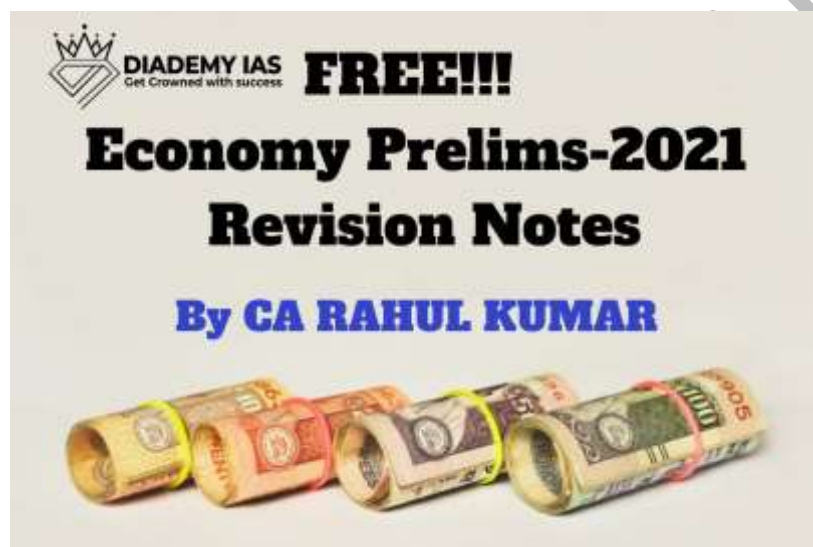


# SYNOPSIS/CRUX OF INDIAN ECONOMY

CRUX OF NOTES OF CA RAHUL KUMAR



## NOTES TO READERS

1) Due care has been taken to ensure the correctness of the notes. Still if you find any factual/conceptual error anywhere in this document then please inform us at [contact@diademy.com](mailto:contact@diademy.com)

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REVISION MARATHON BY CA RAHUL KUMAR SIR based on these crux notes and current affairs

3) **Colour Coding** (highlighting key words in **Red font colour**) has been done so that just before the exam time you can revise the the key words in just 2-3 Hrs

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## 11. Economy Basics

Economics	<p><b>Adam Smith</b> Economics Is an <i>inquiry into the nature and causes of the wealth of nations</i>.</p> <p>There is <b>no definition per se</b>, because the concept is constantly evolving.</p> <p>It studies not just <b>resources</b> but also the <b>factors, stakeholders</b> involved in creation, extraction and consumption.</p> <p><b>Economy</b> is <b>the relationship</b> between production, trade and the supply of money in a particular country or region.</p> <p><b>Two Main Streams-</b></p> <p><b>Microeconomics-</b> It relates to <b>a specific</b> area rather than a general one.</p> <p><b>Macroeconomics-</b> It relates to <b>a general</b> area rather than a specific one.</p>
Sectors of economy	<p><b>On the basis of production</b></p> <ol style="list-style-type: none"> <li><b>Primary Sector-</b> involves <b>taking raw materials</b> from natural resources.</li> <li><b>Secondary Sector-</b> it <b>processes</b> the raw material received from primary sector into finished products.</li> <li><b>Tertiary Sector-</b> deal with <b>an intangible aspect</b> of offering services to customers. Further divided as <ol style="list-style-type: none"> <li><b>Quaternary Sector-</b> <b>intellect aspect</b> of the economy which enable entrepreneurs to innovate better manufacturing processes and improve the quality of services offered.</li> <li><b>Quinary Sector-</b> This part of the economy takes the <b>top level decisions</b>.</li> </ol> </li> </ol> <p><b>On the basis of ownership-</b></p> <ol style="list-style-type: none"> <li><b>Public Sector-</b> ownership of the sector lies <b>primarily with the government</b>.</li> <li><b>Private Sector-</b> ownership of the sector lies primarily with the private investors.</li> </ol>
Types of Economy	<p><b>Socialist Economy-</b> All means of production <b>belong to and are managed by the State</b> and all profit goes to the State.</p> <p><b>Capitalist Economy-</b> Prices are determined by the <b>interaction of demand and supply</b> without the interference of the government or any other external forces.</p> <p><b>Mixed Economy-</b> private sector and public sector <b>exist side by side</b>.</p> <p><b>Free Enterprise/Unplanned Economy-</b> Decisions regarding consumption are taken by <b>consumers</b>.</p> <p><b>Planned Economy-</b> <b>central authority</b> which chalks out the entire plan for the economy.</p>
Types of Goods	<ul style="list-style-type: none"> <li>Goods sold by one firm to another <b>for resale or for further production</b> are called <b>intermediate goods</b>.</li> <li>Goods sold for <b>personal consumption or for investment</b> are called <b>final goods</b>.</li> <li>Final goods which directly <b>satisfy the wants</b> of consumers are <b>consumer goods</b>.</li> <li>Goods which <b>help in the production</b> of other goods that satisfy the wants of the consumers directly or indirectly are <b>capital goods</b>.</li> </ul>

	<ul style="list-style-type: none"> <li>• Goods which have a price and their <b>supply is less in relation to their demand</b> are <b>economic goods</b>.</li> <li>• Goods that <b>do not have any price and are unlimited</b> in supply are <b>non-economic goods</b>.</li> <li>• Goods which <b>are tangible</b> that can be seen, touched and transferred from one place to another are <b>material goods</b>.</li> <li>• Goods which <b>are intangible</b> for they do not possess any shape or weight and cannot be seen, touched or transferred are <b>non-material goods</b>.</li> </ul>
<b>Central Problems of an economy</b>	<b>What to Produce?</b> Type of Goods <b>How to Produce?</b> Labour intensive production, Capital intensive production <b>Whom to Produce?</b> Category of People
<b>Economic Growth</b>	<b>Change (increase/decrease) in the production</b> of goods and services in an economy, compared from one period of time to another.
<b>Terms</b>	<b>Capital formation-</b> net capital accumulation during a specific time period. <b>Incremental Capital Output Ratio-</b> <b>additional amount of capital</b> required to produce one additional product. <b>Savings rate-</b> percentage of gross domestic product (GDP) <b>saved by households</b> in a country. <b>Investment rate-</b> portion of GDP <b>invested into</b> the economy. <b>Economic development-</b> process of increase in volume of production along with the improvement in technology, <b>a rise in the standards of living</b> , health, education, and overall quality of life, etc. <b>Business Cycle-</b> <b>economy-wide fluctuations</b> in production, trade and general economic activity. <b>Purchasing Power Parity (PPP)-</b> economic theory that <b>compares different countries' currencies</b> through a basket of goods approach.
<b>Human Development</b>	process of <b>enlarging people's choices and strengthen human capabilities</b> in a way which enables them to lead longer, healthier and fuller lives.  <b>Human Development Report-</b> contains <b>4 indices</b> - Human Development Index, Gender Inequality Index, Multidimensional Poverty Index and Inequality-adjusted HDI.

## 2. National Income

<b>National Income</b>	Total value of all <b>final</b> goods and services produced in the country in a particular period of time usually, one year.
<b>Methods of estimation</b>	<p><b>1. Output or Value added or Production Method</b></p> <p><b>GROSS VALUE ADDED (GVA) at basic prices</b> = GVA at factor cost + (Production taxes less production subsidies)</p> <p><b>GDP at market prices</b> = GVA at basic prices + Product taxes – Product subsidies</p> <p>GVA is the net receipt of the <b>producers</b> and GDP is the expenditure incurred by the <b>consumers</b>.</p> <p><b>2. Income Method</b></p> <p><b>Gross National Product (GNP)</b>= GDP + (X-M)</p> <p><b>Net National Product (NNP) at Market Price</b>= GNP- Depreciation</p> <p><b>NNP at Factor Cost (NNP FC)</b>= NNP at Market Price- Indirect Taxes</p> <p><b>National Disposable Income</b> = Net National Product at market prices + Other <b>current transfers</b> from the rest of the world</p> <p><b>Personal Income</b> = National Income + [(Transfer payments) – (undistributed profits of corporate + Payments for social security)]</p> <p><b>Disposable Personal Income</b> = Personal Income - Direct Taxes</p> <p><b>3. Expenditure Method</b></p> <p><b>Two Sector Economy-</b> <math>Y = C + I</math></p> <p><b>Three Sector Economy-</b> <math>Y = C + I + G</math></p> <p><b>Four Sector Economy-</b> <math>Y = C + I + G + (X - M)</math></p>
<b>Terms</b>	<p><b>National Income</b>= Net National Product (NNP) at <b>Factor Cost (FC)</b></p> <p><b>Real per capita income</b> = Nominal per capita income / (1 + <b>Inflation rate</b>)</p> <p><b>Real Income/GDP-</b> Prices which were prevalent at some point of time in the past, known as</p>

base year price.

**Nominal Income/ GDP-** Current production of goods and services  $\times$  **Current prices**

**GDP Deflator**= Nominal GDP/Real GDP

**Green GDP-** It is an economic growth index that **quantifies and calculates the environmental consequences** of that growth.

**Recent Changes in Calculating GDP-** change in the base year, change in method of calculation, better data compilation

**Glossary**

**Factors of production & their contributions-** contribution made by human labour-**wage**, contribution made by capital- **interest**, contribution made by entrepreneurship- **profit**, contribution made by fixed natural resources- **rent**.

**Factor cost-** cost of factors of production that is **incurred by a firm** when producing goods and services.

**Market Price-** price that **consumers will pay** for the product when they purchase it from the sellers.

**Basic Price-** Amount **receivable by the producer** from the purchaser for a unit of a product minus any tax on the product plus any subsidy on the product.

**Economic territory-** geographical territory **administered by a government** within which persons, goods and capital circulate freely.

**Citizenship-** based on the place of birth of the person or some legal provisions allowing a person to become a citizen.

**Residency-** based on the basic economic activities performed by a person.

**Production taxes or production subsidies-** paid or received with relation to production and are independent of the volume of actual production.

**Product taxes or subsidies-** paid or received on per unit of product.

**Indirect tax-** collected by one entity in the supply chain and paid to the government, but it is passed on to the consumer.

**Depreciation-** wear and tear of goods produced.

**Base Year-** national income is calculated with reference to a particular year.

**Constant price-** The price this year is called price of base year.

**Investment expenditure-** When producers keep his profit in order to expand its productivity.

**Inventory-** The stock of unsold finished goods, or semi-finished goods, or raw materials which a firm carries from one year to the next.

**Benchmark-Indicator method-** approach for compiling the sector-wise estimates by extrapolation of indicators.

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### 3. Money & Banking- Fundamentals

<p><b>Development Of Banking System In India- History</b></p>	<p><b><u>Pre-Independence Phase (1786-1947)</u></b>- Bank of Calcutta in <b>1786</b>. Bank of Bengal, Bank of Bombay and Bank of Madras merged in <b>1935</b> to form the <b>Imperial Bank of India</b>. First Indian-owned was <b>Allahabad Bank- 1865</b>. <b>RBI</b> is established in <b>1935</b> under RBI Act, 1934.</p> <p><b><u>Post- Independence Phase</u></b>-<b>Nationalised the Reserve Bank of India</b> in 1949. 1955 the Imperial Bank of India was nationalised and named the <b>State Bank of India</b>.</p> <p><b><u>Nationalisation Period</u></b>- In <b>1969</b>, the Government of India <b>nationalised 14 major banks</b>. <b>Six more</b> banks were further nationalised in 1980.</p> <p><b><u>Financial Inclusion-Narasimham Committee</u></b> in 1974 recommended the establishment of <b>Regional Rural Banks</b>.</p> <p><b><u>1991 reforms</u></b>- Following recommendations of the Narasimham Committee private sector players were allowed to enter the system</p> <p><b><u>Financial Inclusion Phase II</u></b>- establishment of <b>Payment Banks</b> and <b>Small Finance Bank</b></p> <p><b><u>Bank Mergers- 2017</u></b>- <b>SBI with 5 associated banks</b>. <b>2018</b>- <b>Bank of Baroda (BoB), Dena Bank and Vijaya Bank</b>. <b>2019</b>- <b>Indian Bank</b> to be merged with <b>Allahabad Bank</b>. <b>PNB, OBC and United Bank</b> to be merged. <b>Union Bank of India, Andhra Bank and Corporation Bank</b> to be merged.</p>
<p><b>Classification Of Money Market- Organised and Unorganised</b></p>	<p>(i) <b><u>ORGANISED SECTOR</u></b>- characterised by <b>registration, approval and license</b> from market regulators</p> <p>BANKING- carries out both <b>deposit taking and lending</b>.</p> <p>SUB-MARKETS-generate <b>necessary capital</b> for banking .</p>
	<p>(ii) <b><u>UNORGANISED SECTOR</u></b>- <b>devoid of registration, approval and license</b> from market regulators</p> <p>MONEY LENDERS- exclusively engaged in <b>money lending</b>.</p> <p>MERCHANT CUM MONEY LENDERS- engaged in <b>merchandising and money</b></p>



**lending.**

**Classification Of  
Banking Sector**

**1. Commercial Banks-** accepting deposits from the general public and **giving loans** for investment .

(a) **Public Sector Banks-** majority ownership with **government**

I- **State Bank Group- SBI and its associates**

II- **Other Nationalised Banks-** All other nationalised banks.

(b) **Private Sector Banks-** ownership with **private entities**.

I- **Indian Banks-** These are owned by **Indians nationals**.

**Old Indian Banks-** set up **before the 1990s**.

**New Indian Banks-** set up **after the 1990s**.

**Differentiated Banking**

(i) **Payments Bank-** differentiated bank, **offering a limited range**

(ii) **Small Finance Banks-** created with an aim to encourage financial inclusion by provision of **savings vehicles and supply of credit** to small business units.

II- **Foreign Banks-** owned by **foreign nationals**.

**Indian Banks Abroad-** Indian Banks with **branches overseas**.

**2. Regional Rural Banks (RRB)-** develop the rural economy by providing **credit and other facilities**.

**NABARD** (National Bank for Agriculture and Rural Development)- apex development bank which provides help for **agricultural and rural development**.

**3. Cooperative Banks-** financial institutions that are owned and run by their **customers** and operate on the principle of **one person one vote**.

