away (withdraw) account. The money deposited in this account cannot be withdrawn before the expiry of period.

   However, in case of need, the depositor can ask for closing the fixed deposit prematurely by paying a penalty. The penalty amount varies with banks. A high interest rate is paid on fixed deposits. The rate of interest paid for fixed deposits vary according to the amount, period, and also from bank to bank.

Deposits are liabilities of banks

The deposits made into a bank are the liabilities of the bank. Fixed and recurring account deposits constitute time liabilities of the bank because banks are required to return the deposits made in these accounts after the expiry of the fixed period of time.

On the other hand, savings and current account deposits constitute demand liabilities of the bank because banks are required to return the deposits made in these accounts whenever a depositor demands return of funds.

6 WHAT IS MONEY SUPPLY?

All the money held with public (in the form of currency or bank deposits), the RBI, and the government is called the total **stock of money** or **monetary aggregate**. Money supply is that part of this total stock of money that is with the public. Public includes households, firms, local authorities, companies, etc.

Public money does not include the money held by the government and the money held as CRR with the RBI and SLR with banks because this money is out of circulation.

To conclude, money supply includes the following:

1. Currency notes and coins
2. Demand deposits such as saving and current account deposits
3. Time deposits such as fixed and recurring deposits
4. Cash with banks and deposit of banks with other banks, except CRR with the RBI

Calculation of Money Supply in India

The RBI calculates the five types of money supply in India. They are as follows:

M1 (narrow money): It has two components:

1. **Currency component:** It consists of all the coins and notes in the circulation.
2. **Demand deposit component:** It is the money of the general public with the banks in the form of savings and current account deposits.

M1 is also called narrow money. It is the most liquid form of money supply. To conclude,

M1 = Currency with the public + Demand deposits of public in banks

M2 = When Post Office savings deposits are added to M1, it becomes M2.

M2 = M1 + Post Office savings

M3 (broad money): When we add the time deposits with banks into the narrow money, we get the broad money, which is denoted by M3.

M3 = Narrow money + Time deposits of public with banks

Narrow money is the most liquid part of the money supply because the demand deposits can be withdrawn at immediate notice. On the other hand, time deposits have a fixed maturity period and hence cannot be withdrawn before the expiry of this period. When we add the time deposits to the narrow money, we get the broad money.

M4 = When we add the Post Office savings money to M3, it becomes M4.

Both M2 and M4 include Post Office savings deposits. Post Office savings deposits were once important part of money supply but have now become less relevant because the relative share of Post Office savings deposits out of the total savings deposits has significantly reduced. Presently, narrow money (M1) and broad money (M3) are relevant indicators of money supply in India.

M0 (reserve money): Reserve money is also called "high powered money" or "monetary base". It has the following components:

- Currency with the public
- Statutory reserves of banks held with themselves
- Cash reserves of banks held with the RBI
- Other deposits with the RBI

What is the Relevance of Reserve Money?

The RBI manages the money supply in the economy through reserve money. For instance, if the RBI reduces the reserve money, then money supply increases in the economy and vice versa. In other words, if there is more of reserve money in the system, money supply would increase and vice versa. It is to be noted that most of the changes in the money supply are due to changes in the high powered money. Thus, reserve money is also called "monetary base". Moreover, changes in reserve money have multi-fold impact on the economy.

Money multiplier (m): Money multiplier is the ratio of narrow money (M1) or broad money (M3) to reserve money.

Money multiplier (m) is calculated as follows:

$$m = \frac{M1}{RM}$$

It is also calculated as $m = \frac{M3}{RM}$

where "m" is the money multiplier and "RM" is the reserve money

Thus, it can also be said that supply of money is the product of money multiplier (m) and the amount of high powered money or the reserve money.

How does money multiplier work?

For instance, let us say that a bank receives ₹100 in deposits. The reserve requirement is 20%. Thus, the bank can lend the remaining ₹80. This ₹80 is then deposited by the borrower into another bank, which in turn must also keep 20%, or ₹16, in reserve but can lend out the remaining ₹64.

This cycle continues as more people deposit money and more banks continue to lend it until finally the initial deposit of ₹100 creates a total of ₹500 (₹100/0.2) in deposits. This creation of deposits is the multiplier effect.

Thus, if reserve requirements are reduced or more currency is released in the economy, it has multiple impact on the overall money supply in the economy. In India, the reserve requirements for both SLR and CRR combined together are nearly 26%. Thus, a ₹100 initial deposit creates a total deposit of 100/0.26 = ₹384, approximately.

FINANCIAL MARKET

A market is a medium that allows buyers and sellers of a specific good or service to interact and facilitate an exchange. This type of market may either be a physical marketplace where people come together to exchange goods and services in person (as in a bazaar or shopping centre), or a virtual market wherein buyers and sellers do not interact, as in an online market.

Financial market is a market for exchange of funds. In a financial market, people with surplus funds such as lenders or investors give funds to people in need, such as borrowers or other receivers for interest or share in profits.

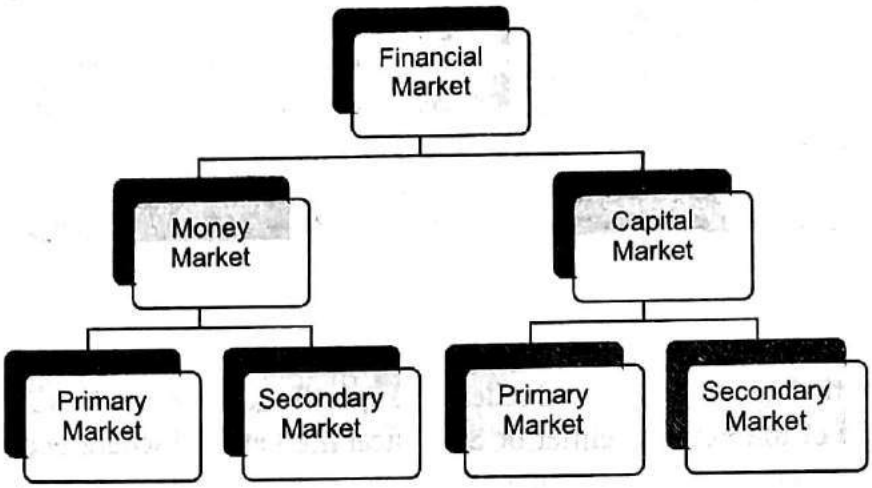
Investment and Speculation

The decision to invest funds in a particular asset can be undertaken on mainly two basis: investment or speculation. Investment is a basis when the amount is invested with complete analysis in expectation of the safety of the amount invested and adequate return.

Conversely, speculation is a basis when the amount is invested in a risky financial transaction or asset in expectation of enormous profits from fluctuations in the market value of the financial asset. In speculation, there is a high risk of losing maximum or all initial outlay.

In investment, the time horizon for which money is invested is relatively longer, generally spanning at least one year while in speculation, the term may be short.

Basis	Investment	Speculation
Meaning	The purchase of an asset with the objective of earning normal returns	The objective is to earn large profits in a short span of time
Basis for decision	Fundamental factors, i.e. performance of the company, industry, and economy	Market psychology and intuition
Time period	Long term	Short term
Risk involved	Moderate risk	High risk



1 MONEY MARKET

A money market is a market where funds are exchanged for a period of less than 1 year. Various money market instruments are as follows:

- **Bill of exchange:** It is a money market financial instrument. In a bill of exchange, the debtor is required to pay a fixed sum of money after a certain period of time to the creditor or bearer of bill of exchange as the case may be. The creditor writes the bills of exchange and the debtor signs it. On maturity of the bill, the bill is presented to the debtor for payment.
- **Promissory note:** A promissory note is a money market financial instrument in which the maker of document (debtor) promises in writing to pay a certain sum of money at certain period of time to the first owner (creditor) or bearer of the document.
- **Short-term loans:** These are loans for a duration of less than 1 year. Long-term loans are considered part of capital market.
- **Commercial paper:** It is a promissory note issued by large corporations to obtain funds in order to meet their short-term obligation. It is usually unsecured. The corporation promises to make payment along with interest to the holder of the document.
- **Treasury bills:** These are money market instruments issued by the government to collect funds to meet expenditure for a short period of time. Treasury bills can be issued only by Central government, and not by State governments. These bills are issued at discount on their par value. On maturity, they are redeemable at par value. Thus, the interest earned on them = Par value – Issue price.

2 CAPITAL MARKET

A capital market is a financial market where exchange of funds is for a period of 1 year or more. Various capital market instruments are as follows:

- **Long-term loans:** These loans are taken for a period of more than 1 year.
- **Shares:** A share is one of the equal parts into which a company's capital is divided, entitling the holder to a proportion of the profits. Shareholders are owners of the company. Shares are of two types: equity and preference.

Equity shareholders are given share out of profits or repayment of capital on liquidation only after settling the claims of preference shareholders. Thus, they are the primary risk bearers in the company.

Preference shares are called so because their claim in profits and repayment of capital on liquidation is settled before payment is made to equity shareholders.

Venture Capital

Venture capital refers to finance provided by investors to start-up companies and small businesses that are believed to have long-term growth potential. For start-ups without access to capital markets, venture capital is an essential source of money. Risk is typically high for investors, but the potential for above-average returns is an attractive payoff.

Venture capital does not always take a monetary form; it can be provided in the form of technical or managerial expertise. For new companies or start-up ventures that have a limited operating history, venture capital funding is increasingly becoming a popular capital raising source, as funding through loans or other debt instruments is not readily available.

Angel Investors and Venture Capital Firms

Angel investors are typically a diverse group of individuals who gained their wealth through a variety of sources. However, the majority are usually entrepreneurs themselves, or are executives who retired early from previous ventures that developed into successful empires. These investors who act as venture capitalist are called angel investors.

Venture Capital Process

The first step for any business looking for venture capital is to submit a business plan, either to a venture capital firm or to an angel investor. The firm or the investor evaluates the proposal. If satisfied with the potential of the project, the firm or the investor will pledge an investment in exchange for equity in the company. The firm or investor then takes an active role in the funded company. The capital is typically provided in rounds. Therefore, the firm or investor actively ensures that the venture is meeting certain milestones before receiving another round of capital. The investor then exits the company after a period, typically 4–6 years after the initial investment, through a merger, acquisition, or initial public offering (IPO).

Startup

As per the recent criteria laid down by the government, a business not older than seven years will now qualify for benefits under the Startup India Action Plan (a government scheme to provide benefits to Startups). However, in the case of startups in the biotechnology sector, the period shall be up to 10 years. Moreover, its turnover should be less than ₹25 crore.

Thus, an entity shall cease to be a startup on completion of seven years from the date of its incorporation/registration or if its turnover for any previous year exceeds ₹25 crore.

What Is a Startup?

An entity working towards innovation, development or improvement of products or processes or services, or if it is a scalable business model with a high potential of employment generation or wealth creation is a startup.

- **Debentures:** These refer to the unit of debt or loan. Debentures are issued at a fixed rate of interest by the company. Debenture holders are the lenders of the company. The interest on debenture is required to be paid even if the company suffers losses.
- **Bonds:** Bonds, like debentures, carry fixed rate of interest. Usually bonds are issued by the government to collect money to carry out its expenditure. For example, the Government of India launched infrastructure bonds to raise funds for infrastructure development in India.

Difference between Bonds and Debentures

Debentures and bonds are types of debt instruments that can be issued by a company. In some markets (India, for instance), the two terms are interchangeable, but in the United States, they refer to two separate kinds of debt-based securities.

Debentures have a more specific purpose than bonds. Both can be used to raise capital, but debentures are typically issued to raise short-term capital for upcoming expenses or to pay for expansions.

Another important difference is that debentures are never asset backed (they are not secured by any collateral) and are only backed by the credit of the issuer. On the other hand, bonds are secured by particular collateral.

However, as mentioned above, debentures and bonds are used almost interchangeably in India.

Green Bonds

A bond is a debt instrument with which an entity raises money from investors. The bond issuer gets capital, while the investors receive fixed income in the form of interest. When the bond matures, the money is repaid.

A green bond is very similar. The only difference is that the issuer of a green bond publicly states that capital is being raised to fund "green" projects, which typically include those relating to renewable energy, emission reductions, and so on.

What Are the Benefits of Issuing Green Bonds?

Green bonds enhance the reputation of issuers, as they help in showcasing their commitment towards sustainable development. They also provide issuers access to a specific set of global investors who invest only in green ventures. These investors often provide money at a low rate of interest.

Why Should an Investor Invest in Green Bonds Despite Low Return?

Green bonds inherently carry lower risk than other bonds. In a green bond, proceeds are raised for specific green projects, but repayment is tied to the issuer and not the success of the projects. This means the risk of the project not performing stays with the issuer rather than investor.

When Did the Concept Start?

In 2007, green bonds were launched by a few development banks such as the European Investment Bank and the World Bank. Subsequently, in 2013, companies also started issuing green bonds. Yes Bank was the first bank to come out with an issue worth ₹1000 crore in 2015.

Why Are Green Bonds Important for India?

India has embarked on an ambitious target of building 175 GW of renewable energy capacity by 2022, from just over 30 GW in 2017. This requires a massive investment. At higher interest rates and unattractive terms under which debt is available in India, the cost of financing renewable energy will be 24–32% higher compared to that in the United States and Europe. Thus, green bonds are a good option to source global investment at low interest rates.

3 PRIMARY MARKET AND SECONDARY MARKET

Financial markets are also classified as primary market and secondary market.

A **primary market** is a market where an initial public offer (IPO) is made or in other words, the financial instruments are issued for the first time to the public at large. Primary markets facilitate the channelization of savings into investment, leading to the capital formation in the economy.

A **secondary market** facilitates sale and purchase of already issued financial instruments. The market provides liquidity to investors, i.e. investors can convert the financial instrument held by them into cash in the shortest possible duration and with minimal cost.

Stock exchanges are part of the secondary market. These exchanges facilitate trading of financial instruments. These exchanges act as medium to bring sellers and buyers across India together. The popular stock exchanges in India are as follows:

- The Bombay Stock Exchange (BSE) is the largest stock exchange in India in terms of volume of trade. The number of listed companies on BSE was 5163 (as of 2012). BSE has an indicative index, called the BSE Sensitive Index (popularly called Sensex). Sensex was constituted in 1978–79 with the value of 100. The value of the index is based on the market value of top 30 companies listed on BSE. As the performance of these companies is dependent on the performance of overall economy, BSE Sensex reflects the overall performance of the Indian economy.
- The National Stock Exchange (NSE) is another important stock exchange in India. The number of listed companies on NSE was 1635 (as of July 2013). Like Sensex, Nifty is the popular index in NSE. It was constituted in 1992–93 with the value of 100. Nifty (National Index of Fifty) is based on the market value of the top 50 companies listed on the NSE.

Apart from stock exchanges, there are exchanges for currency trading and commodities as well. The Multi Commodity Stock Exchange (MCX) is the largest commodity exchange in India.

Regulation of Exchanges

The Securities and Exchange Board of India (SEBI) is the regulator of the securities market (stock exchange) in India. It was established in 1988 and given statutory powers on 30 January 1992 through the SEBI Act, 1992.

SEBI is managed by its members, which consists of the following:

- The chairman who is nominated by the Government of India
- Two members, i.e. officers from the union Finance Ministry
- One member from the Reserve Bank of India
- The remaining five members are nominated by the Government of India, and out of them at least three should be whole-time members.

SEBI has the objective to protect the interests of investors in securities and to promote development and regulate the securities market. It has to be responsive to the needs of three groups and protect their interests, which constitute the market:

1. Issuers of securities
2. Investors
3. Market intermediaries

Earlier, SEBI used to regulate stock exchanges, and the Forwards Market Commission used to regulate commodities markets. However, the Forwards Market Commission was abolished in 2015. The powers to regulate commodities markets were also vested in SEBI.

List of Approved Stock Exchanges in India

1. Ahmedabad Stock Exchange
2. Bombay Stock Exchange
3. Calcutta Stock Exchange
4. India International Exchange (India INX)
5. Metropolitan Stock Exchange of India
6. National Stock Exchange of India
7. NSE IFSC Ltd.

Earlier, there were numerous regional stock exchanges in India. However, these stock exchanges have been closed due to their passive working.

India International Exchange (INX)

The India International Exchange (INX) is located in the country's first International Financial Services Centre (IFSC), which is located in GIFT City, Gujarat. It was opened in 2017. The India INX is a wholly owned subsidiary of BSE Ltd.

Important Facts About India INX

- **World's fastest international exchange:** India INX will be the fastest international exchange in the world in terms of order response time, with a median trade speed of four microseconds. This is better than BSE's domestic exchange in Mumbai, which has an order response time of six microseconds. In comparison, the second fastest international exchange in Singapore has an order response time of 60 microseconds.
- **In step with the rest of the world:** India INX will be open for trading for 22 hours every day. The exchange will open for trading activity daily at 4 am when exchanges in Japan open, and close at 2 am when exchanges in the United States close.
- **What will be traded in it?** The exchange can trade securities and products other than Indian rupees. The securities and products that could be traded on the India INX are equity shares of companies incorporated outside India, depository receipts, debt securities, currency and interest rate derivatives, index-based derivatives, commodity derivatives, and such other securities that may be allowed.
- **Only derivative products presently:** It will offer only derivative products—in equity, currency, and commodities.
- **More instruments to follow:** During the second phase, it shall offer depository receipts and bonds.

4 DERIVATIVES

Derivatives refer to those financial instruments whose value is derived on the basis of underlying asset or security. Derivatives are of three types: forwards, futures, and options.

Forwards refer to an agreement between two parties to exchange a particular commodity or financial instrument at a particular price on a certain future date. For instance, two parties decide to exchange 100 kg mangoes at ₹40/kg on some fixed future date.

Futures refer to the standardized forwards agreements that are undertaken through stock exchanges. The standardized agreements are in nature of pre-decided lot sizes. For instance, the lot size for a share of a particular company can be 400 shares. Parties can trade in one lot or more but not less than that.

Options are further of two types:

1. **Call option** is an option to purchase a particular commodity or share at a pre-decided price on a future date, on payment of a premium to enter into an agreement. The purchaser of a call option has the option to purchase. The purchaser will exercise the option only if he/she can purchase the asset at a lower price than the prevalent market price on the pre-decided future date.

2. **Put option** is an option to sell the commodity or share at a pre-determined price on a future date, on payment of a premium. The purchaser of put option has the option to sell. The purchaser will exercise the option only if he/she can sell the asset at a higher price than the prevalent market price on the pre-decided future date.

Futures and options are traded in stock exchanges under the Futures & Options (F&O) segment. As mentioned earlier, forwards are not traded in stock exchanges.

Spot and Forwards Markets

The forwards rate is the settlement price of a forwards contract, while the spot rate is the settlement price of a spot contract.

A spot contract is a contract that involves the purchase or sale of a commodity, security, or currency for immediate delivery and payment on the spot date, which is normally two business days after the trade date. The spot rate or spot price is the price quoted for the immediate settlement of the spot contract.

Unlike a spot contract, a forwards contract is a contract in which terms and conditions are decided on the current date and the delivery and payment is done at a specified future date. Contrary to a spot rate, a forwards rate is used to quote a financial transaction that takes place on a future date. However, the forwards rate is calculated using the spot rate.

Major stock exchanges on the basis of market capitalization (as on 31 October 2017)

Rank	Exchange	Economy	Headquarters	Market cap (USD bn)
1	New York Stock Exchange	United States	New York	21,377
2	NASDAQ	United States	New York	9,585
3	Japan Exchange Group	Japan	Tokyo	5,974
4	Shanghai Stock Exchange	China	Shanghai	5,043
5	Euronext	European Union	Amsterdam Brussels Lisbon London Paris	4,388
6	London Stock Exchange	United Kingdom	London	4,297
7	Hong Kong Stock Exchange	Hong Kong	Hong Kong	4,135
8	Shenzhen Stock Exchange	China	Shenzhen	3,688

Rank	Exchange	Economy	Headquarters	Market cap (USD bn)
9	TMX Group	Canada	Toronto	2,360
10	National Stock Exchange of India	India	Mumbai	2,294
11	Bombay Stock Exchange	India	Mumbai	2,185
12	Deutsche Börse	Germany	Frankfurt	2,180

5 MUTUAL FUND

A mutual fund is a pool of funds collected from many investors for the purpose of investing in securities such as shares, bonds, money market instruments, and similar assets.

Mutual fund units are issued to the participants of the mutual fund. These units can typically be purchased or redeemed as needed at the fund's current net asset value (NAV) per unit. A fund's NAV per unit is derived by dividing the total value of its investments by the total number of units outstanding.

Load or No-Load Funds

When investors purchase units in a mutual fund, they are usually charged a fee known as the load of a mutual fund. A fund's load is the summation of its advisory fee or management fee, its administrative costs and profits.

Additionally, this load can be charged during the initial purchase or sale of mutual fund units. When the load is charged at the time of initial purchase, the mutual fund has a front-end load. When the load is charged at the time of sale of units, the mutual fund has a back-end load.

Sometimes a mutual fund company offers a no-load mutual fund, which is a fund sold without commission or sales charge. These funds are usually distributed directly by an investment company rather than through a secondary party.

Advantages of investing in a mutual fund

Professional management: One of the main advantages of mutual funds is that they give access of professionally managed and monitored investments to small investors.

Fund ownership: Mutual funds permit investors to invest small amounts of money and earn benefits associated with a large amount of investment. All investors in a mutual fund share the gains and losses arising from collective investments proportionately to the amount they have invested.

Mutual funds are diversified: By investing in mutual funds, even a small investor can diversify investments across a large number of securities to minimize risk. By spreading investment over numerous securities,

which is what a mutual fund does, one need not worry about the fluctuation of individual securities in the fund's portfolio.

Mutual fund objectives

There are many different types of mutual funds, each with its own set of goals. Depending on investment objectives, funds can be broadly classified in the following types:

- Aggressive growth funds (equity funds) mean that the mutual fund will be investing into shares that have a chance of high growth and may gain value rapidly.
- A combination of growth and income funds, also known as balanced funds, has a mix of goals. They seek to provide investors with current income while still offering the potential for growth. Some funds buy shares and bonds because shares provide the growth potential, while the fixed-income securities provide stability to the income especially during volatile times in the share markets.
- Income funds (debt funds) generally invest in a number of fixed-income securities. These funds provide with regular income. Retired investors prefer this type of funds because they would receive regular returns. The fund managers choose to invest in debentures, fixed deposits, etc. in order to provide steady income.
- The most cautious investor opts for the money market mutual fund. They are highly liquid so that the investors can alter their investment strategy anytime.

Closed-End Funds

A closed-end fund has a fixed number of shares outstanding and operates for a fixed duration (generally ranging from 3 to 15 years). The fund would be open for subscription only during a specified period, and there is an even balance of buyers and sellers, thus someone should be selling in order for the other to be able to buy. Closed-end funds are also listed on the stock exchange, so they are traded just like other shares on an exchange. Usually the redemption is also specified, which means that they terminate on specified dates when the investors can redeem their units.

Open-End Funds

An open-end fund is one that is available for subscription and is not listed on the stock exchanges. The majority of mutual funds are open-end funds. Investors have the flexibility to buy or sell any part of their investment at any time at a price linked to the fund's NAV.

6 PENSION FUND

A pension fund works like a mutual fund. The funds are accumulated from regular contributions by employers, employees, or both. These funds are invested, and thereafter based on the contributions and additions on account of the growth in investments, pension is paid to the employees post-retirement.

7 TERMS RELATED TO STOCK EXCHANGE

Bear market: The time period when stock market follows a downward trend or a period of falling stock prices. This is the opposite of bull market.

Bull market: When the stock market as a whole is in a prolonged period of increasing stock prices or stock market follows a upward trend, it is a bull market. It is the opposite of bear market.

Blue chip stocks: These are the large, industry-leading companies. They offer a stable record of significant dividend payments and have a reputation of sound fiscal management. The expression is thought to have been derived from blue gambling chips, which is the highest denomination of chips used in casinos.

Initial public offering (IPO): The first sale or offering of a stock by a company to the public at large is called initial public offering, rather than just being owned by private or inside investors.

8 COMPANY

A company is a legal entity made up of an association of people, be they natural, legal, or a mixture of both, for carrying on commercial activities. Company members share a common purpose and unite in order to pool their talents and resources.

Company uses the word "Limited" or "Ltd." at the end of their name. The word means that the shareholders of the company have limited liability, i.e. the liability of shareholders is to the extent of value of shares subscribed by them. Thus, in case of losses, shareholders will not be required to contribute from their private assets.

Types of Companies

Mainly, there are two types of companies: private limited and public limited.

Private Limited Companies

Private limited companies are those companies whose capital is held by people who are closely known to each other. The maximum number of members in a private limited company is 100.

As the capital in these companies is contributed by the people who are closely known to each other, these companies are not required to be listed on stock exchanges. Listing of a company on a stock exchange is required to facilitate trading of its securities. Such companies use the word "Private Limited" or "Pvt. Ltd." at the end of their name.

Public Limited Companies

Public limited companies are those companies whose capital is held by the public at large. There is no restriction on the number of members. These companies use the word "Limited" or "Ltd." in the end of their name.

As public limited companies raise capital from the public at large, they are required to follow excessive regulations as compared to those followed by private limited companies and are mandatorily required to be listed on a stock exchange.

Limited Liability Partnership

A limited liability partnership (LLP) is a partnership in which some or all partners have limited liabilities. It, therefore, exhibits elements of partnership (i.e. persons coming together to carry on business and liable for action of one another) and company (i.e. limited liability of partners).

9 FINANCIAL SECTOR REGULATORS

The two most important financial sector regulators have already been discussed, namely, the Reserve Bank of India (regulator of banking sector and non-banking financial companies) and the Securities and Exchange Board of India (regulator of stock exchanges). The other regulators are as follows:

Competition Commission of India

The Competition Commission of India (CCI) was established in 2003 as an autonomous body to implement provisions of the Competition Act, 2002. This act seeks to promote fair competition, control monopolies, and prevent adoption of unfair and restrictive practices that hamper the interest of consumers.

For instance, the CCI has been given powers to prevent cartelization among producers. Similarly, if a merger of two or more companies leads to control of more than 25% output of the industry in the hand of a single entity, then CCI can prevent such a merger.

Insurance Regulatory Development Agency

The Insurance Regulatory Development Agency (IRDA) was created in 1999 after the entry of private sector companies in the insurance sector. It is an autonomous statutory body tasked with the regulation and promotion of insurance and re-insurance in India.

Pension Fund Regulatory Development Authority

The Pension Fund Regulatory Development Authority (PFRDA) was established in 2003 as an autonomous body to regulate and develop pension funds in India. A pension fund is a fund that provides retirement income on the basis of investment made in it during the tenure of service (or after retirement). Pension funds typically have large amounts of money to invest and are the major investors in the companies.

Financial Stability and Development Council

The central government established the Financial Stability and Development Council (FSDC) in December 2010 with the Finance Minister as its chairman. The FSDC is a super-regulatory body for regulating the financial sector, which is vital for bringing healthy and efficient financial system in the economy. The FSDC envisages for

- Maintaining financial stability
- Financial sector development
- Inter-regulatory coordination

There are regular meetings of the FSDC. The meetings are chaired by the union Finance Minister and are attended by heads of all the financial sector regulators as its members.

Composition of FSDC

Chairman: Union Finance Minister

Members: Heads of the financial sector regulatory authorities (i.e. RBI, SEBI, IRDA, PFRDA), Finance Secretary and/or Secretary, Department of Economic Affairs (Finance Ministry), Secretary, Department of Financial Services and Chief Economic Adviser

10 CREDIT RATING AGENCIES

Big Three Rating Agencies: Moody's Investors Service, Standard & Poor's (S&P), and Fitch

"Big Three" credit rating agencies control approximately 95% of the ratings business. Moody's Investors Service and Standard & Poor's (S&P) together control 80% of the global market, and Fitch Ratings controls a further 15%. The largest credit rating agency in India is CRISIL (Credit Rating Information Services of India Limited).

Ratings are based on the lending risks or estimation of the borrower's ability to repay debt.

India's Position in Leading Credit Ratings

India's (Government of India) credit rating has remained unchanged for the past several years at "BBB (–)" or at the lowest level on investment grade, which is only a grade above the "junk" status for government/ sovereign bonds.

However, in November 2017, Moody's Investors Services upgraded India's sovereign ratings to Baa2 from lowest investment grade (Baa3).

What does it mean in respect of bonds?

A credit rating evaluates the creditworthiness of a borrower. Corporations and governments issue bonds to borrow money. When we buy a bond, we are lending money to someone—the government or a private company.

Credit ratings represent the ability of the bond issuer to repay. A higher rating implies the bond issuer has a lower likelihood of defaulting on payments.

What are sovereign ratings?

Sovereign credit ratings refer to the credit rating of government. It acts as a guide to overall economy's well-being. A favorable rating raises the economy's attractiveness as a global business hotspot and investment destination.

How are the ratings calculated?

There are no specific mathematical formulae. Agencies use multiple sources such as historical trends, public statistics, discussions with government officials and future outlook to determine credit ratings.

Whom does the credit rating benefit?

It is used by individuals and entities that purchase the bonds issued by companies and governments to determine whether the borrower will repay as promised.

What is a junk bond?

Bonds that have higher credit rating are also known as investment-grade bonds. Bonds with very low credit rating are known as junk bonds because of a stronger likelihood of default.

What has prompted the upgrade for India?

The government has undertaken set of reforms—from nationwide goods and services and tax (GST) to a new insolvency law.

Moody's believes that those implemented to date will advance the government's objective of improving the business climate.

How does sovereign rating affect the economy?

A higher rating could prompt companies to invest. A rating upgrade is seen as a sign of a growing economy. Moreover, the cost of government borrowing also reduces.

Rating Scheme of the Big Three

Moody's		S&P		Fitch		Rating description
Long term	Short term	Long term	Short term	Long term	Short term	
Aaa	P-1	AAA	A-1+	AAA	F1+	Prime
Aa1		AA+		AA+		High grade
Aa2		AA		AA		
Aa3		AA–		AA–		
A1		A+	A-1	A+	F1	Upper medium grade
A2		A		A		
A3	P-2	A–	A-2	A–	F2	
Baa1		BBB+		BBB+		Lower medium grade
Baa2	P-3	BBB		BBB	F3	
Baa3		BBB–	A-3	BBB–		
Ba1		BB+		BB+		Non-investment grade speculative
Ba2		BB		BB		
Ba3		BB–		BB–		

Moody's		S&P		Fitch		Rating description
Long term	Short term	Long term	Short term	Long term	Short term	
B1	Not Prime	B+	B	B+	B	Highly speculative
B2		B		B		
B3		B–		B–		
Caa1		CCC+	C	CCC+	C	Substantial risks
Caa2		CCC		CCC		
Caa3		CCC–		CCC–		
Ca		CC		CC		Extremely speculative
		C		C		Default imminent
C		RD	D	DDD	D	In default
/		SD		DD		
/		D		D		

Non-Performing Assets

1 DEFINITION OF NON-PERFORMING ASSETS

From the perspective of a bank, the loans given by it are considered its assets. If the loan amount (principal) and/or the interest are not paid by the borrower, then it is considered a non-performing asset (NPA). Generally, an NPA is a loan or advance for which the principal and/or interest payment has been overdue for more than 90 days.

2 CRITERIA LAID BY RBI FOR NPA IN DIFFERENT CASES

An NPA is a loan or an advance where

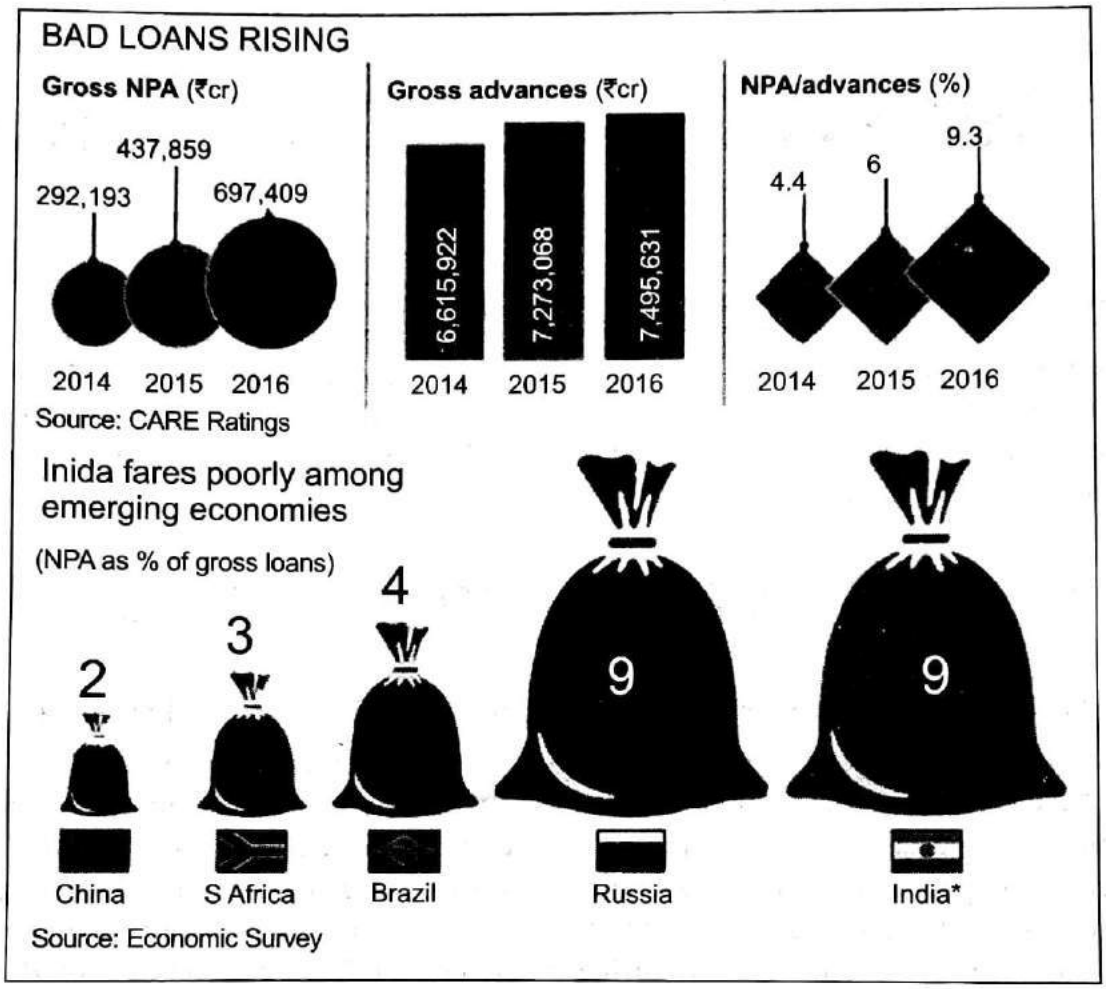
- Interest and/or instalment of principal have remained overdue for more than 90 days.
- The account remains "out of order" in respect of an overdraft/cash credit (OD/CC) for more than 90 days. An account should be treated as "out of order" if the outstanding balance remains continuously in excess of the sanctioned limit/drawing power. In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for 90 days as on the date of balance sheet or credits are not enough to cover the interest debited during the same period, these accounts should be treated as "out of order".
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted.
- In the case of loans taken for agricultural purposes, the instalment of principal or interest thereon remains overdue for two crop seasons for short-duration crops and for one crop season for long-duration crops.

3 CATEGORIES OF NPAs

According to Reserve Bank of India (RBI) guidelines, banks are required to classify NPAs further into substandard, doubtful, and loss assets based on the time period of pending debts.

1. **Substandard assets:** Assets that have remained NPA for a period less than or equal to 12 months.
2. **Doubtful assets:** An asset would be classified as doubtful if it has remained in the substandard category for a period of 12 months.
3. **Loss assets:** A loss asset is considered uncollectible or is of such little value that its continuance as a bankable asset is not warranted, although it may have some salvage or recovery value.

4 HOW SERIOUS IS INDIA'S NPA ISSUE?



More than ₹7 lakh crore loans are already classified as non-performing assets in India. In year 2017, the issue of NPA has gone more serious. The Gross Non-Performing Advances (GNPA) ratio of Scheduled Commercial Banks (SCBs) increased to 10.2 percent by September 2017. When restructured loans, assets not yet classified as NPAs, and other potential NPAs are added, the total stressed assets are around 15–20% of total loans.

Reasons for High NPAs

- Mis-utilization of funds by borrowers, business losses, and deliberate non-repayment of loans
- Lapses in due diligence before granting loans, loans granted by public-sector banks on account of political influence, etc.
- Poor performance by certain sectors such as real estate and steel

Impact of High NPAs

- NPAs reduce the lending capacity of banks. Low lending capacity of banks further hampers economic growth.

- Losses to banks force them to give loans at high interest rates. High interest rates lead to rise in the overall cost of production.
- In India, public-sector banks have suffered far more than the private-sector banks on account of high NPAs. The government is forced to bail out these banks so that credit creation is not hampered in the economy. The money used to bail out is the tax payer's money. Thus, it can be concluded that debt defaults of large corporate and rich people are borne by the common people.

Capital Infusion in Public Sector Banks

In January 2018, government has announced a capital infusion in public sector banks amounting to ₹2.11 lakh crore over financial years 2017–18 and 2018–19. Of this sum, ₹1.35 lakh crore will come through recapitalization bonds, ₹18,000 crore from the budget and ₹58,000 crore from borrowings by banks.

What Are Recapitalization Bonds?

Recapitalization bonds are issued to raise funds in order to restore depleted capital. The government has issued over ₹20,000 crore recapitalization bonds between 1986 and 2001. The process typically is that the government issues the bonds in lieu of funds. After lenders subscribe to these bonds, the money raised by the government is used to infuse capital into the banks.

5 STEPS TAKEN TO TACKLE NPAs

Debt Recovery Tribunal

The Debt Recovery Tribunals (DRTs) and Debt Recovery Appellate Tribunal (DRATs) were established under the Recovery of Debts Due to Banks and Financial Institutions Act (RDDBFI Act), 1993, with the specific objective of providing expeditious adjudication and recovery of debts due to Banks and Financial Institutions. Presently (up to June 2017), 38 DRTs and five DRATs are functioning in India.

Each DRT is presided over by a presiding officer, who is generally a judge of the rank of a district and sessions judge. The DRT is fully empowered to pass comprehensive orders like Civil Courts. The tribunal can hear cross suits, counterclaims, and allow set offs.

Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002

This act permits banks/financial institutions to recover their NPAs without the involvement of the court, through acquiring and disposing of the secured assets in NPA accounts with an outstanding amount of ₹1 lakh and above. A bank has to issue a notice first. If the borrower fails to repay, the bank can take ownership of security and/or take control of the management of the borrowing organization.

Asset Reconstruction Company

There is a proposal to introduce asset reconstruction companies (ARCs) in either private or public sector to take on the NPAs of public-sector banks. The Economic Survey used the term PARA (Public Asset Rehabilitation Agency) for such ARC in the public sector.

How an ARC works?

- The ARC will take over the NPAs from banks for a fixed cost, which is less than the NPA amount.
- The NPA is transferred to the ARC along with any security pledged while taking loan.
- Now the ARC will issue security receipts for fixed interest rate and will raise the money. (This raised money can be invested in financial institutions.)
- Now the ARC will start a legal procedure to sell the pledged security in the market, which takes many years depending on the complications involved. Meanwhile, the money raised by issuing security receipts is used for meeting expenses of the ARC.
- After selling the asset by clearing all the litigations, the ARC will redeem (take back) the security receipts issued earlier for the agreed price.

Profit of ARC = Sale price of security + Interest on investment (from money invested in financial institutions) – Purchase cost of NPA – Interest on security receipts – Expenses

Bad Banks

A bad bank is a bank set up to buy the bad loans of a bank with significant NPAs at the market price. By transferring the bad assets of an institution to the bad bank, the banks clear their balance sheet of toxic assets. Bad banks are also proposed to be set up.

Difference between ARCs and bad banks

There is a slight difference between an ARC and a bad bank. Instead of selling NPAs to ARCs, banks can transfer the NPAs to bad banks. ARCs purchase NPAs at heavy discounts.

Bad banks are separate institutes formed by the bank or group of banks or by the government itself. It can also be in a partnership with banks as well as the government. The major benefit is that banks can clearly distinguish between good assets and bad assets. By segregating the two, banks prevent bad assets from contaminating the good assets and it helps the bank management to focus on good assets.

Emphasis on Debt Restructuring

Debt restructuring is the reorganization of a company's outstanding obligations, often achieved by reducing the burden of the debts on the company by decreasing the interest rates paid and increasing the time for repayment. Also some of the debt may be forgiven by creditors in exchange for shares in the company.

The need for a debt restructuring often arises when an organization is going through a financial hardship and is having difficulty in meeting its obligations.

Mission Indradhanush for Public-Sector Banks

Mission Indradhanush is a seven-pronged plan launched by the Government of India in 2015 to resolve the issues faced by public-sector banks. The seven parts include appointments, banks board bureau, capitalization, de-stressing, empowerment, framework of accountability, and governance reforms (ABCDEFG).

The seven-pronged strategy under Mission Indradhanush includes the following:

1. **Appointments:** Non-executive chairman in all the state-owned public-sector banks to oversee functions of the banks.
2. **Bank board bureau (BBB):** It is a body of "eminent" professionals, independent of government to make appointments in public-sector banks.
3. **Capitalization:** Infusion of capital into debt-laden banks in a phased manner.
4. **De-stressing public-sector banks:** To develop a vibrant debt market for public-sector banks in order to reduce lending pressure on banks. Strengthen asset reconstruction of companies.
5. **Empowerment:** Provide greater flexibility in hiring of staff in public-sector banks.
6. **Framework of accountability:** It will seek to streamline vigilance process for quick action in case of major frauds, including connivance of staff.
7. **Governance reforms in public-sector banks:** Regular gyan sangam meet to discuss the state of banks and reforms required in the banking sector (also known as the Banker's Retreat).

Banks Board Bureau

The BBB is a body of "eminent" professionals and consists of only one government official. It is a six-member body with at least three former bankers, two professionals and secretary, department of financial services representing government. Vinod Rai, the veteran CAG, has been appointed as head of the BBB.

It will replace the existing system of Appointments Board in which appointments for top-level jobs at public-sector banks are made by an appointments committee led by the RBI Governor. The BBB has been set up to insulate public-sector banks from interference by the government.

Functions

1. The BBB will hold investment in public-sector banks on behalf of the government.
2. The BBB will recommend the appointment of senior-most officials in public-sector banks.
3. The BBB will advise banks on the ways of raising fund.
4. It will also guide banks on mergers and consolidations.

6 ANCHOR BANKS

Anchor Banks are public-sector banks that will drive the consolidation process among the state owned banks, for instance the State Bank of India (SBI). There are 22 public-sector banks in the country.

SBI Merger

From 1 April 2017, SBI, the country's largest lender, has merged with its associate banks namely State Bank of Mysore, State Bank of Travancore, State Bank of Bikaner and Jaipur, State Bank of Patiala, State Bank of Hyderabad, and Bharatiya Mahila Bank.

History of SBI merger

The merger of SBI with its associates began when SBI merged with the State Bank of Saurashtra in 2008. In 2010, the State Bank of Indore was also merged with SBI.

Benefits expected from merger

- The merged entity will have an asset base of about ₹37 lakh crore, with nearly 24,000 branches and about 58,700 ATMs across the country as of March 2016. SBI and its associates employed 2.85 lakh people in 2014–15.
- While the network of SBI would stand to increase, its reach would multiply. Rationalization of branches would be undertaken.
- Currently, no Indian bank features in the top 50 banks of the world. With this merger, some visibility at the global level is likely to increase.
- Any introduction of new technology by SBI would simultaneously be available uniformly. The common cost would get divided, and thus the overall cost of operations will reduce.

7 INSOLVENCY AND BANKRUPTCY CODE, 2016

The Insolvency and Bankruptcy Code, 2016 is aimed at speedy winding up of companies, lower NPAs, and redeployment of capital for productive uses. The salient features of the code are as follows:

- **Unified bankruptcy code:** The government plans to repeal an ineffective, century-old insolvency law and amend 11 laws currently dealing with defaulters. Once fully implemented, the code would seek to speed up debt recoveries by setting a deadline of 180 days to decide the fate of a company that defaults.
- **Application:** The code will apply to companies, partnerships, limited liability partnerships, individuals, and any other body specified by the government.
- **Insolvency resolution:** The process could be initiated either by the debtor or the creditors. For companies, the resolution process will have to be completed within 180 days, with an extension of up to 90 days if 75% of creditors agree.

  The process will involve negotiations between the debtor and creditors to draft a resolution plan. If they agree, the plan could be submitted to the authority. If no agreement is reached, the company would automatically go into liquidation. The process will be managed by a licensed insolvency agency.
- **Insolvency regulator:** The insolvency regulator would have representatives from the government and the central bank to oversee and regulate insolvency agencies.
- **Penalties:** A debtor could be jailed for up to 5 years for concealing property or defrauding creditors.

8 BASEL III (THIRD BASEL ACCORD)

Basel III is a global, voluntary regulatory framework on bank capital adequacy and liquidity risk. It was agreed by the Basel Committee on Banking Supervision (BCBS) in 2010–11. They are called the Basel Accords as the BCBS maintains its secretariat at the Bank for International Settlements in Basel, Switzerland. Basel III introduced tighter capital requirements in form of higher Capital adequacy ratio (CAR) in comparison to Basel I and Basel II, which were adopted by the banking sector earlier.

It focuses primarily on reducing risk of running out of funds, requiring different levels of reserves for different forms of bank deposits and other borrowings by banks.

The RBI has mandated that Indian banks are required to adopt Basel III norms up to 31 March 2019 (earlier this date was 31 March 2018).

Basel series of norms are broad supervisory standards to ensure that financial institutions have enough capital to meet obligations and absorb unexpected losses.

9 SECURITIZATION

First of all, let us understand "what is a mortgage". A mortgage is a legal agreement by which a bank, society, etc. lend money at interest in exchange for taking title of the debtor's property, with the condition that the conveyance of title becomes void upon the payment of the debt.

Securitization is the process of taking an illiquid asset or a group of assets and transforming them into a security. These illiquid assets are usually loans given by financial institutions.

A typical example of securitization is a mortgage-backed security, which is a type of asset backed by a collection of mortgages. The process works as follows:

First, a financial institution creates numerous loans on the basis of mortgages kept by borrowers. Then, all of the individual mortgages are bundled together into a mortgage pool, which is held in trust as the collateral for a mortgage-based security, which can be issued by a third-party financial company such as a large investment banking firm or by the same bank with the mortgages in the first place.

A new security is created, backed up by the claims against the mortgagors' assets. This security can be sold to participants in the secondary mortgage market. This market is extremely large, providing a significant amount of liquidity to the group of mortgages, which otherwise would have been quite illiquid on their own.

10 LETTER OF UNDERTAKING (LoU) AND PNB FRAUD

What is a LoU?

Letter of Undertaking is a guarantee given by one bank to another to meet a liability on behalf of a customer. LoUs are commonly used in international transactions.

LoU involves four parties — an issuing bank (based in India), a receiving bank (based abroad), an importer and overseas supplier (receiver of funds). The receiving bank makes payment to the overseas

supplier. The LOU issuing bank guarantees the payment of money on behalf of the importer. The guaranteeing bank makes payment to receiving bank and in turn, collects funds from the importer.

The usual term of a LoU is 180 days and can be rolled over once for six months. An importer is required to provide funds to the issuing bank within the period of LoU.

How are LOUs communicated?

LoUs are conveyed from India based branch of a bank to foreign-based branch of a bank through Society for Worldwide Interbank Financial Telecommunication (SWIFT) instructions.

On receiving the SWIFT message, the branch abroad releases credit to overseas supplier against import documents. The branch abroad could be a branch of the domestic bank itself. The credit is essentially a short-term foreign currency loan, on which banks charge 60 to 90 basis points over the London Interbank Offered Rate or Libor, the international benchmark for pricing loans or lending.

LoUs are regularly used by big importers. Importers prefer this form of funding because the costs of raising money overseas are relatively less.

What is a SWIFT instruction?

SWIFT is a secure global financial messaging service used by over 11,000 financial institutions in more than 200 countries. So far, there has been no instance of a breach in SWIFT instructions.

Why is LoUs secure?

A SWIFT instruction passes through three layers of checks.

It is cleared by a maker, a checker, and a verifier before it is sent across. All have different logins and passwords, and work independently of each other.

Punjab National Bank Fraud

Punjab National Bank (PNB) has reported fraud of over ₹11,000 crore in its branch at Brady House, South Mumbai. Some PNB employees fraudulently issued Letters of Undertaking (LoUs) and issued SWIFT instructions to the overseas branches of Indian Banks. This was done to raise credit for companies of diamond jeweller Nirav Modi and Mehul Choksi without making entries in the bank system.

What went wrong in the PNB case?

SWIFT transactions are linked to the Core Banking Solution (CBS) of banks.

Core Banking Solution (CBS) is network among banks, which enables customers to operate their accounts, and avail banking services from any branch of the bank on CBS network, regardless of where he maintains his account.

Any transaction linked to CBS of banks is automatically recorded and thereby reviewed by bank officials. In the PNB case, the scamsters allegedly delinked SWIFT from CBS in the case of companies linked to Nirav Modi and Mehul Choksi. The alleged fraud continued for seven years. However, LoUs of other companies were routed through the SWIFT-CBS system.

Will the alleged fraud impact the banks that have lent money against the PNB LoUs?

The LoUs were issued for the Hong Kong branches of Allahabad Bank and Axis Bank. These branches have given money to the overseas supplier on behalf of Modi's firms. As a result, PNB will have to settle the LoUs with these branches.

FINANCIAL INCLUSION

Financial inclusion or **inclusive financing** is the delivery of financial services at affordable costs to disadvantaged sections and low-income segments of the society. In contrast, **financial exclusion** refers to a situation where these services are not available or affordable to low-income sections of the society. Financial services include credit, savings, investment, insurance, etc from formal financial institutions.

1 NEED FOR FINANCIAL INCLUSION

- Financial inclusion benefits individuals included into the formal financial system in multiple ways such as:
  - Facilitates day-to-day transactions, including sending and receiving money
  - Provides safety to savings
  - Right choice of investments that provide returns that are high and according to the needs such as capital appreciation or regular income
  - Finances small businesses or microenterprises, helping owners invest in assets and grow their businesses
  - Mitigates shocks and manages expenses related to unexpected events such as medical emergencies, a death in the family, theft, or natural disasters
- The benefits of financial inclusion are not only significant for individuals but also for the economy. For instance, the savings of individuals can be channelized for capital formation, which can further contribute towards higher level of GDP.

2 PREREQUISITE FOR FINANCIAL INCLUSION

Financial Literacy

Financial literacy refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with his/her financial resources. It is the education and understanding of various financial areas. It focuses on the ability to manage personal finance matters in an efficient manner, and it includes the knowledge of making appropriate decisions about personal finance such as investing, insurance, real estate, budgeting, retirement and tax planning.

The lack of financial literacy or financial illiteracy may lead to poor financial choices that can have negative consequences on the financial well-being of an individual.

Availability of Financial Services at Affordable Cost

Various steps have been taken to enhance the access of financial services. Some of these have been explained later, such as payments banks, Mudra Banks, small finance banks, etc.

The **banking correspondent model (Saathi)** is another initiative to enhance access to financial services. Banking correspondents are individuals/entities engaged by banks for providing banking services in unbanked/under-banked geographical territories. In other words, a banking correspondent works as an agent of the bank and substitutes for the branch of the bank.

A banking correspondent can perform all the functions of a bank branch depending on the functions delegated to him/her. These include credit, payment and receipt into accounts, insurance, investment services, etc.

The banks in India may engage the following individuals/entities as banking correspondent:

- Individuals such as retired bank employees, retired teachers, individual owners of kirana (small shops)/medical/fair price shops, agents of small savings schemes of Government of India/ insurance companies, etc.
- NGOs
- Microfinance institutions (MFIs)
- Cooperative societies

3 MUDRA BANK

Micro Units Development and Refinance Agency Bank (or **MUDRA Bank**) is a public-sector financial institution to provide loans at low rates to microfinance institutions and non-banking financial institutions, which then provide credit to medium- and small-scale enterprises (MSMEs). MUDRA Bank can provide funds directly or act as a refinance agency to institutions providing credit to MSMEs. It was formally launched in April 2015. The MUDRA Bank was set up under the Pradhan Mantri MUDRA Yojana scheme.

The bank has an initial capital of ₹20,000 crore and a credit guarantee fund of ₹3000 crore. The bank will initially function as a non-banking financial company and a subsidiary of the Small Industries Development Bank of India (SIDBI). Later, it will be made a separate company. However, it will not regulate microfinance institutions.

The MUDRA scheme has classified borrowers into three segments:

1. Under "Shishu" scheme, loans up to ₹50,000 are sanctioned. This is the first stage when the business has just started.
2. Under "Kishor" scheme, loans above ₹50,000 and up to ₹5 lakh are provided. This is the stage when the business is already running well.
3. Under "Tarun" scheme, loans above ₹5 lakh and up to ₹10 lakh are provided. This is the stage when the business is seeking the next level of growth.

The government has decided to provide an additional fund of ₹100,000 crore under the MUDRA scheme, which will be allocated as

- 40% to Shishu
- 35% to Kishor
- 25% to Tarun

Those eligible to borrow under MUDRA scheme include

- Small manufacturing units
- Shopkeepers
- Fruit and vegetable vendors
- Artisans, etc.

4 SHARIA/ISLAMIC BANKING

Islamic banking refers to a system of banking or banking activity that is consistent with the principles of Sharia (Islamic rulings). These principles emphasize moral and ethical values in all dealings. For example, Islamic or Sharia banking is a finance system based on the principles of not charging interest. Charging of interest is prohibited under Islam.

How Does Islamic Banking Work?

Islamic finance companies also have profit creation and growth as their objectives. In the Islamic banking industry, each bank invests in promising business ventures in order to attract more funds from its depositors.

Lending to promising business venture will eventually result in a high return on investments both for the bank and the depositors. This is unlikely in a conventional bank, where depositors redeem returns on their deposits based on a predetermined interest rate.

Significance of Islamic Banking

- **Financial inclusion:** Both the centre and the RBI have been exploring the possibility of introduction of Islamic banking for a while now to ensure financial inclusion of those sections of society that remain excluded due to religious reasons.
- **Reducing the impact of harmful products and practices:** Sharia principles forbid any investment that would support industries or activities that are considered harmful to the people and the society in general. This includes usury, speculation, and gambling, irrespective of whether these are legal or not in a given territory.
- **Promotion of financial justice:** Financial justice is a basic requirement for the functioning of Islamic finance products. Western or conventional financing looks forward to profit through interest payments and makes the beneficiary completely liable for any risk.

Contrary to this, Islamic financing paves way for the sharing of net profit/loss and the risk involved in a proportional manner between the lender and the beneficiary. Therefore, if a financer is expecting a claim on profits of a project, it is necessary that he/she should also carry a proportional share of the loss of that project.

5 PAYMENTS BANK

Payments banks can accept deposits up to ₹1 lakh per customer and are allowed to pay customers interest on the money that is being deposited. Payments bank can open either current accounts or saving accounts.

For companies that have operated as mobile wallets (which are a type of prepaid instrument), this is a big step forward as it raises the funds limit and allows interest to be paid on deposits, making it more attractive for users to store their money.

How Is a Payments Bank Different from a Bank?

Unlike a regular bank, a payments bank cannot loan money to people or issue credit cards. Also, payments banks are only allowed to invest the money received from customers' deposit into government securities. While payments banks cannot issue credit cards, they can issue ATM and debit cards.

How Payments Bank Will Ensure Financial Inclusion?

A payments bank account holder would be able to deposit and withdraw money through any ATM or even through the small convenience shop in a village that sells mobile recharge coupons. Thus, these small convenience shops will serve the purpose of bank branches.

Payments banks can be integrated with savings bank accounts. As already mentioned, payments banks ATM or debit cards will also work on all banks' machines. However, payments banks cannot accept NRI deposits.

Which Companies Have Been Given Approval?

The RBI guidelines say that payments bank licenses would be granted to mobile firms, supermarket chains and others, to cater to individuals and small businesses. These mobile firms, supermarket chains, mobile wallets would help in extending reach of the payments banks across the country.

Post Office Network

With 1,55,015 Post Offices, the Department of Post has the most widely distributed postal network in the world. On an average, a Post Office serves an area of 21.22 sq. km and a population of 8221 people. Approximately 90% of Post Offices are in rural areas.

In the past, the Department of Posts (DoP) has been the backbone of the country's communication. Presently, it touches the lives of Indian citizens in many ways: delivering mails, accepting deposits

under Small Savings Schemes, providing life insurance cover under Postal Life Insurance (PLI) and Rural Postal Life Insurance (RPLI) and providing retail services like bill collection, sale of forms, etc. The DoP also acts as an agent for Government of India in discharging other services for citizens such as Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) wage disbursement and old age pension payments.

India Post Payments Bank (IPPB)

Recognizing the huge reach of Post office network, India Post Payments Bank (IPPB) has been launched. It is a new entity which will provide services of payments bank. It is a public limited company under the Department of Posts, with 100 percent Government of India equity.

IPPB will also enable more than 17 crore active account-holders of Post Office Savings Bank to make interoperable digital payments.

6 WHOLESALE BANKS

The Reserve Bank of India (RBI) has proposed setting up of wholesale and long-term finance (WLTF) banks to finance industrial and infrastructure projects with higher capital and non-reliance on savings deposits. The RBI has proposed a higher level of paid-up equity capital, say ₹1000 crore or more, for these banks. Wholesale banks are so far, not operational in India.

Initial minimum capital

For universal banks, the initial minimum paid-up equity capital for a bank is fixed at ₹500 crore. In the case of differentiated banks such as payments banks and small finance banks, the initial minimum paid-up capital is ₹100 crore.

About wholesale banks

According to the RBI, WLTF banks are not expected to have significant retail exposure. The primary sources of funds for WLTF banks could be a combination of term deposits, debt/equity capital from primary market issues or private placement and term borrowings from banks and other financial institutions. Another major source of funds for WLTF banks will be issuance of bonds.

WLTF banks are not expected to accept savings deposits. Current account and term deposits may be mobilized by these banks. There could be reasonable restrictions on premature withdrawal of these deposits. According to the Nachiket Mor Committee Report, since the primary role of the wholesale banks is lending and not the provision of retail deposit services, they may be permitted to accept deposits only above a large threshold amount.

7 SMALL FINANCE BANKS

Small finance banks can provide basic banking services of acceptance of deposits and lending. The aim behind these banks is to provide financial inclusion to sections of the economy not being served by other banks, such as small business units, small and marginal farmers, micro and small industries, and

unorganized sector entities. The banks will not be restricted to any region. Around 75% of their net credits should be in the priority sector lending and 50% of the loans in their portfolio must be in the range of ₹25 lakh.

8 UNIVERSAL BANKS

Universal banking is a banking system in which banks provide a wide variety of financial services, including commercial and investment services.

Universal banks may offer credit, loans, deposits, asset management, investment advisory, payment processing and financial analysis. While a universal banking system allows banks to offer a multitude of services, it does not require them to do so. Banks in a universal system may still choose to specialize in a subset of banking services.

Proponents of universal banking argue that it helps banks better diversify risk. However, it also diverts the focus of banks from core operation of lending and accepting deposits.

9 NON-BANKING FINANCIAL COMPANIES

Non-banking financial companies (NBFCs) are a heterogeneous group of institutions (other than regular banks) performing financial intermediation in a variety of ways, such as making loans and advances, leasing, etc. It can accept deposits from public with large restrictions. It can raise funds from the public, directly or indirectly, and lend these funds.

The working and operations of NBFCs are regulated by the RBI within the framework of the Reserve Bank of India Act, 1934. As per the RBI Act, a "non-banking financial company" is defined as:

- A financial institution which is a company
- A non-banking institution which is a company and which has as its principal business of receiving the deposits, under any scheme or arrangement or in any other manner, or lending in any manner
- Such other non-banking institution or class of such institutions, as the Reserve Bank may, with the previous approval of the central government and by notification in the Official Gazette, specify.

Under the act, it is mandatory for an NBFC to get itself registered with the RBI. This registration authorizes it to conduct its business as an NBFC. For the registration with the RBI, a company incorporated under the Companies Act, 1956, and desirous of commencing business of non-banking financial institution should have a minimum net owned fund (NOF) of ₹2 crore.

The registration process involves submission of an application by the company in the prescribed format along with the necessary documents for the RBI's consideration. If the bank is satisfied that the conditions enumerated in the RBI Act, 1934, are fulfilled, it issues a "Certificate of Registration" to the company. Only those NBFCs holding a valid Certificate of Registration can accept/hold public deposits. The NBFCs accepting public deposits should comply with the Non-Banking Financial Companies

Acceptance of Public Deposits (Reserve Bank) Directions, 1998, as issued by the bank. Some of the important regulations relating to the acceptance of deposits by the NBFCs are as follows:

- They are allowed to accept/renew public deposits for a minimum period of 12 months and a maximum period of 60 months.
- They cannot accept deposits repayable on demand, i.e. they cannot accept public deposits by allowing people to open savings or current accounts with them.
- They cannot offer interest rates higher than the ceiling rate prescribed by the RBI from time to time.
- They cannot offer gifts/incentives or any other additional benefit to the depositors.
- They should have minimum investment-grade credit rating.
- Their deposits are not insured.
- The repayment of deposits by NBFCs is not guaranteed by the RBI.

NBFCs have been reclassified into three categories:

1. **Asset finance company (AFC)** is defined as a financial institution whose principal business is that of financing the physical assets that support various productive/economic activities in the country.
2. **Loan company** means any financial institution whose principal business is that of providing finance, whether by making loans or advances or otherwise for any activity other than its own (excluding any equipment leasing or hire–purchase finance activity).
3. **Investment company** is any financial intermediary whose principal business is that of buying and selling of securities.

Popular NBFCs in India

A **nidhi company** is one that belongs to the non-banking finance sector and is recognized under the Companies Amendment Act, 2013. Its core business is borrowing and lending money among its members. Thus, a nidhi company deals with members only. It is also known as Permanent Fund.

The basic concept of nidhi is "Principle of Mutuality" (Paraspara Sahayata). Thus, it functions for the common benefit of all the members/shareholders.

A **Chit fund** is a kind of savings scheme practiced in India. A chit fund company is a company that manages, conducts, or supervises such a chit fund, as defined under the Chit Funds Act, 1982. According to the Chit Fund Act, 1982:

"Chit means a transaction whether called chit fund, chit, kuree or by any other name by or under which a person enters into an agreement with a specified number of persons such that every one of them shall subscribe a certain sum of money by way of periodical instalments over a definite period and that each such subscriber shall, in his turn, as determined by lot or by auction or by tender or in such other manner as may be specified in the chit agreement, be entitled to the prize amount".

Such chit fund schemes may be conducted by organized financial institutions or through unorganized schemes conducted among friends or relatives.

Chit funds serve the purpose of savings among members. Chit funds also play an important role by providing easier access to credit.

How it works?

Chit funds operate in different ways. The basic necessity for conducting a "chitty" is a group of needy people called subscribers. The foreman—the company or person conducting the chitty—brings these people together and conducts the chitty. The foreman is also responsible for collecting the money from subscribers, presiding over the auctions, and keeping subscriber records. He is compensated by a fixed amount (generally 5% of the gross chitty amount) for his efforts. Other than that, the foreman has no specific privileges; he is just a chitty subscriber. A simple formula depicts the pattern of the chitty:

Monthly premium × Duration (in months) = Gross amount

For example, 1000 × 50 = 50,000, where 1000 is the maximum monthly contribution needed from a subscriber, 50 is the duration of the chitty in months, and 50,000 is the maximum sum assured. The duration also equals the number of subscribers, as there must be (not more or less) one subscriber to receive the prize money every month.

The chitty starts on an announced date, and all subscribers come together for the auction/lot. Usually, the minimum prize money of an auction is limited to 70% of the gross sum assured; that is 35,000 in the above example. When more than one person is willing to take this minimum sum, lots are conducted and the "lucky subscriber" gets the prize money for the month. If there is no person willing to take the minimum sum, then a reverse auction is conducted where subscribers open-bid for lower amounts; that is from 50,000 >> 49,000 >> 48,000, and so on. The person bidding the lowest sum will get the bid amount.

The auction discount, that is the difference between the gross sum and auction amount, is equally distributed among subscribers or is deducted from their monthly instalment. For example, if the auction is settled on a sum of ₹40,000, then the auction discount of ₹10,000 (50,000 – 40,000) is divided among 50 members (the total number of subscribers), and thus, each subscriber gets a discount of ₹200. The same practice is repeated every month and every subscriber gets a chance of receiving the money.

Ponzi scheme

A Ponzi scheme (also a Ponzi game) is a fraudulent investment operation where the operator of an NBFC pays returns to its investors from the investment received by new investors, rather than from profit earned through legitimate sources. Operators of Ponzi schemes usually entice new investors by offering higher returns than other investment options.

Ponzi schemes occasionally begin as legitimate businesses, until the business fails to achieve the returns expected. The business becomes a Ponzi scheme if it then continues under fraudulent terms. Whatever the initial situation, the perpetuation of the high returns requires an ever-increasing flow of money from new investors to sustain the scheme.

The scheme is named after Charles Ponzi who became notorious for using the technique in the United States in 1920.

Merits of NBFCs

- NBFCs are complementary to the banking sector due to their customer-oriented services.
- The procedures to access services of NBFCs are simplified.
- Sometimes they also offer attractive rates of return on the deposits.
- They are also flexible in meeting the credit, savings, and other financial needs of people.

Demerits of NBFCs

- It is estimated that nearly two-thirds of NBFCs in India are not registered. Unregistered NBFCs do not follow the RBI guidelines.
- Some NBFCs have involved in large-scale Ponzi schemes, robbing common people of thousands of crores.
- They also charge very high interest rates from their borrowers.
- The RBI definition of NBFCs is very inclusive in nature. It does not clearly state the definition of NBFCs and its types.

10 SELF-HELP GROUPS

A self-help group (SHG) is a homogeneous group of micro-entrepreneurs with affinity among themselves, voluntarily formed to save money out of their earnings and contribute to a common fund from which small loans are given to the members for meeting their credit needs.

Objectives of SHGs

- To meet the credit needs of members
- Encourage savings and investments among people

11 MICROCREDIT

Microcredit refers to small amounts of loans given to people to undertake business. It is preferably given to groups to increase the repayment rate among members and reduce the cost per unit of loan. Moreover, groups are preferred over individuals because member of a group are jointly and severally liable.

Microfinance is considered an inseparable part of SHGs because SHGs are often given microfinance to undertake business activity.

Status of SHGs and Microfinance Movement in India

Mohd. Younus started the microfinance movement in Bangladesh by establishing Grameen Bank in 1976. Microfinance has witnessed strong growth in India. In a few decades, the movement has helped in reducing poverty in India by providing credit to the poor.

In India, at least half of the population does not have access to banking services. Micro Finance Institutions (MFIs) serve as a supplement to the banks. Some of these institutions provide not just credit facility but also facilities such as savings, insurance, remittances, etc.

According to National Bank for Agricultural and Rural Development (NABARD) estimates, there are 2.2 million SHGs in India, representing 33 million members. These SHGs are more popular in southern India. Four southern states—Karnataka, Kerala, Tamil Nadu, and Andhra Pradesh—account for 57% credit given to SHGs.

Channels of Microfinance in India

In India, microfinance operates through two channels:

1. **SHG–bank linkage programme:** This is a bank-led microfinance channel initiated by NABARD in 1992. Under the SHG model, the members, preferably women in villages, are encouraged to form groups of around 10 to 15.

   The groups are provided with bank loan to generate further incomes. The group members meet periodically after earning money. Out of this money, recovery of past loans is made and new loans are disbursed.

   This model has gained popularity. When SHGs become self-sustaining and stable, they start working on their own with the support of NGOs.

   Criteria for eligibility of SHG for bank loan

   - Group is in active existence for at least a period of 6 months.
   - Group maintains proper accounts.
   - Democratic nature of group and homogeneous background of members.

   There are two ways to extend bank finance to SHGs:

   - Directly to SHG
   - Indirectly through NGOs and other MFIs

2. **Microfinance institutions:** There are a number of organizations with varied size and legal forms that provide microfinance. These institutions usually lend on the basis of joint liability of members.

   MFIs may be NBFCs, cooperative societies, not-for-profit companies, trusts, partnership firms, sole proprietorships, etc.

   By 2016, MFIs provided nearly 42% of total microcredit. Out of these institutions, NBFCs provided 80% of microcredit.

   MFIs are popular for providing microcredit because of the following reasons:

   - **High transaction cost of banks:** Usually cost of banks for giving microcredit is far high compared to MFIs. This is because the banks give loan on the basis of thorough documentation and suffer from higher ratio of loan defaults as compared to microfinance institutions.
   - MFIs are rooted in the society and thus are more suitable to generate informal pressure to reduce the chances of default.

Concerns Over Microfinance Movement in India

- **Lack of effective regulatory system:** The SHG–bank linkage model is well managed and regulated in India. However, there is no proper regulatory body for supervision of MFIs. Registered NBFCs are regulated by the RBI. However, other MFIs fall outside the purview of the RBI.
- **Financial illiteracy:** Financial illiteracy makes it difficult to create awareness about microfinance among the people.
- **Inability to generate sufficient funds:** Government banks have limited funds for microfinance especially because risk of default is high in microfinance.

On the other hand, MFIs also suffer from lack of funds. For instance, there are restrictions on NBFCs to receive deposits from the public.

- **Dropout and migration of group members:** As microfinance is based on group concept, dropout and migration of members affect stability of the group. Lenders do not prefer to lend money to unstable groups.
- **Lack of transparent functioning:** MFIs charge a high level of interest rates and other charges such as loan processing fees from borrowers. Moreover, illiteracy of borrowers adds to the arbitrary power of MFIs.
- **Overlooks rural backward areas:** The microfinance movement is concentrated in urban and semi-urban areas. It caters to nearly 10–15% of potential clients only and ignores the remaining 85% of population.
- **Over-indebtedness:** Sometimes members of SHGs borrow money from multiple lenders, leading to over-indebtedness and non-recovery of loans.

12 VIRTUAL CURRENCY

Virtual currency or virtual money refers to a currency which cannot be converted into physical currency such as coins and currency notes. It can only be stored electronically. A virtual currency is not regulated by governments or central banks. It is usually regulated either by its developers or by its user community. At present, there are many popular virtual currencies. Some of these virtual currencies are Bitcoin, Dash, and Litecoin.

What Is Cryptocurrency?

Cryptocurrency is a type of virtual currency. Encryption is used to create and verify the transfer of this type of currency. Thus, virtual currencies which are based on encryption are also called Cryptocurrencies.

What is Cryptocurrency ?

Free of all governmental oversight, the Cryptocurrency economy is not controlled by any Central bank

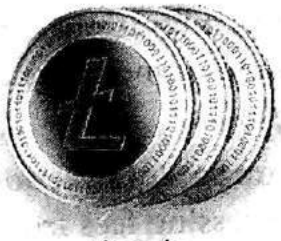
Cryptocurrency possesses no physical form

Cryptocurrency is a virtual currency created and stored electronically using encryption techniques

Major Cryptocurrencies in circulation

Bitcoin

Dash



Litecoin

Difference Between Digital Currency and Virtual Currency

Digital currencies are currencies which can be stored and transferred electronically, but they also have a physical representation. For instance, rupees stored in a bank account can be converted into coins and currency notes. On the other hand, 'virtual' currency cannot have any physical existence.

Benefits of Virtual Currency

Most of the virtual currencies offer the following benefits to their users:

1. **User anonymity**: It is difficult to find the users and account holders of virtual currencies.
2. **No third-party interruptions**: Governments or Central banks cannot control the flow of cryptocurrency.
3. **Purchases are not taxed**: As government cannot control or track the flow of crypto currency, taxes are difficult (if not impossible) to be levied on transactions involving cryptocurrency.
4. **Very low transaction fees**: Cryptocurrency can be exchanged across the world without any consideration of national boundaries. The transaction fees on cryptocurrency is very low or negligible, which makes it preferable particularly for international transactions.
5. **Freedom in making payments**: Cryptocurrency users can make payments from anywhere across the world. They just need internet connectivity for making payments.

Possible Threats after Widespread Use of Virtual Currency

1. There are risks in terms of stability of the platforms associated with a particular cryptocurrency.
2. Cryptocurrency also suffers from large volatility in the prices.

3. These currencies also vulnerable to cyber-threats like theft, hacking, etc.
4. These currencies have often been associated with illegal activities such as money laundering and the trade in illegal goods, mainly because of the fact that these currencies can be used anonymously.

How to use a cryptocurrency?

Let us take the example of Bitcoin. A digital wallet is required to use a Bitcoin. Every wallet has one or more unique addresses, which are like account numbers. The unique address is the only information which is public. It lets a user receive or send Bitcoin.

Can cryptocurrency replace paper currency?

Cryptocurrencies have utility in a variety of ways. However, they are not widely accepted. Moreover, their use has facilitated illegal activities. The intense volatility of cryptocurrency makes it an unsuitable investment.

Who creates a new currency?

Bitcoin is created by a process called mining. Like gold, Bitcoin is "mined" by powerful computers. These computers collectively use more power than many European countries.

Bitcoin miners solve the complex mathematical problems needed to verify transactions and thus build the blockchain. In return, they are issued a fee in the denomination of Bitcoin.

According to the official Bitcoin.org website, the number of Bitcoins that can be mined is 21 million. When all the 21 million Bitcoin are in use, which experts estimate will be reached around 2040, no more will be created.

Each time a new block or set of transactions is consolidated into a block, it verifies all the blocks before it. In general, six verifications mean a transaction is 99.99% likely to be genuine.

Founders of Bitcoin

Satoshi Nakamoto, an anonymous individual (or maybe a group of people), is behind the creation of Bitcoin. So far, the identity of the creator has not been known. Presently, Nakamoto owns around $ 7.5 billion worth of Bitcoins. However, he has never spent any of it.

Initial Coin Offerings (ICO)

An ICO is like initial public offer (IPO) of shares or debentures. It refers to the issue of crypto currency in consideration of funds received from investors. ICO is mostly used to raise funds by start-up firms dealing with blockchain technology and virtual currencies.

According to data from some credible sources, nearly $2.7 billion has been raised globally through ICOs between 2014 and 2017.

Legal Status of Bitcoin

As of February 2018, there are more than 500 different cryptocurrencies, but Bitcoin enjoys the dominant population due to its first mover advantage.

Most countries have not clarified their legal position on Bitcoin. The legal status of Bitcoin in some of the nations is as follows:

The United States

Initially, the United States took a positive approach towards bitcoin. Presently, we can say that The United States does not hold a coherent direction on its cryptocurrency regulation.Various government agencies have warned about risks of investing in cryptocurrency. Several ICOs have been stopped.It is expected that The United States will soon take a legal stand on cryptocurrency.

Japan

The Japanese government has certainly been more welcoming of cryptocurrencies.

However, recent events have reduced Japanese enthusiasm for cryptocurrencies. In January 2018, the hack of a Japanese exchange resulted in the loss of $530 million worth of NEM coins. This incident has prompted closer oversight by government agencies.

China

China has taken a firm stand against the use of cryptocurrency. China has banned ICOs, blocked bank accounts associated with cryptocurrency, and even banned internet access for cryptocurrency trading. China has adopted most stringent measures against cryptocurrency amongst all the major economies

European Union

EU seeks to legalize the use of cryptocurrency. In view to legalize the use, it aims at ending anonymity of cryptocurrency traders.

However, EU has not announced finalized regulations on cryptocurrencies.

India

Bitcoins are fairly popular in India. According to some estimates, more than 2,500 Indians invest in bitcoin daily. Many start-ups are popular in the bitcoin and blockchain segment. While IPOs are governed by SEBI regulations, there is no regulatory body for ICOs in India.