**Composition-** Classified as **urban** and **rural**. They can be **short term structures-** lend upto one year or **long term structures-**

	lend from one and a half years to twenty five years.
<b>Classification of Sub Markets</b>	<p><b><u>Call Money Market</u></b>- <b>interbank borrowing and lending market</b> for a period ranging from one to fourteen days.</p> <p><b><u>Bill Market</u></b>- <b>Short term</b> funds usually ranging <b>90 days</b>.</p> <p><b><u>Certificate of Deposits</u></b>- issued by <b>commercial banks and financial institutions</b> to raise additional funds.</p> <p><b><u>Commercial Paper</u></b>- issued by <b>corporate primary dealers</b> and <b>All-India financial institutions</b>.</p>
<b>Banking Sector Schemes</b>	<p>(i) <b><u>Lead Bank Scheme</u></b>- Any <b>one public sector bank</b> is designated as <b>lead bank</b> in that district.</p> <p>(ii) <b><u>Service Area Approach</u></b> (1988)- Each <b>semi urban and rural branch</b> allowed a specific area to implement banking scheme.</p> <p>(iii) <b><u>Differential Rate of Interest Scheme</u></b> (1972)- grant at least <b>1% of their total deposits</b> of previous year to weaker sections</p> <p>(iv) <b><u>Social Banking</u></b>- Beneficiaries of government's <b>self employment programme</b>.</p> <p>(v) <b><u>Priority Sector Lending</u></b>- those which contribute substantially to National Income but get less credit from the banks</p> <p>(vi) <b><u>Financial inclusion</u></b>- no requirement of <b>minimum balance</b> and <b>no charge</b> will be levied for <b>non-operation</b></p> <p>(vii) <b><u>Promotion of Micro Credit</u></b>- <b>Financial services of very small amount</b> to the poor in rural, semi-urban and urban areas</p>
<b>Other Important Banks and Financial Institutions</b>	<p>(i) <b><u>Scheduled Bank</u></b>- included in the <b>second schedule</b> of the <b>Reserve Bank of India Act, 1934</b></p> <p>(ii) <b><u>Non-Scheduled Bank</u></b>- <b>not included in the second schedule</b> of the RBI Act, 1934.</p> <p>(iii) <b><u>Land Development Banks</u></b>- provide <b>long term loans for agriculture</b> for a period ranging from <b>5 to 25 years</b>.</p>
<b>Financial Institutions</b>	provides <b>long term loans</b> (more than 25 years) and <b>entrepreneurial assistance</b> to industries.
<b>Reserve Bank of India</b>	<b>Functions-</b> <b>Monetary Authority, Regulator and supervisor</b> of the financial system, <b>Manager of Foreign Exchange, Issuer of currency, Developmental role</b>

**Monetary policy**- policy of the **central bank** with regard to the use of **monetary instruments** under its control.

**Monetary Policy Committee**- **6-member**, decision based on majority vote, achieve **inflation target** of 4+/-2

**Quantitative tools**

- (i) **Cash Reserve Ratio (CRR)**- **percentage of total deposits**, which bank has to keep as reserves in the **form of cash** with RBI
  - (ii) **Statutory Liquidity Ratio (SLR)**- **percentage of Net Time and Demand Liabilities** kept by the bank in liquid assets.
  - (iii) **Bank rate**- rate at which RBI provides **long- term borrowings** to its clients.
  - (iv) **Liquidity Adjustment Facility**- tool to **quickly contain liquidity and stability issues**.
    - (a) **Repo rate**- interest rate at which the **RBI provides short-term liquidity to banks** against the collateral of government securities.
    - (b) **Reverse repo rate**- rate at which the **RBI borrows money** from commercial banks within the country.
- Stances in Liquidity Adjustment Facility**-
- Accommodative stance**- RBI may **reduce policy rates**
- Neutral stance**- RBI may **increase or decrease policy rates**
- Calibrated Tightening**- RBI may keep the **rates constant or increase** it.
- (v) **Marginal Standing Facility (MSF)**- banks can **borrow additional amount** from RBI at a penal rate of interest.
  - (vi) **Market Stabilisation Scheme (MSS)**- Bonds released to **stabilise the appreciation and depreciation of rupee**.
  - (vii) **Open Market Operations (OMO)**- **sale and purchase** of **government securities** by RBI in the open market.

**Qualitative Tools**

**Margin Requirements**: difference between the **securities offered and amount borrowed** by the banks.

**Consumer Credit Regulation**: rules regarding **down payments and maximum maturities** of installment.

**Guidelines**: RBI issues **oral, written statements, appeals, guidelines, warnings**

	<p><b><u>Rationing of Credit:</u></b> RBI controls the <b>Credit granted / allocated</b></p> <p><b><u>Moral Suasion:</u></b> <b>Psychological means</b> and informal</p> <p><b><u>Direct Action:</u></b> RBI refuse to <b>rediscount their papers</b>, charge a <b>penal rate of interest.</b></p>
Money	<p><b><u>Functions of Money-</u></b> <b>Medium of exchange, Unit of account, Standard of deferred payment, store of value</b></p> <p><b><u>Money Demand-</u></b> holding <b>money in hand</b> for the purpose of exchange.</p> <p><b><u>Money supply-</u></b> <b>stock of money</b> at a point of time in the economy</p> <p><b><u>Quantity theory of money-</u></b> direct relationship between the <b>quantity of money in the economy and the level of prices</b> of goods and services sold</p>
Types of Money	<p>(i) <b><u>Actual Money-</u></b> Money which <b>actually circulates in the economy</b></p> <p>(ii) <b><u>Metallic Money-</u></b> made of metal such as <b>gold and silver.</b></p> <p><b>Full bodied money:</b> <b>face value</b> of money is <b>equal</b> to its <b>value as a commodity.</b></p> <p><b>Token Money:</b> <b>face value</b> of money is <b>more</b> than its <b>value as commodity or intrinsic value</b></p> <p>(iii) <b><u>Paper Money-</u></b> Money made of <b>paper</b></p> <p><b>Representative Paper Money:</b> issued by keeping <b>100% gold reserve</b></p> <p><b>Convertible Paper Money:</b> can be <b>converted into gold coins</b></p> <p><b>Fiat or In-convertible Paper Money:</b> <b>cannot be converted</b> into full bodied coins.</p> <p>(iv) <b><u>Legal Tender Money-</u></b> Money which has a <b>legal approval</b> behind it and people are bound by law to accept</p> <p><b>Limited Legal Tender:</b> payments only <b>upto a certain limit.</b></p> <p><b>Unlimited Legal Tender:</b> payments <b>up to any limit.</b></p>

	<p>(v) <b>Hot Money</b>- Money that <b>moves regularly and quickly</b> between financial markets</p> <p>(vi) <b>Commodity Money</b>- value is <b>derived from the commodity out of which it is made.</b></p> <p>(vii) <b>Commercial Bank Money</b>- <b>demand deposits</b> which are claims against financial institutions.</p>
<b>Monetary Aggregates</b>	<p>(i) <b>Reserve Money (M0)</b>- <b>held in reserve</b> either by public, banks or RBI. <b>M0= Currency in circulation + Bankers Deposits with the RBI + Other Deposits with RBI.</b></p> <p>(ii) <b>Narrow Money (M1)</b>- The financial assets included in the category of <b>M1 are fewer than in M2</b></p> <p><b>M1= Currency with the public + Current Deposits with the Banking System + Demand liabilities portion of Saving Deposits with the Banking System + Other Deposits with the RBI</b></p> <p>(iii) <b>Intermediate Money (M2)</b>- The financial assets included in this category are <b>more than M1 but less than M3</b> .</p> <p><b>M2= M1 + Time liabilities portion of Saving Deposits with the Banking System + Certificates of Deposits issued by bank + Term Deposits (excluding FCNRB Deposits) up to one year maturity with the banking system + Other Deposits with the RBI.</b></p> <p>(iv) <b>Broad Money (M3)</b>- The financial assets included in this category are <b>more than M2.</b></p> <p><b>M3= M2+ Term Deposits (excluding FCNRB Deposits) up to one year maturity with the banking system + call borrowings from 'Non-Depository' Financial Corporations by the banking system.</b></p>
<b>Liquidity Aggregates</b>	<p>Relates to the liabilities of the <b>Central Bank, depository corporations</b> (banks) and <b>select items of non-depository corporations.</b></p> <p><b>L1= M3 + All Deposits of Post Office Savings Banks excluding National Savings Certificates</b></p> <p><b>L2= L1+ Term Deposits</b> with Term Lending Institutions and Refinancing Institutions (FIs) + <b>Certificates of Deposit</b> issued by FIs</p>

**L3= L2 + Public Deposits of Non-Banking Finance Companies (NBFCs)**

**Related Terms**

- (i) **Basel Norms**- purpose is to **ensure that financial institutions have enough capital** in their balance sheet to meet their obligations and absorb unexpected losses. The main requirement (a) **Total Capital Requirement/Capital Adequacy Ratio (CAR)** ratio of total capital to total risk weighted assets. It is **8%** (b) **Capital Conservation Buffer (CCB)**- designed to ensure that banks build up capital buffers during normal times. It is **2.5%**
- (ii) **Provisioning**- **Setting aside a portion of profits**, in proportion of risk weighted loans given, to compensate for a probable loss due to incomplete loan recovery.
- (iii) **Non-Performing Assets (NPA)**- loan whose **interest and/or installment of principal** has remained '**overdue**' (not paid) for a period of **90 days** is considered as NPA.

**Categories of NPAs based on time period**

**Sub-standard asset**: Remained NPA for **less than or equal to 12 months**.

**Doubtful asset**: Remained substandard for a period of **12 months**.

**Loss assets**: NPA **identified by bank or the RBI**

**Restructured loans**: Those which got an **extended repayment period, reduced interest rate, converting a part of the loan into equity, providing additional financing**.

**Written off assets**: Lender does not count money, borrower owes.

(iv) **Marginal Cost of Lending Rate (MCLR)**- MCLR refers to the **minimum interest rate of a bank below which it cannot lend**, except in some cases allowed by the RBI.

(v) **Base Rate**- Practically, base rate is the **minimum interest rate at which a bank can lend**.

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#### 4. Money & Banking- Misc topics

1. Linking loans to external benchmarks- like **Repo Rate or Treasury Bills** to reduce in credit costs in the long run.
2. Financial Benchmarks India Pvt Ltd- **independent benchmark administrator** to develop and administer benchmarks relating to money market, government securities and foreign exchange in India.
3. Urban Cooperative Banks to transition into Small Finance Banks- if UCBs business size is **Rs 20000Crore or more**.
4. Issues related to RBI-

**Transfer of funds from RBI to Central Government**- RBI transfers a percentage of its surplus to the Central Government every year under **Section 47 of the RBI Act, 1934**.

**RBI's Banking Ombudsman**- **senior official appointed by RBI** to **address grievances** from customers pertaining to deficiencies in banking services.

**Section 7 of RBI Act, 1935**- Gives **Central Government power** to give such directions to RBI after consultation with the Governor of the Bank.

#### 5. Steps taken by RBI for NPA Resolution

- (i) **Classification of stress into SMA (Special Mention Account)**- into **three categories** before they turn NPA.
- (ii) **Insolvency And Bankruptcy Code**- Homebuyers as financial creditors, Definition of a related party, Changes in voting share of committee of CoC to **66%**, If a financial creditor is a **related party** it shall not have any participation or voting in CoC, **Moratorium period** during which no parallel proceedings are allowed, **Tenure of an insolvency resolution professional (IRP)** till the appointment of the resolution professional (RP), provides MSMEs with a **special dispensation**.
- (iii) **UNCITRAL Model Law of Cross Border Insolvency**- comprehensive framework to deal with **cross border insolvency issues**.
- (iv) **Public Credit Registry (PCR)**- capture all relevant information pertaining to borrowers in a **single large database**.
- (v) **Prompt Corrective Action (PCA)**- allows the **RBI** to place **certain restrictions on banks**.
- (vi) **Project Sashakt**- **5-pronged strategy** to **resolve bad loans**: (a) Small And Medium Enterprise (SME) Resolution Approach, (b) Bank-led Resolution Approach, (c) AMC/AIF Led Resolution Approach, (d) NCLT/IBC Approach, (e)

Asset-trading Platform

**6. Previous Schemes for NPA Resolution**

- (i) **Private Asset Reconstruction Companies (ARC)- reconstruction of stressed assets** by specialists.
- (ii) **Strategic Debt Restructuring- converting debt into equity** and selling them.
- (iii) **Asset Quality Review- recognize the presence of stressed assets** by banks through assessment of loans in line with RBI loan classification rules.

**7. Banking Regulation**

- (i) **Bank Recapitalization Package- infusing fresh capital** into the banks
- (ii) **Indradhanush- seven pronged strategy-** Appointment, Bank Board Bureau, Capitalization, De-stressing PSBs, Empowerment, Framework of accountability, Governance reforms
- (iii) Bank Mergers

**8. Schemes for Financial Inclusion**

- (i) **Pradhan Mantri Jan-dhan Yojana (PMJDY)- zero balance** bank account
- (ii) **Pradhan Mantri Mudra Yojana- credit for MSMEs**
- (iii) **Unified Payments Interface (UPI) - allows money transfer** between any two bank accounts by using a smartphone.
- (iv) **National Payments Corporation Of India (NPCI)- umbrella organization for operating retail payments and settlement systems** in India.
- (v) **Jan Dhan Darshak App-** guide for common people for **locating a financial service touch point**
- (vi) **Reduction In Merchant Discount Rate-** which is the **fee borne by the merchant** for using credit and debit card payment system.
- (vii) **Interchange Fee-** charge that a **card issuing bank pays** to another bank whose ATM its customer uses.
- (viii) **India Post Payments Bank (IPPB)-** providing **banking and financial services** to people in **rural areas** by

through 1.55 lakh post office branches.

(ix) **QR Card in IPPB**- A **QR card** contains a **barcode** that can be used to identify details of the account holders. It could be read through a **smartphone or micro-ATMs**. Transactions can be done only through **biometric authentication**.

(x) **Business Correspondents (BC)**- bank appointed entities and individuals to serve as agents for providing **basic banking services** in remote areas.