The Government has explicitly stated that Banks and other financial institutions will not recognize Bitcoins. The Government has even issued warnings to the public against the use of cryptocurrency. However, there is no explicit ban on dealing with cryptocurrency.

Conclusion

Governments have concerns about cryptocurrency because it can be used to facilitate illegal transactions and on account of volatility in its value. Moreover, cryptocurrencies may dominate the use of paper currencies and thus, may undermine the role of government or its use may even increase the size of the black economy.

Most countries are still analyzing ways to properly regulate the use of cryptocurrency or even thinking of outrightly banning it.

Block Chain Technology

Under this system, a transaction is stored online as a 'block'. When the transaction is verified, it gets added to a chain of blocks. The transaction is considered complete only when it is verified by a certain number of computers on a network. New transactions add to the existing block-chain in a chronological manner.

How Is Blockchain Different from Present System?

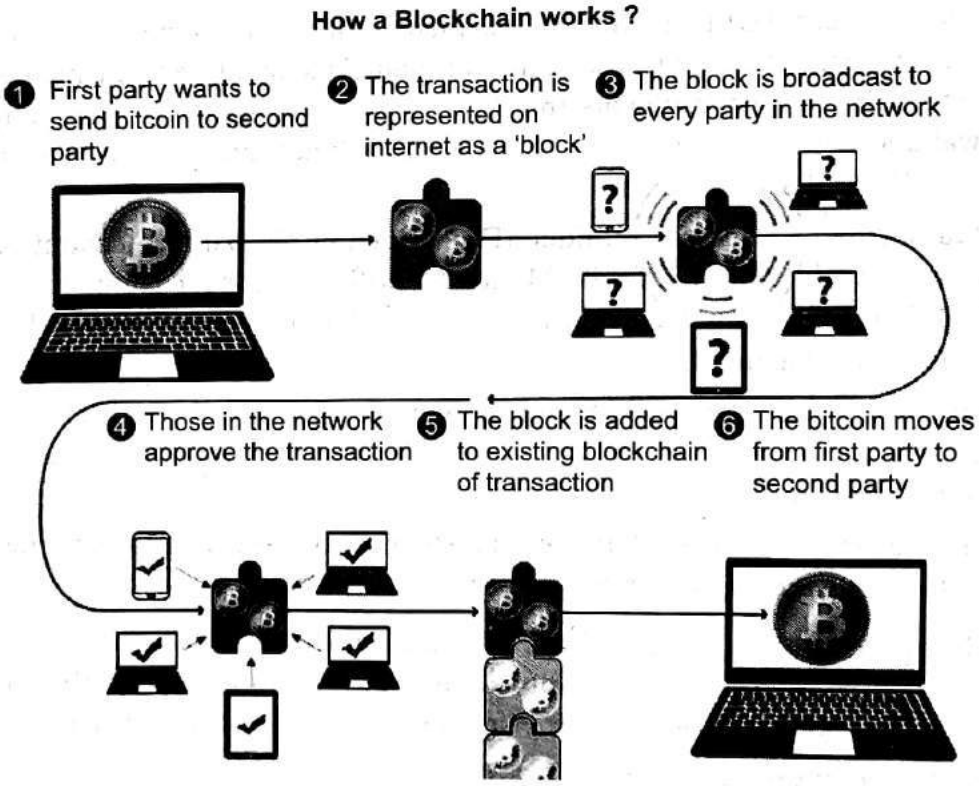
Presently, transactions are made through a trusted intermediary party such as a bank. However, blockchain allows parties to a transaction to connect directly, removing the need for the intermediary party.

How Are the Transactions Recorded in Blockchain System?

Transactions are kept in a decentralized database, or "digital ledger". This digital ledger is available online and is accessible to everyone. These transactions are verified by people on the network for an incentive such as a small fee.

How Is It Foolproof Against Fraud?

Let us take the example of Bitcoin. Blockchain stores the details of every transaction of the digital currency.Every transaction is recorded and once recorded, a transaction cannot be changed. Thus, the previous record stops the same Bitcoin being spent more than once.



Why Is It So Revolutionary?

The technology can be used to record almost every type of transaction, financial as well as non-financial. Blockchain will also help in reducing fraud because every transaction would be recorded and distributed on a public ledger which can be seen by anyone.

What Is the Present Status of Blockchain?

As of December 2017, only a very small proportion of global GDP (around 0.025%, or $20 billion) is held in the blockchain.

However, the use of blockchain for recording transactions will significantly increase in the next decade because it will help in reducing the cost of recording transactions. Moreover, the chances of financial frauds will also reduce.

How Is the Verification Done?

Let us take the example of Bitcoin. Computers on the Bitcoin network verify transactions via the digital signatures that are attached to each transaction. Each digital signature has a public key and a private key.

When the first party transfers Bitcoin to the second party, the first party attaches his/her digital signature to the transaction. The corresponding public key to the digital signature of first party is used by computers on the Bitcoin network to confirm the transaction. Once the transaction is confirmed, it gets added to the chain. Each Bitcoin also has a unique address. These bitcoins with unique addresses are attached to individual accounts.

13 UNIFIED PAYMENTS INTERFACE (UPI)

Unified Payments Interface (UPI) is instant payment system developed by National Payments Corporation of India to facilitate bank transactions. It is digital payment system which is available 24 × 7 and throughout the year. Unified Payments Interface is regulated by the Reserve Bank of India. UPI enables withdrawal and deposit of funds directly from a bank account. Banks are termed as Payment Service Providers (PSP) under UPI system.

UPI uses Virtual Payment Address (a unique ID provided by the bank), Account Number with IFS Code, Mobile Number with MMID (Mobile Money Identifier), Aadhaar Number, or a one-time use Virtual ID. A UPI-PIN (UPI Personal Identification number that one creates on the UPI app of the bank) is required to confirm each payment.

UPI is also available as an Unstructured Supplementary Service Data(USSD) service where users can access the service by dialing the code *99#. This enables users with mobile phones but even without internet connection to use UPI.

The transaction charges to be levied in UPI are left up to the banks as policy matter of individual banks. A varied opinion exists among the bankers about imposing such charges.

Unstructured Supplementary Service Data (USSD), sometimes referred to as "Quick Codes" or "Feature codes", is a communications protocol used to communicate with the mobile network operator's computers. USSD can be used for providing multiple services. Such as

1. Location-based content services
2. Menu-based information services
3. Mobile-money services, etc.

USSD messages create a real-time connection during a USSD session. The connection allows a two-way exchange of a sequence of data.

BHIM

Bharat Interface for Money (BHIM) is an app for secure, simple and quick financial transactions using Unified Payments Interface (UPI). One can make direct bank payments to anyone on UPI using their

UPI ID or scan their QR with the BHIM app. The app can also be used to receive money. BHIM app has been developed by National Payments Corporation of India (NPCI).

National Payments Corporation of India (NPCI)

NPCI is a pan India body for developing and operating retail payments and settlement systems in India. NPCI has been incorporated as a "Not for Profit Company under the provisions of Section 8 of Companies Act 2013 (earlier Section 25 of Companies Act 1956).

It is set up under the provisions of the Payment and Settlement Systems Act, 2007. It is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA). NPCI was promoted by banks. In 2016 56-member banks are shareholders of NPCI.

It has an objective of creating a robust Payment and Settlement Infrastructure in India. The Company is focused on bringing innovations in the retail payment systems with the help of technology.

Contribution

1. RuPay debit card issued as part of Jan Dhan Yojna.
2. Linking of ATMs across India.
3. Unified Payments Interface (UPI)
4. Bharat Interface for Money (BHIM).
5. National Common Mobility Card - Tap & Go and Electronic Toll Collection.

Products in pipeline

1. Bharat Bill Payment System (BBPS)
2. RuPay Credit Card

TAXATION SYSTEM OF INDIA

The taxation system of any country falls into three main categories: regressive, proportional, and progressive taxes.

1 REGRESSIVE TAXES

Regressive taxes are those that have a greater impact on low-income individuals or entities than high-income earners.

Tax rates reduce with rise in income. Thus, marginal tax rates are lower than average tax rates. This system is not followed because it adversely affects the poor people of a country.

2 PROPORTIONAL TAXES

A proportional tax, also referred to as a flat tax, impacts low, middle, and high income earners relatively equally. Under a proportional tax system, individual tax payers pay a set percentage of their income regardless of the total income earned. In this taxation system, the marginal tax rate is equal to the average tax rate.

For example, an income tax of 10% that does not increase or decrease as income rises or falls results in a proportional tax.

3 PROGRESSIVE TAXES

A progressive tax has more impact on high income individuals and businesses, and less financial impact on low income earners. The current income tax is a progressive tax system; the proportion of tax liability rises as an individual or entity's income increases.

Under a progressive tax system, taxes assessed on income and business profits are based on a progressive or increasing tax rate schedule. Marginal tax rates under a progressive tax system are often higher than the average tax rates.

4 DIRECT AND INDIRECT TAXES

A direct tax refers to any levy that is both imposed and collected on a specific group of people or organizations. An example of direct tax is the income tax collected from the people who actually earn their income.

Indirect taxes are imposed on one person or organization but collected from some other person or organization.

For instance, Goods and Services Tax (GST) is an indirect tax because the money is collected from merchants, not from the people who actually pay the tax (the consumers). When merchants sell commodities to consumers, they include the GST in the selling price of the commodities. They recover the GST from the consumers and deposits the tax with the government. Here, GST is levied on merchants but is collected from consumers.

Basis for comparison	Direct tax	Indirect tax
Meaning	Direct tax is referred to as the tax levied on a person's income and is paid by the same person to the government.	Indirect tax is referred to as the tax levied on one person and collected from other person.
Nature	Progressive in nature because tax slab rate increase with increase in income.	Regressive in nature. A particular commodity is taxed at the same rate. A poor person with limited resources finds it difficult to purchase the commodity when compared to the rich.
Incidence and impact	Falls on the same person	Falls on different persons
Examples	Wealth tax, income tax, property tax, corporate tax	Goods and services tax (GST), security transaction tax (STT), excise duty, custom duty
Evasion	Tax evasion is possible.	Tax evasion is difficult because the taxes on commodity are included in the price of that commodity.
Inflation	Direct tax helps in reducing inflation.	Indirect taxes promote inflation.
Event	Taxable income or wealth of the person	Purchase/sale/manufacture of goods and delivery of services

Conclusion

Both the direct and indirect taxes have their merits and demerits. If we talk about direct taxes, they are equitable because they are charged on the persons according to their paying ability. The direct tax does not cover every section of the society because these taxes are not levied on poor.

On the other hand, if we talk about indirect taxes, they are easy to realize as they are included in the price of products and services. In addition, they cover every section of the society.

What Is Marginal Tax Rate?

The marginal tax rate is applied to the last rupee added to your taxable income. For example, if you are earning ₹500,001 per year, then your 500,001st rupee will be taxed at the 20% tax rate.

The 20% tax rate is the marginal tax rate in this case. It is important to mention that not all the income will be taxed at the 20% rate.

What Is Average Tax Rate?

The average tax rate is calculated by dividing the total taxes paid by your total income.

$$\text{Average tax rate (ATR)} = \frac{\text{Total income taxes paid}}{\text{Total income}}$$

The average tax rate incorporates taxes paid at all levels of income, so it is obvious that it will be less than the marginal rate.

5 IMPORTANT TAXES IN INDIA

Income Tax

Income tax is a direct tax levied on the income of individuals or organizations. When Income tax is levied on individuals, it is called income tax. When income tax is levied on organizations (such as partnership firms, companies, etc.), it is called corporate tax.

The various types of incomes covered under income tax are as follows:

1. Salary
2. Business or profession profits
3. Rental income from property
4. Gains arising from sale of asset (Capital gains – long term and short term)
5. Interest income, etc.

LTCG Tax on Equity Shares

What Is LTCG?

Long-term capital gains (LTCG) refer to the profit made on the sale of an asset held for a long period of time. In case of equity shares, it refers to the profit made on shares held for more than one year. In other words, if the shares are bought and kept for more than a year before selling, then the profit, if any, on the said sale are referred to as long-term capital gains (or LTCG). The tax on LTCG is called LTCG tax.

Why Is LTCG tax in the news?

In Budget 2018, Finance Minister Arun Jaitley re-introduced LTCG tax on equity shares. Investors have to pay 10% LTCG tax on gains exceeding ₹1 lakh on the sale of shares or equity mutual funds held for more than one year. Gains arising on shares held for less than 1 year are called short-term capital gains (STCG). STCG are taxed at the rate of 15%.

In other words, the Centre said that if the gains exceeded ₹1 lakh in a year, then 10% LTCG tax has to be paid without the benefit of indexation. Indexation refers to adjusting the profit against inflation to compute the real taxable gains.

Was the tax levied on stock market trades earlier?

Until October 2004, LTCG tax was levied on stock market trades. It was replaced with the securities transaction tax (STT). STT is levied at 0.1% of the trade value on all trades made on the stock exchanges.

A study published in 2016 revealed that between 2005–06 and 2011–12, the Centre lost about ₹3.5 lakh crore by replacing LTCG tax with STT.

The Centre has brought in LTCG tax while retaining STT as well. So, investors will have to pay both the taxes.

Who will be exempt?

When such a tax is introduced, prior investments get some kind of relief. The relief given is called the grandfathering benefit. While reintroducing the LTCG tax, the government has exempted all gains made prior to January 31, 2018. In other words, all the gains made before January 31, 2018, would be grandfathered.

How will the grandfathering benefit work?

Let us consider an example. Suppose a person bought shares in May 2017 at ₹1000. The value of these shares was ₹1500 on January 31, 2018. Now, if the person sells the shares at ₹1800 in June 2018, then his taxable gains would be ₹300 (₹1800 – ₹1500). The gain of ₹500 (₹1500 – ₹1000) will not be taxed.

Will all investors be subject to LTCG tax?

LTCG tax is applicable to all investors who trade on stock exchanges. Only foreign portfolio investors (FPIs), who invest in India from places such as Mauritius and Singapore, are not subject to LTCG tax. This exemption is due to double taxation avoidance treaties. Consequently, foreign investors prefer to invest from Mauritius or Singapore route.

However, Centre is reworking on all such double tax avoidance agreements (DTAA). This benefit would be available only till the time the changes are made into the treaty.

Excise Duty

Excise duty is an indirect tax levied at the time of manufacture of any product. The manufacturer is liable to pay excise duty when the goods are taken out of premises. Excise duty is no longer applicable from 1 July 2017. It has been replaced by Goods and Services Tax (GST).

Customs Duty

Customs duty is an indirect tax paid on the import of any product into the country or export of any product from the country. Various types of custom duties have been covered in detail under chapter 20, Trade Barriers to International Trade.

Customs duty has not been replaced with GST. On the other hand, additional customs duty has been replaced by GST. It is over and above the customs duty. It is levied by importing nation to increase the price of an imported commodity when the price is low because exporting nation is providing subsidy on exports.

Service Tax

Service tax is an indirect tax paid on the sale of services. In the case of goods, there are two separate events of production and sale, whereas in the case of services, the production and sale of services occur simultaneously. In case of goods, excise duty is levied on manufacture, and sales tax is levied on sale of goods. In case of services, single tax is levied, namely, service tax.

Service tax is no longer applicable from 1 July 2017. It has been replaced by Goods and Services Tax (GST).

Sales Tax or VAT

Sales tax is levied on the sale of goods. In India, sales tax on intra-state sale is called value added tax (VAT) and inter-state sale is called the central sales tax. VAT and central sales tax are no longer applicable from 1 July 2017. They have been replaced by Goods and Services tax (GST).

What is value added tax?

Although VAT is used as a term for intra-state sales tax in India, it is a methodology to levy indirect taxes.

Meaning of VAT

VAT is a multi-point levy of sales tax that enables the person to claim set off of tax (input credit), which he/she has already paid on the purchases. The system of VAT is so designed that the final levy and burden of the tax on the goods is borne by the final consumer of the goods.

Levy of VAT

VAT is levied at every stage of production. It is levied only on the value added by the last seller. The seller is accordingly liable to pay tax on the net value added to the existing value of goods. VAT means a tax on the sale of goods at every stage when it changes hands with the provision of credits for input tax paid at the time of purchase of goods.

The primary objective of VAT is to remove the cascading effect of taxes. The dealer is able to claim the tax paid on purchase against the tax payable on sales.

Tax evasion is also difficult because the dealer would not purchase goods on which tax has not been paid because in such a scenario, he would have to pay full tax on the whole value of item and not just on value addition.

VAT is a method used to charge indirect taxes including GST.

Tax collection chart (value in ₹1000 crore)

Year	Centre (gross): direct taxes	Centre (gross): indirect taxes	Centre (gross): total tax revenue	States: direct taxes	States: indirect taxes	States: total tax revenue	Direct taxes	Indirect taxes	Tax revenues
2015–16	798	646	1444	98	796	894	896	1442	2338
2014–15	706	540	1246	109	736	845	815	1276	2091
2013–14	638	496	1134	88	624	712	726	1120	1846

Source: Budget documents of the Government of India and the state governments

Distribution of Tax Revenues

1. Income tax and customs duty are levied by centre and distributed between Centre and States on recommendation of Finance Commission.
2. Excise Duty, Service Tax, Central Sales Tax and VAT are no longer applicable. They have been replaced by GST. Distribution of GST is discussed further in this chapter.

6 GOODS AND SERVICES TAX (GST): CHANGE IN INDIRECT TAXATION SYSTEM

Goods and Service Tax or GST is a tax levied on the supply of goods and services. It has replaced various taxes from 1 July 2017 and brought them under one umbrella to make tax compliance easier. Taxes which have been replaced by GST are:

1. Taxes previously levied and collected by the Centre:
   (i) Central Excise duty
   (ii) Additional Duties of Customs (commonly known as Counter Veiling Duty)
   (iii) Service Tax
   (iv) Central Sales Tax
2. Taxes previously levied and collected by the State:
   (i) State VAT
   (ii) Entertainment and Amusement Tax
   (iii) Taxes on lotteries, betting, and gambling
   (iv) Luxury Tax
   (v) Octroi

Components of GST: SGST, CGST and IGST

The GST levied on the intra-state (within a state) supply of goods or services by the Centre is called central GST (CGST) and that by the states is called state GST (SGST). On inter-state (between states) supply of goods and services, integrated GST (IGST) is collected by Centre. IGST is also applicable on imports.

Composition of the GST Council

The GST Council has the following composition:

- Union Finance Minister as the chairman
- Union Minister of State in charge of revenue or finance.
- One nominated member from each state who is in charge of finance or taxation.

The GST council is empowered to take decisions on the following matters:

- The taxes, cess, and surcharge levied by the Union, the States, and the local bodies which may be subsumed in the goods and services tax.
- The tax rates on goods and services.
- Laws to implement GST.
- Apportionment of integrated goods and services tax.
- Exemptions from GST based on minimum turnover.
- Special provision with respect to North East and hilly area states.
- Any other matter relating to the goods and services tax, as the Council may decide.

All decisions at the GST council are based on voting. Every decision of the GST council needs to be taken with a three-fourth majority. While the central government's vote has one-third weightage, the votes of all the state governments put together have two-third weightage, thus making a near-consensus between the centre and the states an imperative for any major decision.

GST Rate

The GST rate has not been capped. Rates are decided by the GST Council and are reviewed by the council from time to time. Presently, there are seven different rates under GST — 0%, 0.25%, 3%, 5%, 12%, 18%, and 28% — applicable to various goods and services. Moreover, on certain items there are cesses over and above the highest rate of 28%.

Multiplicity of Rates

As the classification system is not easy to understand, multiplicity of rates has created a huge compliance burden on companies. For example, soon after the launch of GST, the government had to clarify that chocolate-covered barfis would be taxed at 5%, the same rate as normal barfis. The confusion arose because the GST Council had said anything that used cocoa as an input would be taxed at 28%.

Commodities Outside GST

The Government of India will continue to charge the central excise duty on all petroleum and natural gas products, tobacco, and opium products. GST on the above products will be applicable at a later stage, which will be decided by the GST Council.

Only alcohol has been kept out of the purview of GST. Thus, existing central and state taxes will continue to apply on alcohol.

Compensation to States

The Parliament has agreed to compensate states for any loss of revenues, on account of change in taxation system to GST, for a period of 5 years. A shift to new taxation system initially reduces tax compliance among the people and thus in the initial years, the revenue of state governments may reduce. However, in the long run, GST will lead to increase in the revenue of state governments.

National Anti-Profiteering Authority

Need for National Anti-profiteering Authority

The Union Cabinet approved the creation of the National Anti-profiteering Authority in the year 2017 to ensure that the tax rate reductions approved by the GST Council on more than 200 items are implemented immediately by businesses and benefits passed on to consumers.

Composition

The authority has a chairman and four members who should be less than 62 years of age.

Structure of anti-profiteering mechanism

As per the structure of the anti-profiteering mechanism in the GST regime, complaints of local nature will be first sent to the state-level 'screening committee', while those of national level will be marked for the 'Standing Committee'.

If the complaints have merit, the respective committees would refer the cases for further investigation to the Directorate General of Safeguards (DGS). The DG Safeguards would generally take about three months to complete the investigation and send the report to the anti-profiteering authority.

Action against violators

If the authority finds that a company has not passed on GST benefits, it will either direct the entity to pass on the benefits to consumers or if the beneficiary cannot be identified will ask the company to transfer the amount to the 'consumer welfare fund' within a specified timeline.

The authority will have the power to cancel the registration of any entity or business if it fails to pass on to consumers the benefit of lower taxes under the GST regime, but it would probably be the last step against any violator.

According to the anti-profiteering rules, the authority will suggest a return of the undue profit earned from not passing on the reduction in the incidence of tax to consumers along with an 18 percent interest, as also impose a penalty.

Powers of the authority

1. As per the draft rules proposed under the GST regime, a National Anti-profiteering Authority with powers to summon a person whose attendance is considered necessary, in line with judicial proceedings, has been suggested.
2. When it determines that a registered person has not passed on the reduction in tax rate or input tax credit benefit to the recipient, Authority shall be authorized to recommend a reduction in prices, return of the amount equivalent to the amount not passed to the recipient and recovery of the amount including the interest recommended to be returned and deposited in the Consumer Welfare Fund.
3. The members shall have the powers to summon any person considered necessary to produce a document of evidence and shall have powers in any inquiry as provided in case of a civil court under the provisions of the Code of Civil Procedure.
4. The inquiry by the anti-profiteering authority shall be deemed to be judicial proceedings.
5. The orders under the anti-profiteering rules shall be appealable in high court.

e-Way Bill

What is an e-way bill?

An electronic way bill or 'e-way bill' system will track movements of goods exceeding ₹50,000 in value, for sales beyond 10 km in the new Goods and Services Tax (GST) regime.

The e-way bill system will replace the need for a separate transit pass for every state. A single e-way bill will be valid throughout the country for the movement of goods.

How will the e-way bill system work?

Every registered supplier will be required to undertake prior online registration on the e-way bill portal before starting the movement of goods. Tax officials will have the power to scrutinize the e-way bill at any point during transit to check tax evasion.

When is an e-way bill generated?

The e-way bill is generated when there is a movement of goods:

1. In relation to the supply.
2. For reasons other than a supply (for instance, return of goods).
3. Due to inward supply from an unregistered person.

In this case, a supply can either be:

1. Sale – sale of goods and payment made
2. Transfer – branch transfers for instance
3. Barter/Exchange – where the payment is by goods instead of in money

Who should generate an e-way bill?

- **Registered Person** – e-way bill must be generated when there is a movement of goods of more than ₹50,000 in value to or from a registered person. A registered person or the transporter may choose to generate and carry e-way bill even if the value of goods is less than ₹50,000.

- **Unregistered Persons** – Unregistered persons can also generate e-way bill. However, where a supply is made by an unregistered person to a registered person, the receiver will have to ensure all the compliances are met as if they were the supplier.
- **Transporter** – Transporters carrying goods by road, air, rail, etc. also need to generate e-way bill if the supplier has not generated an e-way bill.

What is the procedure to generate e-way bill?

Any supplier/recipient/transporter can generate an e-way bill. When an e-way is generated, a unique e-way bill number (EBN) is allocated and is available to the supplier, recipient, and the transporter.

Digital facilities via SMS/Android app are also provided for the generation of e-way bills. The National Informatics Centre (NIC) has developed a separate portal for the e-way bill.

Once this is generated, there will be no need to fill the requisite information in the GST return, as there is an automated filing of GSTR-1 (which records the details of sales made).

What is the validity of e-way bill?

The rules also specify that the permits would be valid for one day for the movement of goods for 100 km, and in the same proportion for subsequent days.

When was it implemented?

The e-way bill provisions were approved by the GST Council. The e-way bill system has been rolled out from 1st April 2018.

Are there concerns from industry?

The Industry has raised concerns that the system may create excessive regulations leading to supply chain bottlenecks, and even discretionary power to tax officials.

Implications of Introducing GST

1. As GST is a uniform taxation system applicable throughout the country, it will create a uniform market across the country and make taxation transparent and hassle free.
2. GST has subsumed many taxes, and thus it has made the taxation system simple and reduced the cost of complying the taxation system.
3. The earlier system of numerous tax departments hampered inter-department coordination and made tax evasion possible. GST will drastically increase the tax base and reduce tax evasion.
4. After introduction of GST, most of the goods will be cheaper. The rate of tax under GST is less compared to the tax rates existing earlier. In fact, the GST rate for essential commodities is 0%.
5. The reduction in tax burden will reduce the price of goods, lower the production cost, and improve exports. Thus, in the long run, implementation of GST will create a large number of jobs.
6. Services were taxed at 15%. The GST rate for most of the services is around 18%. Thus, services are expected to be costlier.

Administration of GST

As decided by the GST Council, the tax base will be shared between the assessment machinery of the centre and the states. A 90:10 formula was agreed upon for dual control of assesses.

As per the formula for dual control of assesses, 90% of those with a GST turnover of ₹1.5 crore or less will be assessed by the administrative machinery of the states, and 10% by the administrative machinery of the centre.

Those above a turnover of ₹1.5 crore would be assessed in the ratio of 50:50 between the centre and the states.

The territorial jurisdiction between the centre and the states was also decided. The states have been given the right to tax transactions up to 12 nautical miles. (1 nautical mile = 1.853 km)

Input Credit Under GST

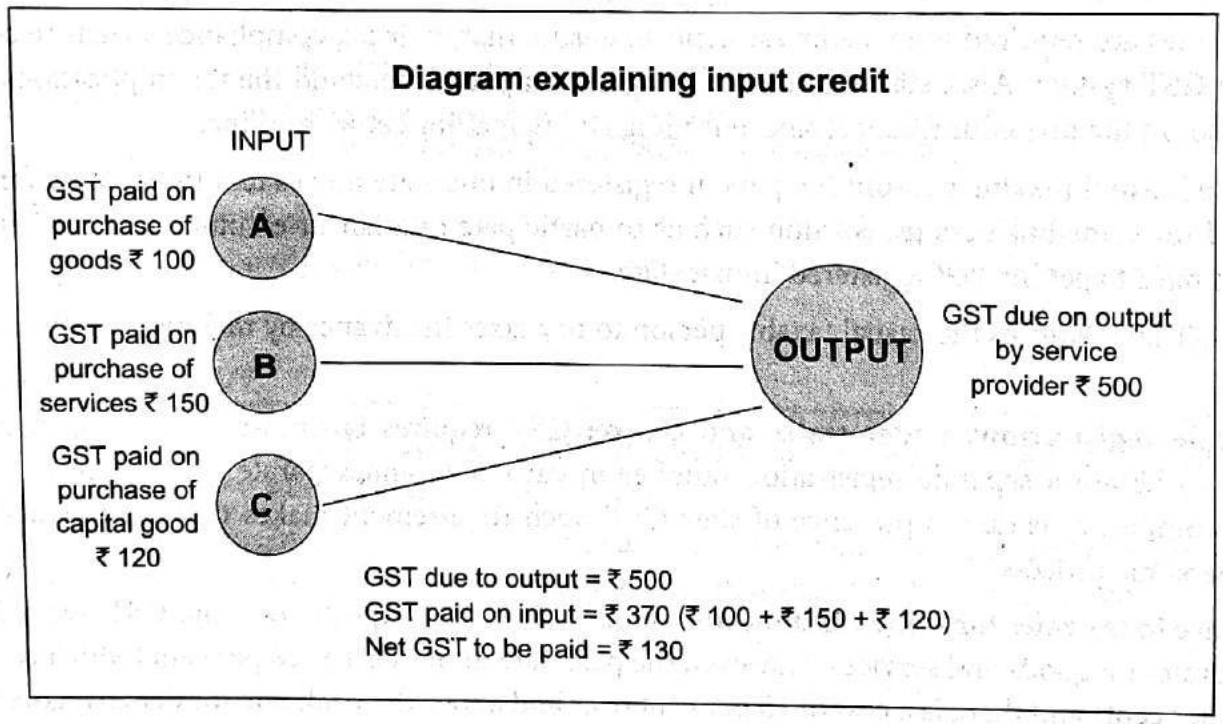
Input credit means at the time of paying tax on output, one can deduct the tax already paid on inputs.

Let us suppose a service provider delivers services on which the tax payable is ₹500 and consumes goods and services on which he has already paid tax of ₹370.Therefore,

Tax payable on output is ₹500

Tax paid on input (purchases) is ₹370

The service provider can claim input credit of ₹370 and is required to deposit only ₹130 in taxes.



Conditions for Claiming Input Credit

Input credit can be claimed subject to the following conditions:

1. **Supplier has filed GST returns**: Input credit is only allowed if the supplier has deposited the tax that he/she has collected from the purchaser.

2. If the tax on purchases is higher than tax on sale, then some input credit will remain unclaimed. In such a case, one is allowed to carry forward or claim a refund.

   If tax on inputs > tax on output → carry forward input tax or claim refund

   If tax on output > tax on inputs → pay balance
3. No interest is paid on input tax balance by the government.
4. Since GST is charged on both goods and services, input credit can be availed on both goods and services.
5. Input tax credit is allowed on capital goods.
6. Input tax credit is not allowed for goods and services for personal use.

Challenges in Introduction of GST

GST is meant to simplify the Indian indirect tax regime by replacing number of taxes by a single unified tax. However, there are number of challenges for its successful implementation.

1. **IT infrastructure and staff training:** A huge chunk of tax compliance has shifted online with the implementation of GST, necessitating upgrading systems as well as staff's skills. The government has launched the portal www.gst.gov.in to facilitate enrolment, registration and filing returns.

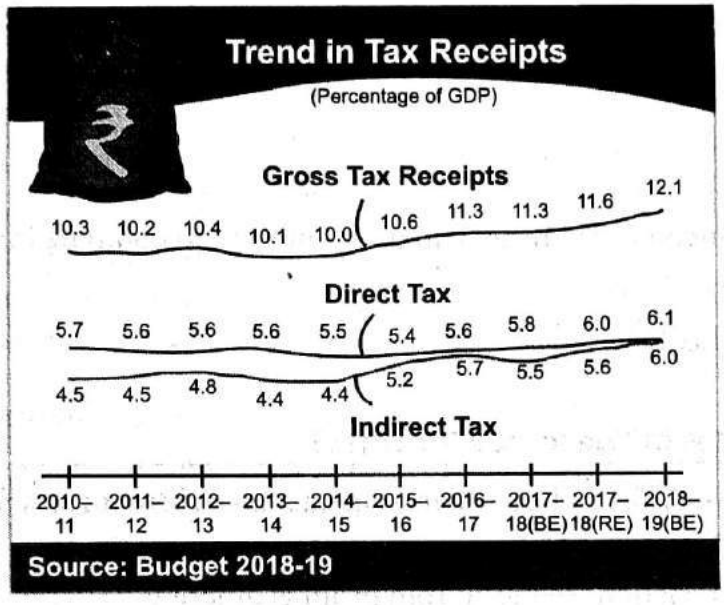
   Businesses are required to make investments to ensure that their tax compliance structure conforms to the GST system. Also, staff requires training not only to understand the tax implications of GST, but also on the procedural aspects like enrolling and uploading returns online.
2. **Issue of casual taxable person:** If a person registered in one state moves to another state for a short period for some business transaction such as to participate in a fair or exhibition, then that person would have to get himself registered in that state.

   The GST law requires the casual taxable person to pay taxes in advance by making an estimate of the sales.
3. **Multiple registrations under states and centre:** GST requires businesses operating in multiple states to obtain a separate registration number in each state and separate returns are to be filed. Such complexity is due to presence of state GST. Such requirement makes GST compliance a very cumbersome process.
4. **Increase in tax rates for some commodities:** One of the earlier expectation from GST was reduction in tax rates on goods and services. However, the peak rate under GST is 28 per cent (which can go up to 40 per cent) and there is a cess of 15 per cent over and above the peak rate for demerit goods.
5. **Infrastructure for the collection process:** Proper infrastructure is not yet in place to track the movement of goods and services between states, collection and monitoring of revenue, identify defaulters, etc.
6. **Frequency of returns:** The frequency and number of returns under GST system has significantly increased. Return filing is mandatory under GST. Even if there is no transaction, one must file a nil return. There are monthly and quarterly returns. One cannot file a return if previous returns are pending. Late filing of GST return has a cascading effect, leading to heavy fines and penalty.

7 TAX-TO-GDP RATIO

India needs to increase its tax–GDP ratio. India's tax-to-GDP ratio is at 16.6% (including taxes levied by Centre, State and local bodies) and is well below the emerging market economies, average of which is about 21%. The tax level of developed countries is even higher, at an average of about 34%. India's overall tax to GDP is about 5.4 percentage points less than the level of other emerging economies.

Direct and Indirect Taxes expressed in Percentage of GDP

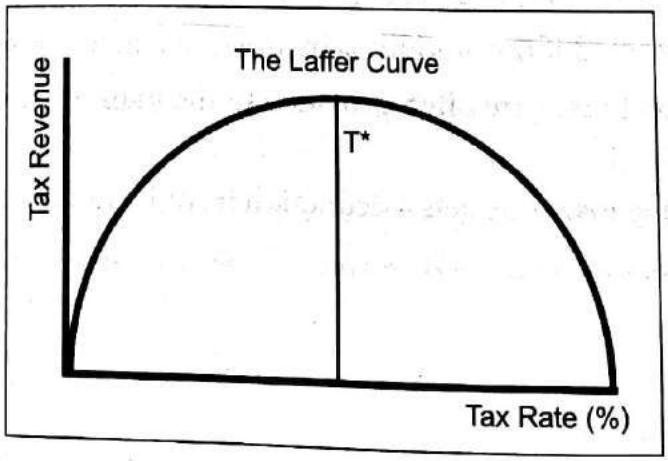


Note: The above graph depicts direct and indirect taxes (as percentage of GDP) earned by Central Government. The above graph does not include taxes levied by State government and local bodies.

8 LAFFER CURVE

The Laffer curve was developed by economist Arthur Laffer to show the relationship between tax rates and the amount of tax revenue collected by governments.

According to the curve, increase in tax rate up to a certain point leads to an increase in tax revenues. Beyond that point, any increase in tax rate leads to fall in tax revenues. This is due to the fact that high tax rates discourage economic activity.



9 MINIMUM ALTERNATE TAX

The concept of minimum alternate tax (MAT) was introduced to tax companies making high profits and declaring dividends to their shareholders under the Companies Act but have no significant taxable income under the Income Tax Act because of exemptions, deductions and incentives provided under the Income Tax Act. The intent of introducing MAT was to ensure that no taxpayer with substantial income can avoid tax liability by using exclusions, deductions, and incentives.

Under the provisions of the Income Tax Act, where the income tax calculated is less than 18.5% of the book profits (as per the Companies Act), such book profits shall be deemed to the total income of the assesse and tax payable by the assesse shall be 18.5% on book profits.

Why Does It Arise?

Income tax is charged on income. There are two different ways to compute income:

1. Income as per Companies Law
2. Income as per Income Tax Law

What Are the Differences in These Two Incomes?

Mostly the two incomes are different because income tax has different rules for computing the income of a company. For example,

- The amount of "depreciation" reduced from profit is different.
- Sometimes, income tax allows for extra deduction of income (for example, if you have spent ₹100, then you can reduce ₹200 from your profit).

Tax Expenditure

The Tax expenditure is the amount of tax foregone by the government in order to support or meet its policy targets. In simple words, the government can give a lot of concessions, reliefs, exemptions, and deductions in the tax, and by doing this, the government can promote industries or businesses, investments, etc.

Let us take the example of the housing sector to understand tax expenditure

In the housing sector, the government has a lot of policies that come in the bracket of "tax expenditure". Some of the tax exemptions are as follows:

1. Capital gains tax is exempted if the amount is invested in a new house.
2. Exemptions from indirect taxes are often provided to the manufacturers of ready-mix concrete (which is used for housing).
3. If one has taken a housing loan, one gets a deduction from income tax on repayment of the loan.

Finance Commission

Article 280 of Indian Constitution provides for a Finance Commission as a quasi-judicial body. It is constituted by the President every fifth year or even earlier. It is required to make recommendations to the President on the following matters:

1. The distribution of taxes to be shared between the Centre and the States, and the allocation among the states, the respective share of proceeds.
2. The principles which should govern the grants-in-aid to the States by the Centre.
3. The measures needed to augment the Consolidated Fund of a state to supplement the resources of the panchayats and the municipalities in the state.
4. Any other matter referred to it by the President in the interests of sound finance.

The 14th finance commission was headed by ex-RBI governor Dr. Y. V. Reddy. Its recommendations are valid for the period 1 April 2016 to 31 March 2020. The 14th finance commission recommended that the share of States in central taxes be increased to 42% from existing share of 32%. This recommendation has been accepted in order to give more financial liberty to states.

15th Finance Commission

The President has constituted the 15th Finance Commission. Former revenue secretary N.K. Singh is the chairman of the 15th Finance Commission (FC). The members of the Commission are Shaktikanta Das (Former Economic Affairs Secretary), Ashok Lahiri (Former Chief Economic Adviser), Ramesh Chand (Niti Aayog member), and Anoop Singh (Georgetown University Adjunct Professor).

The recommendations of the 15th Finance Commission will be implemented for the period starting 1 April 2020 to 31 March 2025.

Impact on Role of Finance Commission with the Introduction of GST

Finance commission divides the pool of central taxes among the Centre and the States. Before introduction of GST, this divisible pool comprised corporation tax, income tax, excise duty, service tax, and customs duty. After the introduction of GST, the divisible pool is left with corporation tax, income tax, and customs duty only. Thus, introduction of GST has reduced the role of Finance Commission.

Fiscal Policy

1 FISCAL POLICY

Fiscal policy is the means by which a government adjusts its expenditure and revenue to influence a nation's economy. While exercising fiscal policy, the government keeps primarily the following factors in mind:

- Welfare of people
- Financial condition of government
- Inflation level in the economy

High Expenditure and Low Revenue Collection

When the government incurs high expenditure on the welfare of people (i.e. higher salaries and pensions, etc.) and reduces revenue collection (i.e. lower taxes), it has the following effects:

- People's standard of living improves.
- Financial condition of the government deteriorates.
- Higher expenditure and reduced revenue collection increase money supply and may lead to inflation.

Low Expenditure and High Revenue Collection

When the government incurs less expenditure on the welfare of people (i.e. lower salaries and pensions, etc.) and increases revenue collection (i.e. higher taxes), it has the following effects:

- The standard of living of people does not improve.
- The financial condition of the government improves.
- Less expenditure and high revenue collection reduce money supply and, therefore, may lead to a fall in prices.

2 EXERCISING FISCAL POLICY

While exercising fiscal policy, the government strives to strike a right balance between the aforesaid three factors. The right balance changes with circumstances as explained below.

When Economic Growth Needs to be Increased

Let us say that an economy has slowed down, unemployment levels have increased, consumer spending has reduced, and businesses are not making substantial profits.

In such a scenario, the government increases its expenditure and reduces its revenue, which leads to more funds with people and, consequently, rise in demand, investment, employment, and output. However, any such increase in expenditure and decrease in revenue collection would also depend on the financial condition of the government.

Pumping money into the economy by decreasing taxation and increasing government spending is known as "pump priming". Thus, when the economy is slow, the RBI increases the money supply by exercising monetary policy and the government increases expenditure and reduces tax collection. This is called stimulus package.

In other words, a stimulus package is a package of economic measures put together by the government to stimulate a floundering economy. The objective of a stimulus package is to reinvigorate the economy and prevent or reverse a recession by boosting employment and spending.

When the Economy Needs to be Curbed

When inflation is too strong, the economy may need a slowdown. In such a situation, the government can use fiscal policy to increase taxes to suck money out of the economy. Fiscal policy could also dictate a decrease in government spending and thereby decreases the money in circulation.

Of course, the possible negative effects of such a policy in the long run could be a sluggish economy and high unemployment levels.

3 WHOM DOES THE FISCAL POLICY AFFECT?

The effects of any fiscal policy are not the same for everyone. However, broadly the effects of shift in fiscal policy can be stated as follows:

- When the government decides to increase the taxation, the most affected classes are middle and rich classes. On the other hand, when the government decides to reduce the taxation, the most benefited classes are also middle and rich classes. This is because the rich and middle classes are the tax payers, whereas the poor do not pay or pay very less tax.
- When the government decides to increase its spending, the benefits are reaped by all classes. However, the poor are the highest beneficiaries because most of the government spending is targeted towards the welfare of the poor sections of our society. Similarly, when the government reduces its spending, the poor are the most affected class.

4 MEASURES OF GOVERNMENT DEFICIT

When the government exercises fiscal policy, it incurs deficit (shortfall in funds). The expenditure of the government is usually higher than the revenue collection. The government prefers to run in deficit because deficit enables it to undertake more welfare of the people.

There are various measures of government deficit from different perspectives, which enhance analysis of the nature and cause of deficit.

Revenue Deficit

Revenue deficit is the difference between revenue expenditure and revenue receipts.

Revenue expenditure – Revenue receipts = Revenue deficit

Revenue deficit indicates that the government's revenue expenditure exceeds the government's revenue receipts. On the other hand, revenue surplus indicates that the government's revenue receipts exceed the government's revenue expenditure. Revenue deficit for the year ending on 31 March 2018 was 2.2% of GDP.

Difference between Capital and Revenue Items of Expenditure and Income

Before we explain the difference between capital and revenue items of expenditure and income, we must know that transactions can be divided into two types according to the period of time.

1. **Long-term period:** Long-term period means the time period of more than 1 year. Transactions having long-term implications are capital transactions. For instance, a building purchased by the government will be used over many years. Thus, the transaction to purchase the building is a long-term transaction.
2. **Short-term period:** Short-term period means less than or equal to 1 year. Transactions having short-term implications are revenue transactions. For instance, salary paid by the government to its employees is only for rendering services in the current year. Therefore, the implications of paying salary are limited to the present financial year.

   Thus, on the basis of time period, transactions can be classified into two types: revenue and capital. Further, both revenue and capital transactions can be in nature of receipts or expenditure.

Capital Expenditures

These expenditures have implications of more than 1 year. Examples include buildings purchased by the government.

Revenue Expenditures

Expenditures having implications of less than or equal to 1 year are called revenue expenditure. The benefit that the government gets is for short period of time. Examples include salary paid by the government, etc.

Capital Receipts

These receipts have implications of more than 1 year. Examples include loans from the public. If the government takes loan, it is required to repay the loan along with interest.

Revenue Receipts

These receipts have implications of less than or equal to 1 year. Examples are tax collected by the government. The government is not liable for anything in the future for the tax collected in the current year.

Fiscal Deficit

Fiscal deficit refers to the excess of total expenditure over total receipts (excluding borrowings) during a given financial year.

Fiscal deficit = Total expenditure – Total receipts, excluding borrowings

Fiscal deficit includes not just revenue expenditure and receipts but also capital expenditure and receipts, except borrowings. Fiscal deficit for the year ending on 31 March 2018 was 3.5% of GDP.

The extent of fiscal deficit is an indication of how far the government is spending beyond its means. In other words, fiscal deficit indicates the level of borrowings of the government.

Primary Deficit

Primary deficit is one of the parts of fiscal deficit. While fiscal deficit is the difference between total revenue and expenditure, primary deficit can be arrived by deducting interest payment from fiscal deficit. Interest payment is the payment that a government makes on its borrowings.

Primary deficit = Fiscal deficit – Interest payments

Interest payments are excluded from the calculation of primary deficit because interest payments are made on account of borrowings made in the past. Thus, primary deficit specifies the net impact of present transactions (and excludes the impact of transactions undertaken in the past).

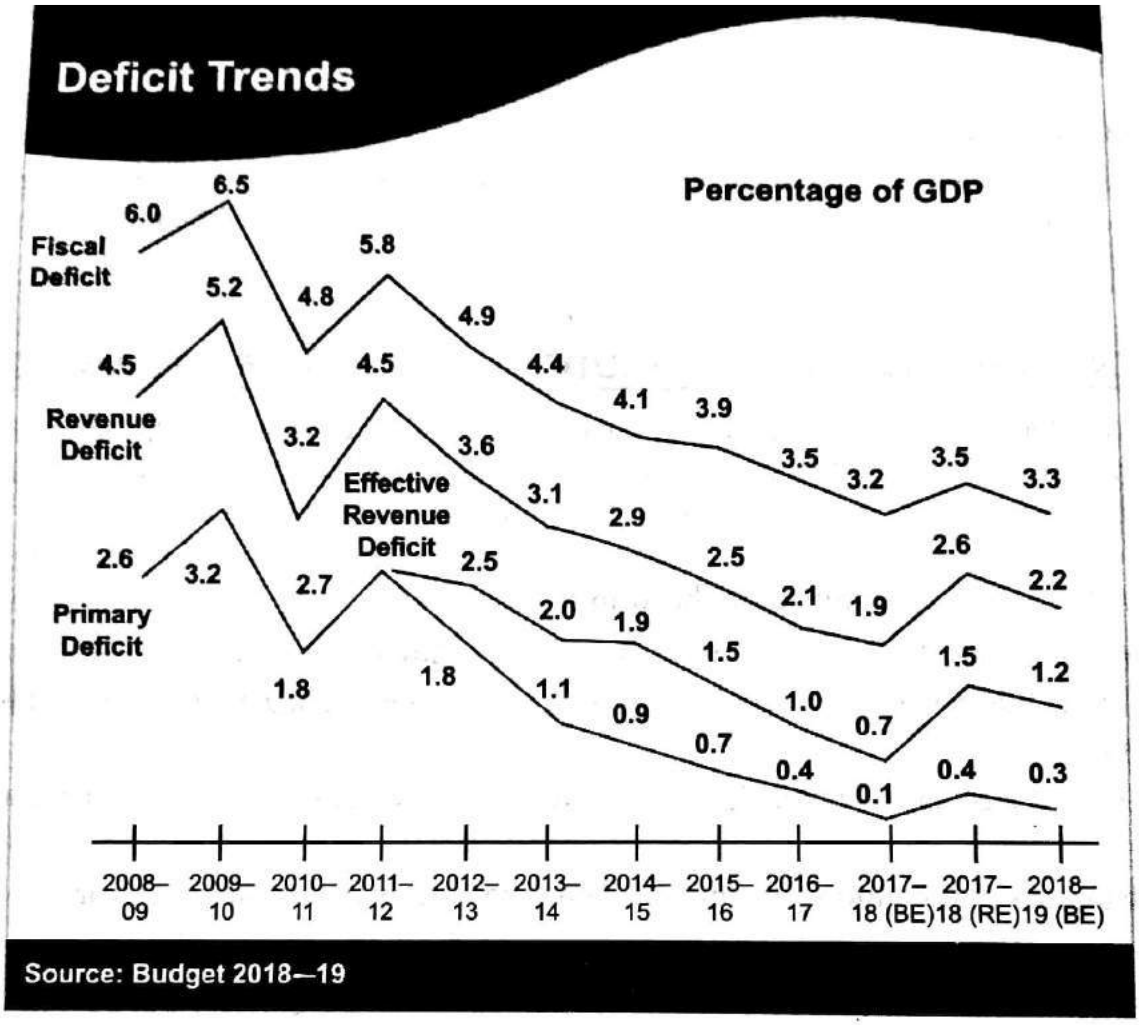
Note: Like there are fiscal, revenue, and primary deficits of the central government, in the same manner each state has separate figures for fiscal, revenue, and primary deficits.

Effective Revenue Deficit

Earlier, the central government used to classify the grants given to state governments as revenue expenditure. However, some part of the central government grants is used by state governments for the purpose of capital expenditure (such as purchase of various assets). Thus, in the budget of 2012–13, the Ministry of Finance has coined the term effective revenue deficit.

Effective revenue deficit = Revenue deficit – Central grants used by States for capital transactions

For example, under the MGNREGA programme, some capital assets such as roads, ponds, etc. are created. Thus, the grants for such expenditure will not strictly fall in the revenue expenditure.



5 DEFICIT FINANCING

Deficit refers to the difference between expenditure and receipts. In public finance, deficit financing is the practice in which a government spends more money than it receives as revenue, and the difference is made up by borrowing or printing new funds.

Deficit financing is a necessary evil in a welfare state as it allows the state to undertake activities that, otherwise, would be beyond its financial capacity.

Consequences of Deficit Financing

- **Inflation**: Deficit financing may lead to inflation. Due to deficit financing, money supply increases without increase in aggregate supply.
- **Adverse effect on savings**: It is not possible for the people to maintain the previous level of savings during period of rising prices.
- **Rise in inequality**: Price rise creates inequality in income distribution, which makes the rich richer and the poor poorer. The fixed wage earners are badly affected, and their standard of living deteriorates.

- **Balance of payment problems**: A high price level as compared to other countries makes the exports more expensive in the global market and imports cheaper in the domestic economy.

Should Deficit Financing be Resorted to?

A certain measure of deficit financing is inevitable to step up the tempo of economic progress beyond what it would have been in the absence of deficit financing. As long as deficit financing does not lead to inflation, there is no objection to its use.

6 FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (FRBM) ACT, 2003

The FRBM Act 2003 was adopted to institutionalize the fiscal discipline at both the central and state levels. Originally, the FRBM Bill had given annual numerical targets as well. But in the process of making it a law, the annual targets were dissolved and the act simply said that the centre would take appropriate measures to eliminate revenue deficit by 31 March 2008. The act left the annual numerical targets, to be formulated by the central government in the form of FRBM rules.

The key provisions of the act as well as FRBM rules are as follows:

- Every year, the government will bring down the revenue deficit by 0.5% and eliminate it by 2007–08.
- Every year, the government will bring down the fiscal deficit by 0.3% and bring it down to 3% by 2007–08.
- Total liabilities of the union government should not rise by more than 9% a year.
- The union government would not give guarantee to loans raised by PSUs and state governments for more than 0.5% of the GDP in aggregate.
- State governments were asked to formulate their own FRBM acts. Those states that have formulated their own FRBM acts have been given autonomy to borrow further without the permission of the central government. Other states can undertake further borrowing only with the permission of Central Government.

Impact of Global Financial Crisis on FRBM Act, 2003

Due to the 2008 global financial crisis, the deadlines for the implementation of the targets in the act were initially postponed and subsequently suspended in 2009. At times of global financial crisis, the central government incurred heavy expenditure and reduced tax collection in order to insulate Indian economy from global economic slowdown.

After overcoming the 2008 global financial crisis, the FRBM Act was readopted in 2012–13 but not in a strict sense.

Criticism of the FRBM Act

- Measures to enforce compliance were the particularly weakest area of the act. It required the Finance Minister of India to conduct quarterly reviews of the receipts and expenditures of the government and place these reports before the Parliament. Deviations to targets set by the central

government for fiscal policy had to be approved by the Parliament. No other measures for the failure of compliance have been specified.

- Some criticized the act and its rules as it might require the government to cut back on the social expenditure necessary for the uplift of the poor population of India.

7 BUDGET

A budget is an estimation of the revenue and expenses over a specified future period of time. The government publishes annual budget for the coming financial year. In this budget, receipts that are expected to arise and expenses that are expected to be incurred are mentioned.

> Financial year refers to a year as reckoned for taxing or accounting purposes. In India, financial year starts on 1 April and ends on 31 March.

Budget consists of three set of figures:

1. **Actual data**: Actual data are of the preceding year's economic activity (expenditure and receipts). For instance, the budget presented on 1 February 2017 would contain actual figures for the financial year 2015–16.
2. **Provisional estimates**: Provisional estimates are the estimates of revenue and expenditure of the current year. These are called provisional estimates as the budget is presented on 1 February. Thus, the actual data are available of 9 months. Based on these actual figures, estimates are made for the remaining period of the year.

   For instance, the budget presented on 1 February 2017 would contain provisional estimates for the financial year 2016–17.
3. **Budgetary estimates**: Budgetary estimates are the estimates of revenue and expenditure of the coming year. For instance, the budget presented on 1 February 2017 would contain budgetary estimates for the financial year 2017–18.

Estimates are arrived at by one of the following three methods:

1. **Advanced estimates**: These estimates are made before the actual occurrence of economic activity.
2. **Revised estimates**: Revision in estimates (made earlier) based on changes in the economic scenario or actual occurrence of some economic activity.
3. **Quick estimates**: These estimates are based on sample survey. Information gathered from the sample is used to predict the overall economic activity.

Which Government Body Makes National Income Estimates in India?

Since 1955, the national income estimates have been prepared by the **Central Statistical Organisation** (CSO). The CSO is a governmental agency in India under the Ministry of Statistics and Programme Implementation.

Scanned by CamScanner

The CSO is responsible for the coordination of statistical activities in the country and evolving and maintaining statistical standards. Its activities include national income accounting, economic censuses, human development statistics, gender statistics, energy statistics, etc.

How the Budget Is Made?

The budget is made through a consultative process involving the Ministry of Finance, NITI Aayog, and spending ministries. The Budget Division of the Department of Economic Affairs in the Ministry of Finance is the nodal body responsible for producing the budget.

The Finance Ministry issues guidelines on spending by various ministries. On the basis of these guidelines, various ministries present their demands. In September, the Budget Division issues a circular to all union ministries, states, union territories, autonomous bodies, departments, and the defence forces for preparing the estimates for the next year.

After the ministries and departments send their demands, extensive consultations are held between the union ministries and the Department of Expenditure of the Finance Ministry.

At the same time, the Department of Economic Affairs and the Department of Revenue meet the various interest groups such as farmers, businesspersons, etc. to take their views.

After the pre-budget meetings, a final call on the tax proposals is taken by the Finance Minister. The proposals are discussed with the Prime Minister before the budget is finalized.

Economic Survey

The Finance Ministry of India presents the Economic Survey in the Parliament every year, just before the Union Budget . It is the ministry's view on the annual economic development of the country.

Economic survey reviews the developments in the Indian economy over the previous 12 months, summarizes the performance on major development programmes, and highlights the policy initiatives of the government and the prospects of the economy in the short to medium term. This document is presented to both the houses of Parliament during the budget session.

The first draft of the economic survey is prepared by the Department of Economic Affairs in the Finance Ministry. Then this draft is cleared by the Chief Economic Advisor and Secretary of Economic Affairs. The final version is scrutinized by the Finance Secretary and Finance Minister. Most of the data are given by CSO.

Zero-base Budgeting

Zero-base budgeting (ZBB) is a method of budgeting in which all the expenses must be justified for each new period. ZBB starts from a "zero base", and every expenditure by each ministry is analysed for its needs and costs.

ZBB was introduced in India under the Ministry of Science and Technology in 1983 on a pilot basis. However, ZBB could not be implemented on a larger scale because it involves a lot of paper work, is time consuming, and is a costly exercise.

Zero-base Budgeting versus Traditional Budgeting

Traditional budgeting calls for incremental increases over previous budgets, such as a 5% increase in spending, as opposed to the justification of all the expenses required in ZBB.

Traditional budgeting analyses only new expenditures, while ZBB starts from zero and calls for a justification of old, recurring expenses in addition to new expenditures.

Performance Budgeting and Outcome Budgeting

The conventional budget indicates the resources allocated to various ministries but does not focus so much on the use of those resources to achieve results.

The modern budgeting aims at linking of funds to the results or ultimate objectives for which funds were given. There are also differences regarding the ultimate objective of the government programmes—whether "output" or "outcome" should be considered the basis to ensure government accountability. Outputs such as roads to rebuilt, number of vaccinations done, and area to be irrigated are more tangible and in the control of government officials. This type of budgeting that links expenditure with output is called performance budgeting.

Performance budgeting is not new in India. Since 1968, government departments have been preparing performance budgets, trying to link financial aspects to physical results. However, this remained a supplementary device without any perceptible impact on resource allocation.

Outcomes, on the other hand, are indicators showing the progress in achieving programme objectives, such as decline in diseases, improvement in agricultural production, and achievements in education. These are not directly under the control of the government officials on account of the effect of many factors. This type of budgeting that links expenditure with outcome is called outcome budgeting.

The government introduced "Outcome Budget" in 2005. Outcome budgets are separately placed by the departments in the later part of the budget session. Unfortunately, these outcome budgets escape the notice of the analysts, while they should have been vigorously debated in public forums. Outcome budgeting requires measurement of performance indicators, specification of standards, and a monitoring and evaluation system. Our budgeting system is not evolved enough to facilitate outcome budgeting.

Gender Budgeting

Gender budget does not refer to a separate budget for women. Instead, the gender budget is an attempt to ensure that some part of the budget is definitely spent on women. As a result, separate women cells have been created in various ministries to ensure that a section of grants is allocated dedicatedly for women.

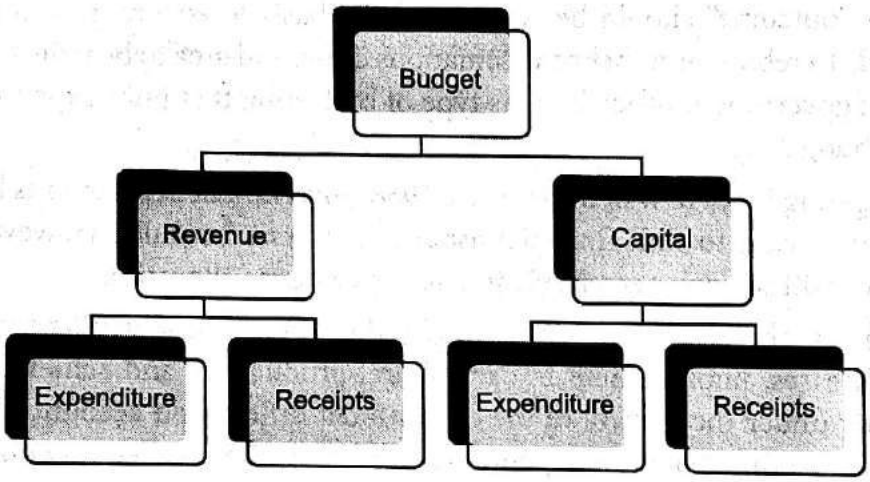
Performance Monitoring and Evaluation System

In 2009, a performance monitoring and evaluation system (PMES) was introduced for some ministries and departments. Under the PMES, each ministry/department is required to prepare a result framework document (RFD), which is being implemented for various ministries/departments in a phased manner. In 2013–14, 84 ministries/departments were covered under the RFD system.

Under the RFD system, long-term vision, mission, and annual targets for each ministry/department are given. The actual performance of a ministry/department is compared with the targets assigned. RFD leads to transparency, accountability, and responsibility of the ministries/departments for their respective areas of performance.

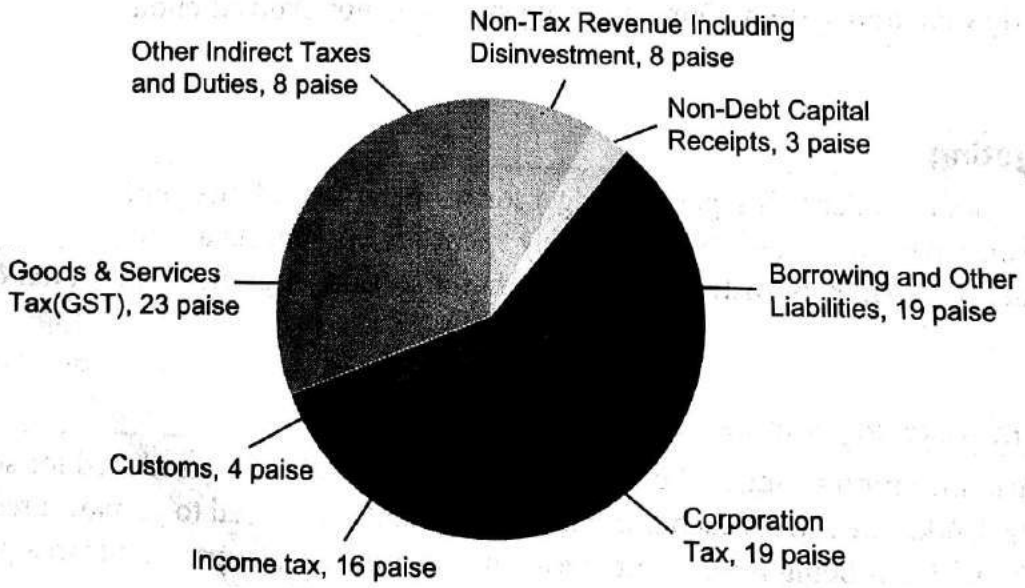
Budget Break up

In economic terms, budget is divided into two types: revenue budget and capital budget. The revenue budget consists of transactions that have implications up to 1 year. The capital budget consists of transactions that have implications of more than 1 year. Both revenue and capital budgets consist of receipts as well as expenditure. The 2017–18 budget size was ₹21.47 lakh crore. The 2018–19 budget size is about 10% higher than 2017–18. The size of 2018–19 budget is ₹23.62 lakh crore.



Analysis of Budget 2018–19

Budget 2018: Where the rupee comes from

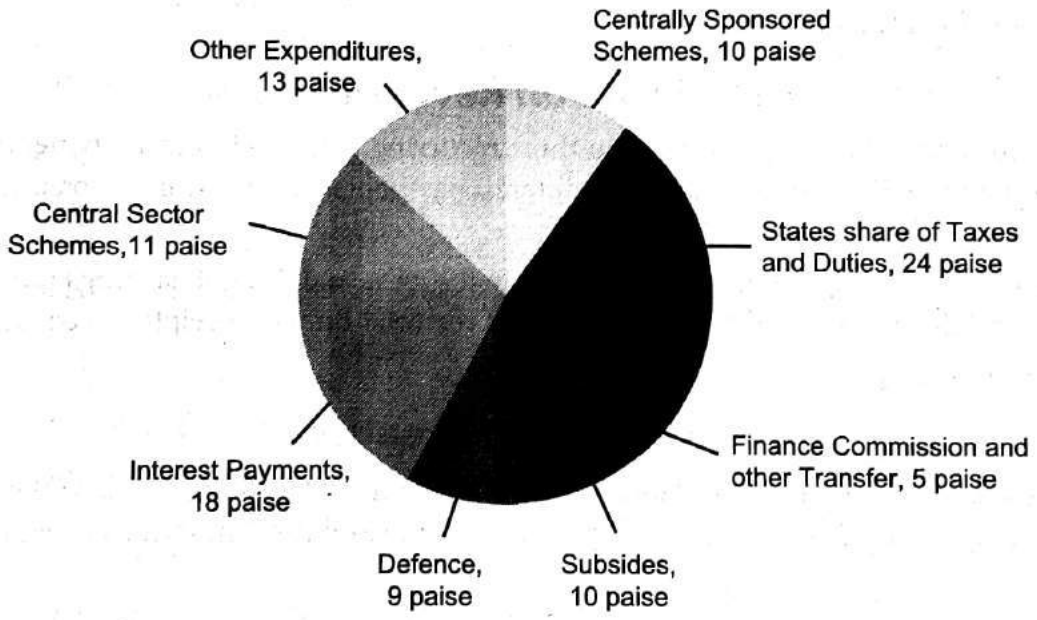


Where will money come from?

1. For every rupee in the government coffer, 70 paisa will come from direct and indirect taxes for every rupee earned.

   Direct taxes will contribute 35 paisa. Tax mobilization from corporation tax has been fixed at 19 paisa. Income tax mobilization for the next fiscal has been kept at 16 paise.
2. Indirect taxes will contribute another 35 paisa. As the single largest source of revenue, the collection from Goods and Services Tax (GST) has been pegged at 23 paisa as a percentage of every rupee earned. Similarly, the government will earn 4 paisa from custom in the next fiscal.
3. 19 paisa will come from market borrowing and other liabilities in 2018–19.
4. The government intends to earn 8 paisa from non-tax revenue like disinvestment, while it plans to mobilize 3 paisa from non-debt capital receipts.

Budget 2018: How the rupee will be spent



Where will the money go?

1. The Government will spent 18 paisa towards interest payment.
2. The biggest component is states' share of taxes and duties at 24 paisa and interest payment of 18 paisa.
3. Allocation towards defense and subsidies shall be 9 paisa and 10 paisa, respectively.
4. The government plans to spend 11 paisa and 10 paisa towards Central Sector Schemes and Centrally Sponsored Schemes, respectively.

Inter-relation Between Fiscal Deficit and Budget

The fiscal deficit for the year 2017-18 turned out to be 3.5% of GDP, instead of planned 3.2%.

Why Does Fiscal Deficit Occur?

In FY18, the Centre's total income (both from revenue and capital sources) was ₹16.23 lakh crore. But the total expenditure was ₹22.17 lakh crore.

Thus, expenditure exceeded income by ₹5.94 lakh crore. This ₹5.94 lakh crore is the fiscal deficit.

It is described as a percentage of India's nominal GDP (₹167 lakh crore as per latest CSO estimates). India's Fiscal Deficit is 3.5% (5.94/167 × 100) of GDP. A 0.3% overshoots in fiscal deficit means ₹50,000 crore increase in government borrowing.

Borrowings Level

At end of March 2018, the outstanding loans of the Central government are ₹82.32 lakh crore. It amounts to 49.3% of the nominal GDP.

Expenditure on Revenue Items

The bulk of the expenditure each year is on three recurring items — interest payments, pensions, and subsidies. In the FY18 revised estimates, interest payments, pensions, and subsidies amount to ₹5.3 lakh crore, ₹1.5 lakh crore and ₹2.3 lakh crore, respectively.

55% of Centre's earning is consumed in three items. 16% and 24% of earnings are allocated to State grants and defense expenditure. Thus, 95% of the total Budget receipts are consumed under these five heads.

Lack of Asset Creation

Consequently, a little amount is available for asset creation. In FY18, just 12% of the budget was used in capital spending. Moreover, India's gross expenditure on R&D has been at around 1 percent of GDP.

Budget Reforms

In Budget 2017–18, three major reforms have been undertaken:

1. **Merger of railway budget into general budget (no separate railway budget)**

   A separate rail budget has its genesis in the recommendations of the Acworth Committee of 1920. This was considered necessary because the railway's revenues far outstripped the general revenue.

   In budget 2017-18, the government decided to merge the rail budget and the general budget.

   In 1947, when independence was achieved, railway revenues were still 6% more than the general revenue. By the 1970s, the size of rail revenues had shrunk and was about 30% of the general revenues. By 2015–16, it was down to 11.5%.

The decision reflects the decrease over time in the relative size of the rail budget compared to some of the other components in the general budget, such as defence and roads and highways.

Moreover, a separate railway budget kept the railway portfolio into the public limelight and thus the railway minster avoided raising fares, leading to losses for the railways.

2. **Advancement in presentation of budget**

Since 2017–18 budget, the Finance Ministry has advanced the presentation of budget to 1st February of every year. Earlier, Budget was presented in the last week of February. The idea behind bringing forward the budget date, according to the government, is that the ministries and state governments can begin disbursing funds from the beginning of the financial year. Advancing the budget date will allow funds to be released to the states by April.

Earlier, the budget was used to be passed till the end of May and funds used to be assigned to the states by June. Thereafter, the development works are affected on account of rainy season. Thus, actual utilisation of funds for development purposes begin in September.

Concern due to advancement

Due to advancement in expenditure, the fiscal deficit of the government rises during the beginning and middle of the year. However, the deficit reduces in the later part of the year.

3. **Elimination of distinction between plan and non-plan expenditure**

Plan expenditure refers to the expenditure that is incurred as part of the five-year plan for development purposes. Non-plan expenditure refers to the expenditure that is not part of five-year plans and is incurred to meet revenue expenses of consumptive nature, for instance salaries, subsidies, interest payments, etc.

The distinction between plan and non-plan expenditure has been removed by the government because of the following reasons:

- Plan expenditure tends to get priority especially when expenditure reduction has to be done to meet fiscal deficit target. Non-plan expenditure is reduced even if it is vital for economic development. For instance, allocation of funds for the maintenance of assets such as hospitals, schools, and irrigation dams, which have been already created, is also equally important.

  The funds used for the creation of assets (such as hospitals) are treated as plan expenditure, and the funds used for the maintenance of assets (such as running hospitals) are treated as non-plan expenditure.

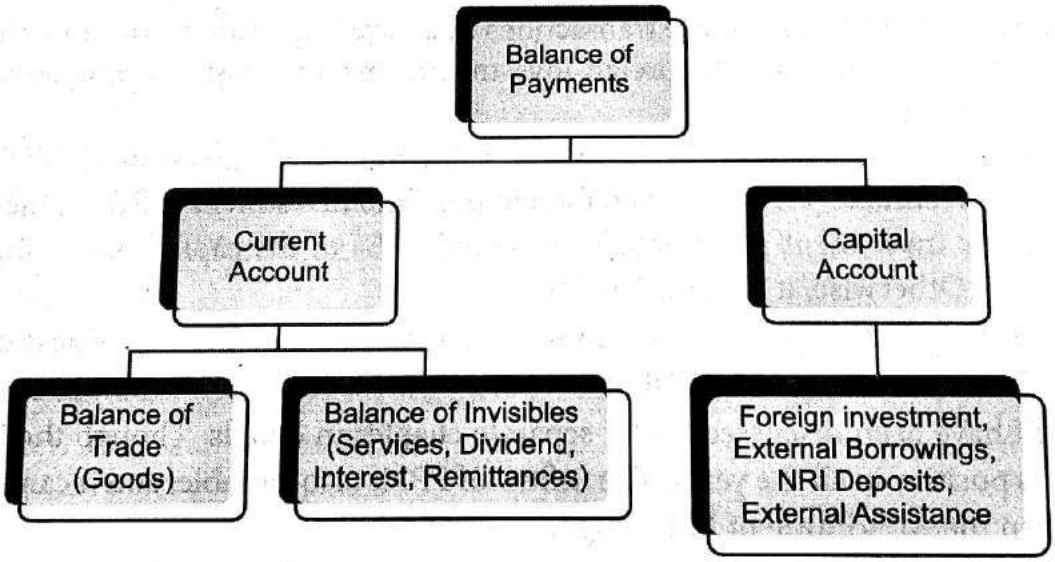
- Outcome budgeting and performance budgeting are applicable only on plan expenditure. This means that estimation of outcome of expenditure incurred on running schools and hospitals is not within the purview of budgeting as it is a non-plan expenditure.

BALANCE OF PAYMENTS

Balance of payments is a statement that summarizes an economy's transactions with the rest of the world for a specified time period. Balance of payments records only those transactions that have implications on forex reserves with the country.

In other words, balance of payments, also known as balance of international payments, records all trades involving forex conducted by both the private and public sectors in order to determine how much money is going in and out of a country.

The balance of payments classifies these transactions in two accounts: current account and capital account.



1 CURRENT ACCOUNT TRANSACTIONS

Current account transactions are those transactions that have implications for less than 1 year. Current account transactions include the following:

- **Balance of trade:** It refers to the difference between export and import of goods. In other words, it refers to the net export of goods.

  Balance of trade = Export of goods – Import of goods

For India, balance of trade is always negative as exports of goods are less than their imports.

- **Balance of invisibles:** Invisibles refer to those current account transactions that do not involve exchange of tangible goods. Invisibles include services, interest, dividend, and remittances.

  It involves the difference between payments received on account of invisibles and payments made on account of invisibles.

  Balance of invisibles = Net export of services + Net remittances + Net interest payments + Net dividend payments

  Net balance of invisibles: In the case of India, balance of invisibles is always positive because India is a net exporter of services and is the largest recipient of remittances in the world.

  Though, there is outflow on account of interest and dividend, the surplus in services and remittances is much more than the outflow on account of interest and dividend. Overall, there is surplus balance in invisibles. This balance helps to bridge deficit on account of negative balance of trade.

  However, the overall balance of current account is negative. India has been able to achieve positive balance in current account only in 2001–02, 2002–03, and 2003–04 and once in the 1970s.

2 CAPITAL ACCOUNT TRANSACTIONS

Capital account transactions involve those transactions that have implications for more than 1 year. The components of capital account include foreign investments, external assistance, external commercial borrowings, NRI deposits, etc.

- **Foreign investments:** These are of two types: foreign direct investment (FDI) and foreign institutional investment (FII) also called foreign portfolio investment (FPI). In the case of a listed company, if the investment made equals or exceeds 10% of the capital of a company, then it is treated as FDI. Otherwise, it is treated as FII.

  In the case of an unlisted company, any investment made is treated as FDI. These definitions were adopted in 2014 on the recommendations of the Mayaram Panel.

  FDI and FPI have been discussed under separate chapter in details. Though the inflow of FDI is variable, it is positive in all the years. The inflow of FPI is also variable, and it can even be negative in years when the withdrawal of FPI is high.
- **External commercial borrowings:** Any money borrowed from foreign sources for financing commercial activities in India is called external commercial borrowings (ECBs). There has been a rise in ECBs in recent years on account of reduction in government restrictions.
- **Non-resident deposits:** These deposits refer to the deposits of foreign currency made in Indian banks by non-residents. The inflow of forex into non-resident accounts has also witnessed rise in the recent years.
- **External assistance:** It refers to concessional loans received by the government from foreign governments (bilateral basis) and multilateral development institutions such as World Bank, IMF, etc.

  The significance of external assistance in Indian economy has reduced. At present, the Indian government borrows only from multilateral institutions and not from other governments. Moreover, even from multilateral institutions, the reliance has been limited.

Overall, the balance in capital account is positive. The positive balance helps bridge the negative balance of current account and even adds to the existing foreign exchange reserves. The present balance of forex as on 31 March 2017 is $370 billion.

Balance of payments position for 2016–17 (in billion dollars)

Item	Value	Subtotal	Total
Opening balance of forex			360
Current account:			
Balance of trade Export of goods – Import of goods		(xxxx)	
Invisibles			
Services	xxxx		
Dividend	(xxxx)		
Interest	(xxxx)		
Remittances	xxxx		
Balance of invisibles		xxxx	
Current account deficit			(20)
Capital account			
Foreign direct investment	xxxx		
Foreign portfolio investment	xxxx		
External commercial borrowings	xxxx		
Foreign currency non-resident account	xxxx		
External assistance	xxxx		
Capital account surplus			30
Closing balance of forex			370

(Figures in brackets are negative in nature)

External Commercial Borrowings

Any money that has been borrowed from foreign sources for financing commercial activities in India are called external commercial borrowings (ECBs). ECBs are defined as money borrowed from foreign resources, including the following:

- Commercial bank loans
- Buyers' credit and suppliers' credit
- Credit from official export credit agencies and commercial borrowings from the private-sector window of multilateral financial institutions such as International Finance Corporation (Washington), ADB, AFIC, CDC, etc.

How ECB Is Different from FDI?

ECB means any kind of funding other than equity. If foreign money is used to finance equity capital, it would be termed foreign direct investment. ECB should satisfy the ECB regulations stipulated by the government or its agencies such as the RBI.

Routes to Access

ECB in India can be accessed via two routes: automatic route and approval route. General idea is that ECBs for investment in industrial sector and infrastructure sector are allowed under automatic route. They do not require the approval of the Reserve Bank or the Government of India.

For specific sectors such as export and import, the borrower has to take the explicit permission of the government before taking the loan.

Benefits to Borrower

The cost of funds borrowed from external sources at times is cheaper than domestic funds.