(xi) **Common Service Centres (CSC)**- government is planning to make **all CSCs across the country BCs of Banks**

## 5. Money and Capital Market- Fundamentals

Money Market	Where <b>financial instruments</b> with <b>high liquidity</b> and very <b>short maturities</b> are traded. Classified into- Overnight market, Notice money market, Term money market
Money Market Instruments	<p><b>Call money market</b> is a market for <b>uncollateralized lending and borrowing of funds. predominantly overnight</b></p> <p><b>Repo Market-</b> <b>instrument for borrowing funds by selling securities</b> with an <b>agreement to repurchase</b> the said securities on a <b>mutually agreed future date</b> at an <b>agreed price</b></p> <p><b>Collateralised Borrowing And Lending Obligation (CBLO)-</b> for entities who have either no access to the interbank call money market or call borrowing and lending transactions</p> <p><b>Certificate of Deposit-</b> <b>negotiable</b> money market instrument and issued in <b>dematerialised form</b></p> <p><b>Commercial paper-</b> <b>unsecured money</b> market instrument issued in the form of a promissory note</p>
Capital Market	Markets facilitating the buying and selling of <b>financial instruments</b> . Two categories- <b>equity securities</b> and <b>debt securities</b> .
Securities Market	<p>deals with <b>shares</b> and <b>debt instruments</b></p> <p><b>Types of shares-</b></p> <p>Equity shares- has <b>claim over capital, profit and loss</b>. Preference shares- shares that have <b>entitlement to a fixed amount of dividend</b></p> <p><b>Government Securities Market-</b> market for <b>Government and semi government securities</b></p> <p><b>Industrial Securities Market-</b> market for <b>securities of industrial and commercial organisations</b></p> <p><b>New Issue Market-</b> sale and purchase of new securities</p>

	<b><u>Old Issue Market</u></b> - sale and purchase of securities that were <b>already issued</b>
<b>Issue Market</b>	<p><b><u>Public issue</u></b>- <b>issue of securities to public.</b></p> <p><b><u>Initial Public Offering</u></b>- issues shares for the <b>first time</b></p> <p><b><u>Follow on Public Offering</u></b>- <b>issues shares again</b>, to raise additional funds</p> <p><b><u>Other Issues</u></b>- <b>issued to a closed group</b> of people</p> <p><b><u>Private placement</u></b>- offering shares directly to the financial institutions, mutual funds and high worth investors</p> <p><b><u>Rights issue</u></b>- <b>offer of security to the existing shareholders</b> in the Follow on Public offering (FPO)</p> <p><b><u>Bonus issue</u></b>- <b>offer of shares against distributable profit</b> to existing shareholders</p> <p><b><u>Sweat Equity Issue</u></b>- <b>offer of shares</b> mainly to its <u>executives</u> and its <u>Directors</u> of the company which <b>issues shares as recognition of their hard labour (sweat).</b></p>
<b>Stock Exchanges</b>	<p><b><u>National Stock Exchange (NSE)</u></b>- established in <b>1993</b>, <b>IDBI</b> is the main promoter. <b>Nifty</b> and <b>Nifty Junior</b> are <b>indices of National stock exchange.</b></p> <p><b><u>Bombay Stock Exchange (BSE)</u></b>- <b>established in 1887.</b> It was <b>owned by stock brokers.</b> Now it is <b>demutualised.</b> <b>Sensex</b> is the <b>index of Bombay Stock Exchange.</b></p>
<b>Terms</b>	<p><b><u>Clearing houses</u></b>- enable easy settlement of securities trade.</p> <p><b><u>Clearing banks</u></b>- mediate <b>fund transfer</b> between buyers and sellers.</p> <p><b><u>Rolling settlement</u></b>- trade executed in <b>securities market</b> is settled in few subsequent working days. It is represented as <b>T+2.</b></p> <p><b><u>Development financial institutions</u></b>- provide <b>long term loan</b> and <b>entrepreneurial assistance</b> to industries.</p> <p><b><u>Financial intermediaries</u></b>- <b>capital market institutions</b> other than stock exchanges and</p>

development financial institutions.

**Non-Banking Financial  
Company (NBFC)**

Company registered under the **Companies Act, 1956** engaged in the **business of loans and advances, acquisition** of shares/stocks/bonds/debentures/securities.

**Different Types**

1. **Asset Finance Company (AFC)**- principal business is the **financing of physical assets** supporting productive/economic activity
2. **Investment Company (IC)**: principal business is the **acquisition of securities**
3. **Loan Company (LC)**: principal business is **providing of finance** as loans or advances
4. **Infrastructure Finance Company (IFC)**- company which **deploys at least 75%** of its total assets in infrastructure loans
5. **Systemically Important Core Investment Company (CIC-ND-SI)**: business of **acquisition of shares and securities** which satisfies certain conditions
6. **Infrastructure Debt Fund (IDF)**: to facilitate the **flow of long term debt** into infrastructure projects
7. **Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI)**: **non-deposit taking** NBFC having not less than 85% of its assets in the nature of **qualifying assets** which satisfy the certain criteria
8. **Non-Banking Financial Company-Factors (NBFC-Factors)**: engaged in the principal business of **factoring**.
9. **Mortgage Guarantee Companies (MGC)** - at least 90% of the business turnover is **mortgage guarantee business**
10. **NBFC- Non-Operative Financial Holding Company (NOFHC)** is a financial institution through which **promoter / promoter groups** will be permitted to set up a new

bank.

**Instruments**

1. **Government security** is a **tradable instrument** issued by the Central Government or the State Governments.
2. **Treasury bills** are **short term debt instruments** issued by the Government in three tenors- **91 days, 182 days** and **364 days**
3. **Cash Management Bills (CMBs)**- issued for maturities **less than 91 days**
4. **Dated Government securities** are **long term securities** that carry a **fixed interest rate** which is paid on the face value
5. **Special Securities** are issued by **Government of India** as compensation to these companies in **lieu of cash subsidies**.
6. **State Development Loans (SDLs)**- **dated securities** issued by State Governments to **raise loans** from the market
7. **Primary Dealer (PD)**- firm that buys **Government securities** directly from a market, with the intention of **reselling to** others
8. **Bonds**- **tradable fixed-income security** offering the holder an annual interest along with the original principal amount on maturity
9. **Mark-To-Market (MTM) Loss**- **accounting tool** used to record the value of an asset with respect to its **current market price**.

**Related Terms**

1. **Face Value And Issue Price**- Face value is the **actual value** of shares. Issue price means price of share **including share premium**.
2. **Short Selling**- Seller sells the securities **without owning them**.
3. **Bull and Bear Trading**- In bull trading, **buyers buy more shares** in the expectation to earn a profit. In bear trading, the **sellers sell the securities** with the intention to avoid loss.
4. **Securitisation**- method of **converting existing assets** into securities and selling it.
5. **Buy Back**- issuer **buying the securities again** to accumulate share in his hands



6. **Market Capitalisation**- value of shares that are sold to the public which are called **outstanding shares**.
7. **Market Capitalisation-GDP Ratio**- ratio between **total market capitalisation** of all stock exchanges and the **GDP** of the country.
8. **Price Earnings Ratio**- the ratio between the **price of the share** and **earning (dividend income/ profit) per share**.
9. **High Net-worth Individual (HNI)** - have net financial assets of at **least \$1 million**. Those above **\$300 million are ultra-high net worth** individuals.
10. **Transferable and Non-Transferable Shares**- In non-transferable shares the **ownership of securities** cannot be changed. In transferable shares the ownership can be changed.
11. **Cumulative and Non-cumulative Shares**- Cumulative shares entitled to **receive dividends** of a particular year in the coming years **as arrears** if the company didn't give dividend in that particular year. Non-cumulative shares **don't have that right**.
12. **Convertible and Non-convertible Securities**- Convertible can be **converted into another** kind of security. Non- convertible this is not possible.
13. **Venture Capital**- financing **that investors provide** to startup companies and small businesses that are believed to have long-term growth potential.
14. **Capital Gain**- increase in the value of a capital asset that gives it a **higher worth than the purchase price**.
15. **INDONEXT**- **separate trading platform** for medium and small-cap companies.
16. **Commodity Markets**- space where one can **buy, sell or trade various commodities** at current or future date.
- Commodity Exchange**- allow trade in **myriad products** such as agricultural produce, metals, energy, etc.
- Commodities Transaction Tax**- levied on trades made on **Commodities Exchanges**
17. **Mutual Funds**- investment vehicle that is made up of a pool **of funds** that collects

money from **many investors** to invest in **securities** Two different categories-

**Equity** mutual funds invest in **stocks**

**Debt** funds invest in **bonds and government securities**

18. **Side Pocketing**- **accounting method** used to separate **distressed, illiquid and hard-to-value assets** from the more liquid and quality investments.

19. **Exchange Traded Fund (ETF)**- security that tracks the **performance of an index, a commodity or a basket of assets**.

#### Types Of ETF

**Gold ETF**- participant will **deposit gold** instead of shares.

**Index ETF**- **swapping shares** in an index basket, for units in the fund.

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## 6. Money and Capital Market- Misc Topics

1. **Development Impact Bond (DIB)**- provide **funding to local not-for-profit delivery partners** in India for principal and teacher training, direct school management, and supplementary programmes.
  2. **Floating Rate Bonds**- bonds having an **interest rate** that **periodically changes** with the market rate.
  3. **Inflation Indexed Bonds (IIBs)** - bonds where the principal and interest payments are linked to an **inflation index** such as WPI or CPI.
  4. **Municipal Bonds**- **debt security** issued by a **municipality** to finance its capital expenditures.
  5. **Alternative Investment Fund**- Anything **alternative** to traditional form of investments.
  6. **Anchor Investors**- **institutional investors** who are offered shares in an **Initial Public Offering** a day before the offer opens.
  7. **Venture Capital**- financing that investors provide to **startup companies** and small businesses that are believed to have long-term growth potential.
  8. **Angel Investor**- invest **in small startups or entrepreneurs**.
  9. **Angel Tax**- applicable on the capital raised by **unlisted companies** from any individual against an issue of shares in excess of the fair market value.
  10. **Value Capture Finance Policy Framework**- tool for **generating finances** required by the States / Cities for funding the infrastructural investments.
  11. **Total Expense Ratio (TER)**- measure of the total costs associated with **managing and operating** an investment fund.
  12. **Unpublished Price Sensitive Information** - Any information, relating to a company or its securities that is **not generally available** which upon becoming generally available, is likely to **materially affect the price of the securities**.
- Insider Trading**- **Disclosing** sensitive information
13. **Participatory Notes**- issued by **registered foreign portfolio investors** (FPIs) to **overseas players** who wish to invest in the Indian capital market without registering themselves directly.

14. **Delisting of Shares**- **removal of a listed security** from a stock exchange.
15. **Masala Bonds**- **rupee-denominated borrowings** by Indian entities in overseas markets.
16. **Sovereign Gold Bonds (SGBs)**- Government securities denominated in **grams of gold**.
17. **Ombudsman Scheme for NonBanking Financial Companies (NBFC)**- **cost-free and expeditious** complaint redressal mechanism relating to deficiency in the services by NBFCs.
18. **Peer To Peer (P2P) Lending**- **crowdfunding platform** where people looking to invest and people in need of borrowing come together.
19. **Green Bonds**- **debt instrument** issued by an entity for raising funds from investors for financing **'green' projects**.
20. **Bharat-22**- An **Exchange Traded Funds (ETF)** having a diversified portfolio of companies from **six sectors (Basic Materials, Energy, Finance, FMCG, Industrials and Utilities)**.
21. **Market Infrastructure Institutions (MII)**- systemically important for the country's financial development and serve as the **infrastructure necessary** for the securities market.
22. **IL&FS** Group is a **vast conglomerate** that funds **infrastructure projects** across the country
23. **Ombudsman Scheme for Digital Transactions (OSDT)** - **complaint redressal mechanism** relating to digital transactions conducted through non-bank entities.
24. **Legal Entity Identifier (LEI)**- **20 character** global reference number conceived by **G20** that uniquely **identifies every legal entity** or structure that is a party to a financial transaction, in any jurisdiction.
25. **Credit Rating**- Assess the **creditworthiness** of a prospective buyer to fulfill the debt obligations.
26. **National Financial Reporting Authority**- **independent regulator** to oversee auditing profession & accounting standards.
27. **International Financial Services Center Authority Bill**- provides for the establishment of an **IFSC within an SEZ** in India and enables the Central Government to regulate IFSC activities.
28. **Share Swap**- when a company **pays for an acquisition or merger** by issuing its own shares to the shareholders of the target company.
29. **Share-pledging**- to secure loans from bank and non-bank financial institutions shares are pledged as **collateral**.

30. **Debenture**- type of bond that is **not secured by physical assets** or collateral but backed by the **general creditworthiness** and reputation of the issuer.

31. **IND AS**- governs the accounting and recording of financial transactions as well as the presentation of statements such as **profit and loss account** and **balance sheet** of a company.

## **7. Public Finance, Budget and Fiscal Policy**

<b>Public Finance</b>	finances of the government includes all those matters which are <b>connected with public money</b>
<b>Fiscal Policy</b>	<p>overall activities of the government through budget</p> <p><b>Types of fiscal policy-</b></p> <p><b>Neutral fiscal policy-</b> Total government spending is <b>fully funded</b> by the tax revenues.</p> <p><b>Expansionary fiscal policy-</b> <b>Spend more</b> money on <b>public works or cut taxes</b>.</p> <p><b>Contractionary fiscal policy-</b> Government <b>spending is cut</b> and <b>taxes are increased</b>.</p> <p><b>Fiscal Policy in business cycle:</b></p> <p><b>Countercyclical-</b> strategy used by the government to <b>counter boom or recession</b></p> <p><b>Pro-cyclical-</b> Used often <b>during boom</b></p>
<b>Budget</b>	<p>Statement of expected receipts and expenditures of the government for a specific period</p> <p><b>Consolidated Fund of India (Article 266)</b> “<b>all revenues received, loans raised, and also receipts from recoveries of loans granted</b>” by the government of India.</p> <p><b>Contingency Fund of India (Article 267)</b> “at the disposal of the <b>President of India</b> to facilitate meeting of <b>urgent unforeseen expenditure</b>.”</p> <p><b>Public Account of India-</b> Moneys held by <b>Government in trust</b></p>

**Charged expenditure**- **no voting takes place** for the withdrawal of an amount

**Types of budgeting**

Budgeting is the process of creating a **plan to spend your money**

1. **Line Budgeting**- forecasted financial report that describes both **different income sources and expenses**
2. **Traditional budgeting**- **last year's budget** is taken as the **base**
3. **Performance Budgeting**- **output-oriented budget** emphasising the accomplishment
4. **Outcome Budgeting**- compilation of **anticipated and intended outcomes**
5. **Zero-based budgeting**- not take earlier years expenditure for granted but should **start afresh**.

**Revenue Budget**

Revenue receipts include **Tax revenues, Non Tax revenues, Other Non-Tax revenues**.

Revenue expenditure include Interest payments, Defence, Police

Subsidies, Grants, Salaries and Pensions

**Capital Budget**

Capital receipts include Debt creating and non-debt creating

Capital Expenditure include Loans and advances, acquisition of assets

**Deficits and its types**

1. Budget Deficit= **Total Expenditure – Total Receipts**
2. Revenue Deficit= **Revenue Expenditure – Revenue Receipts**
3. Effective Revenue Deficit= **Revenue Deficit - Grants for Creation of Capital Assets**
4. Fiscal Deficit= **Total expenditure – (Revenue receipts + Non-debt creating capital receipts)**
5. Primary Deficit= **Fiscal deficit – net interest liabilities**

6. Monetised Deficit = **Borrowing from RBI + Drawdown balance of government from RBI**

**Fiscal Responsibility  
and Budget  
Management (FRBM)  
Act**

**Earlier Act**

Reduce **fiscal deficit to 3%** of the GDP by 2008-09 with annual reduction target of 0.3% of GDP per year.