Impact and Implications on Economy

Over the years, Indian companies have been increasingly dependent on ECBs because international funds are available at low interest rates.

ECBs increase the external debt of the country. That is why it has to be matched with the growth of foreign exchange reserves in the country to maintain solvency.

Increase in ECB is accompanied with increase in currency risk during times of depreciation in rupee, which will lead to increased burden on the borrower at the time of repayment, as the value of rupee depreciates.

Policy of Government

India's ECB policy seeks to keep an annual cap or ceiling on access to ECBs, consistent with prudent debt management. The policy also seeks to give greater priority for projects in the infrastructure and core sectors such as power, oil exploration, telecom, railways, roads and bridges, ports, industrial parks and urban infrastructure and the export sector.

Current Limits

Companies in the manufacturing and infrastructure sectors and having foreign exchange earnings can avail ECBs for the repayment of outstanding rupee loans towards capital expenditure and/or fresh rupee capital expenditure under the approval route.

The overall ceiling for such ECBs is $10 billion. For the infrastructure sector, there is an overall ceiling of $20 billion. In September 2012, the RBI has allowed companies to raise ECBs up to a maximum period of 5 years for importing capital goods. Under the new norms, the trade credit should not be for a period of less than 15 months and also not in the nature of short-term roll-over finance.

External Debt

It refers to money borrowed from a source outside the country whether by the government or by the private sector. External debt has to be paid back in the currency in which it is borrowed.

External debt can be broadly classified into three types of receipts:

1. External commercial borrowings
2. Foreign currency non-resident account
3. External assistance

The interest rate on foreign loans is linked to LIBOR (London Interbank Offer Rate) and the actual rate of interest is LIBOR plus an applicable risk premium, depending upon the credit rating of the borrower.

Long-term and Short-term External Debt

Long-term debt is defined as debt with an 'Original Maturity' of more than one year while short-term debt is defined as debt repayments to be made on demand or with an 'Original Maturity' of one year or less. Long and short term debt may be borrowed from within India or Outside.

In case the money is borrowed from outside, then long-term and short-term debt are called long-term external debt and short-term external debt respectively. As short term external debt is due in near future, it requires an immediate arrangement of foreign exchange reserves.

Government (Sovereign) External Debt

Sovereign debt — also referred to as government debt, public debt, and national debt — is a central government's debt. Sovereign debt raised from outside the country by the national government is called Sovereign external debt.

Debt Service Ratio

Debt service ratio is the ratio of debt service payments (principal + interest) of a country to that of country's export earnings. A country's forex position is healthier when this ratio is low.

Status Report on External Debt

Status Report on External Debt of India at end of March 2017 prepared by the Department of Economic Affairs, Ministry of Finance:

1. India's external debt stock declined by 2.7 percent in the last year and stood at US$ 471.9 billion as on 31st March 2017. External debt has reduced due to the decrease in long-term debt particularly NRI deposits and commercial borrowings.
2. The long-term external debt as on 31st March 2017 was US$ 383.9 billion. Short-term external debt increased to US$ 88.0 billion. The increase in Short term external debt is mainly due to the increase in trade-related credits, a major component of short-term debt with a share of 98.3 per-cent.
3. Government (sovereign) external debt increased from US$ 93.4 billion to US$ 95.8 billion. It constitutes 20.3 percent of the total external debt.

Scanned by CamScanner

Low debt service ratio and foreign exchange reserves to total external debt ratio indicate that India's external debt is within the manageable limits.

Moreover, the external debt of the country continues to be dominated by the long-term borrowings.

India's external debt position in recent years

Year	2015–16 (Revised figures)	2016–17 (Provisional figures)
External debt (US$ billion)	485.0	471.9
Growth in external debt (%)	2.2	–(2.7)
Total external debt to GDP	23.5	20.2
Debt service ratio	8.8	8.3
Foreign exchange reserves to total external debt	74.3	78.4

Source: RBI

Foreign Currency Non-Resident Deposits

Foreign currency non-resident deposits, usually abbreviated as FCNR(B) (B stands for banks) are term deposits that non-resident Indians (NRIs) can open with banks in India.

These deposits are denominated in foreign currencies permitted by the Reserve Bank of India. This term deposit was started in 1993 and is available in tenures of 1–5 years.

How Does FCNR(B) Work?

Under the FCNR(B) scheme, banks have to pay an annual interest at the rate of LIBOR/Swap plus 200 basis points for terms between 1 and 3 years and LIBOR/Swap plus 300 basis points for terms between 3 and 5 years. 100 basis points is 1 percentage point. LIBOR or London Interbank Offered Rate is the benchmark interest rate at which international banks lend to each other. These interest rates vary according to currencies and the term for which the loan is taken. This structure is decided by the RBI, and banks use the LIBOR rate on the last working day of a month to fix the FCNR(B) rate for the following month.

What Is Currency Risk?

Indian banks have most of their deposits in rupees and thus make most of their investments in the Indian currency. When an NRI invests $1000 under the FCNR(B) scheme for 3 years, it raises the bank's deposits by ₹67,000 (considering $1 = ₹67). The bank then invests this amount.

But in case the value of the rupee depreciates to ₹69. The bank will have to spend ₹69,000 to pay back $1000. (This excludes interest payments.) This is called currency risk. On the other hand, the bank stands to gain if the rupee appreciates.

Remittances

As per the World Bank, India is the largest remittance receiving country in the world in 2016.

Top Four Remittance-Receiving Countries in the World (US$ billion)

	2016
India	62.7
China	61.0
Philippines	29.9
Mexico	28.5

Source: World Bank

Implications of Current Account Deficit and Capital Account Surplus

Usually, India has surplus in capital account and deficit in current account. Deficit in current account and surplus in capital account imply that India is financing forex for its consumption expenditure (current account) through foreign loans and investments (capital account).

3 INDIA'S FOREIGN RESERVES

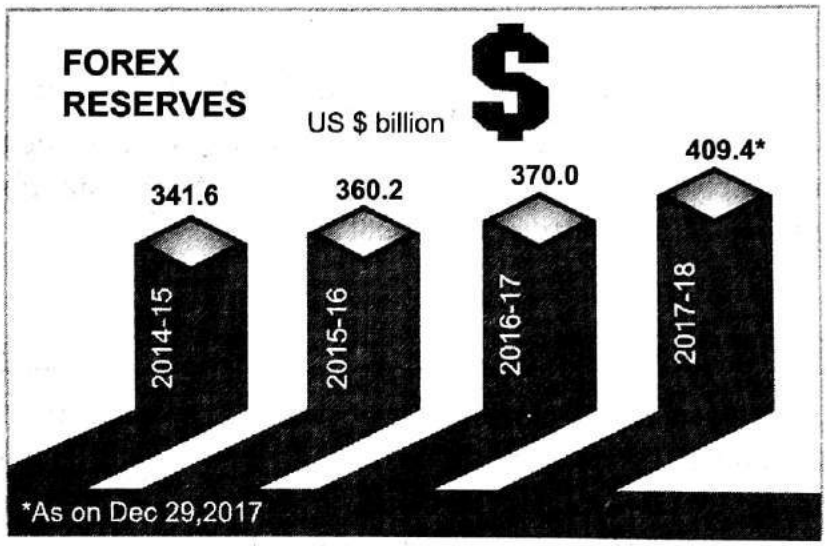
- **Foreign currency assets:** Foreign currency assets are the chief constituent of foreign exchange reserves. In India, foreign currency assets contribute nearly 93.5% (as on 31 March 2017) of foreign exchange reserves. Hard currencies are given preference as part of foreign currency assets. A large part of foreign currency assets is in US dollars.
- **Gold:** The stock of gold with the central bank is also considered part of forex. In the present scenario, governments are purchasing gold to replace foreign currencies because gold is believed to appreciate in the long run.
- **Special drawing rights:** These are the rights over the use of foreign currency. These rights are based on the currency a nation has contributed to International Monetary Fund (IMF) quota.

  The primary means of financing the IMF is through members' quotas. Each member of the IMF is assigned a quota, part of which is payable in special drawing rights (SDRs) or specified usable currencies (reserve assets).
- **Reserve tranche position:** Contribution by member nations to IMF higher than its assigned quota is called reserve tranche position (RTP). RTP is accounted among a country's foreign exchange reserves.

Year ended 2016–17	Foreign currency assets (US dollars, billion)	Gold (US dollars, billion)	Reserve tranche position (US dollars, billion)	Special drawing rights (US dollars, billion)	Total (US dollars, billion)
31 March 2017	346	20	2.5	1.5	370
Relative share	93.5%	5.5%	0.6%	0.4%	100%

Foreign Exchange Reserves

India's foreign exchange reserves reached US$ 409.4 billion on end-December 2017. The increase in forex was mainly due to the inflow of Foreign Investment.



Source: Economic Survey 2017-18

4 USE OF FOREX

India has utilized its forex for early repayment of high cost loan and investing in government securities of the developed countries. Presently, there is a debate on efficient use of foreign reserves and various suggestions have been put forward:

- Use of foreign reserves to import important technology into India
- Use of foreign reserves for infrastructure-related imports
- Creation of Sovereign Wealth Funds to invest money in global assets such as shares of foreign companies, lands, and other global assets that are expected to generate higher returns

Sovereign Wealth Funds

A sovereign wealth fund is a state-owned investment fund that invests in various assets globally. These are assets of the sovereign nations that are typically held in domestic and different reserve currencies (such as the dollar, euro, pound, and yen).

The accumulated funds may have their origin in, or may represent, foreign currency deposits, gold, SDRs, and IMF reserve positions held by central banks and monetary authorities, along with other national assets such as pension investments, oil funds, or other industrial and financial holdings.

Twin Deficit

Economies that have both a fiscal deficit (budget deficit) and a current account deficit are often referred to as having "twin deficits". For instance, the United States has fallen firmly into this category for years. India also experiences both the deficits year after year. The opposite scenario, featuring a fiscal surplus and a current account surplus, is generally viewed as a much better financial position. China is often cited as an example of a nation that has enjoyed long-term fiscal and current account surpluses.

Twin Deficit Hypothesis

Some economists believe that a large budget deficit is correlated to a large current account deficit. This macroeconomic theory is known as the twin deficit hypothesis. The logic behind the theory is that government tax cuts, which reduce revenue and increase the deficit, result in increased consumption by taxpayers. The increased spending reduces the national savings rate, causing the nation to increase the amount it borrows from abroad.

Conclusion

At times, economic data support the twin deficit hypothesis. Other times, the data do not. For instance, this theory does not apply to India, which has one of the highest savings rate in the world along with a high fiscal deficit.

Moreover, fiscal deficit and current account deficit are two of the many inputs used to determine a nation's fiscal situation. In fact, the current account itself is just one of the categories within a nation's overall balance of payments.

CONVERTIBILITY

Currency convertibility is the extent to which a country's currency can be converted into gold or another currency. Currency convertibility is decided by the government of a country by permitting certain foreign exchange transactions while prohibiting others. There can be neither complete convertibility, nor complete prohibition on every kind of foreign exchange transaction. On the basis of nature of transactions, convertibility can be of two types: (i) current account convertibility and (ii) capital account convertibility.

1 CURRENT ACCOUNT CONVERTIBILITY

Current account convertibility refers to the extent to which a rupee can be converted into foreign currency and vice versa for current account transactions. At present, current account transactions are largely convertible with very few restrictions. For instance, individuals while travelling abroad can get foreign currency upto a certain limit depending on the purpose of foreign travel.

2 CAPITAL ACCOUNT CONVERTIBILITY

Capital account convertibility refers to the extent to which a rupee can be converted into foreign currency and vice versa for capital account transactions. Presently, the government is taking gradual reforms in the direction of capital account convertibility. However, it aims at "fuller" convertibility and not full convertibility. "Fuller" means convertibility in relative sense. Thus, more capital account transactions would be permitted in the future but not all the transactions.

Probable Merits of Capital Account Convertibility

If capital account convertibility is enhanced, it will lead to the following benefits:

- It will provide opportunity to invest in global assets.
- It will enable Indian enterprises to borrow from anywhere in the world at the cheapest possible interest rates.
- As the number of foreign exchange transactions will increase, the cost behind every single foreign exchange transaction would reduce.

Concerns Regarding Capital Account Convertibility

Larger capital account convertibility can increase the risk to our economy in the following ways:

- In the case of slowdown in Indian economy, investors would prefer to invest their money abroad, leading to flight of capital, which will have further implications over the output, employment, and even on balance of trade.
- In the case of inflow of large capital, there will be unprecedented appreciation of rupee, leading to fall in export competitiveness.

Thus, capital account convertibility may bring volatility to our economy.

Prerequisites for Introduction of Capital Account Convertibility

There are certain prerequisites before capital account convertibility can be introduced in our economy:

- **Favourable economic conditions:** Unfavourable economic conditions would lead to flight of capital.
- **Sufficient foreign exchange reserves:** There may be sudden surge in forex demand on account of capital account convertibility.
- **Moderate level of inflation in the economy:** High inflation rate discourages investment into the economy and erodes competitiveness of economy.
- **Domestic financial system at par with international financial system:** At present, the interest rates for loan are high in India as compared to the international rates. Thus, after capital account convertibility, Indian entrepreneurs would give preference to international borrowings available at low rates.

Committee on Capital Account Convertibility

In 1997, the Reserve Bank of India constituted the S. S. Tarapore committee to evaluate the preparedness of Indian economy to implement capital account convertibility.

The same year South East Asian nations suffered from flight of capital on account of weak domestic conditions. Flight of capital was possible due to high capital account convertibility. As a result, introduction of capital account convertibility was postponed.

In 2006, on account of India's foreign exchange reserves touching the $300 billion mark, Tarapore II was constituted to give recommendations on capital account convertibility. Tarapore II recommended gradual relaxation of control over capital account transactions.

However, the committee recommended fuller capital account convertibility and opposed complete capital account convertibility. Moreover, the recommendations to relax capital controls were to be implemented after the fulfilment of certain prerequisites as discussed under the previous topic.

3 FOREIGN EXCHANGE REGULATION ACT (FERA), 1973, AND FOREIGN EXCHANGE MANAGEMENT ACT (FEMA), 1999

The Foreign Exchange Regulation Act (FERA) was replaced by the Foreign Exchange Management Act (FEMA). The objective of FEMA is to facilitate foreign trade, whereas the objective of FERA was to conserve and make optimum use of limited foreign exchange reserves.

FERA controlled most of the forex transactions whether on current account or on capital account, whereas FEMA permits current account transactions with minimal restrictions and some capital account transactions.

Violation of FEMA is considered a civil offence and is punished with fine or imprisonment (if the fine is not paid in the given time). On the other hand, violation of FERA was considered a criminal offence and was accompanied by both fine and imprisonment.

Criteria	Foreign Exchange Regulation Act	Foreign Exchange Management Act
Objective	Conservation and optimum use of limited Forex reserves	Facilitates foreign trade
Restrictions over forex transactions	Restrictions over both current and capital account transactions	Restrictions mainly specified for capital account transactions with minimum restrictions over current account transactions
Offence on violation of act	Violation of the act considered a criminal offence	Violation of the act considered a civil offence

Parallel Economy

1 TAX PLANNING

Tax planning refers to the reduction in net tax liability by use of various provisions provided under tax laws. This is done by taking advantage of the various tax exemptions, deductions, and reliefs permitted under tax laws.

2 TAX AVOIDANCE

Tax avoidance refers to the reduction in net tax liability by exploiting loopholes in tax laws. Tax avoidance involves deliberately performing an act that helps in avoiding tax while subsequently adhering to the legal framework.

Tax avoidance includes cases where the intention is to mislead the law without breaching the boundaries of the law.

3 TAX EVASION

Tax evasion is a practice wherein tax payment is avoided either entirely or partially by breaching provisions of taxation laws. Tax evasion is illegal and is commonly carried out by not reporting the income (or reporting less income) or by reporting inflated expenses. Transactions carried out in cash are often not disclosed in the books of accounts in order to avoid tax on them.

Both tax planning and tax avoidance require thorough knowledge of the existing tax laws. While both are legal, tax planning is regarded as morally appropriate as it uses the advantages offered under tax laws to reduce the tax burden, whereas tax avoidance is immoral as it exploits the various loopholes that are present in tax laws. On the other hand, tax evasion is an illegal practice which may lead to imprisonment, fine, or even both.

4 BLACK MARKET

A black market is called so because of its disregard for the rules and regulations that "white" businesses follow. Goods sold in the black market can be illegal (such as weapons, drugs, or stolen goods) or legal goods can be sold illegally (goods sold without proper license and without paying any kind of taxes).

In the black market, goods and services are purchased and sold violating restrictions or not paying taxes. So transactions that take place in this market are "under the table" transactions, which occur outside government-sanctioned channels.

The black market is also called the underground market, shadow market, or underground economy. The earnings derived through black market is called black money.

Factors Supporting Black Markets

The stricter the government regulations in a country, the greater the impetus is for a parallel economy. Corruption, shortages, and monopolies also act as catalysts for the black market.

Black markets are further encouraged by periods of war or any other crisis. During harsh political conditions or natural disasters, scarce goods are rationed by the government. People have the tendency to violate restrictions or rationing laws to secure the products they desire.

Black Market Prices

The price of certain goods sold in the black market could be lower than the legal market price. This is because the goods may be stolen. Moreover, black marketers do not pay any taxes and can offer a price advantage to customers. Goods such as pirated DVDs and fashion accessories are sold at a lower price in the black market.

On the other hand, the price of certain products sold in the black market can be higher than the normal prices. This is usually the case when there are shortages or there is high risk involved in getting the goods to the customer. Goods such as weapons and illegal drugs are good examples.

5 GREY MARKET

A grey market involves the buying and selling of goods and services that are not illegal, but the channels used in their distribution are either unauthorized or unofficial. The grey market includes goods and services that are typically unregistered to evade taxes.

6 BLACK ECONOMY (OR PARALLEL ECONOMY)

Black economy refers to the collection or aggregate of black markets in an economy. In an economy, there are two types of sub-economies: white and black economy.

White economy refers to business carried out according to rules and regulations. On the other hand, black economy is the economy that does not follow rules and regulations or deals in illegal goods. Black economy is run on black money. This flow of money in our system, which is beyond the purview of the RBI and government, is called parallel economy.

The major pitfall in such economy is that it is beyond the control of the apex bodies or the regulatory bodies. For example, the RBI wants to fight inflation and hence it increases the policy rate. This has no influence on the flow of black money.

Hence, for any policy maker, this kind of parallel economy is a big challenge. Reducing black money may help to curb this impediment.

7 MONEY LAUNDERING

Money laundering is a process of concealing the source of money usually earned through illegal activities or is otherwise black money. In other words, illegal money is introduced into the financial system and made to appear as if it is earned from a legal source.

Some Common Methods of Money Laundering

- **Structuring or smurfing** is a method whereby cash deposits are made into bank in small amounts. Small deposits usually defeat suspicion of anti-money laundering agencies.
- **Bulk cash smuggling** refers to the transfer of a large amount of money to foreign jurisdiction and depositing it in a financial institution such as an offshore bank, which follows secrecy norms.
- **Cash-intensive business** refers to the fake claim that the business of a person has earned the cash, which is otherwise derived from a criminal source.
- **Casinos and gambling:** Individuals convert cash into chips at casinos and then get chips converted into cheque amount, which is shown as prize money won by them in the casino.
- **Round tripping** refers to the transfer of money to a foreign jurisdiction typically a tax haven, where the money is subjected to low tax rates and this money is retransferred to domestic territory as foreign investment. Such foreign investment may be directed back into the self-owned domestic business.

Challenges in Money Laundering

- Tax havens facilitate money laundering because they do not share information about money transferred to foreign tax and financial intelligence authorities.
- Even some domestic financial institutions participate in laundering and transfer of funds.
- Availability of multiple options to launder money facilitates easy money laundering.

International Mechanism to Deal with Money Laundering

The Financial Action Task Force (FATF) is an intergovernmental body established in 1989. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the international financial system.

The FATF is, therefore, a 'policy-making body' which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas. The FATF has developed a series of recommendations that are recognized as the international standard for combating of money laundering and the financing of terrorism and proliferation of weapons of mass destruction. They form the basis for a coordinated response to these threats to the integrity of the financial system and help ensure a level playing field. First issued in 1990, the FATF recommendations are revised to remain relevant and are intended to be of universal application.

The FATF monitors the progress of its members in implementing necessary measures, reviews money laundering and terrorist financing techniques and counter-measures, and promotes the adoption and implementation of appropriate measures globally. In collaboration with other international stakeholders, the FATF works to identify national-level vulnerabilities with the aim of protecting the international financial system from misuse. The FATF's decision-making body, the FATF Plenary, meets three times per year.

Membership: Thirty-five nations including India and two regional organizations namely European Union and Gulf Cooperation Council are members of FATF.

FATF Lists

The FATF publishes 'grey list' for jurisdictions with weak measures to combat money laundering and terrorist financing. It also publishes 'blacklist' for jurisdictions which are non-cooperative in the global fight against money laundering and terrorist financing. These lists are issued three times a year.

As of February 2018, the FATF has reviewed over 80 countries and publicly identified 65 of them. Of these 65, 53 have made the necessary reforms and have been removed from the lists.

Domestic Mechanism to Deal with Money Laundering

Prevention of Money Laundering Act, 2002

The objective of the act is to prevent money laundering and provide for punishment and confiscation of property derived from money laundering. Salient features of the act are as follows:

- The act provides punishment for indulging in money laundering or facilitating money laundering with rigorous imprisonment from 3 to 7 years and a fine without any upper limit.
- The property acquired through money laundering shall be confiscated by the Government of India.
- The order of the executive agency under the act can be challenged before an appellate tribunal and the order of appellate tribunal can further be challenged before a High Court.
- Burden of proof is on the accused to explain the source of acquired money.

Supreme Court Ruling on Bail in Money Laundering Charge

SC Relaxed the Provision of PMLA, 2002 Act in Favour of the Accused

The Supreme Court struck down a stringent provision of the Prevention of Money Laundering Act (PMLA), 2002 that denied bail to an accused unless the court was convinced that he was not guilty.

The apex court also ordered a fresh trial in all cases where bail under such provisions had been denied to the accused.

Why there was a need for relaxation in it?

Those accused under the PMLA rarely got bail before an incarceration that could last anywhere between two to three years. Given that money laundering offenses attract between three to seven years of punishment in jail, this was considered practically like serving the sentence. Almost no one got bail until a charge sheet in the case was filed.

Of the over 120 persons accused by the ED and arrested under the PMLA since 2005, no more than two to three people have secured bail in a matter of months.

Notably, the ED has had painfully slow progress in its cases and has, to date, been able to secure the conviction in only two of the over 2,300 cases it has registered.

Why are the provisions of PMLA considered strict?

1. The PMLA is among very few Acts in the country wherein a statement recorded by an authorized agency officer is admissible as evidence in court. Such powers are not available to the police under the Criminal Procedure Code (CrPC).
2. The Director, ED, can pass orders to provisionally attach a property belonging to an accused if she/he is convinced that this has been purchased with the proceeds of a crime under a scheduled offense. This power of attaching property has been given even though accused is still not proven guilty in the courts.

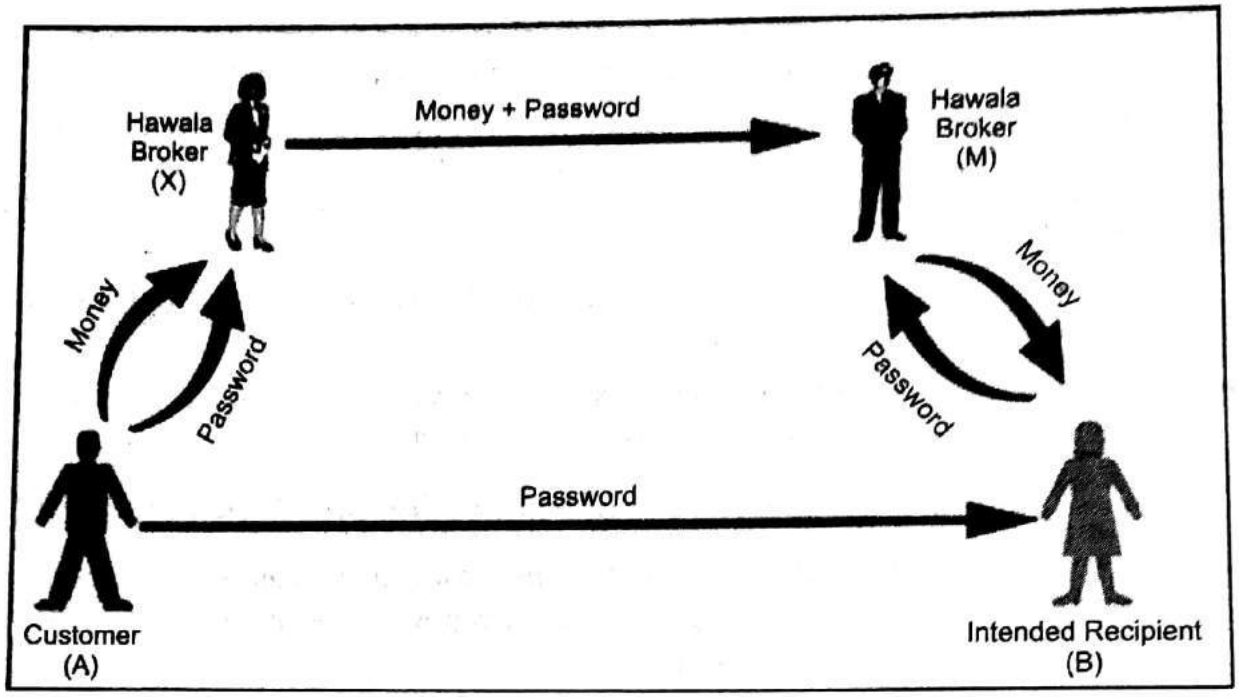
Enforcement Directorate (Directorate General of Economic Enforcement)

The Directorate General of Economic Enforcement is a law-enforcement agency and economic intelligence agency responsible for enforcing and fighting economic crime in India. It is a part of the Department of Revenue, Ministry of Finance. It comprises officers of the Indian Revenue Service, Indian Police Service, and the Indian Administrative Service.

It was set up in 1956 to deal with foreign exchange violations under the Foreign Exchange Regulation Act, 1947. Presently, the prime objective of the Enforcement Directorate is the enforcement of two key acts of the Government of India: the Foreign Exchange Management Act (FEMA) 1999 and the Prevention of Money Laundering Act (PMLA) 2002.

8 HAWALA TRANSACTIONS

In the most basic variant of the hawala system, money is transferred via a network of hawala brokers or hawaladars. It is the transfer of money without actually moving it. In fact, a successful definition of the hawala system is "money transfer without actual money movement".



The figure shows how hawala works: (1) a customer (A, left-hand side) approaches a hawala broker (X) in one city and gives a sum of money that is to be transferred to a recipient (B, right-hand side) in another, usually foreign city. Along with the money, he usually specifies something like a password that will lead to the money being paid out.

The hawala broker X calls another hawala broker M in the recipient's city and informs M about the agreed password. Then, the intended recipient (B), who also has been informed by A about the password, now approaches M and tells him the agreed password. If the password is correct, then M releases the sum to B after deducting a small commission.

X now owes M the money that M has paid out to B; thus, M has to trust X's promise to settle the debt at a later date.

Features of Hawala System

- The unique feature of the system is that the transaction takes place entirely on trust. As the system does not depend on the legal enforceability of claims, it can operate even in the absence of a legal and juridical environment. Trust and extensive use of connections, such as family relations and regional affiliations, are the components that distinguish it from other remittance systems.
- Informal records are produced of individual transactions and a running tally of the amount owed by one broker to another is kept. Settlement of debts between hawala brokers can take a variety of forms such as goods, services, properties, transfer of employees, etc.
- In addition to commission, hawala brokers often earn their profits through bypassing official foreign exchange transaction charges. For instance, the funds enter the system in the source country's currency and leave the system in the recipient country's currency.
- Hawala is attractive to customers because it provides a fast and convenient transfer of funds, usually with a far lower commission than that charged by banks. It is even used to transfer black money or money used to finance international terrorism.

- Its advantages are most pronounced when the receiving country applies unprofitable exchange rate regulations (as has been the case for countries such as Egypt) or when the banking system in the receiving country is complex (e.g., due to differences in legal environment in places such as Afghanistan, Yemen, Somalia). Moreover, it is the only option for fund transfers in some parts of the world.

9 BASE EROSION AND PROFIT SHIFTING

Base erosion and profit shifting (BEPS) refers to tax avoidance strategies that make use of the gaps in the tax rules of a particular country to shift profit to countries having low or no-tax policies, resulting in little or no overall corporate tax being paid. In other words, it is a technique used by multinational companies by stating low profits in high tax countries and high profits in low tax countries irrespective of the actual economic activity undertaken. BEPS is also called **transfer pricing**.

Let us consider an example to understand this. Some countries have an aggressive tax structure (such as India), while some may have a soft tax structure (such as Cayman Islands).

India is one of the potential markets for a multinational company (MNC), and thus there is an immense opportunity to make profits. However, the aggressive tax policy would eat large amount of profits. To avoid high taxes in India, MNCs set up a subsidiary in the tax haven.

For example, say a parent company XYZ Inc. sets up a subsidiary in Cayman Islands. Now the parent company imports stationery to be used in their office in India from this subsidiary company at exorbitant prices. During this transaction, the XYZ Inc.'s profits are significantly reduced. Thus, XYZ Inc. will pay lower taxes in India. Such transactions erode the tax base in India. As a result, this is called tax base erosion.

On the other hand, the subsidiary has gained more profits. This is known as profit shifting. But due to very soft tax structure, the subsidiary will pay lesser taxes in Cayman Islands.

10 TAX HAVENS

Tax haven is a legal jurisdiction that offers foreign individuals and organizations

- A minimal tax liability
- Politically and economically stable environment for investments
- Secrecy of financial information, i.e. financial information is not shared with foreign tax authorities

Tax havens do not require individuals to reside in or businesses to operate out of their countries to benefit from local tax policies. In other words, tax havens are not tax havens just because they have low taxes; rather, what makes a tax haven is its opacity of financial information. This is why tax havens are often more accurately referred to as "secrecy jurisdictions".

Tax havens allow their banks, companies, trusts, or other financial actors to accept money from anywhere without reporting it to the authorities in the country where it originates or from which it is controlled. In some cases, it is actually illegal to disclose that information, but in many places, it is simply because the banks or other entities are not required to disclose it and there is no mechanism to force them to do so.

What do tax havens get?

Tax haven countries benefit by drawing capital to their banks and financial institutions, which can form the foundation of a thriving financial sector.

The list of tax haven countries includes Andorra, the Bahamas, Belize, Bermuda, the British Virgin Islands, the Cayman Islands, the Channel Islands, the Cook Islands, Hong Kong, The Isle of Man, Mauritius, Lichtenstein, Monaco, Panama, and St. Kitts and Nevis.

11 GENERAL ANTI-AVOIDANCE RULES

General anti-avoidance rules (GAAR) are anti-tax avoidance rules of India. They are framed by the Department of Revenue under the Ministry of Finance. GAAR are targeted at arrangement or transactions made specifically to avoid taxes.

Why GAAR Were Discussed for the First Time?

In 2007, Vodafone entered the Indian market by buying Hutchison Essar. The deal took place in Cayman Islands. The Indian government claimed that more than $2 billion was lost in taxes on account of capital gains made by Hutchison Essar by selling shares to Vodafone. In September 2007, a notice was sent to Vodafone. Vodafone claimed that the transaction was not taxable as it was between two foreign firms. The government claimed that the deal was taxable as the underlying assets involved were located in India.

Further Issues While Implementing GAAR

- **LOB clause clarity:** The limitation of benefits (LOB) clause argues that if an organization does not undertake tax avoidance on account of controversial transaction, then provisions of GAAR will not apply. The government has decided to incorporate LOB clause in new GAAR rules.
- Another positive thing is that court-approved arrangements are outside the purview of GAAR. The official clarification also said that if at the time of sanctioning an arrangement, the court had explicitly and adequately considered the tax implications, then GAAR would not apply to such an arrangement.

GAAR Provisions still not clear

While these clarifications are expected to bring about some certainty to GAAR issues, experts said that some doubts would still remain primarily because of the subjectivity inherent in GAAR.

State of GAAR in India

The centre has reiterated that GAAR, aimed at curbing tax avoidance, has come into force on 1 April 2017.

12 SHELL COMPANIES

A shell corporation is a company that serves as a vehicle for business transactions without having any significant assets or operations. Some shell companies may have had operations, but those operations may have shrunk due to unfavourable market conditions or company mismanagement. A shell corporation

may also arise when a company's operations have been wound up, for example following a takeover, but the "shell" of the original company continues to exist.

Shell corporations are not in themselves illegal, and they do have legitimate business purposes. However, they are the main component of the underground economy, especially those based in tax havens. Shell companies can also be used for tax avoidance.

Panama Papers

The Panama Papers are the leak of 11.5 million files belonging to the world's fourth largest offshore law firm, Mossack Fonseca. The files were obtained from an anonymous source by the German newspaper Süddeutsche Zeitung. The newspaper shared the documents with the International Consortium of Investigative Journalists (ICIJ).

What Do They Reveal?

The files reveal that many famous personalities have hidden huge wealth in offshore and shell companies.

What Is Mossack Fonseca?

It is a Panama-based law firm which provides services such as incorporation of companies and wealth management in offshore jurisdictions, particularly tax havens.

The Indian Link

The Indian Express reported that over 500 Indians could have links to secret firms in overseas tax havens.

Paradise Papers

Paradise papers comprise around 13.4 million corporate records obtained primarily from Bermuda firm Appleby and Singapore-based Asiaciti Trust as well as from documents of governments in 19 secrecy jurisdictions. These jurisdictions are notoriously known as 'tax paradises'. Paradise papers are called after tax paradises.

The leaks were obtained by the German newspaper Süddeutsche Zeitung, and shared with the International Consortium of Investigative Journalists (ICIJ).

How Are Paradise Papers Different from Panama Papers (2016)?

Paradise Papers, like Panama Papers, also reveal offshore financial activities. Appleby functions very much like Mossack Fonseca. It helps in setting up new companies and operating bank accounts overseas, in tax havens. Unlike the previous leaks, the latest revelations about mega corporates than individual players.

INFLATION

Inflation is the rate at which the general level of prices for goods and services is rising and, consequently, the purchasing power of currency is falling.

As a result of inflation, the purchasing power of a unit of currency falls. For example, if the inflation rate is 10%, then 10 kg of wheat that costs ₹100 in a given year will cost ₹110 the next year. As more money is required to purchase goods and services, the implicit value of currency falls.

1 TYPES OF INFLATION

Inflation can be classified into the following types:

- **Hyperinflation:** Hyperinflation is very high inflation. Economists generally use the term "hyperinflation" to describe episodes when the monthly inflation rate is greater than 50%. At a monthly rate of 50%, an item that cost ₹1 on January 1 would cost ₹130 on January 1 of the following year. During times of hyperinflation, the value of currency declines continuously to the extent that people lose faith in domestic currency. As a result, they either prefer international currency or large stock of commodities.

  Hyperinflation is caused by extremely rapid growth in the supply of "paper" money. It occurs when the government of a nation regularly issues large quantities of money to pay for a large stream of expenditures.

- **Galloping inflation:** When the inflation rate rises to 10% or greater in a year, it is called galloping inflation. Money loses value so fast that businesses and income of workers cannot keep up with the prices of goods and services.

- **Walking inflation:** When the inflation rate rises to 3–10% in a year, it is called walking inflation. It has a harmful effect on the economy. People start to buy more than they need, just to avoid much higher prices in the future. This drives the demand even further, so that suppliers fail to match the demand. As a result, common goods and services are priced out of the reach of most people.

- **Creeping inflation:** When the inflation rate is up to 3%, it is called creeping inflation. It is defined as the situation when the inflation of a nation increases gradually, but continuously, over time. Creeping inflation is considered good for the economy because it acts as an incentive for suppliers to enhance production and indicates continuous rise in demand in the economy.

- **Deflation:** When the overall price level decreases so that the inflation rate becomes negative, it is called deflation. It is the opposite of the often-encountered inflation.

A reduction in money supply or credit availability is the reason for deflation in most cases. Reduced investment spending by the government or individuals may also lead to this situation.

Deflation is different from disinflation as the latter implies decrease in the level of inflation, whereas deflation implies negative inflation.

When the prices fall, the margin of suppliers reduces. As a result, some suppliers reduce and even shut down the production. Moreover, falling price level is indicative of falling demand in the economy, which further indicates fall in the living standard of people.

Usually, deflation is associated with fall in output and employment. On the other hand, disinflation does not lead to fall in output and employment; it only means the return of prices to their normal level.

- **Stagflation:** Stagflation is just like its name says: when economic growth is stagnant, but price inflation is still there. It is an unusual situation. A sluggish economy usually reduces the demand, enough to keep prices from rising. As workers get laid off, they buy less. As a result, businesses lower the prices to attract whatever customers remain. Slow growth in a normal market economy prevents inflation.

  Policies that cause stagflation also create hyperinflation. The government or central banks expand the money supply in order to generate higher demand in the economy. At the same time, supply constraints prevent companies from producing more.

- **Headline inflation:** In layman terms, headline inflation refers to the inflation as reported by newspaper headlines. At present, headline inflation is the inflation figure as reported through the consumer price index (CPI), which is released monthly by the Bureau of Labour Statistics.

  Earlier, headline inflation was based on the wholesale price index (WPI). The change has been undertaken because earlier the Reserve Bank of India (RBI) used to target inflation based on WPI, but now RBI targets inflation based on CPI.

- **Core inflation:** It is an inflation measure that excludes transitory or temporary price volatility as in the case of some commodities such as food items, energy products, etc. It reflects the inflation trend in an economy.

  If temporary price shocks are taken into account, they may affect the estimated overall inflation numbers in such a way that they are different from actual inflation. To eliminate this possibility, core inflation is calculated to gauge the actual inflation apart from the temporary shocks and volatility.