Reduce **revenue deficit by 0.5%** of the GDP per year with complete elimination to be achieved by 2008-09

**New Amendment**

Bringing down the **central government's debt to GDP ratio** to **40 %**

Setting an operational target for the **fiscal deficit at 3% by 2021**

**Fiscal Deficit to GDP** ratio at **2.5%.**

**No specific Revenue Deficit target**

**Related Terms**

1. **Off-budget Liabilities-** money liable to be **paid by the government to various entities** as a policy matter.

2. **Fiscal Slippage-** If the **actual fiscal deficit is more** than what was expected

3. **Fiscal Consolidation-** **long term permanent strategies** to **eliminate deficit** by increasing revenue and reducing expenditure.

4. **Fiscal Stimulus-** attempts by government to **financially stimulate an economy**

5. **Fiscal Marksmanship-** **precision or accuracy of forecast**, targets, and estimates.

6. **Fiscal Space-** **budgetary room** that allows a **government to provide resources for public purposes** without undermining fiscal sustainability.

7. **Fiscal Drag-** situation where a **government's net fiscal position does not meet the net savings goals** of the private economy.



## 8. Taxation

<b>Tax</b>	compulsory levy <b>payable by an economic unit</b> to the government <b>without any corresponding entitlement</b> to receive a definite and direct quid pro quo from the government.
<b>Concepts</b>	<p><b>Tax Base-</b> It is the <b>income, property, good, or service</b> that is subject to a tax</p> <p><b>Ad valorem-</b> Tax is levied as a <b>% of the value of the goods</b> regardless of the number of units produced/sold/imported.</p> <p><b>Specific Duty-</b> Tax is levied <b>at a flat rate per unit of the goods</b> produced/sold/imported regardless of the value.</p> <p><b>Impact on Tax-</b> <b>first point of levy</b> of tax. <b>Incidence on Tax-</b> <b>final resting point</b> of a tax.</p> <p><b>Tax Buoyancy-</b> responsiveness of tax revenue growth to <b>changes in GDP</b>.</p> <p><b>Tax Elasticity-</b> changes in tax revenue in response to <b>changes in tax rate</b>.</p> <p><b>Proportional Taxation-</b> Tax levied as a <b>% of tax base</b> irrespective of size of tax base at a uniform rate.</p> <p><b>Progressive Taxation-</b> If <b>tax rate increases with the increase in size of tax base</b>.</p> <p><b>Regressive Taxation-</b> If <b>tax rate decreases</b> with the increase in size of tax base.</p> <p><b>Direct Taxes-</b> The <b>burden of the tax falls on the entity that is being taxed</b>. <b>Example-</b> Income Tax (Personal Income Tax), Corporate Tax, Securities Transaction Tax, Commodities Transaction Tax, Minimum Alternate Tax.</p> <p><b>Indirect Taxes-</b> The <b>tax-burden can be shifted or passed on to other persons</b> later through business transactions of goods/ services. <b>Example-</b> Excise Duties, Customs Duties, Sales Tax/ VAT (Value Added Tax), Octroi</p>
<b>Goods and Services Tax (GST)</b>	<b>destination-based indirect tax</b> . Subsumed <b>17 indirect taxes</b> . Although some taxes are <b>NOT subsumed</b> under GST. Four slabs of <b>5, 12, 18 and 28%</b> .

- **Daily use articles** have **zero GST**.
- **Levy of GST**- CGST, SGST, IGST, **Turnover limit** under GST is **Rs 20 lakhs** per year.
- Tax revenue appropriation between the **center and states** at **50:50 ratio**. **Input tax credit applicable**.
- Computation of GST on the basis of **invoice credit method**. Refunds and welfare fund.
- Taxpayer should self-assess and file tax returns on a monthly basis by submitting. **Goods and Services Tax Network (GSTN)**. Imported goods subject to basic customs duty and IGST. **Goods and Service Tax Council**.

**Related Terms**

1. **Cess**- levied as a **percentage of existing tax amount**, with **specific purpose**.
2. **Surcharge**- levied as a **percentage of existing tax amount**, but **without any specific purpose**.
3. **Countervailing Duty**- levied to **counterbalance the lower price of subsidized imported** product.
4. **Anti-Dumping Duty**- levied on **exporting goods to other countries** in large quantities at a cheaper rate
5. **Laffer Curve**- Tax revenue is **high at optimal rate of tax**.

**Current Affairs**

1. **National Anti-profiteering Authority (NAA)** is the institutional mechanism under GST law to check the **unfair profit-making activities by the trading community**.
2. **Base Erosion & Profit Shifting**- **tax avoidance strategies** that **exploit gaps and mismatches in tax rules** to artificially shift profits to low or no tax locations.
3. **Advanced Pricing Agreements**- **prospective agreement between a taxpayer and a tax authority**, determining the **transfer pricing methodology and liabilities** in case of taxpayers' international transactions to avoid future disputes.
4. **Tax-GDP Ratio**- important indicator that helps to understand **how much tax revenue is being collected** by the Government as compared to the overall size of the economy.

## 9. External Sector- Static

External Sector	It deals with <b>export and import</b> of goods and services, and <b>financial capital</b> between nations.
Balance of Payment	<p><b>Systematic record</b> of all <b>economic transactions</b> with the outside world in a given year.</p> <p><b>Current Account</b>- transactions are <b>single time</b> and <b>one way</b> transactions.</p> <p><b>Capital account</b>- transactions are <b>two way</b> and <b>multiple</b> transactions.</p> <p><b>Errors and Omission</b>- difference between debit and credit entries of all transactions.</p> <p><b>Balance of Payment</b> = <b>Current Account Balance + Capital Account Balance + Errors and Omission</b>.</p> <p><b>Reserves</b>- It means foreign exchange reserve. It consists of <b>Foreign Currency Assets, Gold Stock of RBI, SDR (Special Drawing Rights), Reserve Tranche</b></p> <p><b>Accommodative Transactions</b>- transactions that take place to <b>cover deficit</b> (or surplus) arising from autonomous transactions.</p> <p><b>Autonomous Transactions</b>- transactions that take place for <b>economic motives</b> like earning income and profit maximisation.</p> <p><b>Import cover reserves</b>- is a traditional <b>trade-based indicator</b> of reserve adequacy.</p>
Foreign Exchange	<p><b>Exchange Rate</b>- rate at which home currency is <b>exchanged for one unit</b> of foreign currency.</p> <p><b>Depreciation</b>- <b>fall</b> in the <b>external value</b> of domestic currency because of <b>additional demand</b> for foreign currency or <b>excess supply</b> of domestic currency.</p> <p><b>Appreciation</b>- <b>increase</b> in the <b>external value</b> of domestic currency because of additional demand for home currency or excess supply of foreign currency</p> <p><b>Devaluation</b>- <b>Reduction</b> in the <b>external value</b> of home currency.</p> <p><b>Revaluation</b>- <b>Increase</b> in the <b>external value</b> of home currency.</p>

<b>Purchasing Power Parity</b>	Refers to the <b>equality</b> of <b>buying capacity</b> . Based on the buying capacity, the exchange rate is determined
<b>Convertibility</b>	<p>Facility of <b>exchanging domestic currency for foreign currency</b> at market determined exchange rate <b>without restriction</b> on either rate or quantum of money exchange.</p> <p><b><u>Liberalised Remittance Scheme</u></b>- facility provided by the <b>RBI</b> for all resident individuals to <b>freely remit</b> up to a certain amount in terms of <b>US Dollar</b> for current and capital account purposes or a combination of both.</p>
<b>Barriers to Trade</b>	<p><b><u>Tariff Barriers</u></b>- duty on <b>import and export</b> of goods.</p> <p><b><u>Non-Tariff Barriers</u></b>- instruments and executive operations that obstruct free flow of trade other than tariff. Various forms are <b>Quota, Production Subsidies, Export Subsidies, Health, Sanitary and Safety Regulations, Packaging Requirements.</b></p>
<b>Economic Integration</b>	Refers to the <b>cooperation</b> that exists between countries in the trade and other economic fronts such as investment, monetary policy etc. Various forms are <b>Preferential Trade Agreement (PTA), Free Trade Agreement/ Area (FTA), Customs Union (CU), Common Market (CM), Economic and Monetary Union (EMU).</b>
<b>Related Terms</b>	<p><b><u>Comparative Advantage</u></b>- A country has to <b>produce and export</b> the goods in which it has a comparative advantage.</p> <p><b><u>Rule of Origin</u></b>- determined by two criteria namely, i) <b>value addition or local content requirement</b> and ii) <b>change of tariff</b> heading at four digit level.</p> <p><b><u>Debt Service Ratio</u></b>- The amount of a country's <b>debt service as a ratio of its total export earning.</b></p>
<b>WTO</b>	International organisation established to <b>promote multilateral trade</b> . It is the successor to the erstwhile <b>GATT</b> (General Agreement on Tariffs and Trade).

<b>From GATT to WTO</b>	Under the aegis of GATT, <b>eight rounds</b> of negotiations were held between <b>1986 and 1994</b> among members. The last one was <b>Uruguay</b> round as a result of which WTO has been established.
<b>Principles of WTO</b>	<b>Most Favoured Nation</b> and <b>National Treatment</b> .
<b>Structure of WTO</b>	Ministerial Conference, General Conference, General Council acts as <b>Dispute Settlement Body (DSB)</b> and <b>Trade Policy Review Body</b> , Council for Trade in Goods called <b>Goods Council</b> , Council for Trade in Service called <b>Service Council</b> , <b>TRIPS Council</b>
<b>Agreements</b>	<b>WTO Agreement</b> , Agreement on Agriculture, Trade Related Aspects of Intellectual Property Rights ( <b>TRIPS</b> ), Trade Related Aspects of Investment Measures ( <b>TRIMS</b> ), General on Trade in Services ( <b>GATS</b> ), Agreement on the Application of Sanitary and Phytosanitary Measures, <b>Trade Facilitation Agreement</b> , Uruguay round
<b>WTO Rounds</b>	<b>Uruguay round, Doha Round</b>
<b>Related Terms</b>	<p><b>Peace Clause</b>- clause restraints other countries from taking <b>countermeasures</b> against some of the subsidies given like <b>Green Box Subsidies</b>.</p> <p><b>Swiss Formula</b>- calls for <b>higher rate of reduction</b> for countries which have higher initial tariff and lower rate for countries which have lower initial tariff.</p>

## 10. External Sector- Misc Topics

<b>Tax Haven</b>	<b>Offshore country</b> that offers foreign individuals and businesses <b>little or no tax liability</b> .
<b>Protectionism</b>	Economic policy of <b>restraining trade</b> between nations through <b>qualitative and quantitative</b> methods.
<b>Safeguard duty</b>	Used when imports of a particular product <b>increases unexpectedly</b> to a point that they cause or threaten to cause <b>serious injury</b> to domestic producers.

<b>Non-violation Complaint</b>	In some situations a government can go to the <b>Dispute Settlement Body</b> even when an agreement has not been violated.
<b>Sunset clause</b>	Measure within a law, regulation or statute that provides that the <b>law shall cease</b> to have effect after a <b>specific date</b> .
<b>Double Taxation Avoidance Agreement</b>	Tax treaty signed between two or more countries so that tax-payers in these countries can <b>avoid being taxed twice</b> for the <b>same income</b> .
<b>Shell company</b>	Companies <b>without active business</b> operations or significant <b>assets</b> .
<b>Delisting of Shares</b>	Stock is <b>removed from exchange</b> when it fails to meet the requirements.
<b>Inward Remittances, RDA and MTSS</b>	<b>Transfer of money</b> from a <b>foreign worker to their individuals</b> in their home countries.  Channel to receive <b>cross-border remittances</b> from <b>overseas jurisdictions</b> .  Way of transferring <b>personal remittances</b> from abroad to beneficiaries in India.
<b>Export Import Bank of India (Exim Bank)</b>	Established in <b>1982</b> under an Act of Parliament for financing, facilitating and <b>promoting India's international trade</b> . Regulated by <b>RBI</b> .
<b>Export Credit Guarantee Corporation (ECGC)</b>	Company <b>wholly owned</b> by the Government of India that provides <b>export credit insurance support</b> to Indian exporters. Controlled by the <b>Ministry of Commerce</b> .
<b>World Customs Organization</b>	Established in <b>1952</b> as <b>Customs Co-operation Council (CCC)</b> . <b>Independent intergovernmental body</b> to enhance effectiveness and efficiency of <b>Customs administrations</b> .

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## 11. Inflation

<b>Inflation</b>	<b>Upward movement</b> in the <b>general prices</b> of goods and services.
<b>Index</b>	<b>Specialized average</b> designed to measure the <b>relative change</b> .
<b>Price Index</b>	<p><b>Specialized average</b> designed to measure the <b>relative change</b>.</p> <p>General Price Index <b>measures the changes in average prices</b> of goods and services.</p> <p>Consumer Price Index measures the <b>average change in the prices paid by ultimate consumers</b>.</p>
<b>Measurement of Inflation</b>	<p><b>Percentage of rise in the price index</b> of a particular period from previous period price index.</p> <p>measured with the help of <b>Wholesale or Consumer Price Index</b></p> <p>Year-on-year inflation means <b>rate of change of inflation over the corresponding period</b></p> <p><b>Wholesale Price Index (WPI)</b> measures the <b>change in the price</b> of commodities supplied to <b>wholesale market</b></p> <p><b>CPI for Industrial Worker - CPI (IW)</b> measures the change in the price of commodity basket consumed by the <b>industrial workers</b>. <b>Compilation &amp; Release:</b> Labour Bureau</p> <p><b>CPI for Urban Non-Manual Employees (CPI – UNME)</b> measures the change in the price of commodity basket consumed by the non-manual employees. <b>Compilation &amp; Release:</b> CSO</p> <p>Consumer Price Index for Rural labourers measures the <b>change in the price of commodity basket consumed by rural labourers</b></p> <p>Consumer Price Index for Agricultural Labourers (CPI-AL) is a <b>subset</b> of Consumer Price Index for Rural Labourers</p>

<b>Types of Inflation</b>	<p><b>Creeping- less than 3%</b></p> <p><b>Walking- 3 to 7% (or) less than 10%</b></p> <p><b>Running- 10-20%</b></p> <p><b>Hyperinflation- 20 to 100% or more</b></p>
<b>Inflation Based on Causes</b>	<p>Demand pull inflation arises due to <b>higher demand for goods and services over the available supply</b></p> <p><b>Cost push inflation-</b> Price rise due to <b>increased input costs</b></p>
<b>Factors Affecting Demand</b>	<p>Increase in <b>Money Supply</b>, Increase in <b>Disposable Income</b>, Cheap <b>Monetary Policy</b>, Increase in <b>Public Expenditure</b>, <b>Repayment of Public Debt</b></p>
<b>Factors Affecting Supply</b>	<p><b>Shortage of Factors of production, Industrial Disputes, Natural Calamities, Artificial Scarcities, Increase in Exports, International Factors</b></p>
<b>Effects Of Inflation</b>	<p>debtor is <b>gainer</b> and creditor is the <b>loser</b>.</p> <p><b>producers</b> stand to <b>gain</b> and <b>consumers</b> stand to <b>lose</b></p> <p><b>flexible</b> income groups whose <b>salary is adjusted according to inflation do not get affected</b>, <b>fixed</b> income groups <b>lose their purchasing power</b></p> <p>Debentures or Bond holders and Savers <b>receive fixed periodical income</b> and their <b>purchasing power remains intact</b> Equity holders also earn more income.</p>
<b>Measures to control Inflation</b>	<p><b><u>Monetary Measures-</u></b> Credit Control, Demonetization of Currency</p> <p><b><u>Fiscal Measures-</u></b> <b>Reduction In Unnecessary Expenditure, Increase in Direct Taxes, Decrease in Indirect Taxes, Surplus Budget</b></p> <p><b>Trade Measures-</b> export and import of goods and service</p> <p><b>Administrative Measures-</b> Rational Wage Policy, Price Control, Rationing</p>

**Types of Inflation**

**Deflation**- persistent and **appreciable fall** in the general level of **prices**.

**Reflation**- **deliberate action** of government to **increase** the rate of **inflation**.

**Disinflation**- rate **of inflation** at a **slower rate**.

**Stagflation**- coexistence of **stagnation and inflation**.

**Core inflation**- inflation that **excludes certain items** that face **volatile price movements**.

**Related Terms**

1. **Base Effect**- phenomenon of **current year index being influenced by, very low or high previous year index**.
2. **Phillips Curve**- high rate of inflation and low unemployment rate
3. **Producer Price Index**- measures **price changes from the perspective of producers**
4. **Housing Price Index**- a **broad measure of movement of residential property prices** observed within a geographic boundary.