  Difference between headline and core inflation

  Headline inflation contains all items, including food and oil, whose prices are highly volatile. Core inflation does not contain volatile items. Thus, it gives a more real data, a clearer picture about the economy for the economists, while headline inflation is of more concern to the common people, who get much affected with, especially, the prices of food articles.

- **Asset inflation:** Asset price inflation is an economic phenomenon denoting a rise in price of assets, as opposed to ordinary goods and services. Typical assets are financial instruments such as shares as well as real estate.

- **Wages inflation:** Wage push inflation is a general increase in the cost of goods that is preceded by and results from an increase in wages. To maintain corporate profits after an increase in wages, employers must increase the prices they charge for the goods and services they provide.

2 EFFECTS OF INFLATION ON VARIOUS CLASSES OF PERSONS

- **Debtors and creditors:** During periods of rising prices, debtors gain and creditors lose. When prices rise, the value of money falls. Though debtors return the same amount of money, but they pay less in terms of value of money. Thus, inflation brings about a redistribution of real wealth in favour of debtors at the cost of creditors.
- **Salaried persons:** Salaried workers such as clerks, teachers, and other white collar persons lose purchasing power when there is inflation. The reason is that their salaries are slow to adjust to rising prices.
- **Wage earners:** Wage earners may gain or lose depending on the speed with which their wages adjust to rising prices. If their unions are strong, they may get their wages linked to the cost of living index. In this way, they may be able to protect themselves from the bad effects of inflation.
- **Fixed-income group:** The recipients of transfer payments such as pensions, unemployment insurance, social security, etc., and recipients of interest and rent live on fixed incomes. All such persons lose because they receive fixed payments, while the value of money continues to fall with rising prices.
- **Investors:** Persons who hold shares of companies gain during inflation. When prices rise, business activities expand, which increases profits of companies. But those who invest in debentures, securities, bonds, etc., which carry a fixed interest rate, lose during inflation because they receive a fixed sum while the purchasing power is falling.
- **Business persons:** Business persons of all types, such as producers, traders, and real estate holders, gain during periods of rising prices. When prices rise, the value of their inventories (goods in stock) rise in the same proportion. So they profit more when they sell their stored commodities.
- **Government:** The government as a debtor gains at the expense of households who are its principal creditors. This is because interest rates on government bonds are fixed and are not raised to offset the expected rise in prices. With inflation, even the real value of bonds is reduced.

Thus, inflation redistributes income from wage earners and fixed-income groups to profit recipients, and from creditors to debtors. So far as wealth redistributions are concerned, the very poor are more likely to lose than the middle and high income groups. This is because the poor hold wealth in monetary form and is mostly wage earner. On the other hand, the middle income and rich people are likely to invest in shares and real estate, which witness price rise during times of inflation. Thus, inflation increases the gap between rich and poor.

3 EFFECTS OF INFLATION ON VARIOUS ECONOMIC PHENOMENON

- **Production:** When prices start rising, production is encouraged. Producers earn wind-fall profits in the future. They invest more in anticipation of higher profits in the future.
- **Consumption:** When prices start rising, consumption is discouraged.
- **Balance of payments:** When prices rise more rapidly in the home country than in foreign countries, domestic products become costlier compared to foreign products.
  This tends to increase imports and reduce exports, thereby making the balance of payments unfavourable for the country.

4 FACTORS AFFECTING INFLATION

Two types of factors affect inflation:

1. **Demand-side (or price-pull) factors:** The factors that lead to increased demand of goods and services in the economy are demand-side factors. Increased demand for goods and services may be on account of increase in population, increase in the income level of the people, etc.
2. **Supply-side (or cost-push) factors:** The factors that lead to increased cost of production, transportation, or sale of goods and services in the economy are supply-side factors. For instance, increase in cost of raw materials, wages, transportation fuel, etc.

Inflation can be managed through change in both supply and demand-side factors. However, changes in supply-side factors can be brought in the long term. The demand-side factors can be changed in a relatively short term.

Role of RBI in Curtailing Inflation

To control inflation, the RBI reduces the money supply in the economy through the exercise of monetary policy. The reduction in money supply reduces the demand of various commodities in the economy.

5 INFLATION IN DIFFERENT TYPES OF PRODUCTS

- **Necessity goods:** Necessity goods such as milk, food grains, etc. are consumed by rich as well as poor. Price rise in necessity goods forces poor to reduce the consumption or even stop the consumption of necessity goods. Thus, inflation in necessity goods has a pernicious effect.
- **Luxury goods:** Luxury goods such as costly cars, gems and jewellery, etc. are afforded by the rich only. Thus, inflation in these goods is not that pernicious (as in necessity goods) because the rich have the capacity to bear inflation. In fact, some of the luxury items are Giffen goods, which are those goods that people consume more as the price rises and vice versa.
- **Intermediate goods:** Intermediate goods are those goods that are used as inputs in the production of other goods. Inflation in intermediate goods leads to price rise in the final goods. For instance, increase in the price of natural gas will lead to increase in the prices of fertilizers.
- **Final goods:** Final goods are those goods that are consumed by the final consumer. Inflation in final goods affects the ultimate consumer of these goods only.

- **Fuels**
  - **Petrol:** Inflation in petrol is borne by the owner of automobile and thus does not lead to overall inflation in the economy.
  - **Diesel:** Inflation in diesel has impact on the overall price level of an economy because diesel is used in transportation of various goods and even in agriculture and industry.
  - **Liquefied petroleum gas (LPG):** LPG is used as a cooking fuel. Increase in LPG prices forces many households to use cow dung cakes and wood for cooking. To maintain low prices of LPG, the government provides subsidy.
  - **Kerosene:** Kerosene is consumed mainly by the poor to fulfil a variety of fuel needs such as cooking and lighting. Thus, rise in the prices of kerosene puts extra burden on the poor. To maintain low prices of kerosene, the government gives subsidy on kerosene.

6 INFLATION IN DEVELOPED AND DEVELOPING COUNTRIES

The present rate of inflation is high in developing countries as developing countries are growing at higher rates. High growth rate increases the income level of people. Consequently, people make more demand of commodities leading to inflation.

However, the overall price level is higher in developed nations. This is due to the fact that in the past, developed nations have experienced high growth rate and high inflation rate than that experienced by developing economies.

7 MEASUREMENT OF INFLATION

Inflation Indices

In India, CPI and WPI are two major indices for measuring inflation.

Comparison between WPI and CPI

- The WPI was the main index for measurement of inflation in India till April 2014 when the RBI adopted CPI as the key measure of inflation.
- The WPI is computed by the Office of the Economic Adviser in the Ministry of Commerce and Industry, Government of India. CPI is of three types: CPI for industrial workers (IW), CPI for agricultural labourers (AL)/rural labourers (RL), and CPI (rural/urban/combined). While the first two are compiled and released by the Labour Bureau in the Ministry of Labour and Employment, the third by the Central Statistics Office (CSO) in the Ministry of Statistics and Programme Implementation.
- Both WPI and CPI are released monthly.
- In 2017, the base year for the calculation of WPI was changed to 2011–12. The base year for calculating the CPI is also 2011–12. Thus, the base year for WPI has been made the same as that of CPI. Earlier, the base year for calculating the WPI was 2004–05. Recently, the government has proposed to change the base year for calculation of inflation to 2017–18.

- There are 697 (earlier 676) items in the WPI. The numbers of items in the CPI basket are 448 in rural and 460 in urban.
- The primary use of WPI is to have inflationary trend in the economy as a whole. However, CPI is used for calculating changes in the cost of living.
- The WPI is based on wholesale prices for primary articles and ex-factory prices for manufactured products. On the other hand, CPI is based on retail prices, which include all distribution costs and taxes.
- The prices for WPI are collected on voluntary basis, while the price data for CPI are collected by investigators by visiting markets.
- The CPI covers only consumer goods and consumer services, while the WPI covers all goods, including intermediate goods transacted in the economy.
- The WPI weights are primarily based on national accounts and enterprise survey data, and the CPI weights are derived from consumer expenditure survey data.

Note: The major changes in weights, number of items, and quotations between WPI 2004–05 and WPI 2011–12 are given in the following table:

Major Group	Weights		Number of items		Number of quotations	
	2004–05	2011–12	2004–05	2011–12	2004–05	2011–12
All commodities	100.00	100.00	676	697	5482	8331
Primary articles	20.12	22.62	102	117	579	983
Fuel and power	14.91	13.15	19	16	72	442
Manufactured products	64.97	64.23	555	564	4831	6906

The index basket of the new series has **697** items (as mentioned earlier), including **117** items for primary articles, **16** items for fuel and power, and **564** items for manufactured products.

Proportion of items in CPI

The items in CPI are divided into five main groups as follows:

Item group	Weightage (%)
Food and beverages	54.18
Pan, tobacco, and intoxicants	3.26
Clothing and footwear	7.36
Fuel and light	7.94
Miscellaneous	27.26
Total	**100**

Base year

The government has chosen an arbitrary year to be the base year and set that equal to 100. Currently, the base year is 2011–12. Recently, the government has proposed to change the base year for calculation of inflation to 2017–18. Every month, the Bureau of Labour Statistics (BLS) surveys prices around the country for a basket of products and publishes the results as a number. Let us assume for the sake of

simplicity that the basket consists of one item and that one item costs ₹1 in 2012. The BLS published the index in 2012 at 100. If today the same item costs ₹1.85, the index would stand at 185.0. By itself, it does not tell us what the current inflation rate is.

Relevance of Base Year

The pattern of consumption by the people is ascertained in the base year as adopted at the discretion of the government. Accordingly, based on the pattern of consumption, the commodities are selected and weights are allocated to the commodities for inclusion in CPI. The weight allocated to each commodity reflects the amount of expenditure incurred on that particular commodity.

Calculation of Inflation

Many people are confused by the difference between inflation and CPI. The CPI is, as its name implies, an index or "a number used to measure change in the cost of living".

How does inflation or deflation relate to the CPI?

In order to calculate the inflation, we compare the CPI of the current month with the same month last year.

For instance, CPI (rural) values for November 2016–17 and November 2015–16 were 133.6 and 128.3, respectively.

Inflation rate (in rural areas) for the month of November 2016

$$= \frac{(\text{CPI November 2016 value} - \text{CPI November 2015 value})}{(\text{CPI November 2015})} \times 100$$

$$= \frac{(133.6 - 128.3)}{128.3} \times 100 = 4.13\%$$

Thus, we can conclude that the CPI is used to calculate the actual inflation rate.

Base effect: The consequence of abnormally high or low levels of inflation in the same month of the previous year distorts headline inflation numbers for the present month. A base effect can make it difficult to accurately assess the inflation levels. In our example, the base month is November 2015.

8 MEASURES TO CONTROL INFLATION

- **Monetary measures:** Inflation can be curtailed by controlling the money supply.
- **Fiscal measures:** Inflation can be controlled by reducing government expenditure and increasing revenue collection.
- **Administrative measures:** These measures refer to the actions undertaken by the government. Administrative measures such as a check on hoarding can also help in reducing prices.
- Apart from these three measures, any change in demand and supply factors can also help in reducing inflation.

Indian Agriculture I: Markets, Irrigation, and Finance

1 AGRICULTURAL PRODUCE MARKET COMMITTEE ACT

The Agricultural Produce Market Committee (APMC) Act regulates mandis (agricultural markets). States are geographically divided, and mandis are provided at different places within a state.

Farmers are compulsorily required to auction their agricultural produce at a mandi. Only licensed traders can purchase from the farmers at the mandi.

Objectives of Mandi System

- **Ensure high prices of agricultural output to farmers:** APMCs are required to ensure competition among traders. These traders operating at mandis are expected to purchase the output from farmer through auction.
- **Prevent exploitation of farmers:** If a farmer attempts to sell the produce in the open market, he/she may be forced to sell the output at low rates. On account of perishable nature of agricultural produce, the bargaining power of farmer would be low.

Problems with Old APMC Act

Agriculture is a state subject. Thus, various states have passed different APMC acts to regulate agricultural markets. The problems faced on account of APMC laws are as follows:

- **Membership of APMC:** State APMCs usually have 10–17 members. These members oversee the functioning of mandis. They are either elected or nominated by the state government as per the APMC acts of a particular state.

  However, often regular elections are not held and APMCs function under bureaucratic control.

  Exploitation by traders

  - **Cheating with farmers:** Traders often delay payments to the farmers. If payment is made in cash, traders arbitrarily deduct some amount from the payment.

    The payment made to farmers is as low as one-third to one-fourth of the retail prices of agricultural produce. To avoid taxes, traders do not give sale slips to farmers. As a result, farmers do not possess any proof of sale of agricultural produce.
  - **Double commission:** Middleman or trader charges commission from the farmer as well as the food processors, retailers, etc. On account of double commission, final consumer is also required to pay high prices for agricultural produce.

- It is alleged that the middleman purchases agricultural produce during the peak season from farmers at throw-away prices and sells to consumers during the lean season at very high prices.
- Middlemen are expected to make value addition to agricultural produce. However, rarely they possess facilities to do sorting, grading, etc. of the agricultural produce.

  As a result, post-harvest losses continue to be in the range of 18–40% for various agricultural commodities.
- **Influence on price discovery:** The APMC Act requires farmers to sell their produce through auction. However, no auction takes place in mandis. Even if an auction is held, traders have formed informal cartels and deliberately keep the prices low.

  For food grains, minimum support price serves as the benchmark rate for the purchase of produce. However, for other agricultural commodities such as fruits and vegetables, farmers rely on traders for the determination of prices.
- **Hoarding of agricultural produce:** Sometimes traders engage in hoarding of agricultural produce to secure high prices from the retailers.

- Every transaction is subjected to market tax and mandi fee. Mandi fee is expected to be used for the development of mandi infrastructure such as sorting, grading, storage facility, etc. However, infrastructure development has been slow or negligible in mandis.
- **Issue of license to traders:** Only licensed traders can purchase agricultural outputs from farmers. The requirement of license has been kept to ensure that only reliable persons purchase the output from the farmers. For instance, there are certain pre-conditions to secure license such as security deposit and ownership of shop/godown in a mandi.

  The number of shops/godowns are very limited in a mandi. Often a trader purchases a shop/godown at very high prices. Further, bribes are given to secure license. As a result, traders (also called commission agents) exploit farmers to recover their investment.

2 MODEL APMC ACT

The Model APMC Act was published by the central government in 2003. This act was drafted in order to motivate states to bring reforms in their APMC acts. In between 2003 and 2015, 20 states have adopted some reforms suggested under the Model APMC Act.

There is tough resistance from traders against the Model APMC Act. Further, the state governments have limited options because open markets for agriculture are not well developed.

Salient Features of Model APMC Act

- The Model APMC Act permits farmers to sell agricultural produce even outside mandis. On the same lines, food processors, retailers, etc. can purchase agricultural produce directly from farmers.
- This act also permits contract farming. **Contract farming** is an agreement under which a farmer is required to provide agreed quantities of a specific agricultural product and the buyer gives

guarantee in advance to purchase his output. In some cases, buyers even support the farmers with agricultural inputs and technology.

- The act requires establishment of State Agricultural Produce Marketing Standards Bureau. It will have the responsibility of grading, standard assessment, and quality certification of agricultural produce, so that the quality produce can fetch higher prices.
- The act permits public–private partnership (PPP) in the management and development of agricultural markets, including facilities such as storage, processing, etc.
- The act also provides for increase in the responsibility of APMC as follows:
  - Complete transparency in the pricing system and transactions taking place in mandis
  - Ensures payment to farmers on the same day (day on which they sell their agricultural produce)
  - Promotes value addition in agricultural produce
  - Promotes PPP to develop mandi infrastructure
  - Publishes data at the mandi entrance about the arrivals of agricultural produce in mandi and the price of agricultural produce

Additional Suggestions to Reform Model APMC Act

- There are suggestions to exclude horticulture produce from mandis. Within mandis, there are no specific services for storage and processing of horticulture output, leading to high damages in horticultural output. Moreover, middlemen make high commission on horticulture output at the cost of consumers and farmers. Wastage of produce along with high commission leads to higher prices of agricultural produce.
- E-auction of agricultural produce should be promoted. All mandis should introduce an e-auction platform. E-auction will bring transparency in the determination of prices and would help traders from large geographical locations to participate in the auction.
- Membership of mandis should be made open. Licence system should be abolished. Only a bank guarantee from traders shall be kept to ensure that the payment of farmers is not affected.

National Agricultural Market

e-NAM (National Agricultural Market) is a pan-India electronic trading portal launched by the Ministry of Agriculture and Farmers' Welfare to facilitate farmers, traders, exporters, and processors with a common platform for trading commodities.

As on 1 January 2017, it links 250 APMCs (Agriculture Produce Marketing Committees) from across 10 states. Traders and exporters need to get themselves registered with the portal to access its services. Sixty-nine commodities, including staple food grains, vegetables, and fruits, are currently listed in its list of commodities available for trade.

The portal is managed by the Small Farmers' Agribusiness Consortium (SFAC) appointed by the ministry in association with a group of strategic partners selected for the purpose. The SFAC is the lead promoter of NAM. It is a registered society of the Department of Agriculture, Cooperation and Farmers' Welfare under the Ministry of Agriculture and Farmer Welfare.

3 TYPES OF IRRIGATION TECHNIQUES

Irrigation is the method in which a controlled amount of water is supplied to plants at regular intervals for agriculture. It is used to assist the growth of agricultural crops, maintenance of landscapes, and re-vegetation of disturbed soils in dry areas and during periods of inadequate rainfall. Irrigation techniques depend on the method of water distribution in a field. Various irrigation techniques are as follows:

Surface Irrigation

Surface irrigation refers to the flow of water under the influence of gravity or slope of land. Surface irrigation is the most commonly used method of irrigation. However, it suffers from certain problems:

- It leads to wastage of a lot of water.
- Overuse of water may lead to water logging.
- Extensive surface irrigation may lead to unwanted rise in the water table, which may further bring salt deposits in underground water to the roots of the crops, causing damage to crops.

  Surface irrigation is of the following sub-types:

Furrow irrigation

Under this type of irrigation, a long narrow trench is made in the field. Further, the trench is given outlets into the fields from which water is continuously supplied to the field.

Border strip irrigation

Under border strip irrigation, the field is bordered with the help of mud embankments. These embankments enable the water to remain concentrated in a particular area or part of the field.

Basin irrigation

Basin irrigation involves supply of water to the entire basin. In other words, the water is allowed to cover the whole field. This type of irrigation is used for paddy cultivation.

Localized Irrigation

Localized irrigation is a method of irrigation in which water is distributed through a piped network in a predetermined pattern and applied to plants only in required amounts. Localized irrigation can further be divided into the following:

Drip irrigation

Drip irrigation is also called trickle irrigation. Under drip irrigation, water is supplied to the roots of the plant, drop by drop, through a network of small-sized pipes. Drip irrigation reduces the consumption of water. Drips or small-sized pipes can also be used to deliver fertilizers to plants.

Sprinkler irrigation

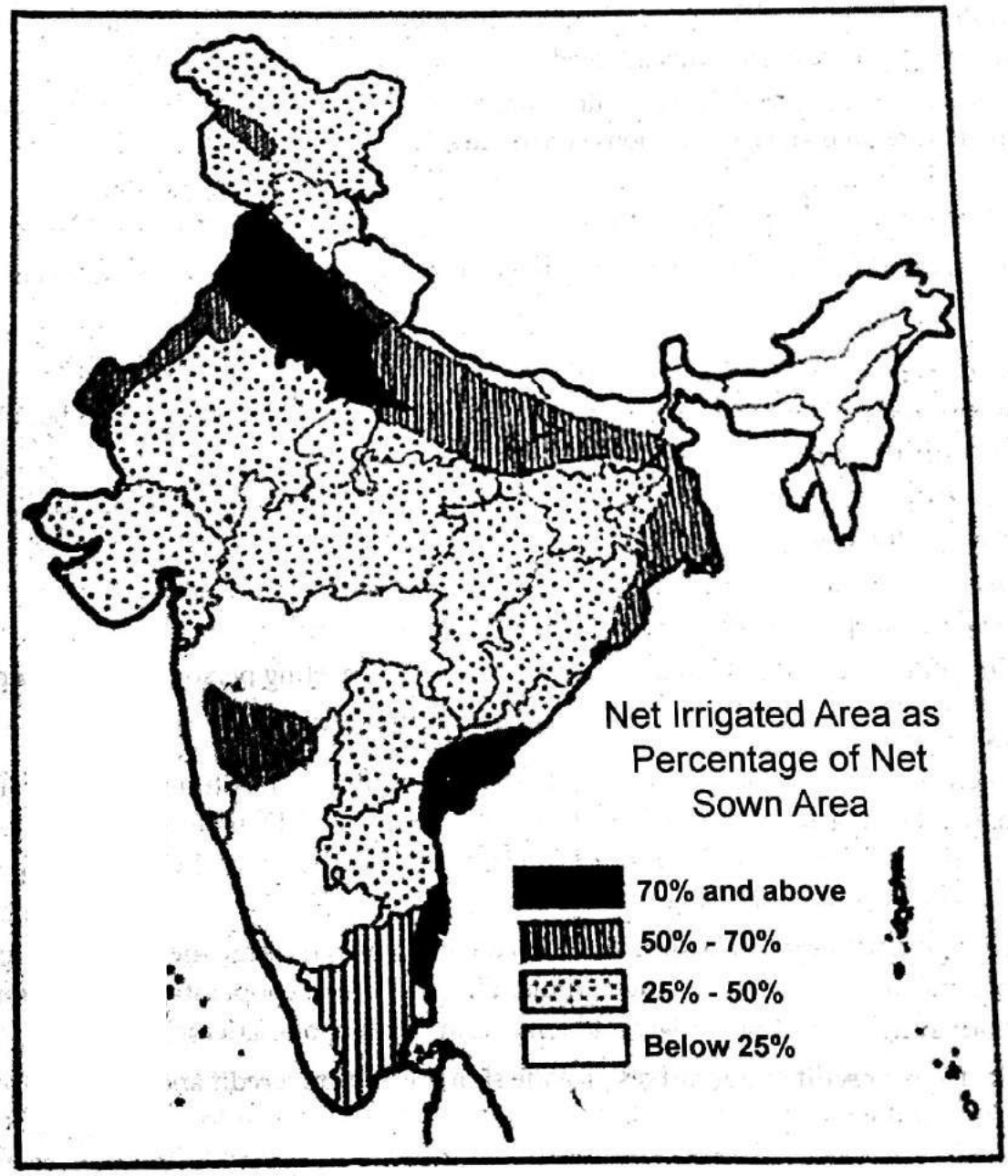
This type of irrigation involves rotation of a sprinkler in the centre of field and distribution of water to the field with the help of sprinklers. Unlike surface irrigation where a large amount of water is concentrated in a particular part of a field, a sprinkler facilitates distribution of water over a large part of a field.

Sub-irrigation

Sub-irrigation is also called seepage irrigation. It is used in areas with high water table. It is a method of raising the water table in order to let the soil gather moisture from underground water. This type of irrigation is used in low lands or areas adjoining river valleys.

4 PATTERN OF IRRIGATION IN INDIA

Irrigation in India includes a network of major and minor canals from Indian rivers, groundwater well-based systems, tanks, and other rainwater-harvesting projects for agricultural activities. Of these, groundwater system is the largest. In 2010, only about 35% of the total agricultural land in India was reliably irrigated. About two-thirds of the cultivated land in India is dependent on monsoon.



5 AGRICULTURAL CREDIT IN INDIA

Agricultural credit system is significant because for most of the Indian rural families, savings are inadequate to finance farming and other economic activities. Moreover, there is a time lag between income realization and expenditure in agriculture. Also the non-institutional lenders exploit the illiterate and poor farmers.

Thus, the institutional credit system is necessary to support agriculture. In India, a multi-agency approach comprising cooperative banks, scheduled commercial banks, and regional rural banks (RRBs) is used to facilitate credit to the agricultural sector.

Types of Agriculture Credit

According to purpose of agriculture credit, it can be categorized into two types:

- **Productive:** Productive loans are the loans that are used to support agricultural production, for example purchase of tractor, land, seeds etc.
- **Unproductive:** Unproductive credit is used for personal consumption, for example loans for expenditure on marriages, religious ceremonies, etc.

Source of Agricultural Credit in India

There are two broad sources of agricultural credit in India: non-institutional sources and institutional sources.

Non-institutional sources

The non-institutional sources constitute around 40% of the total rural credit in India. The important sources of non-institutional credit are as follows:

- **Moneylenders:** Moneylenders charge a huge rate of interest and mortgage the property of the cultivators and in some cases even the peasants and members of his family are kept as collateral.
- **Traders, landlords, and commission agents:** The agents give credit on the hypothecation of crops. These crops, when harvested, are used to repay loans.
- **Credit from relatives:** This credit is generally used for meeting personal expenditure.

Institutional sources

The government policy on agricultural credit has been to enhance institutionalization of rural credit. The National Bank for Agriculture and Rural Development (NABARD) is an apex institution established in 1982 for rural credit in India. It does not directly lend to farmers and other rural people. It does indirect lending through the following institutions:

- **Rural cooperative credit institutions:** Rural credit cooperatives are the oldest and most extensive form of rural institutional financing in India. The rural credit cooperatives may be further divided into short-term credit cooperatives and long-term credit cooperatives.

  The **short-term credit cooperatives** provide short-term rural credit and are based on a three-tier structure as follows:

i. **Primary agricultural credit societies:** These are organized at the village level. The primary agricultural credit societies (PACS) raise capital for the purpose of giving loans and supporting the essential activities of the members such as supply of agricultural inputs at cheap price, improving irrigation on land owned by members, etc. In India, around 99.5% of villages are covered by PACS.

ii. **District Central Cooperative Banks:** These cooperatives are organized at the district level. The PACS are affiliated to the District Central Cooperative Banks (DCCBs). DCCBs coordinate the activities of district central financing agencies, organize credit for PACS, and carry out banking business.

iii. **State cooperative banks:** The DCCBs are further affiliated to state cooperative banks (SCBs), which coordinate the activities of DCCBs and carry out banking business.

The **long-term credit cooperatives** meet long-term credit requirements of farmers and are organized at two levels:

(a) **Primary cooperative agriculture and rural development banks:** These banks operate at the village level as an independent unit.

(b) **State cooperative agriculture and rural development banks:** These banks operate at the state level and have network of branches in different villages.

- **Commercial banks:** Commercial banks provide rural credit by establishing their branches in rural areas. The share of commercial banks in rural credit was very meagre till 1969. Subsequently, with the nationalization of 14 major commercial banks in 1969 (followed by another six banks in 1980), they have been given a special responsibility to set up branches for agricultural and allied activities in the country. The major expansion of rural branches took place, and commercial banks introduced the Lead Bank Scheme.

However, during the late 1980s, commercial banks suffered huge losses due to the waiving of agricultural loans by the government. The financial liberalization process has necessitated the banks to focus on profitability. The proportion of bank credit (out of the total credit generated by commercial banks) to rural areas, especially small borrowers, has come down steadily.

Lead Bank Scheme

The Lead Bank Scheme, introduced in 1969, envisages assignment of lead roles to individual banks (both in the public and private sectors) for the districts allotted to them. A bank having a relatively large network of branches in the rural areas of a given district has generally been entrusted with the lead responsibility for that district. Accordingly, all the districts in the country have been allotted to various banks. The lead bank acts as a leader for coordinating the efforts of all credit institutions in the allotted districts to increase the flow of credit to agriculture, small-scale industries, and other economic activities included in the priority sector in the rural and semi-urban areas.

- **Regional rural banks:** These are specialized banks established under the Regional Rural Banks Act, 1976, to cater to the needs of the rural people. RRBs are set up as rural-oriented commercial banks with the low cost profile of cooperatives but with the professional discipline and modern outlook of commercial banks.

Increased coverage of districts by RRBs makes them an important segment of the rural financial institutions. The branch networks of RRBs in the rural areas form around 43% of the total rural branches of commercial banks. A large number of branches of RRBs were opened in the un-banked or under-banked areas, providing services to the interior and far-flung areas of the country.

However, even after so many years, the market share of RRBs in rural credit has remained low and these banks have suffered huge losses.

- **Micro finance institutions:** Banks offer concessional interest rates for rural credit. However, small farmers are unable to access them because of borrower unfriendly products and procedures, inflexibility and delay, and high transaction costs. Thus, non-government organizations (NGOs) are providing alternative means to enhance access to credit to the poor since the mid-1970s. Since 1992, the RBI and NABARD encouraged commercial banks to link up with NGOs to establish and finance self-help groups of the poor.

Trends in Agricultural Credit

Over time, spectacular progress has been achieved in terms of the scale and outreach of institutional framework for agricultural credit. Some of the major discernible trends are as follows:

Increasing dependence on institutional credit

One of the major achievements in the post-independent India has been the widening of the spread of institutional machinery for credit and decline in the role of non-institutional sources. The share of institutional credit, which was little over 7% in 1951, increased manifold to over 66% in 1991. However, the latest NSSO Survey reveals that the share of non-institutional credit has taken a reverse swing, which is a cause of concern.

Relative share of borrowing of cultivator households from different sources (figures are in per cent)

Sources of credit	1951	1961	1971	1981	1991	2002
Non-institutional	92.7	81.3	68.3	36.8	30.6	38.9
of which money lenders	69.7	49.2	36.1	16.1	17.5	26.8
Institutional	7.3	18.7	31.7	63.2	66.3	61.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: All India Debt and Investment Survey by NSSO

Agency-wise credit flow

The analysis of agency-wise credit flow indicates that the cooperative banks were the major source of agriculture credit in 1975–76, constituting around 71% of the total institutional credit. However, in recent years, commercial banks and RRBs recorded impressive growth rates.

As a result, in 2006–07, the share of cooperative banks in the total institutional credit flow receded to 20.1% and that of commercial banks advanced to 69.1%. Although the quantum of disbursement from cooperative banks increased, it could not keep pace with commercial banks in enhancing credit flow due to several reasons such as poor recovery of credit.

Although the share of cooperative credit is now much lower than that of commercial banks, the reach of cooperative credit societies is much wider. Cooperative credit societies have more than twice the number of rural outlets and four times more accounts than those of scheduled commercial banks and RRBs put together.

Size-wise credit flow

Despite impressive growth in direct credit to farmers from scheduled commercial banks, credit disbursement to small and marginal farmers has not been encouraging. Though the number of accounts increased for small farmers, the credit flow favoured richer farmers.

Region-wise credit flow

While the share of loans in the total disbursement of credit for agriculture and allied activities was the maximum for the south region, it was the minimum for north-eastern region.

NABARD Initiatives for Rural Development

- **Rural Infrastructure Development Fund:** The Rural Infrastructure Development Fund (RIDF) was established in 1995–96 with the major objective of providing funds to state governments and state-owned corporations to develop rural infrastructure such as roads, bridges, irrigation works, soil conservation, flood protection, drinking water, infrastructure for rural education, etc. RIDF was established under NABARD.
- **Kisan Credit Card Scheme:** The Kisan Credit Card (KCC) Scheme was introduced in 1998–99 to facilitate short-term credit to farmers. Each farmer is given a KCC. NABARD provides refinance facility to commercial banks and cooperatives to provide credit under this scheme.

Weaknesses in Rural Credit Structure

- **Lack of guidance to farmers:** While finance is a very important factor, it should be complemented with the extension of services in the form of guidance, expertize, and counselling on agricultural issues.
- **Multiplicity of institutions:** There is a lack of coordination among the multiple agencies providing credit, and thus, the commercial viability of these agencies is adversely affected in this scenario.
- **Lack of motivation:** There is a pressure on banks to improve their financial position and so these banks are now concentrating on selected large borrowers.
- **Financial exclusion:** Despite a large network of institutional credit system, it has not been able to adequately penetrate informal rural financial markets and non-institutional sources continue to play a dominant role in purveying the credit needs of the people residing in rural areas.
- **Procedural delays:** There is a problem of considerable delays in the processing of loan applications and collaterals. Thus, farmers continue to rely on non-institutional sources.
- **Poor recovery:** Banks avoid rural financing mainly because of poor recoveries. It is ironical that the recoveries position is adverse among rich farmers than among small farmers. The political decisions of waiving off loans are further putting pressures on the financial system.

National Bank for Agriculture and Rural Development

NABARD was established in July 1982 as an apex institution to coordinate the activities of organizations engaged in the area of rural credit. It took over from RBI all the functions that the latter performed in the field of rural credit. The functions of NABARD can be divided into three categories:

1. **Credit functions:** As an apex bank, it is involved in refinancing credit needs of major financial institutions engaged in credit to the rural sector. As stated earlier, NABARD does not directly deal with farmers and other rural people.
2. **Developmental measures:** NABARD has been undertaking a number of developmental activities such as providing help to cooperative banks and RRBs to prepare development action plans for themselves, providing financial assistance to cooperatives and RRBs, etc.
3. **Supervisory functions:** NABARD has been sharing with the RBI certain supervisory functions in respect of cooperative banks and RRBs. It has been entrusted with the statutory responsibility of conducting inspections of SCBs, DCCBs, and RRBs.

Indian Agriculture II: Land Reforms

Land reforms refer to changes in the agrarian structure through direct intervention by the state. Land reforms were introduced to overcome the problems associated with the land revenue systems introduced by the British, namely, Zamindari, Mahalwari, and Ryotwari system. Some of the problems associated with these land revenue systems are explained as follows:

1 ZAMINDARI OR PERMANENT SETTLEMENT SYSTEM

The Zamindari system was introduced over Bengal, Bihar, Orissa, and Eastern Uttar Pradesh. The system was also called Permanent Settlement System because it involved direct settlement with Zamindars. Under this system, Zamindars were required to pay a fixed annual sum (10/11 parts of the collected rent) to the East India Company and in return they were given the right to collect revenue from peasants.

Since a large part of the collected rent was appropriated by the British, Zamindars often collected very high rent from peasants and the methods of collection were also extremely harsh.

Zamindars became rich on account of high rates of collection, but they were not interested in the development of agriculture. At the same time, peasants turned poor and consequently the investment in agriculture fell, leading to decline in agriculture.

2 RYOTWARI SYSTEM

The Ryotwari system was introduced in South India and Western India. Under the system, direct settlement was reached with "Ryot" or peasant. Though the British used to collect revenue from peasants directly, the rate of collection was extremely high and the method of collection was equally harsh. The revenue rates under the system were as high as 50% where the lands were un-irrigated and 60% where the lands were irrigated. As a result, peasants were often required to borrow from moneylenders who used to charge very high rates of interest.

Thus, again under the Ryotwari system, most of the peasants remained poor. Agriculture became non-remunerative, and there was a continuous decline in agricultural investment.

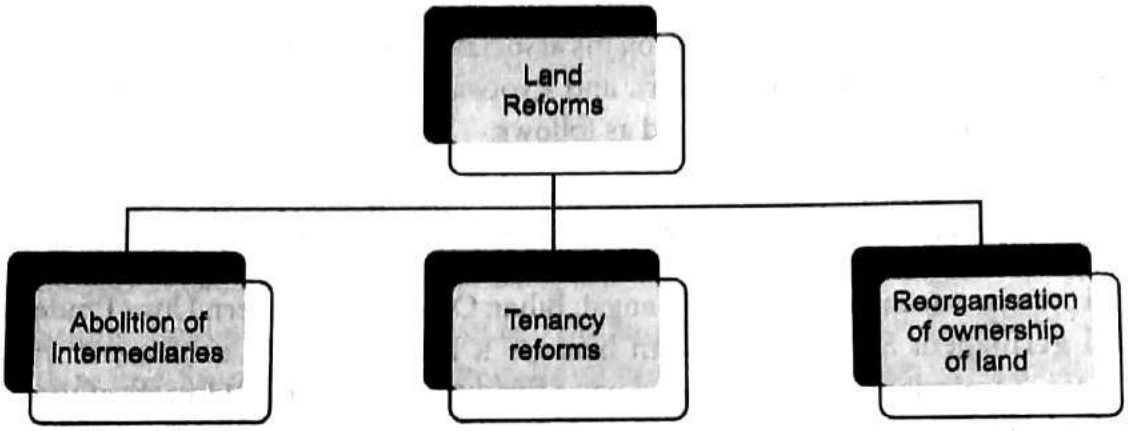
3 MAHALWARI SYSTEM

The Mahalwari system was introduced in Punjab and Western Uttar Pradesh. In this system, land was divided into Mahals and each Mahal comprised one or more villages. Collective assessment of a Mahal was made.

The ownership rights of peasants were recognized, and a leading family of village, known as Mahaldar, was given rights by the company to fix individual share and collect the revenue. Sometimes, Mahaldars used to exploit peasants and fix share of land revenue arbitrarily.

4 LAND REFORMS

To overcome the evils of these land revenue systems, land reforms were introduced under three categories:



Abolition of Intermediaries

At the time of independence, 57% of cropped area in India was under the Zamindari system. There was a strong opinion to abolish these Zamindars (intermediaries between the administration and peasants) from the agrarian system. As a result, laws were passed by all the states to abolish intermediaries from agriculture.

Assessment of zamindari abolition

The Zamindari system was effectively abolished in West Bengal and Kerala on account of the efforts by the state governments. In other states, even though the intermediaries have been abolished to a large extent, still their abolition is hampered on account of the following reasons:

- Lack of written land records affect the recognition of rights of tenants over land.
- Lack of administrative machinery to implement abolition of intermediaries.
- The laws to implement land reforms recognized "personal cultivation" by Zamindars as ground for retaining ownership of land.

  Moreover, "personal cultivation" was broadly defined as personal supervision by the Zamindar or any member of his family. Therefore, most Zamindars resorted to personal cultivation at least in papers. As a result, though the official documents claimed that Zamindari had been completely abolished, the fact was that it had only changed its form. Zamindars were now designated as big landowners in the agrarian society.

Tenancy Reforms

Tenants can be classified into three categories:

1. **Occupancy tenants:** Occupancy tenants enjoy permanent rights over land and do not face fear of eviction as long as they pay rent on time. Moreover, they are entitled to compensation for improvements in land.
2. **Tenants at will:** Tenants at will do not enjoy security of tenure and could be evicted from land whenever landlord desires so.
3. **Sub-tenants:** Sub-tenants are tenants employed by occupancy tenants. Their rights over land are also not recognized.