**Current Affairs**

1. **Inflation Targeting**- **CPI (rural + urban) as a measure of nominal anchor**. inflation target of **4 % (+/- 2 %)**

## 12. Unemployment

**Unemployment**

Unemployed include all those who are **able and willing** to work but **cannot find work**.

**Concepts**

1. **Labour Supply** – supply of labour (in man-days) that **workers are willing to offer** at different wage rates.
2. **Labour Force**- number of persons **actually working** or willing to work.
3. **Work Force** – only those persons who are **actually working**.
4. **Labour Force Participation Rate (LFPR)** = **Labour Force/Total Population x 100**

5. **Work Force participation Rate (WFPR) = Work Force / Total Population x 100**

6. **Employment Intensity = Number of employed persons per lakh of Real GDP.**

NSSO uses **three different approaches** / reference periods used to classify an individual's activity status.

**Usual status** approach with a reference period of **365 days**

**Current weekly status** approach with a reference period of **7 days**

**Current daily status** approach with **each day of the seven days**.

**History of Employment  
Data Collection in India**

Upto **8th round** NSSO collected employment data based on '**usual status** + From **9th round** onwards, it started collecting data based on '**current weekly status (CWS)**'

**27th round** (1972-73), quinquennial(5-yearly) surveys conducted.

To measure employment-unemployment on an annual basis, **Employment-Unemployment Survey**

2018- introduced **monthly payroll** reporting for the formal sector

**Types of Unemployment**

**Structural Unemployment-** exists when **shifts occur in the economy** that creates a mismatch between the skills

**Frictional Unemployment-** workers leave their old jobs but **haven't yet found new ones**.

**Cyclical Unemployment-** caused by the **contraction phase (recession)** of the business cycle.

**Seasonal Unemployment-** occurs due to the **seasonal nature** of some industries.

**Disguised Unemployment-** **more workers than required** are engaged

**Educated Unemployment-** When a person who is educated / trained and skilled, fails to obtain a **job suited to his qualifications**.

**Open Unemployment-** people who are willing and able to work **cannot find any work**.

**Underemployment-** workers have jobs, but they **aren't working to their full capacity** or skill level.

**Voluntary Unemployment-** people who are **unwilling to work**

**Natural Unemployment-** Unemployment ranging between **2 to 3%** in the country is **natural and inevitable**.

**Causes, Consequences and Solutions to Unemployment**

**Causes-** **Slow rate** of economic growth, **High population** growth rate, **Over-dependence** on technology, **Lack of adequate fund-allocation** and financial resources to curb unemployment

**Reasons specific to India-** caste system, Agriculture provides seasonal employment, **Fall of Cottage and Small industries**, **Inadequate availability** of means of production, **Defective Planning**

**Consequences of Unemployment-** Exploitation of labour, Political instability, Internal Security problem, Increase in poverty, Loss of human resources.

**Possible Solutions-** Use of **Labour-intensive Technology**, **Accelerating Investment** in Agriculture, **Diversification** of Agriculture, Services and Employment Growth, Education,

## 13. Poverty

**Poverty**

State in which a person or community **lacks the financial resources** and is **unable to fulfill even its basic necessities** of life

**Types of Poverty**

1. **Absolute Poverty-** **minimum level of income** required to sustain life. Represented in terms of **per capita calorie** intake or per capita consumption expenditure.

2. **Relative Poverty-** poverty **relative to appropriate comparator** groups.

**Terms**

**Poverty Line-** level of income to meet the **minimum living conditions**.

**Head Count Ratio (HCR)-** number of **poor people as a proportion of total population**.

**Poverty Gap-** difference between the **Poverty Line and the average actual monthly consumption expenditure** of a BPL household.

**Squared Poverty Gap Index-** determines the **degree of poverty** for a given area.

**Quintile Income ratio-** ratio of the **average income of the richest 20%** of the population to that of **the poorest 20%**.

**Lorenz Curve-** **proportion of income earned by any given percentage of the population.**

**Gini Coefficient-** **indicator of economic development** in the country. Derived from the **Lorenz Curve**.

**Uniform Reference Period (URP)-** **Consumption data** for **ALL items** are collected for **30 days** recall period.

**Mixed Reference Period (MRP)-** **Consumption expenditure** for 5 non food items for a **365 days** recall period and consumption data for the **remaining items** are collected for a **30 days** recall period..

**Modified Mixed Reference Period (MMRP)-** (a) **365-days recall period** is used for clothing, footwear, education, institutional medical care, and durable goods, (b) **7-days recall period** for edible oil, egg, fish and meat, vegetables, fruits, spices, beverages, refreshments, processed food, pan, tobacco and intoxicants, and (c) **30-days recall period** for the remaining food items, fuel and light, miscellaneous goods and services including non-institutional medical; rents and taxes.

**Estimation of Poverty in India**

**Dadabhai Naoroji-** “**Poverty and the Unbritish Rule in India**”.

**1938-** National Planning Committee (headed by Shri J.L Nehru)

**1960 – 61-** V. M. Dandekar and Neel Kantha Rath Committee

**1973 –74-** Y K Alagh Committee

**1973 -74-** D. T. Lakdawala Committee

**2004 - 05-** 61st round of NSSO

**2004 - 05-** Tendulkar Committee

**2011-12-** Rangarajan Committee

**Indices**

**BPL Census in Rural areas** conducted by the **Ministry of Rural Development**

**BPL Census in Urban areas** conducted by the **Ministry of Housing & Urban Poverty Alleviation**

**Multidimensional Poverty Index (MPI)** developed by UNDP and OPHI. It measures **“acute” poverty** based on overlapping deprivations.

**Sen Index of Poverty-** viewing poverty has **social, psychological dimensions** besides economic and many non-economic factors

**Related Terms**

1. **Engel’s Law-** percentage of income allocated for **food purchases decreases as income rises.**

2. **Kuznets Curve-** initially the **inequality will increase** and with increase in growth the inequality will come down.

**Causes, Solutions to end Poverty**

**Causes-** Underdevelopment, **Rapid growth of population**, Large inequalities, Low level of productivity, **Large scale unemployment** and under-employment, Inequality of opportunity, State Policy, Regional disparities

**Solutions-** **Economic growth, Social Protection System**

## 15. Population

**Demography**

science of systematic study of population

**Sources of Population Data - Census, Survey**

**Terms**

**‘Population Distribution’** refers to the way people are spaced over the earth’s surface. **India’s population** as of March 2011 stood at 1,210 million, **17%** of the world’s

population although it accounts for **2.4%** of the world's area.

**Population density** is expressed as number of persons per unit area. The density of population in India (2011) is **382 persons per sq km**.

**Factors Influencing the  
Distribution of  
Population**

**Geographical Factors-** Availability of water, Landforms (Relief), Climate, Soils

**Economic Factors-** Minerals, Urbanisation, Industrialization

**Social and Cultural Factors-** religious or cultural significance, social and political unrest, move away from overcrowded places.

**Determinants of  
Population Change**

**1. Fertility-** **actual reproductive performance** of an individual or a group.

**Crude birth rate-** **only live births**, that is, children born alive. **CBR** at **national** level is **20.2, 21.8** in **rural** to **16.8** in **urban** areas

**General Fertility Rate:** number of **live births per 1000 women**, aged 15-49 years. GFR at **the national level** is **72.4, 58.0** in **urban** areas, **79.6** in **rural** areas

**Total Fertility Rate:** total number of **live births that a woman would have if she lived through the reproductive age group** and had the average number of babies in each segment of this age group as determined by the age-specific fertility rates for that area. TFR at **national** level is **2.2** per woman, **2.4** in **rural** areas to **1.7** in **urban** areas.

**2. Mortality-**

**Crude Death Rate:** ratio of the total registered deaths occurring in a specified calendar year to the total mid-year population of that year, multiplied by 1000. CDR at **national level** is **6.3, 6.9** in **rural areas**, **5.3** in **urban areas**.

**Life Expectancy at birth:** represents the average number of years of life which a cohort of new-born babies may be expected to live. India's life expectancy is **68 years**

**Infant Mortality Rate:** children who **die before reaching the first year of life**. National level **IMR- 33, 37-rural areas, 23-urban areas**.

**Maternal Mortality Rate:** **death of a woman while pregnant or within 42 days of termination of pregnancy**.



### 3. Migration-

When people move from one place to another

**Natural Growth of Population= Births-Deaths**

**Actual Growth of Population=Births – Deaths + in Migration – out Migration**

**Positive Growth of Population: birth rate is more** than the death rate

**Negative Growth of Population: birth rate falls** below the death rate

### Trends in India's population rate

**Phase I-** 1901-1921 **low growth rate**. Both **birth rate and death rate were high**

**Phase II-** 1921-1951 period of **steady population growth**.

**Phase III-** 1951-1981 **fall in mortality rate, high fertility rate**

**Phase IV-** post 1981 till present, **growth rate slowing down** gradually

### Demographic dividend

Demographic dividend occurs when the **proportion of working people** in the total population is **high**.

**Optimum Population**- when the **number of people is in balance** with the **available resources**

### Population composition

**Age Composition-** proportion of persons in **different age groups relative to the total population**.

**Dependency Ratio-** portion of a population which is **composed of dependents** with the portion that is in the working age group.

**Sex composition-** **number of females to number of males** in a **given area** at a **specified time period**.

**Transgender composition-** Their population as per **Census 2011** is 4,87,803.

**Divyang composition-** 2011 census shows 207.8 lakh households having disabled persons

in the country constituting **8.3%** of the total households.

**Literacy composition-** education is an instrument of empowerment

**Working Population Composition-** divided into **three groups**

**MainWorker** is a person who works for **at least 183 days** in a year.

**MarginalWorker** is a person who works for **less than 183 days** in a year.

**Work participation rate-** **percentage of total workers (main and marginal) to total population.**

**Adolescents-** At present the share of adolescents (age group of 10-19 years) is about **21%** (2011).

**Youth-** The **National Youth Policy 2014** defines the age of youth as persons between the **age 15-29 years.**

**The population pyramid**

**Expanding Population-** **triangular shaped pyramid** with a wide base. These have larger populations in lower age groups due to **high birth rates.**

**Constant Population-** pyramid is **bell shaped and tapered towards the top.** This shows **birth and death rates are almost equal** leading to a near constant population.

**Declining Population-** **narrow base and a tapered top** showing low birth and death rates.

**Factors that affect  
population growth**

Low socio-economic development, Infant mortality, Early marriage, Level of education, Use of contraceptives, Other socio-economic factors- desire for larger families, preference for a male child

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## 15. Agriculture

<b>Key terms</b>	<p><b><u>Crop</u></b>- plant or agriculture produce that is cultivated or grown.</p> <p><b><u>Cereal</u></b>- any plant of grass family an yielding edible grain.</p> <p><b><u>Food grain</u></b>- small hard seed like fruits of grass produced for human consumption.</p> <p><b><u>Millets</u></b>- small-seeded hardy crops in the dry zone or semi-arid tropics.</p> <p><b><u>Cash Crops</u></b>- crops cultivated for trading and return high profit.</p> <p><b><u>Kharif Crops</u></b>- sown with the arrival of Monsoon and harvested in September. Ex- rice, maize, jowar,etc.</p> <p><b><u>Rabi Crops</u></b>- sown in winter and harvested in spring. Ex- wheat, barley, mustard etc.</p> <p><b><u>Zaid Crops</u></b>- summer season crops. Ex- watermelon, muskmelon etc.</p> <p><b><u>Industrial Crop</u></b>- non-feed crop, mainly harvested for the products to be used in factories. Ex- bachloe, algae, Jatropha etc.</p> <p><b><u>Oil Crop</u></b>- are seeds, fruits or mesocarp and nuts from which edible oil or industrial oil are extracted. Ex- Palm, soyabean, rapeseed, sunflower etc.</p> <p><b><u>Ornamental Crop</u></b>- for decorative purposes in gardens and landscape design projects. Ex- rose, tulip, petunia etc.</p>
<b>Crops Based on Seasons-</b>	<p><b>Kharif</b>- Sowing- June- July; Harvesting time- September- October Example- Rice, maize, millets, pea and cotton.</p> <p><b>Rabi</b>- Sowing- October; Harvesting time- March and April Example- Mustard, Linseed, sunflower, cumin etc.</p> <p><b>Zaid</b>- Sowing- March/ April; Harvesting time- June and July Example- seasonal fruits and vegetables.</p>
<b>Green Revolution (1965)</b>	<ul style="list-style-type: none"> <li>Father of Green Revolution on worldwide basis- <b>Dr. Norma E. Borlaug</b> (American).</li> <li>Father of Indian Green Revolution- <b>M. S. Swaminathan</b>.</li> <li>Term 'Green Revolution'- by <b>William Guad</b>.</li> <li>1957-58→ drought year→ steep fall in crop production.</li> <li><b>Intensive Agricultural Development Programme (IADP)</b>→ by GoI in 1960-61→ later in 1964, expanded as <b>Intensive Agricultural Area Programme (IAAP)</b>.</li> <li><b>Aim</b>- increase productivity and achieve breakthrough in production.</li> <li><b>Launched in</b>→ areas with adequate production potential in terms of assured water and infrastructural facilities.</li> <li><b>Objective</b> of IADP→ introduce good seeds and a package of agricultural practices→ optimize benefits of irrigation water.</li> <li><b>High Yielding Varieties Programme (HYVP)</b> in 1966→ introduced High Yield</li> </ul>

	Variety Seeds→ <b>five crops</b> - wheat, rice, maize, jowar and Bajra.
<b>Characteristics of Green Revolution-</b>	<ul style="list-style-type: none"> <li>• <b>Multiple Cropping</b>- two or more crops harvested during the year.</li> <li>• <b>Package Inputs</b>- HYVs of seeds, fertilizers and pesticides where water supply is assured.</li> <li>• <b>Restricted to five crops</b>- wheat, rice, maize, jowar, bajra.</li> <li>• <b>Institutional Credit</b>- bring more and more farmers including small and marginal farmers within the institutional credit fold.</li> </ul>
<b>Horticulture Sector</b>	<ul style="list-style-type: none"> <li>• It <b>includes</b> <u>fruit crops, vegetable crops, flowers, ornamental crops, medicinal and aromatic crops, spices, coconut, cashew, cocoa, plantation crops, etc.</u> It even includes areas like bee-keeping, mushroom, bamboo, etc.</li> <li>• Department of Agriculture, Co-operation &amp; Farmers' Welfare (DAC&amp;FW) under Ministry of Agriculture &amp; Farmers' Welfare→ <b>nodal agency</b>.</li> <li>• Contribution of <b>vegetables</b>→ <b>highest</b> among the horticulture crop production (59-61%)</li> <li>• <b>Total Horticulture production highest in UP</b>, followed by West Bengal (2017-18 statistics).</li> <li>• In <b>fruits</b>→ <b>highest- Andhra Pradesh</b> followed by Maharashtra.</li> <li>• In <b>vegetables</b>→ <b>highest- UP</b>.</li> <li>• For <b>flowers production</b>→ <b>highest- Tamil Nadu</b> followed by Andhra Pradesh.</li> <li>• <b>Mission for Integrated Development of Horticulture (MIDH)</b>- launched in 2014-15 as Centrally Sponsored Scheme→ subsumed under it National Horticulture Mission launched in 2005-06.</li> <li>• <b>2nd largest producer of fruits and vegetables</b> in the world.</li> <li>• 1st in production of- Banana, Mango, Lime and Lemon, Papaya and Okra.</li> <li>• Largest producer and exporter of Spices.</li> </ul>
<b>Seeds</b>	<ul style="list-style-type: none"> <li>• Only 9.4% use certified seeds and only 9.8 use hybrid seeds- out of total operational holding in India. India- <b>2-3 % share in global seed market</b>; topped by US.</li> <li>• 100% FDI under automatic route- in development and production of seeds.</li> <li>• India→ member→ <b>OECD Seed Scheme</b>→ related to seed certification→ since 2008.</li> <li>• Major Organizations related to seed sector are- <ul style="list-style-type: none"> <li>▪ <b>National Seeds Corporation</b> (founded in 1963)- Miniratna-I company wholly owned by GoI.</li> <li>▪ <b>National Seed Research and training Centre</b>, Varanasi.</li> <li>▪ <b>State Seed Certification Agencies</b></li> <li>▪ <b>State Seed Corporations</b>.</li> </ul> </li> </ul>
<b>Major Reforms in Seed Sector-</b>	<ul style="list-style-type: none"> <li>• <b>National Mission for Seeds</b>- launched in 2005-06→ ensure availability of high quality certified seeds at reasonable prices.</li> <li>• <b>'Development and strengthening of infrastructure facilities for production and distribution of quality seeds'</b>- launched in 2005-06, a central sector scheme- <ul style="list-style-type: none"> <li>▪ <b>Objective</b> includes- production and multiplication of high yielding certified/</li> </ul> </li> </ul>

	<p>quality seeds→ all crops→ sufficient quantities→ available in remotest part of India.</p> <ul style="list-style-type: none"> <li>▪ <b>Transport subsidy</b>→ seeds to N-E and hilly areas.</li> <li>▪ <b>Seed Bank</b>→ availability during natural calamities.</li> <li>▪ Regulate quality control of seeds→ <b>Seeds Act, 1966</b>.</li> <li>▪ <b>Seed Village Programme</b> <ul style="list-style-type: none"> <li>○ Upgrade→ quality of farmer-saved seed→ training on use of modern techniques</li> <li>○ Financial assistance→ <b>distribution of certified seeds</b> at 50% cost of seeds</li> <li>○ Financial assistance→ encourage farmers→ <b>develop seed storage capacity</b></li> </ul> </li> </ul>
<b>Seeds Act, 1966-</b>	<ul style="list-style-type: none"> <li>• <b>Legal framework</b> for seed certification. Ensure availability of <b>quality seeds</b>.</li> <li>• Covers seeds of food crops, oil crops, cotton seeds, seeds of cattle fodder and all types of vegetative propagating material.</li> <li>• <b>Seeds Rules</b> notified in 1968; systematic Seeds Certification started in 1969.</li> <li>• <b>Central Seeds Committee</b> established.</li> <li>• Establishment of <u>Seeds Certification Agencies in States, State Seed Testing Labs, Central Seed Laboratory</u>.</li> <li>• Restriction on import and export of seeds of notified varieties.</li> </ul>
<b>Draft Seeds Bill, 2019-</b>	<ul style="list-style-type: none"> <li>• <b>All variety of seeds for sale</b> to be registered.</li> <li>• Certain <b>prescribed minimum standards</b>.</li> <li>• The Bill proposes that transgenic varieties of seeds can be registered only after the applicant has obtained clearance under the Environment (Protection) Act, 1986.</li> <li>• authorizes→ Central Govt→ <b>reconstitute Central Seed Committee</b>, fix prices of select varieties in emergent situations</li> <li>• Exempt farmers from compulsory registration. <b>Farmers allowed to sow, exchange or sell their farm seeds or planting material</b>.</li> <li>• <b>Farmers</b>→ <b>not to conform</b>→ prescribed minimum limits of germination, physical purity and genetic purity (as required under the Bill). But Farmers can't sell any seed under a brand name.</li> <li>• Requires <b>registration/ licensing of fruit nurseries</b>.</li> </ul>
<b>Genetically Modified Crops (GM Crops)-</b>	<ul style="list-style-type: none"> <li>• <b>Genetic Engineering Appraisal Committee (GEAC)</b>- statutory body under Ministry of Environment and Forests; responsible for clearance for large-scale field trials and commercial release of particular GM Crop. (NOC from State govt is mandatory for field trials)</li> <li>• <b>Bt Cotton</b>- only GM crop initially allowed in India (in 2002).</li> <li>• GEAC, in 2016, cleared field trial of <b>GM Mustard or Dhara Mustard Hybrid-11 (DMH-11)</b>.</li> <li>• GEAC recommended commercial release of <b>Bt Brinjal in 2007</b> but blocked by government in 2010.</li> <li>• As per Environment Protection Act, 1986- growing unapproved GM crops can lead to imprisonment up to 5 years or a fine up to Rs. 1 Lakh or both.</li> </ul>



**Fertilizers-**

- US→ largest area under GM Crops; India ranked 4th.
- **Biotechnology Regulatory Authority Bill**- creating a regulatory body for uses of biotechnology products including GM organisms is pending in Parliament since 2008.
- **Nutrient**→ **two types**→ primary (macro) and secondary (micro) nutrients.
- **Six primary nutrients**- nitrogen, phosphorus, potassium, calcium, magnesium and sulphur.
- **Eight secondary nutrients**- copper, zinc, iron, manganese, boron, chloride, molybdenum and nickel.
- Indian soils→ **generally deficient in**→ Nitrogen (N), Phosphorus (P) and Potassium (K).
- India- **3rd largest producer and 2nd largest consumer**
- Present status-
  - Mainly **3 varieties are produced**- Urea, Di-ammonium Phosphate (DAP), and complex fertilizers.
  - **Urea- most produced** (86%), **most consumed** (74%) and **most imported** (74%) among all fertilizers.
  - In case of Phosphatic fertilizers- 56.5% indigenous capacity developed to meet requirement; raw material and intermediaries required for production of Phosphatic fertilizers are still imported.
- **Government initiative** so far-
  - **Retention Pricing Scheme (RPS)**- in 1977; initially for nitrogenous fertilizers; later expanded to phosphatic and potash fertilizers. Subsidy by government. **RPS replaced by NPS in 2003.**
  - **New Pricing Scheme (NPS)- I** in 2003; subsidy determined on the basis of group averaging of retention prices of urea units.
  - NPS-I followed by NPS-II (2004-2006) and then NPS-III (2006-2014). Modified NPS-III continued from 2014 to 2015.
  - **Certain limitations** in above product-based subsidy regimes→ market distortions, illegal exports, rising prices of raw materials etc.
  - **Nutrient based subsidy policy (NBS)**- in 2010; subsidy fixed (on annual basis)→ based on its nutrient content. At present, **21 grades of P&K fertilizers** are covered under NBS policy.
  - **Objective**- foster balanced use of fertilizers for improving soil health and also reduce the government out gone fertilizer support.
  - **Certain limitation** to scheme- Urea is not covered, delay in subsidy payments by govt. etc.
  - **Neem coated Urea Policy**- in 2015,
    - Mandatory to coat **100% domestic/ imported urea with neem oil**- helps in curbing diversion of urea to non-agricultural uses.
    - Extra premium to the extent of 5 percent of the existing MRP of urea can be charged by the companies selling Neem Coated Urea.
  - **New Urea Policy (NUP)**- in 2015→ promote indigenous production of Urea.

	<ul style="list-style-type: none"> <li>▪ <b>Objective-</b> <ol style="list-style-type: none"> <li>1. Maximising indigenous urea production.</li> <li>2. Promoting energy efficiency in urea production.</li> <li>3. Rationalising subsidy burden on the government.</li> </ol> </li> <li>▪ Was made effective up to 31 March 2019, but extended in 2019</li> <li>▪ Applicable <b>only for 25 gas-based urea units</b>.</li> <li>• <b>Direct Benefit Transfer (DBT)</b> system for fertilizers- introduced in 2016</li> <li>▪ <b>Point-of-sale (PoS)</b> devices at each retail shop→ sell subsidized fertilizer to beneficiaries.</li> <li>▪ <u>Urea at statutory subsidized prices and P&amp;K fertilizers at subsidized prices.</u></li> <li>▪ Minimization of <b>diversion of fertilizers</b>.</li> </ul>
<b>Integrated Pest Management (IPM)-</b>	<b>Food and Agriculture organization</b> define IPM as “ <u>all available pest control techniques and subsequent integration of appropriate measures that discourage the development of pest populations and keep pesticides and other interventions to levels that are economically justified and reduce or minimize the risks to human health and the environment</u> ”.
<b>Cropping pattern-</b>	portion of area under different crops at a point of time, changes in this distribution over a period of time and factors determining this change in distribution.
<b>Important facts about Cropping Pattern-</b>	<ul style="list-style-type: none"> <li>• <b>Total area under cereals</b>, 1950-51→ 80 percent; In 2018-19→ 76.6 percent.</li> <li>• <b>Total area under pulses</b>, 1950-51→ 20%; 2018-19→ 23.4%</li> <li>• <b>Total area under rice</b>, 1950-51→ 32%; 2018-19→ 35.4%</li> <li>• <b>Total area under wheat</b>, 1950-51→ 10%; 2018-19→ 23.5%</li> <li>• <b>Area under jowar, bajra and maize</b> has fallen from around 29 percent in 1950-51 to around 16 percent in 2018-19.</li> <li>• <b>Area under oil seeds</b>- 11 million ha in 1950-51 to around 25.5 million ha in 2018-19.</li> </ul>
<b>Types of Cropping Pattern-</b>	<ol style="list-style-type: none"> <li>1. <b>Mono-Cropping or Single cropping</b>- only <b>one crop</b> on a particular land year after year.</li> <li>2. <b>Multiple cropping or Poly-cropping</b>- <b>two or more</b> than two crops are grown annually in the same field. <ul style="list-style-type: none"> <li>▪ Three types of Multiple cropping- <ul style="list-style-type: none"> <li>○ <b>Mixed cropping</b>- two or more crops simultaneously on the same field without a definite row arrangement</li> <li>○ <b>Inter cropping</b>- two or more crops simultaneously on the same field with a definite row pattern</li> <li>○ <b>Sequence cropping</b>- plants are grown two or more times in a sequence on same land in same year</li> </ul> </li> </ul> </li> </ol> <ul style="list-style-type: none"> <li>• <b>Relay cropping</b>- the seeds of another crop are sown before the previous crops are harvested</li> <li>• <b>Ratoon cropping</b>- the root or the lower part of the crop is left uncut at the time of harvest. The crop regrows out of the root.</li> </ul>