To improve the conditions of tenants, the following reforms were introduced:

Regulation of rent

The landowner used to charge a very high rent from tenants. The tenants were forced to pay the high rent because they faced risk of eviction on non-payment of land revenue. The tenants also lacked bargaining power because the difference in social status of tenants and landowners was large.

As a result, various states passed laws to regulate the land rent. Most states regulated land rent in the range of one-fifth to one-fourth of the total agricultural produce and in some states such as Punjab and Haryana, rent was fixed at one-third of the agricultural produce.

However, these laws are often violated on account of the following reasons:

- Agreements between owner and tenant are often oral and informal. It has been estimated that nearly 40% of tenancy agreements are oral.
- On refusal to pay high rents, tenants faced the risk of eviction from the land.
- Landowners enjoy strong socioeconomic and political hold. Consequently, tenants cannot effectively bargain with the landowners.

Security of tenure

Tenants lacked bargaining power against landowners on account of continued threat of eviction from land. Moreover, due to the fear of eviction, tenants were apprehensive of bringing improvement in agricultural land.

The legislation for security of tenure had the following essential aims:

- Eviction should not take place except in accordance with the provisions of law.
- Land cultivation may be resumed by the owner, if at all, only on grounds of personal cultivation. On the resumption of cultivation by the owner, the tenant is assured of a prescribed minimum area.

The degree of protection to tenants under these laws depends on the following factors:

- **Definition of tenant:** In all the tenancy laws of the country, persons cultivating the lands of others on payment of rent either in cash or kind or both are treated as tenants. However, in some states, sharecroppers who pay rent in kind are not covered under definition of tenants.

- **Right to resume cultivation:** The landowners could evict tenants on grounds of resumption of cultivation. Moreover, the definition of personal cultivation included supervision by any member of the family.
- **Provision of voluntary surrenders:** Many landlords compelled their tenants to give up tenancies to avoid tenancy laws because tenancy laws were not applicable on voluntary surrenders of land.

  Consequently, the Fourth Five-year Plan recommended that voluntary surrenders should be regulated by the state in such a way that landowners were prohibited from taking possession of the surrendered land. The surrendered land could be given to either an eligible tenant selected by the government or to the government only. However, only a few states have incorporated this provision into their laws.
- **State of land records:** Land records are often incomplete and unwritten. In such as case, a person cannot claim to be a tenant.

Ownership right to tenants

Some states have passed laws to confer ownership rights to the tenants. In implementing such laws, West Bengal, Karnataka, and Kerala have achieved more success than other states. In West Bengal, over 14 lakh sharecroppers (locally called Bargardars) are given ownership rights under "Operation Barga".

The following factors hampered the transfer of ownership to peasants:

- The purchase price for land was required to be paid in instalments. However, still many tenants could not afford to pay it.
- Unwillingness of tenants to purchase land on account of threats by landowners.
- Resumption of personal cultivation by landowner.
- Oral tenancy agreements.

Reorganization of Ownership of Land

Ceiling on agricultural holdings

Land ceiling laws specified land to which ceilings shall apply, land exempted from ceilings, steps to be taken to prevent mala fide transfers, and compensation to be paid for land acquired.

Before 1972, there was lack of consistency in the land ceiling acts passed by various states. In 1972, a conference of Chief Ministers was held to bring uniformity in the land ceiling laws.

The main features on which consensus was built are as follows:

- Ceiling of 18 acres over irrigated and 54 acres over non-irrigated land.
- Family rather than an individual shall be considered a unit for determining land holding.
- Fewer exceptions from ceilings such as:
  - Tea, coffee, and rubber plantations
  - Fruit orchards
  - Specialized farms engaged in cattle breeding, dairying, wool raising, etc.
  - Sugarcane farms by sugar factories

- Effectively managed farms on which heavy investments or permanent structural improvements have been made and whose break up is likely to cause fall in production.

- Retrospective application of law for declaring "Benami" transactions void.

Evaluation of land ceiling acts: Only around 3 million hectares has been declared surplus so far, which is hardly 2% of the net shown area. About 30% of this land has not yet been distributed as it is caught up in litigations.

Benami transactions have facilitated illegal possession of a significant amount of land above ceiling limits. There are allegations that inferior and unproductive land has been allocated to the poor, who often refuse to take these lands because they lack resources to make these lands productive.

Size of agricultural holding (as in 2010–11)

The average size of land holding in India is very small. Around 67% of operational holdings are marginal (<1 hectare) holdings. Marginal and small (<2 hectare) holdings constitute 84.9% of total agricultural holdings and 44.3% of cultivable area.

On the other hand, large (>10 hectare) holdings constitute 0.7% of the total agricultural holdings and 10.9% of cultivable area.

The reasons for the subdivision and fragmentation of agricultural holdings in India are as follows:

- Inheritance of land among children
- Pressure of population on land
- Decline of joint family system
- Financial distress causes farmers to sell part of their land
- Psychological attachment to land leads to a number of small holdings in place of a few large holdings.

The disadvantages of subdivision and fragmentation are as follows:

- Wastage of land in making boundaries
- Difficulties in mechanization
- Low productivity of land
- Disguised unemployment as many people are employed on small piece of land
- Increase in disputes over boundaries

Consolidation of land holdings

Consolidation of land holdings refers to the exchange of numerous small plots of land for a single (or a few) large plot of land. Only 15 states have passed laws to facilitate land consolidation. These laws also have provisions to prevent subdivision and fragmentation beyond a certain minimum limit. This minimum limit is known as standard area.

Evaluation of consolidation: Only in Punjab and Haryana, the task of consolidation has been undertaken on a considerable extent. In some states, consolidation has not at all been undertaken. Overall, consolidation could not be carried out on account of the following reasons:

- It is difficult to allot a single land of the same area and of the same quality as was previously held by the owner.
- People are emotionally attached to their land and, thus, do not part away with their land holdings.
- Unwritten and incomplete land records hamper consolidation of land holdings and lead to excessive litigation.
- There is lack of administrative staff to carry out consolidation of land holdings.
- It is said that the rich and influential often manage to get fertile and well-situated land, whereas the poor and non-influential get inferior lands.

  This is because consolidation of land holdings is governed by "Major Area Rule". The rule mandates that consolidation should be carried out around a plot or contiguous plots that form the largest proportion of the total land to be consolidated.
- Consolidation of land holding often leads to eviction of tenants.

5 COOPERATIVE FARMING

Cooperative farming refers to a system in which each member-farmer remains the owner of his land individually, but farming is done jointly. Profit is distributed among the member-farmers in the ratio of land owned by them. Wages are distributed among the member-farmers according to the number of days they worked.

In other words, cooperative farming refers to pooling of land and practising joint agriculture. Cooperative farming is not a new concept in India. Since ancient times, Indian farmers have been giving mutual aid to each other in sowing, harvesting, etc. However, the state push towards cooperative farming has been mainly since independence.

The advantages of cooperative farming are as follows:

- It resolves the problem of subdivision of land.
- Allocation of tasks among farmers makes tasks easier.
- Agricultural input can be purchased in bulk at cheaper rates.
- Similarly, agricultural output can be transported to markets in bulk at cheaper rates.
- Agricultural machinery such as tractors can be shared leading to lower cost of cultivation.

Critical Evaluation of Cooperative Farming in India

To promote cooperative farming, the government has offered a number of incentives such as financial assistance, technical assistance, preference in supply of input, etc. However, the progress of cooperative farming has been extremely slow. Only 0.38% of cultivated land is operated under cooperative farming.

The motivation behind the formation of cooperative societies in the farming sector has not been genuine. Most cooperatives are formed not on the basis of spirit of cooperation but to avoid government laws and to gain benefits from the government.

To conclude, land reforms in India have largely been a failure. Apart from the factors mentioned earlier, other factors that have proved to be a hindrance in land reforms are as follows:

- Lack of political will
- Apathy of bureaucracy
- Corruption
- Land owning by bureaucracy and political class
- Linkage between bureaucrats, politicians, and land-owning class

SUBSIDIES

1 SUBSIDY

A subsidy is a benefit given by the government to producers in the form of cash payment or a tax reduction and to consumers in the form of reduction in prices of commodities.

Reasons for subsidies

A subsidy is generally used as a form of support for particular sections of a nation's economy. It can assist the poor by reducing prices of food articles for them or encourage new businesses by providing financial support to them.

Direct versus Indirect Subsidies

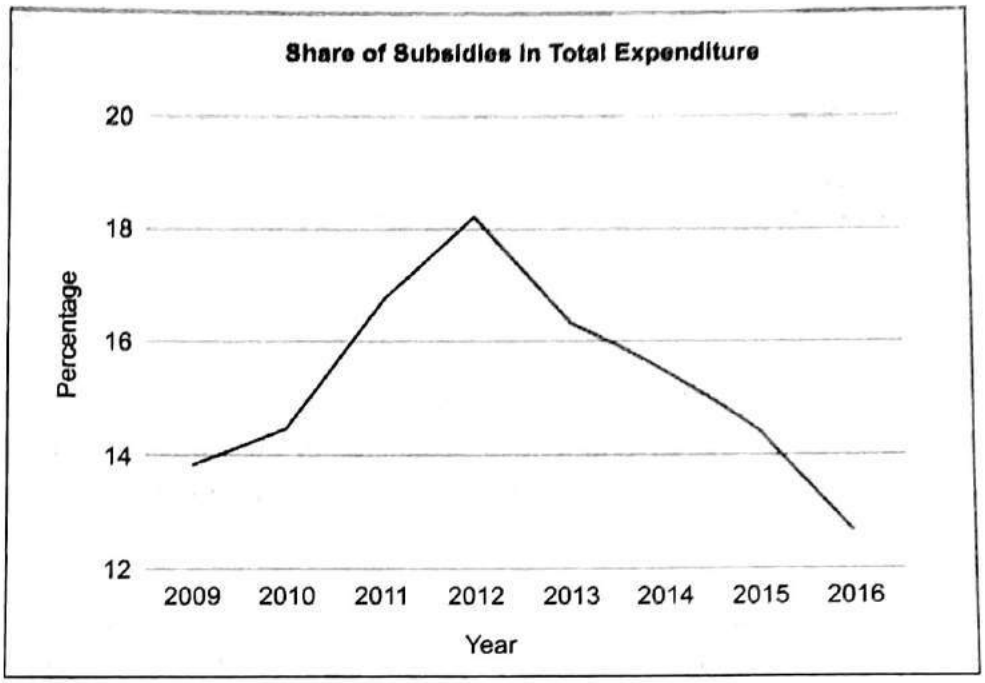
Direct subsidies involve a direct payment towards a particular group or industry. In a direct subsidy, bank payment can be provided to the specified group.

Indirect subsidies do not hold a predetermined monetary value that is specifically directed towards a particular industry or individual. It is given in form of price reductions for required goods or services. This allows the needed items to be purchased below the current market rate, resulting in a saving that is ultimately determined by the amount of participating activity.

2 SUBSIDIES IN INDIA

Subsidies constitute nearly one-eighth of the total central government expenditure. Apart from the central government subsidies, there are separate subsidies given by state governments. The share of subsidies as a proportion of total expenditure has decreased since 2012, when it reached a peak value of 18.23%. In 2016–17, 12.66% of the total central government budget expenditure (₹250,433 crore) was allocated for various subsidies.

Among the central government subsidies, three subsidies—food, fertilizer, and fuel subsidy—constitute a major chunk of all the subsidies.



Food Subsidy

Minimum support price (MSP) is the price at which the government purchases crops from farmers. MSP helps to incentivize the framers and thus ensures adequate food grains production in the country. Currently, MSP is announced by the Government of India for 25 crops at the beginning of each season, Rabi and Kharif.

The government decides the MSP for various agricultural commodities after taking into account the recommendations of Commission for Agricultural Costs and Prices. The Cabinet Committee on Economic affairs takes the final decision on MSP on behalf of the Government.

Commission for Agricultural Costs and Prices

The Commission for Agricultural Costs and Prices (CACP), formally known as the Agricultural Prices Commission, is a decentralized agency of the Government of India. It was established in 1965 as the Agricultural Prices Commission and was renamed to Commission for Agricultural Costs and Prices in 1985. The commission is attached to the Ministry of Agriculture and Farmers Welfare, Government of India.

- CACP recommends on MSP after taking into consideration the cost of agricultural inputs and some profit for farmers.

How Is the Cost for Agricultural Input Calculated?

For calculating production cost, two broad concepts — Cost A 2 (actual paid out cost) and Cost C 2 (comprehensive cost) — are used. Cost A 2 includes all expenses paid by the farmer in cash or kind such as seed, fertilizer, farmyard manure, pesticides, hired labor, machine labor and irrigation and maintenance costs. It also includes rent paid for the leased-in land, depreciation of assets, interest on the working capital and the imputed cost of owned seed, farmyard manure, and machine labor.

Cost C 2 is calculated by adding to Cost A 2 the imputed cost of family labor, the interest on fixed capital and the rental value of owned land.

Government agencies, such as the Food Corporation of India, transfer agricultural commodities from surplus to deficit regions with the help of railways. Finally, agricultural commodities are distributed through fair price shops at reduced rates. The Antyodaya beneficiaries (poorest of the poor) are given agricultural commodities at even lesser rates. The difference between the MSP and the price at which commodities are sold at ration shops is the subsidy burden borne by the government.

List of 25 crops on which MSP is declared

	Kharif Crops		Rabi Crops
1	Paddy	14	Nigerseed
2	Jowar	15	Wheat
3	Bajra	16	Barley
4	Maize	17	Gram
5	Ragi	18	Masur (Lentil)
6	Arhar(Tur)	19	Rapeseed/Mustard
7	Moong	20	Safflower
8	Urad	21	Toria
9	Cotton		Other Crops
10	Groundnut	22	Copra
11	Sunflower Seed	23	De-Husked Coconut
12	Soyabeen Black	24	Jute
13	Sesamum	25	Sugarcane

Fertilizer Subsidy

On the introduction of Green Revolution, the central government established fertilizer units across the country under the National Fertilizers Limited. The government purchases fertilizers from these units. The price at which the government purchases is decided keeping in mind the cost of production of these

units. However, the efficiency of these units varies to a large extent. Apart from domestic procurement, the central government is required to import a huge amount of fertilizers from abroad. Though fertilizer subsidy is required to make fertilizers available at cheap rates to the farmers, there are certain issues with fertilizer subsidy.

Issues related to fertilizer subsidy

- **Huge amount of subsidy:** Fertilizer subsidy poses a huge burden on central government finances.
- **High imports:** To overcome the shortfall in domestic fertilizer production, a large amount of fertilizers are imported from foreign nations.
- **Inefficiencies in usage of fertilizers:** Farmers keep on applying urea, which is a common fertilizer and is available at cheap rates, irrespective of the nutrient requirements of the soil.

  It is estimated that on an average the outcome derived from the use of fertilizers is 33% for nitrogen, 15% for phosphorous, and 20% for potassium.

  The inefficiency in the usage of fertilizers is due to faulty agricultural practices, such as application of fertilizers without knowing nutrient requirements of the soil, inappropriate seed, inappropriate farming methods, overuse or misuse of water, etc.

  To improve the efficiency in usage of fertilizers, the government has introduced the Soil Health Card scheme.

Soil Health Cards

The Soil Health Card scheme was launched by the Government of India in February 2015. Under the scheme, the government issues soil cards to farmers, which carry crop-wise recommendations of nutrients and fertilizers required for the individual farms to help farmers improve productivity through judicious use of inputs. All soil samples are tested in various mobile soil-testing labs across the country.

Thereafter, the experts analyse the strength and weaknesses (micronutrients deficiency) of the soil and suggest measures to deal with it. The results and suggestions are displayed on the cards. The government plans to issue the cards to 14 crore farmers.

- **Overuse of water:** Fertilizers require water in order to penetrate deep into the soil. As a result, overuse of fertilizers requires overexploitation of water resources, which further leads to problems of water scarcity.
- **Soil poisoning and health hazards:** Chemical fertilizers cause soil poisoning, which leads to harmful effects on people who consume the crops grown in that soil. Moreover, the groundwater and nearby canals also get polluted, which further leads to health problems among the local population.

On account of all these factors, there is a need to rationalize fertilizer subsidy in India.

Fuel Subsidy

The various types of fuels widely consumed are petrol, diesel, liquefied petroleum gas (LPG), and kerosene.

- **Petrol subsidy:** Among the fuel subsidies, petrol subsidy was the first to be withdrawn. Rise in petrol prices is borne by the owner of automobiles, who are middle and upper classes of the society and have the capacity to bear hike in prices.
- **Diesel subsidy:** Diesel is used for transportation of goods. Thus, increase in diesel prices on account of withdrawal of diesel subsidy was expected to result in overall price rise in the economy.

  However, diesel subsidy was putting burden on government finances. As a result, the government finally withdrew diesel subsidy in 2014. Low international crude oil prices facilitated the withdrawal of diesel subsidy.
- **LPG subsidy:** If LPG subsidy is withdrawn, many poor households would not be able to afford LPG cylinders and as a result would shift to wood, cow dung cakes, or kerosene stoves for cooking.

  The government, thus, continues to provide LPG subsidy. However, certain reforms have been taken. There is a restriction on the number of subsidized cylinders (at present 12 per year). Earlier, the cylinder was available at subsidized rates. Now, a cylinder is purchased at the full rate but subsidy is credited to the bank account of beneficiary. This step has eliminated wrongful claim of LPG subsidy to a large extent.

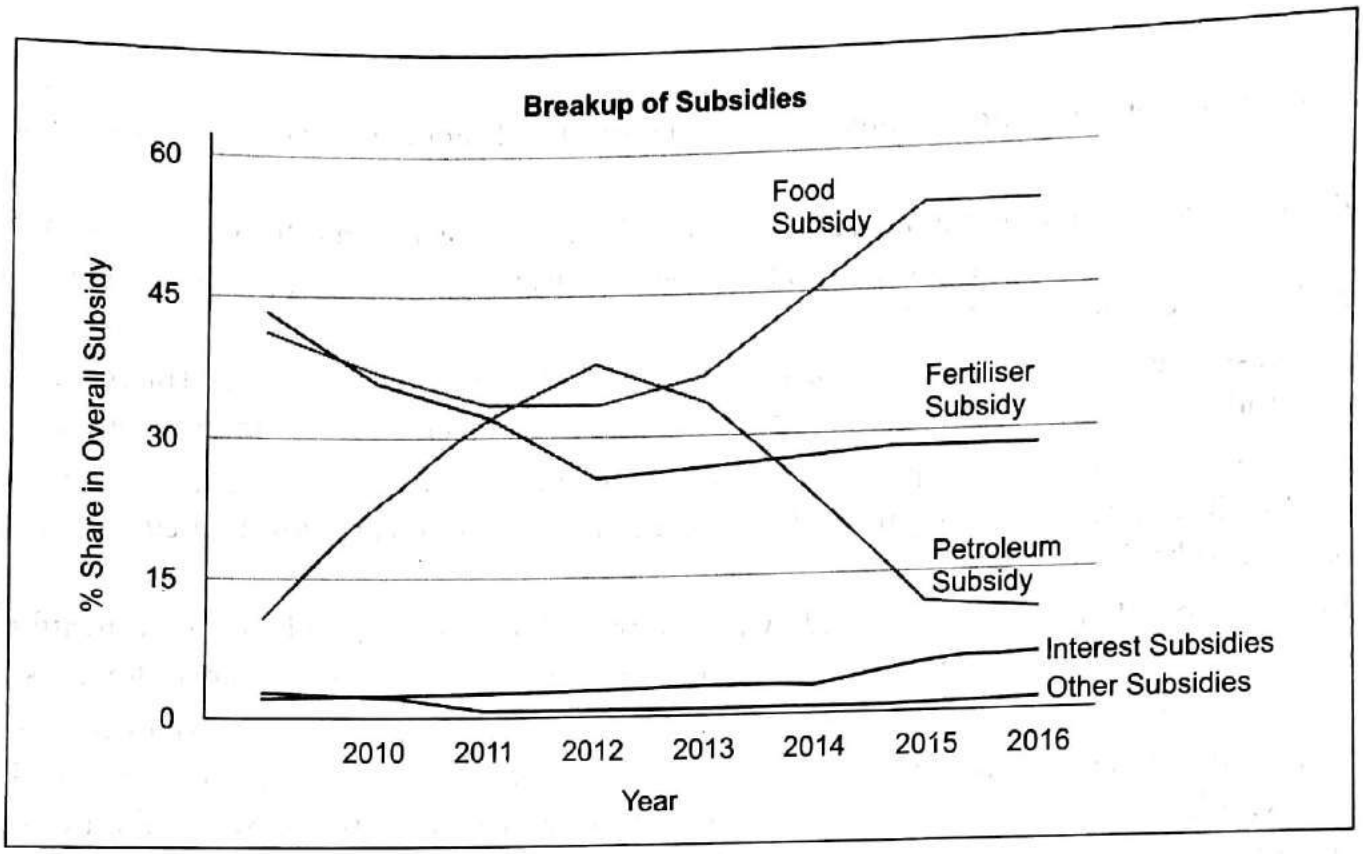
  Moreover, taxpayers with an annual income of more than ₹10 lakh are not eligible for subsidized LPG.
- **Kerosene subsidy:** Kerosene is used mainly by the poor for a variety of needs such a lighting, cooking, etc. At present, kerosene is made available to the poor at subsidized rates through fair price shops (public distribution shops).

Analysis of subsidies

Analysis of subsidies distributed across various sectors reveals that the share of food subsidies has been the highest since 2013. Presently, half of the total subsidy goes to food.

Subsidy of petroleum has varied over time on account of fluctuating oil prices. Moreover, it has reduced in the recent times because the government has withdrawn subsidy on petrol and diesel.

The subsidy on LPG has reduced to a large extent because it is now available to households with income below ₹10 lakh. Moreover, the government has eliminated wrongful claim of LPG subsidy through the use of Aadhaar.



Daily Revision in Prices of Petrol and Diesel

The public-sector oil marketing companies started the system of daily price revision of petrol and diesel from June 16, 2017, as against the previous system, where revision was undertaken fortnightly. Oil companies inform dealers at 8 pm about the next day's price. The price for any day becomes applicable from 6 am.

What Is the impact on Various Stakeholders?

The fluctuations are passed on to final consumers the next day itself. In case of a decline in crude oil prices, the benefit is passed on to customers. In case of a rise in crude prices, oil marketing companies pass on the price hike to the customers.

Daily revision of prices ensures that no party loses out for an entire fortnight due to price fluctuations, as it used to be earlier when the revision happened only fortnightly.

How Is This Move Is Going to Impact the Fuel Pricing In the Long Run?

A daily revision has brought greater transparency in fuel pricing. Private and Public sector refineries, oil marketing companies and dealers may offer lower prices to attract customers. This would finally benefit the customer.

3 SUBSIDIES FOR AGRICULTURE

Introduction of high-yield variety seeds in the 1960s as part of Green Revolution required critical inputs. Moreover, these critical inputs were to be made available at low rates.

The important critical inputs constituting bulk of agriculture subsidies are fertilizers and water. **Fertilizer subsidy** is borne by the central government. It has already been discussed in this chapter.

Water subsidy is borne by the state governments. The state government either arranges for canal irrigation or provides power subsidy to draw underground water. The costs of arranging water resources are high, and farmers are poor. Thus, water subsidy is essential. However, certain problems arise on account of water subsidy.

Issues Related to Water Subsidy

- **Overexploitation of water resources:** Farmers have a belief that the greater the amount of fertilizers and water they apply on crops, the greater the agricultural output would be. Thus, farmers tend to overuse water resources, and water subsidy facilitates overexploitation of water resources.

  Overexploitation of water resources has multiple consequences. It leads to depletion of groundwater. Further, overexploitation in the absence of proper drainage mechanism leads to water logging in fields.

  The excess water in the field evaporates and leaves salts behind. These salts make the soil impermeable. As a result, groundwater does not recharge, leading to desertification of land.
- **Huge financial burden on states:** Power subsidy to draw underground water poses a huge financial burden on state finances. State electricity boards bear heavy financial losses.
- **Cross subsidization:** It is the practice of charging higher prices to one group of consumers to subsidize prices for another group. To provide power subsidy to agriculture, the state governments levy high charges for electricity usage on industry and households. This high levy erodes the profitability of industry and makes it uncompetitive.
- **Faulty cropping pattern:** Sometimes farmers draw underground water to undertake cultivation of water-intensive crops even in water-starved regions. Faulty cropping pattern further deteriorates the underground water level.
- **Defective method of calculating power subsidy to agriculture:** Power subsidy is estimated on residual basis, i.e. after deducting the metered consumption to other sectors out of the total power supplied. As a result, transmission and distribution losses and power thefts are accounted as a part of subsidy to agriculture.

Green Revolution

Green Revolution was a period when there was a large scale increase in agricultural productivity. Green Revolution allowed developing countries, like India, to overcome shortage of food grains and become self-sufficient. It started in the early 1960s in Punjab, Haryana, and Uttar Pradesh and led to increase in crop production.

The introduction of high-yielding varieties of seeds and the increased use of chemical fertilizers and irrigation led to Green Revolution in India.

High-yielding varieties of wheat were developed by scientists, including American agronomist Dr. Norman Borlaug, Indian geneticist M. S. Swaminathan, and others. Wheat varieties were taken from Mexico. Similar wheat varieties were developed in India. The high-yielding varieties of other crops were also developed.

However, Green Revolution has brought certain negative consequences:

- Use of chemical pesticides and fertilizers have led to soil poisoning, high consumption of water, and high subsidies by both central and state governments.
- High consumption of water has led to decline in the water table, desertification of fertile land, and high power subsidy to draw water from lower depths.
- High-yielding varieties were available in limited crops. The government also undertook other measures to promote these crops, such as MSP. Consequently, Indian agriculture is dominated by a few crops only. Horticulture and floriculture are at nascent stage in Indian agriculture.

4 PUBLIC DISTRIBUTION SYSTEM

Operation: The Food Corporation of India (FCI) is the main agency that has the responsibility of procurement, storage, movement, transportation, and distribution of commodities.

The FCI is assisted by state agencies in carrying out its responsibilities of procurement, storage, and distribution, whereas transportation of commodities is undertaken with the help of railways. Procurement of commodities is done at MSPs. The procured commodities are distributed through fair price shops.

The basic objective of PDS is to make available essential consumer goods at subsidized prices to insulate consumers from rising prices of commodities and maintain minimum nutritional status of population.

Commodities covered by PDS

In addition to food grains, many other necessary items such as edible oils, sugar, coal, kerosene, and clothes are also distributed through PDS. The most commonly distributed items under PDS are rice, wheat, sugar, and kerosene. Together, these four items account for 86% of commodities distributed through PDS.

Coarse grains (jawar, bajra, maize, etc.) do not figure in PDS as their distribution is less than 1% of the total distribution under PDS. Pulses, an important source of protein, have a share of less than 0.2% of the total distribution under PDS.

National Food Security Act, 2013

The National Food Security Act, 2013, was passed to make access to food grains under PDS a legal right.

- The act covers 67% of the total population and recognizes their legal right to food. Of this percentage, 75% will be identified from rural areas and 50% from urban areas. The actual beneficiaries will be identified by respective state governments.

Scanned by CamScanner

- The beneficiaries will be entitled to rice, wheat, and coarse cereals at the rate of ₹3, 2, and 1, respectively, per kg subject to 5 kg per person and 25 kg for one household. State governments can provide additional items and more subsidies according to their will.
- The act requires PDS reforms such as use of Aadhaar card for the identification of beneficiaries, computerization of the PDS system, etc.
- To improve the status of women, the act requires replacement of existing ration cards with new ration cards in the name of an adult woman of the household.

PDS reforms are being undertaken to implement the National Food Security Act, 2013. Coverage under the Act is under two categories—households covered under the Antyodaya Anna Yojana (AAY) and remaining households. AAY is, therefore, a part of NFSA.

Antyodaya Anna Yojana

Antyodaya Anna Yojana (AAY) is a Central sponsored scheme which aims to provide highly subsidized grains to the "poorest of the poor". The scheme was launched in the year 2000. Initially the scheme was launched to provide benefit to 1 crore poorest families. At present, more than 3.5 crore families are covered under the scheme.

The beneficiary families are provided an opportunity to purchase up to 35 kg of rice and wheat at the rate of ₹3 per kilogram and ₹2 per kilogram respectively.

National Food Security act provides 25 kg of subsidized grains to 67% of the population. On the other hand, AAY provides for 35 kg of subsidized grains to the poorest of the poor.

Implementation of NFSA: 80.72 Crore Persons identified by States/UTs for Coverage under the NFSA

The Act is being implemented in all the States/Union Territories (UTs) and food grains are being allocated to 80.72 crore persons identified by State Governments/UT Administrations for coverage under the Act. This includes 2.36 crore families belonging to AAY category.

The administrative body under the act

Under NFSA, there is no provision for any Commission at the national level or district level. The Act provides for State Food Commission (SFC) in every State/UT, for the purpose of monitoring and review of the implementation of the Act. The total expenditure on SFC depends on terms and conditions of appointment of Chairperson and Members of the Commission as determined by the State Government, the staff support to the Commission, other expenditure etc. and therefore differs from State to State. Central Government provides onetime Central assistance of up to ₹50 lakh for non-building assets to the State Food Commission.

Why PDS Reforms Are Required?

The PDS system in India has been plagued by many problems:

- In the past, only local residents were eligible for PDS benefits because ration cards were issued on the basis of residence only. As a result, migratory labour and poor without residential address were denied benefits of PDS.

Presently, ration cards are issued on the basis of Aadhaar (unique identity number). Beneficiaries with these ration cards can obtain subsidized commodities throughout the country.

- **Limited benefits to poor:** In the past, it is estimated that for every rupee spent by the government, less than 22 paisa reached the beneficiary. This was because there was large-scale diversion of commodities from the PDS to the open market. To plug the loophole, commodities under PDS can be obtained by using biometrics. Biometrics are difficult to be forged as against the signatures used in the past.

Moreover, earlier commodities were available to above poverty line (APL) and below poverty line (BPL) at 70% and 50% of MSP, respectively. Often, APL community members did not exercise their PDS allotments, and these allotments were diverted to the open market. Now, APL members have been taken out of PDS.

Aadhaar is a 12-digit unique identification number issued by the Indian government to every individual resident (not necessarily citizen) of India. The Unique Identification Authority of India (UDAI), constituted in the year 2009, is responsible for managing Aadhaar project.

The Aadhaar project aims to build a single database containing information about every resident Indian irrespective of age. A resident Indian can apply for the Aadhaar number and card by submitting the existing proof of identity (passport, PAN card, driving license, etc.), proof of address (phone / power bill, bank statements, etc.) and by undergoing biometric profiling (fingerprints and iris scan) at any Aadhaar centre.

Expected benefits of Aadhaar project

1. **Establishing identity:** Presently, there are numerous documents used in India for establishing identity of an individual including passports, driving licenses, matriculation certificate and ration cards. The Aadhaar card will not replace these identification documents but it is used as the identification proof during application of other documents.
2. **Fulfill know your customer norms:** It is also used to fulfill Know Your Customer (KYC) norms applicable on telecom companies, banks and other financial institutions.
3. **Identification of beneficiaries:** Aadhaar numbers are used to identify disadvantaged Indian residents for providing benefits under various government schemes. Earlier, these benefits were denied to them due to lack of identification documents.
4. **Reduction in leakage of subsidies:** Under Direct Benefit Transfer (DBT), government transfers funds directly into the accounts of beneficiaries. These accounts are linked to Unique Aadhaar numbers. Thus, the scope of wrongful claim of subsidies is negligible.
5. **Criminals and crime:** The database of Aadhaar can help in identification of criminals. For example, thumb prints in crime scene can be matched with biometric profiling of Aadhaar holders.
6. **Illegal immigrants:** There is large scale immigration of illegal immigrants into India, especially from Bangladesh. As Aadhaar is a proof of residence, it can be used to check the residential status of people.
7. **Credibility to census and other data:** The Aadhaar database based on biometrics is considered to be correct. It can be compared with data collected from other sources to lend credibility to that data.
8. **Check on tax evasion:** The government has made it mandatory for taxpayers to link their Aadhaar number with their Permanent Account Number (PAN). PAN is necessary to file income tax returns. Aadhaar number is also mandatory to apply for new PAN card.

Linking of PAN and Aadhaar Will Check Tax Evasion in the Following Ways

1. Many people hold multiple PAN cards, though it is illegal. Thus, they fill multiple returns declaring a part of their total income in each return in order to evade higher tax rate slab.
2. PAN cards are mandatory not just for filing income tax returns, but also for deposits above specified amount into bank accounts as well as purchasing property, among other things. The universe of taxpayers in India is smaller than the number of PAN cardholders. Linking of Aadhaar with PAN will enable the government to extract more information about expenditure incurred by person and thus, put a check on tax evasion.
3. Linking of Aadhaar with PAN will also enable the government to identify people who are wrongfully claiming subsidies. For example, LPG subsidy is available only to beneficiaries with income up to ₹10,00,000.

9. **Aadhaar provides open 'Application Programming Interfaces (APIs)':** An API is a set of rules or code built into applications to enable software to communicate with each other. Aadhaar provides open 'Application Programming Interfaces (APIs)' means that other apps and programs can use Aadhar data. For example, telecommunication companies use Aadhar data to verify identity of a person before issuing SIM card.

   Let us take another example. Google maps data is used by Uber, Ola, Swiggy, Zomato and numerous other apps.

1 AADHAAR ACT

The **Aadhaar (Targeted Delivery of Financial and other subsidies, Benefits and Services) Act, 2016** is popularly called Aadhaar Act. The Act gave legal backing to the Aadhaar Unique Identification Number Project. The salient features of the Act are:

1. A person who is resident of India (not necessarily citizen of India) can obtain Aadhaar card by submitting his demographic and biometric information.
2. Authorizes government to use Aadhaar for purpose of identifying the beneficiaries of various schemes.
3. Proposes strict penalty for disclosing personal information such as biometric information.
4. Information is to be stored in the Central Database Repository. Unique Identification Authority of India (UIDAI) to take all steps to ensure confidentiality of information.
5. In case of need of data on issue of national security, an officer not below the rank of joint secretary can authorize access of data.
6. Oversight committee, headed by the Cabinet Secretary, to review each decision before the information is disclosed.

2 PRESENT POSITION ON AADHAAR LINK PROGRAM

Section 7 of the Aadhaar Act says that the Centre and State governments can insist on Aadhaar "for the purpose of establishing identity of an individual as a condition for receipt of a subsidy, benefit or service for which the expenditure is incurred from the Consolidated Fund of India".

To undergo authentication to access services under Section 7, an individual has to either produce his Aadhaar card or Aadhaar enrolment application.

Consequently, Government has mandated to link Aadhaar for availing benefits under government schemes. Some of these schemes are given here:

1. Kerosene subsidy
2. LPG subsidy
3. Subsidized food grains under the National Food Security Act
4. Employment under Mahatma Gandhi National Rural Employment Guarantee Act
5. Benefits under the Employees' Pension Scheme.
6. Atal Pension Yojana
7. Pradhan Mantri Kaushal Vikas Yojana
8. Self-Employment Scheme for Rehabilitation of Manual Scavengers, etc.

Government has also introduced Section 139AA in Income Tax Act which makes it mandatory to link Aadhaar with Permanent Account Number (PAN). Aadhaar number is also mandatory to apply new PAN.

Other areas where Government wants to mandatory link Aadhaar number, which are not specified under any law.

1. **Bank account:** If bank account is linked with Aadhaar number, then information about Bank details will also be accessible through Aadhaar number.
2. **Mobile number:** If mobile number is linked with Aadhaar number, then identity of the mobile number user could be easily established.
3. **Joint Entrance Examination (JEE) and other competitive examinations:** Aadhaar is not just a photo identity but also a unique identity. It will stop impersonation in exam.

3 SUPREME COURT JUDGEMENT ON AADHAAR LINK PROGRAM

The Supreme Court has indefinitely extended the deadline for linking Aadhaar with mobile numbers, tatkal passports and for opening bank accounts from March 31, 2018 till the Constitution Bench pronounces its final verdict on the validity of the Aadhaar scheme. Aadhaar requires sharing one's biometric information. Supreme Court is analyzing whether this amounts to infringement of one's privacy or not.

However, deadline for linking Aadhaar to secure subsidies, benefits under Section 7 of Aadhaar Act will stay as March 31, 2018.

Earlier, Supreme Court extended the deadline to 31st March, 2018 for linking Aadhaar under various schemes and other matters.

Rationale Behind Supreme Court Judgement

Supreme Court is against the "piecemeal" notifications and legislations issued by the government to link one service or the other with Aadhaar. According to Supreme Court, there should be a sense of certainty that citizens would not be harmed, or their services would not be curtailed even as the very Aadhaar scheme is under the review of the apex court.

Why Section 7 Benefits Are Treated in Different Manner?

The courts have excluded Section 7 benefits from the extension because it is statutorily protected by the Aadhaar Act itself, whereas the other linkings like PAN, mobile phones, etc., are based on other statutes or even executive notifications.

Whether Aadhaar Infringes Privacy of the Person?

A Supreme Court judge pointed out the fact that a nine-judge Constitution Bench on August 24, 2017, recognized and upheld privacy as a fundamental right and intertwined it with basic human dignity and right to life.

The petitioners challenging Aadhaar argue that the scheme, which requires the parting of biometric and personal details, is a clear violation of the ordinary citizen's fundamental right to privacy. The danger to privacy, they argued, is all the more significant because India does not have a data protection regime to prevent or punish personal data leakage.

4 CONCERNS OVER AADHAAR PROJECT

Reasons for Concerns Over Protection of Data

1. The leakage of Aadhaar data will erode privacy of citizens. The private information pertaining to biometrics such as thumb prints, iris scanning, etc., may be used to create duplicate identification devices. Such devices may even gain access to bank accounts of people.
2. The private agencies employed to collect data may leak the data collected by them.
3. The Authenticating agencies will get hold of Aadhaar data and may later on misuse this data. For example, a fair price shop owner may store the details including biometrics of people taking subsidized grains.
4. The Aadhaar data may be used by companies for various marketing activities. For example, information about Aadhaar linked bank account will give hint about paying capacity of the person.
5. The most fundamental concern is whether making someone part away with his or her biometric and other personal information is violation of privacy or not.