	<ul style="list-style-type: none"> <li>• <b>Crop rotation</b>- systematic planting of different crops in a particular order over several years in the same field</li> <li>• <b>Mixed Farming</b>- crop production is combined with the rearing of livestock</li> <li>• <b>Jhum</b>- growing crops by first clearing the land of trees and vegetation and burning them thereafter.</li> </ul>
<b>Organic Farming-</b>	<ul style="list-style-type: none"> <li>• crop and livestock production <b>without using</b> pesticides, fertilizers, antibiotics and growth hormones.</li> <li>• Two <b>dedicated Govt scheme</b>- <ul style="list-style-type: none"> <li>▪ <b>Mission Organic Value Chain Development North Eastern Region (MOVCDNER)</b></li> <li>▪ <b>Paramparagat Krishi Vikas Yojana (PKVY)</b></li> </ul> </li> <li>• <b>Two certification system</b> by FSSAI for organic produce certification- <ul style="list-style-type: none"> <li>▪ <b>National Programme for Organic Production (NPOP)</b>- implemented by APEDA.</li> <li>▪ <b>Participatory Guarantee System for India (PGS- India)</b>- under Ministry of Agriculture &amp; Farmer's Welfare.</li> </ul> </li> <li>• <b>Sikkim</b>- India's 1st fully organic state (2015); World's 1st 100% organic state.</li> </ul>
<b>Crop Diversification-</b>	<ul style="list-style-type: none"> <li>• addition of new crops in the existing agricultural farm</li> </ul>
<b>Index of Crop Diversification-</b>	<ul style="list-style-type: none"> <li>• To examine whether there have been major <b>changes in the cropping patterns</b>. The index value ranges between 0 and 1 and <b>higher the value, greater the diversification</b>.</li> <li>• Highest in Karnataka; Lowest in Odisha</li> <li>• <b>Decreasing trend</b> in India.</li> </ul>
<b>Irrigation-</b>	<ul style="list-style-type: none"> <li>• Types- <ul style="list-style-type: none"> <li>▪ <b>Surface irrigation</b>- distribution using gravity</li> <li>▪ <b>Localized irrigation</b>- application→ each plant→ network of pipes under low pressure.</li> <li>▪ <b>Sprinkler irrigation</b>-distribution using overhead high pressure sprinklers.</li> <li>▪ <b>Drip irrigation</b>-delivery near roots of plants.</li> <li>▪ <b>Centre Pivot irrigation</b>- distribution using a circularly moving sprinklers.</li> <li>▪ <b>Sub-irrigation</b>- distribution through a system of pumping stations, gates, ditches and canals.</li> <li>▪ <b>Manual irrigation</b>-distribution using water cans manually.</li> </ul> </li> </ul>
<b>NABARD-</b>	<ul style="list-style-type: none"> <li>• Came into existence on 12 July 1982.</li> <li>• <b>replaced</b>→ ACD and RPCC of RBI and ARDC.</li> <li>• <b>Vision</b>- a Development Bank of India to foster <b>rural prosperity</b>.</li> <li>• <b>Mission</b>- promote <b>sustainable and equitable agriculture and rural development</b> through participative financial and non-financial interventions;</li> </ul>
<b>Role of NABARD-</b>	<ul style="list-style-type: none"> <li>• <b>Apex finance agency</b>→ credit for rural development</li> <li>• <b>Refinance to lending institutions</b>→ like SCARDBs, RRBs, Cooperative Banks etc</li> <li>• Promoting institutional development</li> <li>• Coordinating <b>rural financing activities</b></li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Regulator</b> for cooperative banks and RRBs</li> <li>• <b>Extends assistance</b> in matters relating to rural development</li> <li>• Training and research facilities with respect to rural development</li> </ul>
<b>Government Initiatives to promote Agricultural Credit</b>	<ul style="list-style-type: none"> <li>• <b>No Frill Accounts</b></li> <li>• <b>Microfinance innovations</b></li> <li>• <b>Kisan Credit Card (KCC)</b>- <ul style="list-style-type: none"> <li>▪ designed by NABARD; <b>introduced in 1998</b></li> <li>▪ facilitate <b>short term loans</b></li> <li>▪ <b>eligible</b>- individual farmer (owner-cultivator, tenant, sharecropper) or a group of any of them, SHGs, farmers from fishery and animal husbandry with age limit 18 to 75 years.</li> <li>▪ <b>Validity</b>- 5 years</li> <li>▪ <b>Interest subvention</b> @ 3% PA for loan up to `3 lakh; and additional @3% PA for prompt repayment.</li> <li>▪ <b>Waiver of collateral</b> for limit up to `1.6 Lakh</li> </ul> </li> <li>• <b>Interest Subvention Scheme</b>- concessional loan up to `3 lakh at 7 % rate which get further reduced to 4% on timely repayment.</li> </ul>
<b>Agriculture Subsidies-</b>	<ul style="list-style-type: none"> <li>• Types- <ul style="list-style-type: none"> <li>▪ <b>Input Subsidy</b>- on seeds, fertilizers, credit, power, irrigation facility etc.</li> <li>▪ <b>Price subsidy</b>- MSP and crop procuremnt</li> <li>▪ <b>Infrastructural subsidy</b>- development of storage, market etc.</li> <li>▪ <b>Export subsidy</b></li> </ul> </li> </ul>
<b>FDI in Agriculture-</b>	<ul style="list-style-type: none"> <li>• <b>Automatic route</b>- no prior approval of government required in all activities/ sectors as specified in Regulation 16 of FEMA 20(R).</li> <li>• <b>Government route</b>- approval of government required like in Tea processing.</li> </ul>
<b>Agricultural Marketing</b>	
<b>Model APMC Act, 2003-</b>	<ul style="list-style-type: none"> <li>• <b>Objective</b>- <ul style="list-style-type: none"> <li>▪ Development of efficient marketing system.</li> <li>▪ Promote→ agri-processing and agricultural exports.</li> <li>▪ build→ infrastructure→ agricultural marketing</li> </ul> </li> <li>• <b>Features</b>- <ul style="list-style-type: none"> <li>▪ Sell products directly and not through regulated market.</li> <li>▪ <b>State Agricultural Produce Marketing Standards Bureau</b>- for Grading, Standardisation and Quality Certification.</li> <li>▪ Promotes <b>Public-Private Partnership</b>.</li> <li>▪ Advocates <b>Contract Farming</b>.</li> <li>▪ Special markets for special agricultural commodities.</li> <li>▪ <b>Single levy</b> of market fee.</li> </ul> </li> </ul>
<b>The State/ UT Agricultural Produce and Livestock Marketing (Promotion</b>	<ul style="list-style-type: none"> <li>• To provide complete freedom to cultivators and livestock rearers→ <b>sell their produce, livestock and its products</b>→ to buyers and marketing channels of their choice offering better bid.</li> <li>• <b>Attract private sector</b> for developing post-harvest and marketing infrastructure.</li> </ul>

**and Facilitation) Act,  
2017-**

- Whole State→ one unified market; warehouses/silos/cold storages→ market sub-yards; rationalisation of market fee and commission charges.
- Arunachal Pradesh, Chhattisgarh and UP adopted this act.

**Integrated scheme for  
Agricultural Marketing-**

Launched in 2014; have **6 sub-schemes-**

- **Agricultural Marketing Infrastructure (AMI)**
- **Marketing Research and Information Network (MRIN)**
- **Strengthening of Agmark Grading Facilities (SAGF)**
- **Training, Research and Consultancy through NIAM**
- Agric-business Development through **Venture Capital Assistance (VCA)** and Project Development Facility
- **National Agriculture Market (e-NAM)**

**National Agriculture  
Market (e-NAM)-**

- Pan-India **electronic trading portal**.
- **Features-**
  - Common platform for trading
  - **Single window service** for all APMC
  - A **virtual market**
  - Increases choice of farmers for selling their produce.
  - transaction→ in mandi book, hence **transaction fee**.
  - **SFAC**- implementing agency
  - **Common tradeable parameters** for 90 commodities for assaying.

**Farmers Produce  
Organisation-**

- Entity formed by **primary producers**.
- can be a **Producer Company, a Cooperative Society or any other legal form** which provides for sharing of profits/benefits among the members
- **main aim**- to ensure better income for the producers

**Food Processing-**

- Indian food and grocery market→ **6th largest**
- Food Processing Industry→ **32% of India's total food industry**
- contribute→ 1.6% in India's GDP; 14% in manufacturing GDP; 9% in Agri GDP.
- 13% of India's exports.

### **Different Standards of Certification**

**Bureau of Indian  
Standards-**

Under Ministry of Consumer Affairs, Food and Public Distribution under BIS Act, 2016.

- **Functions-**
  - Formulation of Standards of various industrial products.
  - **Product Certification Scheme**, voluntary in nature but mandatory for few.
  - **Hallmarking**

**Agmark-**

- **Certification mark for agricultural products** in India.
- Legally enforced by **Agriculture Produce Act, 1937**.
- Cover guidelines for 222 different commodities.

**FPO Mark-**

- Certification mark mandatory on all **processed fruit products sold** in India.

**Minimum Support**

- Price at which **government purchases crops** from farmers.

<b>Price</b>	<ul style="list-style-type: none"> <li>First announced for Wheat in 1966-67.</li> <li><b>Objective-</b> <ul style="list-style-type: none"> <li>Economic safety to farmers</li> <li>Increase food production and ensure food security</li> <li>Influence cropping pattern</li> </ul> </li> <li><b>CACP</b>- recommends MSP to govt at the beginning of sowing season</li> <li><b>1.5 times of the cost of production</b> of the crop.</li> <li>At present, <b>MSP for 22 mandated crops</b>.</li> <li>MSP for Toria and De-husked Coconut→ on the basis of MSPs for rapeseed/ mustard and Copra respectively.</li> <li><b>C2 and A2+FL</b>→ formula for MSP</li> <li>22 crops includes, <ul style="list-style-type: none"> <li><b>Kharif- 14 crops</b>- Paddy, jowar, bajra, maize, ragi, arhar(tur), moong, urad, cotton, groundnut, sunflower seed, soyabean, sesamum, niger seed.</li> <li><b>Rabi- 6 crops</b>- Wheat, barley, gram, masur (lentil), rapeseed/ mustard, safflower</li> <li><b>Other- 2 crops</b>- Copra and Jute.</li> </ul> </li> </ul>
<b>Fair and Remunerative Price-</b>	<ul style="list-style-type: none"> <li><b>Sugarcane prices</b> by government on the recommendation of CACP.</li> <li>Paid by mill owners.</li> <li>Governed by Sugarcane (Control) Order, 1966 issued under Essential Commodities Act, 1955.</li> </ul>
<b>State Advised Price (SAP)-</b>	<ul style="list-style-type: none"> <li>Some States declare state specific sugarcane prices called SAP.</li> </ul>
<b>PM-AASHA-</b>	<ul style="list-style-type: none"> <li><b>Pradhan Mantri Annadata Aay Sanrakshan Abhiyan (PM-AASHA)- launched in 2018</b></li> <li>To <b>ensure remunerative prices</b> to farmers of pulses, oilseeds and copra.</li> <li><b>Three components-</b> <ul style="list-style-type: none"> <li><b>Price Support Scheme (PSS)</b>- physical procurement of pulses and copra</li> <li><b>Price Deficiency Payment Scheme (PDPS)</b>- applicable to all oilseeds</li> <li><b>Pilot of Private Procurement and Stockist Scheme (PPPS)</b>- participation of private sector stockists in procurement process of oilseeds in select district.</li> </ul> </li> </ul>
<b>Agriculture Insurance-</b>	<ul style="list-style-type: none"> <li>Introduced in 1985- <b>Comprehensive Crop Insurance Scheme</b>.</li> <li>1999- <b>National Agricultural Insurance Scheme</b></li> <li>2007- <b>Weather based Crop Insurance Scheme</b></li> <li>2010- <b>Modified National Agricultural Insurance Scheme</b></li> <li>2016- <b>Pradhan Mantri Fasal Bima Yojana (PMFBY)</b></li> </ul>
<b>Food Management-</b>	<ul style="list-style-type: none"> <li><b>Three issue</b> dealt- <ul style="list-style-type: none"> <li>Procurement at remunerative prices</li> <li>Distribution of food grains under National Food Security Act, 2013</li> <li>Maintenance of buffer stock</li> </ul> </li> <li><b>Food Corporation of India (FCI)</b> is the nodal agency</li> </ul>

**Evolution of Public Distribution System-**

<b>Public Distribution System-</b>	<ul style="list-style-type: none"> <li>Launched in 1965, joint responsibility of Centre and State.</li> <li>Provide- <b>two cereals</b> (rice and wheat) and <b>four essential commodities</b> (sugar, edible oil, soft coke and kerosene oil).</li> <li><b>Fair Price Shops (FPS)</b> or popularly Ration Shops.</li> <li><b>FCI</b>→ responsible for storage, transportation and allocation to states and distribution</li> <li>Identification of households- <b>by state govt.</b></li> </ul>
<b>Revamped Public Distribution System-</b>	<ul style="list-style-type: none"> <li>In June 1992</li> <li>To improve its <b>reach in far flung, hilly, remote and inaccessible areas</b></li> </ul>
<b>Targeted Public Distribution System-</b>	<ul style="list-style-type: none"> <li>Launched in 1997 with focus on poor in all areas</li> <li>Two categories- <b>Above Poverty Line (APL)</b> and <b>Below Poverty Line (BPL)</b>.</li> <li>In 2001, another category- <b>Antyodaya Anna Yojana (AAY)</b> was added.</li> <li>Food grain- 35 kg per household.</li> </ul>

**Food Security**

<b>National Food Security Act, 2013-</b>	<ul style="list-style-type: none"> <li>Extends to <b>whole of India</b>.</li> <li>It includes- <ul style="list-style-type: none"> <li><b>Targeted Public Distribution System (TPDS)</b></li> <li><b>Mid-day Meal Scheme (MDM)</b> (Launched in 1995)</li> <li><b>Integrated Child Development Services (ICDS)</b> Scheme (launched in 1975)</li> </ul> </li> <li>75% in rural and 50% in urban area covered</li> <li><b>Two categories-</b> <ul style="list-style-type: none"> <li><b>Antyodaya Anna Yojana (AAY)</b> households- 35 kg per month</li> <li><b>Priority Household-</b> 5 kg per person per month</li> </ul> </li> <li><b>Price-</b> `1/2/3 per kg for nutri-cereals/wheat/rice respectively</li> </ul>
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<b>Food Corporation of India (FCI)-</b>	<ul style="list-style-type: none"> <li>Headquartered at Delhi; established in 1965 under <b>Food Corporations Act, 1964</b>.</li> <li><b>Objectives-</b> Effective price support operation; distribution of food grains; maintaining buffer stock</li> <li><b>Functions-</b> <ul style="list-style-type: none"> <li>Procurement, storage, movement, distribution and sale of food grains.</li> <li>Sole repository of food grains for PDS and maintains buffer stock.</li> </ul> </li> <li><b>Recommendations of Shanta Kumar Committee-</b> <ul style="list-style-type: none"> <li>FCI→ handover→ all procurement operations to States</li> <li>To introduce cash transfer gradually</li> <li>End-to-end computerization to prevent leakages and corruption.</li> </ul> </li> </ul>
<b>Global Hunger Index</b>	<ul style="list-style-type: none"> <li>to measure hunger at global, regional and national levels</li> <li>by <b>Concern Worldwide and welthungerhilfe</b></li> </ul>