Solutions to Protect Aadhaar Data

1. **Use of Virtual Identity:** UIDAI has said Virtual Identity (VID) will be a 16-digit number, which will be temporary in nature. So, unlike the 12-digit Aadhaar number that is permanent, the VID will have a certain period of validity, at the end of which it will expire, and the user will have to generate a new one.

It can be thought as a 16-digit OTP that can be used to validate identity without actually giving out Aadhaar number. Thus, while the VID will help confirm identity to the Authenticating agency (for example, a bank), it will not necessarily share the Aadhaar number and other data with the Authenticating agency.

UIDAI has said users will be able to generate the VID from the Aadhaar resident portal, Aadhaar Enrolment Centres, and the m-Aadhaar app on Android.

2. **Face Authentication:** Facial authentication is a technology to recognize face based on the spatial geometry of distinguishing features. It is preferred over other biometric means because it is widely believed to be the least intrusive and fastest biometric technology. Moreover, the chances of generating duplicate biometric are almost nil.

   There are different versions of facial authentication. For instance, Apple uses FaceID on iPhone X smartphones that have the TrueDepth camera. This camera captures face data by projecting and analyzing over 30,000 invisible dots to create a depth map of the face plus an infrared image. OnePlus has Face Unlock, which uses over "100 identifiers" such as distance between the eyes or the nose and upper lip.

Can Face Authentication Be Faked?

Face authentication is as unique as fingerprints. Face authentication cannot be replaced by photograph of the user or by scanning a sleeping person's face. This is because face authentication considers liveliness as a factor for authentication, which is judged by attentiveness of the subject's eyes. However, it is not a foolproof. There have been cases when people with similar faces, especially twins have been able to unlock devices with face authentication.

INDUSTRIAL POLICY

1 PRIOR TO 1991

In the initial years, the public sector played a larger role in the industrialization of India. Moreover, on account of shortage of intermediate goods such as cement, coal, steel, etc. and limited industrial output, the government maintained strict price and quantity regulations over the private sector.

Industrial Policy Resolution of 1948

It divided industries into four categories:

1. **Industries where state had a monopoly:** This category had three industries:
   a. Arms and ammunition
   b. Atomic energy
   c. Rail transport
2. **Mixed sector had six industries:**
   a. Coal
   b. Iron and steel
   c. Aircraft manufacturing
   d. Ship building
   e. Telephone and telegraph
   f. Mineral oil

   In this category, new undertaking could only be established by the state, but the existing private undertakings were allowed to continue for 10 years. After this period, the government would review the situation and existing undertakings where necessary would be brought under government control on payment of compensation.
3. **Industries involving high government control:** Eighteen industries were put under this category. In these industries, the government did not involve directly but provided strong regulation and direction such as sugar, automobiles, fertilizers, paper, cement, etc.
4. **Field of private enterprise:** All other industries were left for the private sector. However, the state could take over any industry if progress was not satisfactory.

Industries (Development and Regulation) Act, 1951

The act was passed to attain industrial development in India under strictly regulated environment.

Provisions of the act

- **Licensing provisions:** Business undertakings were required to take license for production. Even increase in manufacturing required approval of the government.
- **Allocation of raw materials based on sanctioned output:** The government sanctioned quantity of output that could be produced by an industrial undertaking. Accordingly, raw materials were allocated to the undertaking.
- **Control over prices:** The government regulated the price of the output produced by the industrial undertaking.

Rationale Behind Pre-1991 Industrial Policy

Essential raw materials such as steel, coal, cement, etc. were limited. These raw materials were allocated among various industries. Thus, the output of industries was restricted because without restrictions, profitable industries might produce at the cost of less profitable industries, creating a serious shortage of certain type of goods.

Also, there was a possibility that resources would be diverted towards luxury industries benefitting small sections of the society and ignoring essential industries involving large sections of the society.

As the output of the industries was limited, the demand for the output was high. Consequently, it was important to regulate the prices of the output.

Moreover, the government was a significant investor in the economy because the private sector lacked funds. The private sector develops financial capability with industrialization of economy. However, under the British rule, India witnessed little industrialization.

Criticism

- **Delay in industrial development:** Business approvals were given after a long time period. Moreover, excessive approvals and regulations hampered industrial development.
- **Concentration of industry in a few hands:** People with strong political and administrative links were able to secure licenses.
- **Excessive regulation:** Moreover, businesses were required to follow too many regulations. Inspectors \were appointed under these regulations. On account of wide powers enjoyed by the inspectors, the era was called inspector raj.
- Control over output and prices created black markets for many commodities. Some goods were even sold at a very high premium.

Movement Towards Liberalization

Various liberalization measures were announced under the industrial licensing policies of 1970, 1973, and 1978. Moreover, many measures were taken in the 1980s to liberalize the industry as follows:

- **Exemption from licensing:** The limit for requiring license was enhanced. Most of the industries were exempted from licensing requirements.
- Regulations on the use of foreign exchange were also reduced.

2 ECONOMIC REFORMS: LIBERALIZATION, PRIVATIZATION, AND GLOBALIZATION

Liberalization

Liberalization of the economy means reduction in restrictions over business organizations in the economy. It is similar to de-regulation.

What was the need for de-regulation?

Excessive restrictions increase the cost of business and reduce the opportunity for business. For instance, license restrictions to approve capacity expansion reduce the opportunity for business. Similarly, compliance with too many laws raises the cost of operating business.

Higher cost of functioning makes business uncompetitive, and loss of opportunities reduces the growth of business. Growth of the private sector contributes to the overall growth of the economy. Thus, excessive restrictions hamper the growth of the economy.

India could undertake steps towards liberalization with gradual surplus availability of raw materials such as steel, cement, coal, etc. Moreover, the public-sector units were incurring losses and posing heavy burden on state finances.

It was expected that with liberalization of economy, many private players would enter each industry and competition among them would lead to availability of good-quality goods at cheap rates.

Liberalization in India

Pre-1991 liberalization attempts: Attempts were made to liberalize the economy in 1966 and 1985. The first attempt was reversed in 1967. Thereafter, even stronger restrictions were imposed. The second major attempt was in 1985. The process came to a halt in 1987, though 1967-type reversal did not take place. In the 1980s, the government started reforms in the direction of liberalization.

Economic crisis: Foreign exchange shortages started emerging in 1985, and by the end of 1990, the foreign exchange reserves had reduced to the point that India could barely finance three weeks' of imports. It had to pledge gold as part of a bailout deal with the International Monetary Fund (IMF). Most of the economic reforms were forced upon India as part of the IMF bailout.

In response, the government initiated the economic liberalization of 1991. The reforms abolished the Licence Raj in most of the industries, ended public-sector monopolies in many industries, and reduced restrictions on foreign direct investment in many sectors.

Privatization

Privatization refers to a greater role of the private sector in the economy either through establishment of new businesses under private ownership or through transfer of existing businesses under the public sector to the private sector.

Liberalization leads to privatization. In other words, fewer regulations facilitate growth of the private sector in the economy.

Public Sector and Private Sector

Economies are divided into two sections: public sector and private sector. The public sector represents activities in the areas of enterprise or industry that are handled by various government agencies. The private sector represents all other business operations that are not managed directly by a government entity.

Globalization

In economic terms, globalization refers to the process of integration of domestic economy with the outside world. It refers to free movement of goods, services, investment, and technology among nations of the world. Globalization is supported by the theory of comparative cost advantage.

Impact of globalization

Globalization impacts every aspect of a nation such as economy, society, culture, education, family system, and state sovereignty (state sovereignty refers to the freedom of a state to manage its affairs).

Globalization integrates the economy with outside economies and thus creates dependence of economy and hence reduces the states' sovereignty. At present, most of the nations of the world are engaged in integration with other countries. Such integration is facilitated either through free-trade agreements or by an international body, namely, World Trade Organization.

Theory of comparative cost advantage

The theory favours international trade. It states that the source of production which can produce goods at the lowest prices globally should be encouraged. In other words, various local factors favour production of different commodities at different places. Thus, specialization in production should take place on the global level.

This global specialization results in the following benefits:

- It encourages the most efficient use of capital. For instance, let us suppose that ₹2000 crore is required to be invested for oil exploration. The amount of output secured on this investment will vary across the nations of the world. As a result, this amount will be invested at a place where it is expected to yield maximum output.
- Consumers are also able to obtain the best-quality goods at the lowest prices. Thus, consumers save money, which they can either invest or use for consumption purposes, which further results in higher standards of living. For instance, consumers are required to pay less for imported oil from Saudi Arabia than they would have to pay for the oil produced in India.

  Thus, global trade enhances global wealth by facilitating the best possible use of capital and cost savings to consumers.

Advantages of globalization

Apart from the above mentioned benefits, globalization has the following benefits:

- Globalization facilitates large-scale production and thus facilitates economies of scale.
- Globalization leads to competition at the global level, which encourages innovation, adoption of best practices, and exchange of learning.

Economies of Scale

Economies of scale refers to the cost advantage per unit that arises with increased output of a product. Economies of scale arises because with the increase in quantity produced, per-unit fixed costs decrease; i.e. the greater the quantity of a good produced, the lower the per-unit fixed cost because these costs are spread out over a larger number of goods. Economies of scale may also reduce variable costs per unit because of operational efficiencies and higher bargaining power with suppliers.

Example

Assume you are a factory owner and are considering printing brochure for your customers. The printer quotes a price of ₹5000 for 500 brochures, and ₹10,000 for 2500 copies. While 500 brochures will cost you ₹10 per brochure, 2500 will only cost you ₹4 per brochure. In this case, the printer is passing on a part of the cost advantage of printing a larger number of brochures to you. This cost advantage arises because the printer has the same initial set-up cost regardless of whether the number of brochures printed is 500 or 2500. Once these costs are covered, there is only a marginal extra cost (cost incurred on paper and ink) for printing each additional brochure.

In the above example, the initial set-up cost is the fixed cost. Fixed cost is the cost that remains same irrespective of the level of output (or quantity produced). The cost of paper and ink is the variable cost. Variable cost is the cost that changes with the change in the level of output.

Disadvantages of globalization

Many disadvantages may arise on account of globalization:

- Globalization increases the level of competition. Entry of multinational companies in the local market creates high competition for local businesses. Some of these businesses may not be able to survive the competition and collapse.
- Globalization may create dependence of an economy over other economies for its supplies. Such supplies may not be available in times of dire need.

Open Economy Versus Closed Economy

A closed economy is one in which the country trades only within its own borders. Usually, countries with closed economies are entirely self-sufficient and neither export nor import the goods. In an open economy, the country trades with other nations as well. Closed economies are less common in the modern times.

3 SOCIALIST VERSUS CAPITALIST ECONOMY

Socialist Economies

In socialist economies, business is largely controlled and owned by the state. Thus, there is virtual absence or only little presence of private-sector investment. In these economies, the state plays the

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role of both investor and regulator. In these economies, prices of goods and services are determined by the state.

Advantages of socialist economy

- In a socialist economy, prices of essential commodities are deliberately kept low to enable access to everyone.
- The government is the main employer. It attempts to provide employment to a maximum number of people. The pay levels for employees at various levels are similar.
- The income levels of large population are similar and thus there is equality in the society.

Disadvantages of socialist economy

- Economic activity is under government control. Government undertakings are usually inefficient. Moreover, there is a lack of economic incentive for private individuals other than fixed salary. Thus, there is overall inefficiency in the economy leading to higher cost of production of various commodities.
- These economies trade less with outside economies. Their whole economic output is produced by large government undertakings that are monopoly in their respective field. Thus, there is virtually no competition in these economies. Lack of competition and absence of economic incentive discourage innovation in these economies.
- Inefficiency in production causes shortage of various commodities. Consequently, black markets develop for various commodities.
- Excessive regulations followed in these economies make the state very powerful at the cost of individual freedom.

Capitalist Economies

Capitalist economies are the type of economies in which business is largely controlled and owned by the private sector. Thus, there is virtual absence or only little presence of the public sector in economic activity. In these economies, the state plays the role of the regulator only. The private sector plays the role of investor. In these economies, prices of goods as well as services are determined by market forces of demand and supply.

Advantages of capitalist economy

- There is sufficient incentive for private individuals to work hard in the form of increase in wealth. Thus, there is overall efficiency in the economy leading to lower cost of production of various commodities.
- There are many private players producing the same output. Thus, there is a very high competition in these economies. High competition and economic incentives encourage innovation in these economies.
- Prices are determined by markets and not by governments. Thus, prices reflect the actual value at which customers are willing to buy and sellers are willing to sell.
- There is a high level of freedom to individuals in these economies on account of lower regulations.

Disadvantages of capitalist economy

- In a capitalist economy, prices of even essential commodities are determined by market forces. Thus, the prices of essential commodities may escalate to such a level where these commodities are unaffordable for a larger section of population.
- The private sector is the main employer. The approach of the private sector is to use minimal workforce to produce maximum output. Machines are preferred over human beings to carry out work. Thus, these economies may have large unemployment rate despite high levels of economic growth.
- The income levels are grossly unequal. A large section of the population owns little wealth, and a tiny section of the population owns large wealth.

Relation between Liberalization, Privatization, and Globalization

Capitalist economies are also liberalized, privatized, as well as globalized economies. This is because in these economies there are a few restrictions, there is high presence of the private sector, and these economies are more inter-related to other economies of the world.

On the other hand, socialist economies are less liberalized, have no (or less) presence of the private sector, and have no (or less) trade with other economies of the world.

4 INDUSTRIAL POLICY SINCE 1991

The Industrial Policy 1991 was launched to attain faster economic growth through participation of the private sector. Accordingly, steps were taken towards liberalization, privatization, and globalization.

Provisions of Industrial Policy 1991

Presently, only five industries require license on account of safety and strategic considerations:

1. Production of alcohol
2. Tobacco-based products
3. Defence equipment and electronic aerospace products
4. Industrial explosives
5. Specified hazardous chemicals

In 1991, only eight industries were reserved for the public sector. At present, only two industries are reserved for the public sector:

1. Operation of railways
2. Atomic energy

Policy for Medium, Small, and Micro-Scale Industry (Small-Scale Industry)

Some items are reserved for the small-scale industry. Only the small-scale industry can produce these items. The list of reserved items is reviewed on a continuous basis. At present, only 20 items are reserved for the small-scale sector. These items can also be manufactured by large-scale units, provided the unit exports 50% of the output.

Items are reserved for the small-scale sector to insulate it from competition by the large-scale industry. However, the policy of reserving items was proving to be counterproductive. Earlier, over 600 items were reserved for the small-scale sector. These items have been de-reserved on account of the following reasons:

- Small-scale units were deliberately avoiding investment in the plant and machinery to maintain their classification under small-scale units.
- Reservation of some items for a few units was leading to inefficiency in their production and consequently higher production cost for these items.

Policy for Foreign Investment

The government has taken steps for promoting foreign investment in India. These steps are discussed under the chapter on foreign investment.

Disinvestment by the Government

Disinvestment (by the government) refers to the sale of assets or share in various public-sector undertakings to private enterprises. Disinvestment is the opposite of nationalization. Nationalization refers to the change of ownership of business from the private to the public (government).

On account of disinvestment, assets are transferred from the public sector to the private sector. On the other hand, during nationalization, assets are transferred from the private sector to the public sector.

Disinvestment receipts, being capital in nature, are transferred to a fund called "National Investment Fund (NIF)". The corpus of NIF is of a permanent nature, and NIF is professionally managed by selected public-sector mutual funds, namely, UTI Asset Management Company Ltd., SBI Funds Management Private Ltd., and LIC Mutual Fund Asset Management Company Ltd.

Around 75% of the annual income of NIF is used for financing selected social sector schemes that promote education, health, and employment. The residual 25% of the annual income of NIF is used to meet the capital investment requirements of profitable and revivable public-sector undertakings. The NIF is under the Department of Investment and Public Asset Management, Ministry of Finance.

5 MEDIUM, SMALL, AND MICRO INDUSTRY

Medium, small, and micro enterprises (MSMEs) are identified on the basis of investment in plant and machinery as follows:

Manufacturing sector	
Enterprises	Investment in plant and machinery
Micro enterprises	Does not exceed ₹25 lakh
Small enterprises	More than ₹25 lakh but does not exceed ₹5 crore
Medium enterprises	More than ₹5 crore but does not exceed ₹10 crore

Service sector	
Enterprises	**Investment in plant and machinery**
Micro enterprises	Does not exceed ₹10 lakh
Small enterprises	More than ₹10 lakh but does not exceed ₹2 crore
Medium enterprises	More than ₹2 crore but does not exceed ₹5 crore

Cabinet Approves Proposal for Amendment to the Micro, Small and Medium Enterprises Development Act, 2006 to change the Criteria of Classification

The Union Cabinet has approved the change in the basis of classifying Micro, Small and Medium Enterprises from 'investment in plant and machinery/equipment' to 'annual turnover'.

This will make the norms of classification transparent and align them to the new tax regime revolving around GST (Goods & Services Tax).

Change in Law Required

Section 7 of the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 will accordingly be amended to define units producing goods and/or rendering services in terms of annual turnover as follows:

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

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

Present Criteria

At present, the MSMED Act (Section 7) classifies the Micro, Small and Medium Enterprises (MSMEs) on the basis of investment in plant and machinery for manufacturing units, and investment in equipment for service enterprises.

Why Turnover Is a Better Criterion?

Turnover figures are more reliable and objective. Thus, the classification of units will be more accurate. Many government schemes and policies for the industry is based on the classification criteria.

Contribution of MSMEs in India

Production: MSMEs contribute towards nearly 40% of the industrial output.

Employment: The small-scale sector in India generates the largest employment opportunities, next only to agriculture. It has been estimated that ₹100,000 of investment in fixed assets in the small-scale sector generates employment for four persons. Among MSMEs, food products industry ranks first in generating employment, providing employment to 13.1% of industrial workforce.

Export: The small-scale sector plays a major role in India's present export performance. Around 45–50% of Indian exports is contributed by the small-scale sector. Direct exports from the small-scale sector account for nearly 35% of total exports. Besides direct exports, it is estimated that small-scale industrial units contribute around 15% to exports indirectly. Exports from the small-scale sector have been mostly fuelled by the performance of garments, leather, and gems and jewellery.

To conclude, because of its less capital-intensive and high labour absorption nature, the small-scale sector has made significant contributions to employment generation and also to rural industrialization. This sector is ideally suited to build on the strengths of our traditional skills and knowledge.

Challenges

The MSMEs suffer from inadequacies in capital, technology, and marketing. In the era of liberalization and globalization, government support to this sector is going to reduce. For instance, earlier more than 600 items were reserved for this sector. However, at present only 20 items are reserved.

Benefits of an MSME Registration

To avail of these benefits, the organizations that qualify must get an MSME or SSI registration (regulated by the MSMED Act), which is among the easiest of government registrations to be granted.

1. **Benefits from banks:** Banks and other financial institutions recognize MSMEs and have created special schemes for them. This usually includes priority sector lending, which means that the likelihood of business being sanctioned a loan is high and even at lower interest rates.
2. **Tax benefits:** Depending on business, one may enjoy indirect tax exemption as well as exemption from certain direct taxes in the initial years of business.
3. **Benefits from state governments:** Most states offer MSMEs subsidies on power, taxes, and land in state-run industrial estates. In particular, there is a purchase preference on goods produced by MSMEs.
4. **Benefits from central government:** The central government, from time to time, announces schemes to benefit MSMEs, such as the MUDRA scheme, subsidies, etc.

6 TREND IN INDIAN ECONOMY

The Indian economy has always been a mixed economy in which both the private and public sectors have coexisted. However, the relative roles of the public and private sectors have drastically changed in the Indian economy. At the time of independence, the public sector played a major role in the economy on account of the following reasons:

- To provide a strong base for industrial development, heavy investment was required in core and large-scale industrial units. Only the public sector had the capacity to make large investments.
- India had a colonial history. During the colonization, industrialization could not be carried out. As a result, the private sector did not have the necessary resources to play a major role in the economy.
- There was heavy shortage of essential raw materials such as coal, steel, etc., which were utilized by multiple industries. Thus, there was a strong need to regulate the use of these raw materials.

The public sector created conditions for the overall growth of the economy. The private sector witnessed higher growth than the public sector.

In the late 1960s, the government felt that the private sector is catering to the urban rich population and ignoring the poor and rural population. To enhance services to rural and poor people, the government undertook nationalization of important industries such as banks, insurance companies, coal mines, etc.

From the beginning of the 1980s, the government began to reduce regulation. Consequently, the private sector in India grew at a very fast rate.

In 1991, another era of economic reforms began towards liberalization. Over the time period, the private sector was allowed in various industries such as banks, insurance, telecom, shipping, etc. Similarly, restrictions on foreign trade and investment were also reduced. Moreover, the government undertook disinvestment in various public sector undertakings.

7 INDIAN ECONOMY AT PRESENT

Entry of Private Sector

The government is permitting private players in various sectors. Since 1991, private players have been given entry into telecom, insurance, civil aviation, shipping, mineral exploration, pension funds, etc.

Private players may indulge in exploitative practices to earn higher profits. Thus, regulators have been appointed for some of these sectors. For instance, the Telecom Regulatory Authority of India (TRAI) has been appointed as the regulator of the telecom sector. The Insurance Regulatory and Development Authority (IRDA) of India has been appointed as the regulator of the insurance sector, and the Pension Fund Regulatory and Development Authority (PFRDA) has been appointed as the regulator of pension funds.

Special Economic Zones

A special economic zone (SEZ) is an area in which business and trade laws are different from the rest of the country. SEZs are located within a country's national borders. They are established with the objective of promoting exports.

The SEZ Act was passed in 2005. According to the act, SEZ units are given the following benefits:

- Tax holidays for some period. However, the income tax benefits were neutralized by the introduction of the 20% minimum alternate tax (MAT) and the 20% dividend distribution tax (DDT) in 2011–12.

- These units can attract even 100% FDI from automatic route. These units are also free from external commercial borrowing restrictions.
- Overseas banking units can open branches in SEZs. These branches will not be required to follow RBI guidelines regarding rate of lending and will be free to borrow from the international market. These banking units will lend at internationally competent rates to SEZ units.
- Labour laws are not applicable to SEZ units.
- Further, sales from domestic units to SEZ units will be considered export and, thus, exempted from taxes. On the other hand, sales from SEZ units to domestic units will be considered import and, thus, import duties will be levied.
- SEZs have been declared public utility. Under the Land Acquisition Act, the government can procure land for public utility. Thus, the government can procure land for setting SEZ units.

Possible implications of SEZ policy

At present, the government has already approved a large number of SEZs. Many SEZs are in the process of setting up.

When all the approved SEZs will become operational, they are expected to rope in huge investment and create massive jobs, which will give a huge boost to Indian economy. New technology and managerial capabilities will be introduced in India.

However, there are certain negative repercussions as well on account of relying too much on SEZs for promotion of exports.

- Land acquisition for SEZs deprives the poor of their land and occupation. Sometimes compensations are delayed and even inadequate.
- Lack of recognition of labour rights leads to poor working conditions in SEZs.
- Many domestic manufacturers may shift their units to SEZ. Thus, the SEZs will benefit on cost of local industrial base.
- Tax subsidies given to SEZ units will be a huge loss to government revenues.

Bleak Future of SEZ

Of the 564 SEZs that have been formally approved so far, only 192 were operational by 2015.

Issues Plaguing the Success of SEZs with Respect to Taxation

The SEZs were portrayed in a negative image that they had simply become tax havens.

1. The income tax benefits were neutralized by the introduction of the 20% minimum alternate tax (MAT) and the 20% dividend distribution tax (DDT) in 2011–12.
2. For improving viability, manufacturers in SEZ should be allowed to sell goods in the domestic market. No customs duty should be imposed on such products.

India has signed a number of free trade agreements (FTAs) under which import duties have been slashed to zero for several product lines. This impacts local sales of SEZ units, which are taxed at higher rates.

Issues Plaguing the Success of SEZs with Respect to the Administration

1. A major reason for the failure of SEZs is the absence of external infrastructure support. The SEZs have to be connected with ports, rail, and airports with world-class facilities. This is not the case in the present scenario.
2. Deficiency in the availability and quality of power is an equally important constraint.
3. Customs authorities are expected to adopt international best practices in trade facilitation. But there is still a high degree of red tape.
4. The administration is not proactive in providing assistance such as acquiring land, getting clearances, and providing infrastructure.

Issues Plaguing the Success of SEZs with Respect to Governing Laws

1. The application of labor laws has made business operations costly and compliance difficult.
2. The adoption of Land Acquisition Act, 2013, has made the land acquisition difficult.

National Manufacturing and Investment Zones

National manufacturing and investment zones (NMIZs) have been set up with the objective of increasing the share of manufacturing in gross domestic product (GDP) from 16% (in 2016) to 25% by 2022 and create 10 crore additional jobs in the manufacturing sector by 2022.

NMIZs also seek skill development of the workforce, incorporation of technology in manufacturing and competitiveness, etc. NMIZs have been set up with features similar to SEZs such as tax exemptions, world-class infrastructure, simplification of procedures, and dilution of labour laws. NMIZs are expected to undertake skill upgrade programmes for new employees as well as for the existing employees in coordination with the National Skill Development Corporation (NSDC).

National Skill Development Corporation and National Skill Development Fund

The National Skill Development Corporation (NSDC) was set up with an objective of increasing the skill training capacity in the country. It was formed in 2008 as a not-for-profit public company under section 25 of the Companies Act, 1956, with a capital base of ₹10 crore to encourage and synchronize private-sector initiative in skills development.

The overall objective of the NSDC is to create training capacity in the country, fund vocational training private enterprise, create a market ecosystem for skill development, and meet the targets set out by the government. The NSDC mandate was to train 150 million people by 2022.

The National Skill Development Fund (NSDF), fully owned by the Government of India, was set up as a trust with an initial corpus of ₹995.10 crore received from the government. The trust was to act as the repository of funds for the NSDC from government sources, bilateral/multilateral and other agencies/donors.

The government has announced eight investment regions along the Delhi–Mumbai Industrial Corridor (DMIC) project as NMIZs. Fourteen NMIZs outside the DMIC region have also been given approval. Andhra Pradesh is set to house India's first NMIZ in the Prakasham district.

8 FOOD-PROCESSING INDUSTRY: AN INTRODUCTION

In India, the food sector has emerged as a high-growth and profit making sector due to its immense potential for value addition to agricultural output.

The Indian food-processing industry accounts for 32% of the country's total food market in terms of value, one of the largest industries in India and is ranked fifth in terms of production. It contributes around 14% of manufacturing GDP and 13% of India's exports.

Scope for High Growth

- On account of diverse agro-climatic conditions, a wide range of agriculture products are available for food processing.
- Presently, only 6% of agriculture produce is processed. This is expected to rise up to 35% by 2025.
- Generally, both parents in the middle class are working. Thus, the middle class is the most important consumer of convenience foods. Moreover, the size of the middle class is increasing day by day.
- Shifting of demand pattern is leading to a higher proportion of expenditure on milk and milk products, meat, egg, fish, fruits, and vegetables.
- On the production side, there is availability of cheap labour and the government has provided large incentives to develop food-processing industry.

Importance of Food-Processing Industry

- Food-processing units are located near the source of agricultural produce. Thus, the industry can be set up in rural areas where income levels of people are low and people have fewer economic opportunities.
- Development of the food-processing industry will push reforms in agriculture, such as crop diversification, improvement in quality of inputs, incorporation of technology into agriculture, etc. Food-processing units are also expected to purchase agricultural output at high prices.
- Development of the food-processing industry will also push reforms in the retail sector, for instance refrigerated storage in retail stores, etc. Processed foods also have higher margins, leading to higher profitability for the retail sector.
- Processed foods may possess higher nutrients, are safe to consume, offer variety to consumers, and are convenient for consumption. Thus, consumers also stand to gain from the growth of food-processing industry.

Challenges

Development of the food-processing industry is dependent on the development of support services as well as the retail sector.

Support services such as cold chain facility, packaging centres, and irradiation facilities are essential for the development of food-processing industry.

Cold chain facilities: Before processing, agricultural produce is perishable in nature and thus can be safely stored in a cold storage.

Irradiation facilities: Food irradiation is the process of exposing foodstuff to ionized radiation. Ionizing radiation is the energy capable of setting free the electrons from their atomic bonds (ionization) in the targeted food. This treatment is used to preserve food and to delay or eliminate sprouting or ripening.

These facilities can be arranged by investing a large amount of money and, thus, are not viable for scattered, small food-processing units. Therefore, these facilities can be built around only for a cluster of food-processing units.

The output of the food-processing industry can be sold only at high-end retail stores. Processed foods are costlier and cater to the middle and rich classes. The Indian retail sector is largely unorganized. Organized retail is only 2% of the total retail sector. In developed nations, nearly 70% of the retail is under the organized sector.

Mega Food Parks Scheme

The Mega Food Parks Scheme is a scheme of the Ministry of Food Processing, Government of India. Its purpose is to increase processing of perishables from 6% to 20%.

The idea behind the promotion of mega food parks is that small- and medium-scale individual food-processing units cannot afford to invest in capital-intensive support services such as food testing, irradiation, grading, waxing, etc.

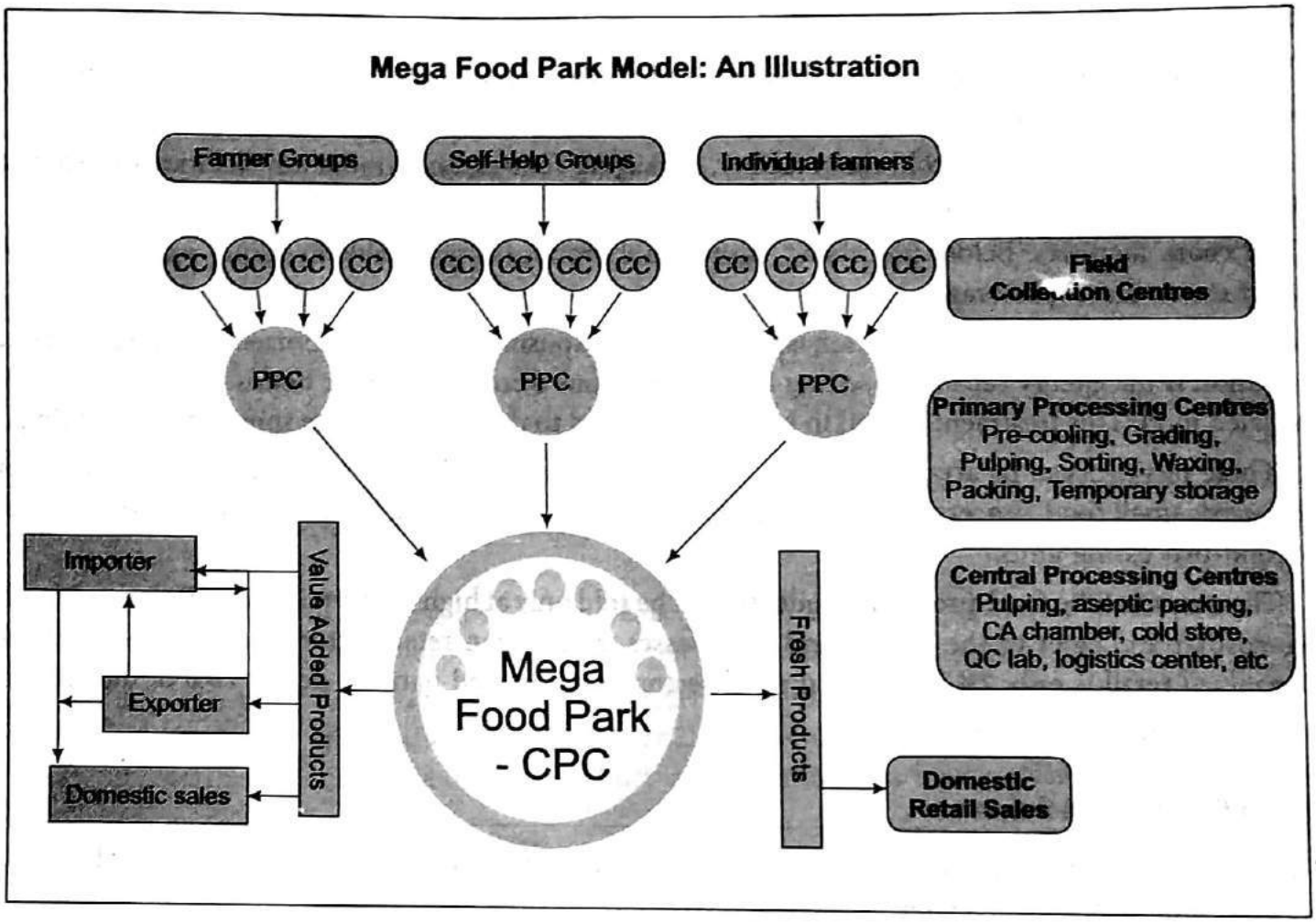
In food parks, common support services are arranged for food-processing units. Thus, these services become affordable to them. Further, financial assistance is provided by the government to establish common facilities.

Highlights of the scheme

- The government provides grants up to ₹50 crore for each food park to a consortium of companies.
- Around 30–35 food-processing units are expected to be established in each mega food park with a collective investment of at least ₹250 crore.
- A turnover of ₹400–500 crore and employment generation of at least 30,000 from each mega food park is expected.

Status

A sanction of 42 food parks has been planned. According to the government, as of October 2016, eight mega food parks have become operational and all 42 would be operational in the next 2 years.



What are Forward and Backward Linkages?

Every economic activity has two kinds of linkages: backward linkages and forward linkages. Backward linkages refer to transactions with suppliers, while forward linkages refer to transactions with consumers.

For the food-processing industry, backward linkages are the linkages with primary processing centres or may be farms, and forward linkages are linkages with retail stores.

Government Initiatives

The government has undertaken various initiatives for the development of the food-processing industry:

- The food-processing industry is given tax exemptions under various laws.
- Loans to the food-processing industry are included under the list of priority sector lending.
- Automatic approval for FDI up to 100% is available for food-processing units.
- Food parks have been promoted by the government to provide common facilities to food-processing units.
- Till 2005, 13 different laws were applicable on the food-processing industry. In 2006, a single law was enacted, known as the Food Safety and Standard Act, 2006.

Food Safety and Standards Authority of India (FSSAI)

The Food Safety and Standards Authority of India (FSSAI) has been established under Food Safety and Standards, 2006 which consolidates various acts & orders that have hitherto handled food related issues.

FSSAI has been created for laying down science based standards for articles of food and to regulate their manufacture, storage, distribution, sale and import to ensure availability of safe and wholesome food for human consumption.

Highlights of the Food Safety and Standard Act, 2006

Various central Acts like Prevention of Food Adulteration Act,1954,Fruit Products Order, 1955, Meat Food Products Order, 1973, Vegetable Oil Products (Control) Order, 1947, Edible Oils Packaging (Regulation) Order 1988, Solvent Extracted Oil, De-Oiled Meal and Edible Flour (Control) Order, 1967, Milk and Milk Products Order, 1992 etc were repealed after commencement of FSS Act, 2006.

The Act also aims to establish a single reference point for all matters relating to food safety and standards, by moving from multi-level, multi-departmental control to a single line of command.

To this effect, the Act establishes an independent statutory Authority – the Food Safety and Standards Authority of India with head office at Delhi. Food Safety and Standards Authority of India (FSSAI) and the State Food Safety Authorities shall enforce various provisions of the Act.

Establishment of the Authority

Ministry of Health & Family Welfare, Government of India is the Administrative Ministry for the implementation of FSSAI.

The FSSAI is headed by a non-executive Chairperson, appointed by the Central Government, either holding or has held the position of not below the rank of Secretary to the Government of India. The Chief Executive Officer is in charge of executive powers who is also appointed by Government of India.

FSSAI has been Mandated by the FSS Act, 2006 for Performing the Following Functions

1. Framing of Regulations to lay down the Standards and guidelines in relation to articles of food and specifying appropriate system of enforcing various standards thus notified.
2. Laying down mechanisms and guidelines for accreditation of certification bodies engaged in certification of food safety management system for food businesses.
3. Laying down procedure and guidelines for accreditation of laboratories and notification of the accredited laboratories.

4. To provide scientific advice and technical support to Central Government and State Governments in the matters of framing the policy and rules in areas which have a direct or indirect bearing of food safety and nutrition.
5. Collect and collate data regarding food consumption, incidence and prevalence of biological risk, contaminants in food, residues of various, contaminants in foods products, identification of emerging risks and introduction of rapid alert system.
6. Creating an information network across the country so that the public, consumers, panchayats etc receive rapid, reliable and objective information about food safety and issues of concern.
7. Provide training programmes for persons who are involved or intend to get involved in food businesses.
8. Contribute to the development of international technical standards for food, sanitary and phyto-sanitary standards.
9. Promote general awareness about food safety and food standards.

SAMPADA Scheme

SAMPADA is an umbrella scheme incorporating ongoing schemes such as mega food parks, integrated cold chain and value addition infrastructure, food safety and quality assurance infrastructure, etc. It also includes new schemes such as infrastructure for agro-processing clusters, creation of backward and forward linkages, creation/expansion of food-processing and preservation capacities.

Thus, SAMPADA is mainly restructuring of the existing schemes of the Ministry of Food Processing Industries under new central sector scheme.

Objective of SAMPADA

The scheme, launched in 2017, has an allocation of ₹6000 crore up to 2020. It will help in generating an investment of ₹31,400 crore and facilitate handling of 334 lakh tonnes of agro-produce valuing ₹104,125 crore. This is expected to benefit 20 lakh farmers and create about 530,500 direct and indirect employment.

According to the statement, SAMPADA will give a thrust to the food-processing sector and help in providing better prices to farmers and achieve the government's target to double farmers' income by 2022.

During 2015–16, the food-processing sector contributed 9.1% and 8.6% of gross value added (GVA) in manufacturing and agriculture sectors, respectively.