<b>2019-</b>	<ul style="list-style-type: none"> <li>The composite score under GHI to rank countries is based on <b>04 indicators</b> – <ul style="list-style-type: none"> <li>Rates of undernourishment</li> <li>Child Stunting</li> <li>Child Wasting</li> <li>Child Mortality</li> </ul> </li> <li>India has <b>ranked 102</b> (with composite score 30.3) among 117 countries.</li> </ul>
<b>Global Food Security Index 2019-</b>	<ul style="list-style-type: none"> <li>how much food-secure a country is</li> <li>root causes of food insecurity</li> <li>by <b>Economist Intelligence Unit</b></li> <li>India has <b>ranked 72</b> among 113 countries</li> </ul>
<b>Ensuring Rights of Consumers-</b>	<p><b>Major Acts-</b></p> <ul style="list-style-type: none"> <li>Consumer Protection Act, 1986</li> <li>Bureau of Indian Standard Act, 2016</li> <li>Standards of Weights and Measures- The Legal Metrology Act, 2009</li> <li>The Essential Commodities Act, 1955</li> <li>The Prevention of Black Marketing and Maintenance of Supplies of Essential Commodities Act, 1980.</li> </ul>
<b>Consumer Protection Act, 2019-</b>	<ul style="list-style-type: none"> <li>Protects the interest of consumers</li> <li><b>Six rights of consumers-</b> <ul style="list-style-type: none"> <li>Right to be informed</li> <li>Right to safety</li> <li>Right to choose</li> <li>Right to be heard</li> <li>Right to seek redressal</li> <li>Right to consumer education</li> </ul> </li> <li>Covers <b>e-commerce transactions</b></li> <li><b>Product liabilities-</b> now compensation even for injury/ loss of consumer.</li> <li>Defined <b>unfair trade practices</b></li> <li>Enhancement in jurisdiction of <b>Dispute Redressal Commissions</b></li> <li><b>Central Consumer Protection Authority (CCPA)</b> established.</li> <li>Provides for <b>mediation</b> as an Alternate Dispute Resolution mechanism</li> </ul>
<b>Commodities brought under the purview of Essential Commodities Act, 1955 for COVID-19</b>	<ul style="list-style-type: none"> <li>Masks (2 ply &amp; 3 ply surgical masks, N95 masks)</li> <li>Hand Sanitizers</li> </ul>
<b>Animal Rearing</b>	
<b>20<sup>th</sup> Livestock Census</b>	<ul style="list-style-type: none"> <li>Covers <b>all domesticated animals</b> in rural and urban areas</li> <li>Released by <b>Ministry of Fisheries, Animal Husbandry and Dairying.</b></li> <li><b>Breed-wise counting</b></li> </ul>



	<ul style="list-style-type: none"> <li>• Data <b>collected online</b> for first time</li> <li>• Livestock population- <b>535.78 million</b></li> <li>• <b>Indigenous cattle population declined; Exotic/ crossbreed cattle population increased</b></li> <li>• <u>1st in buffalo; 2nd in cattle and goat; 2nd largest poultry market; 3rd in sheep; 5th in ducks and chicken; 10th in camel population.</u></li> <li>• 1st in milk production; 2nd largest fish producer.</li> </ul>
<b>All Revolutions at a Glance-</b>	<ul style="list-style-type: none"> <li>• <b>Black Revolution-</b> Petroleum products</li> <li>• <b>Blue revolution-</b> fish production</li> <li>• <b>Brown revolution-</b> leather, cocoa</li> <li>• <b>Golden Fibre revolution-</b> jute production</li> <li>• <b>Golden revolution-</b> overall horticulture</li> <li>• <b>Green Revolution-</b> agriculture production</li> <li>• <b>Grey revolution-</b> fertilizers</li> <li>• <b>Pink revolution-</b> pharmaceutical, onion and prawns</li> <li>• <b>Evergreen revolution-</b> overall agricultural production</li> <li>• <b>Round revolution-</b> potato production</li> <li>• <b>Silver Fibre revolution-</b> Cotton production</li> <li>• <b>Silver revolution-</b> egg production</li> <li>• <b>White revolution-</b> milk production</li> <li>• <b>Yellow revolution-</b> oilseed production</li> <li>• <b>Saffron energy revolution-</b> solar energy</li> <li>• <b>Red Revolution-</b> meat and poultry</li> <li>• <b>Protein revolution-</b> agriculture high production</li> </ul>
<b>Blue Revolution-</b>	<ul style="list-style-type: none"> <li>• By <b>Dr. Arun Krishnan</b></li> <li>• Fully tap <b>fish potential</b></li> <li>• Bring new technologies and processes</li> <li>• Recent initiatives- <ul style="list-style-type: none"> <li>▪ <b>Integrated Development and Management of Fisheries</b></li> <li>▪ <b>National Fisheries Development Board</b></li> <li>▪ <b>Pradhan Mantri Matsya Sampada Yojana (PMMSY)-</b> in 2019</li> </ul> </li> </ul>
<b>White Revolution or Operation Flood-</b>	<ul style="list-style-type: none"> <li>• <b>National Dairy Development Board (NDDB)</b> was setup under 2nd 5-year plan.</li> <li>• <b>Intensive Cattle Development-</b> during 3rd 5-year plan</li> <li>• Father of revolution- <b>Dr. Verghese Kurian</b></li> <li>• <b>Objectives-</b> <ul style="list-style-type: none"> <li>▪ Increase milk production and productivity</li> <li>▪ Improve rural income</li> <li>▪ Availability of milk at reasonable prices</li> </ul> </li> <li>• <b>Achievements</b> in Dairy sector- <ul style="list-style-type: none"> <li>▪ 1st in milk production</li> <li>▪ Amul model- best model for small and marginal farmers.</li> </ul> </li> </ul>
<b>Agreement on</b>	<ul style="list-style-type: none"> <li>• <b>International treaty of WTO</b></li> </ul>

Agriculture-

- Negotiated during **Uruguay Round of GATTs**, entered into force in 1995 with WTO establishment
- **Basic objective**- reform the principles of, and disciplines on, agriculture policy
- **Has three pillars**-
  - Domestic Support or subsidy
  - Market access
  - Export subsidy commitment

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## 16. Infrastructure

<b>National Statistical Commission-</b>	<ul style="list-style-type: none"> <li>Headed by- <b>C. Rangarajan</b></li> <li>Identified <b>6 characteristics</b> of infrastructure- <ul style="list-style-type: none"> <li>Natural monopoly</li> <li>High sunk costs</li> <li>Non-tradability of output</li> <li>Non-rivalness in consumption</li> <li>Price exclusion</li> <li>Externalities</li> </ul> </li> </ul>
<b>National Infrastructure Pipeline-</b>	<ul style="list-style-type: none"> <li>Declared <b>in 2019</b> by GoI</li> <li>NIP- <b>group of various infrastructure projects</b> to be executed in 5 years</li> <li>Total investment planned- `102 lakh crore</li> <li><b>Inter-Ministerial Task Force</b>- to draw NIP</li> <li><b>Projected capital expenditure</b>- <ul style="list-style-type: none"> <li>Energy sector- 24% of NIP</li> <li>Roads- 19 % of NIP</li> <li>Urban Sector- 16% of NIP</li> <li>Railways- 13% of NIP</li> <li>Remaining others- 28% of NIP</li> </ul> </li> <li><b>Share in funding</b>- <ul style="list-style-type: none"> <li>Central Govt- 39 %</li> <li>State Govt- 39%</li> <li>Private Sector- 22%</li> </ul> </li> </ul>
<b>National Investment and Infrastructure Fund (NIIF)-</b>	<ul style="list-style-type: none"> <li>Created <b>in 2015</b></li> <li>India's <b>first-ever sovereign wealth fund</b>- initial corpus `40,000 crore</li> <li><b>Investor-owned fund manager</b>, anchored by GoI</li> <li><b>Registered with SEBI as an Alternate Investment Fund (AIF)</b>; setup as a <b>trust</b> under Indian Trust Act.</li> <li><b>Headquarter</b>- Mumbai</li> <li><b>Objective</b>- Infrastructure development through commercially viable projects (Greenfield and brownfield) and stalled projects.</li> <li>Indian govt.- 49% stake, private sector- 51%</li> <li><b>Three funds</b>- <ul style="list-style-type: none"> <li><b>Master Fund</b>- investment in core infrastructure sectors</li> <li><b>Fund of Funds</b>- investment through third party fund managers</li> <li><b>Strategic Fund</b>- growth and development stage investments</li> </ul> </li> <li><b>ADB</b>→ committed US \$ 100 million in Fund of Funds component</li> <li><b>AIIB</b>→ committed US \$ 200 million for NIIF</li> </ul>
<b>Global Infrastructure</b>	<ul style="list-style-type: none"> <li>By <b>World Bank in 2014</b></li> <li><b>Core principles</b> of GIF- <ul style="list-style-type: none"> <li>To provide public goods</li> </ul> </li> </ul>

<b>Facility (GIF)-</b>	<ul style="list-style-type: none"> <li>▪ Mobilising the private sector</li> <li>▪ Achieving value for money</li> <li>▪ Promoting sustainability and inclusiveness</li> <li>▪ Complementing individual partner efforts by supplementing existing resources</li> <li>• <b>Supports govt</b> in design, preparation, structuring, and transaction implementation activities, etc.</li> <li>• <b>Two GIF supported projects</b> in India- <ul style="list-style-type: none"> <li>▪ Solar PPP Program</li> <li>▪ Rajasthan State Highways Development Project.</li> </ul> </li> </ul>
<b>Global Infrastructure Outlook-</b>	<ul style="list-style-type: none"> <li>• <b>A report</b> which forecasts infrastructure investment needs and gaps across 50 countries, <b>a G20 initiative</b>.</li> <li>• <b>Seven sectors</b> dealt with- <u>road, rail, airport, ports, telecom, electricity and water</u>.</li> <li>• By <b>Global Infrastructure Hub along with Oxford Economics</b>.</li> <li>• Global infrastructure investment gap- \$ 15 trillion.</li> <li>• Two most important sectors- Electricity and Roads.</li> <li>• India- <b>2nd largest infrastructure market</b> in Asia after China.</li> <li>• For India, Infrastructure investment gap- \$0.5 trillion.</li> </ul>
<b>Road Transport</b>	<ul style="list-style-type: none"> <li>• Accounts for 87% of passenger traffic and 60% of freight traffic movement.</li> <li>• <b>2nd largest road network</b> after US</li> <li>• <b>Types of road</b> in India- <ul style="list-style-type: none"> <li>▪ Rural Roads</li> <li>▪ Urban Roads</li> <li>▪ Project roads</li> <li>▪ Other PWD Roads</li> <li>▪ State Highways</li> <li>▪ National Highways</li> </ul> </li> <li>• Govt measures to improve road networks- <ul style="list-style-type: none"> <li>▪ <b>National Highways Development Project (NHDP)</b>- started in 1998</li> <li>▪ <b>Bharatmala Pariyojana</b>- <ul style="list-style-type: none"> <li>○ launched in 2017-18</li> <li>○ development of Economic corridors, <b>Multi-modal Logistics Parks</b></li> <li>○ NHAI launched <b>LEEP</b></li> <li>○ <b>National Highways Investment Promotion Cell (NHIPC)</b></li> </ul> </li> <li>▪ <b>Setu Bhartam</b>- <ul style="list-style-type: none"> <li>○ Launched in 2016; making all NHs <b>free of railway crossings</b> by 2019</li> </ul> </li> <li>▪ <b>Chardham Mahamarg Vikas Pariyojana</b>- <ul style="list-style-type: none"> <li>○ Launched in 2016 for easy access to four prominent Dham- Gangotri, Yamunotri, Kedarnath and Badrinath in Uttarakhand.</li> </ul> </li> <li>▪ <b>Special Accelerated Road Development Programme</b> for N-E region.</li> <li>▪ <b>Pradhan Mantri Gram Sadak Yojana (PMGSY)</b>- All weather roads in rural areas</li> </ul> </li> </ul>
<b>Motor Vehicles (Amendment) Act,</b>	<ul style="list-style-type: none"> <li>• <b>Increased</b> the amount of <b>penalties</b></li> <li>• <b>New penalties</b> for oversized vehicles, not providing way to emergency vehicle etc.</li> <li>• Increases the <b>minimum compensation for hit and run cases</b></li> </ul>

<b>2019-</b>	<ul style="list-style-type: none"> <li>• Provision for <b>recall of defected vehicles</b></li> <li>• <b>National Road Safety Board</b> created</li> <li>• <b>Golden hour treatment</b> to be cashless</li> <li>• Creation of <b>Motor Vehicle Accident Fund</b>.</li> </ul>
<b>Railways-</b>	<ul style="list-style-type: none"> <li>• <b>3rd largest network</b> in the world; <b>largest passenger</b> and <b>4th largest freight</b> transporting railway</li> <li>• <b>Research Designs and Standards Organisation (RDSO)</b>- R&amp;D wing of Indian Railways</li> <li>• Railway Budget merged with General Budget in 2017</li> <li>• Major Govt measures- <ul style="list-style-type: none"> <li>▪ <b>Dedicated Freight Corridor (DFC)</b>- <ul style="list-style-type: none"> <li>○ East-West DFC- Kolkata to Mumbai</li> <li>○ North-South DFC- Delhi to Chennai</li> <li>○ East Coast DFC- Kharagpur to Vijayawada</li> <li>○ South West DFC- Chennai to Goa</li> </ul> </li> <li>▪ <b>Railway Development Authority</b>- in 2017; <b>to recommend on</b>→ pricing of services; to enhance non-fare revenue; protection of consumer interests</li> <li>▪ <b>Adarsh Station Scheme</b>- modernisation or upgradation of stations</li> <li>▪ <b>Mission 41k</b>- aim to save `41,000 crore in next decade in energy costs</li> <li>▪ <b>Bullet Train Project</b>- Mumbai-Ahmedabad; by National High Speed Rail Corporation Ltd</li> <li>▪ <b>Kisan Vision Project</b>- setting up cold storage and temperature controlled perishable cargo centres.</li> </ul> </li> </ul>
<b>Civil Aviation-</b>	<ul style="list-style-type: none"> <li>• <b>3rd largest domestic market</b>; 136 airports under AAI and 6 under PPP</li> <li>• <b>9th largest civil aviation market</b></li> <li>• India ranks <b>1st along with 7 others in airport connectivity</b> in <b>Global Competitiveness Report 2019 by WEF</b></li> <li>• Major Govt initiatives- <ul style="list-style-type: none"> <li>▪ <b>National Civil Aviation Policy, 2016</b>- <ul style="list-style-type: none"> <li>○ <b>Provide</b>- safe, secure, affordable and sustainable air travel</li> <li>○ Enhance <b>regional connectivity</b></li> <li>○ Increasing tourism and employment</li> <li>○ Existing 5/20 rule to new 0/20 rule</li> </ul> </li> <li>▪ <b>UDAN</b>- regional connectivity scheme; a regional connectivity fund created→ partner state to contribute 20% of the fund</li> <li>▪ <b>AirSeva 2016</b></li> <li>▪ <b>DigiYatra</b></li> <li>▪ 100% FDI→ automatic route→ Greenfield projects</li> <li>▪ <b>NABH Nirman (NextGen Airports for Bharat)</b>- expansion of airport capacity and new airport projects.</li> </ul> </li> <li>• Various agencies related to Civil Aviation- <ul style="list-style-type: none"> <li>▪ <b>Director General of Civil Aviation</b>- regulatory body</li> <li>▪ <b>Bureau of Civil Aviation Security</b>- lay down standards and measures</li> <li>▪ <b>Airport Authority of India</b>- for airport infrastructure development and</li> </ul> </li> </ul>

	<p>maintenance</p> <ul style="list-style-type: none"> <li>▪ <b>Pawan Hans Helicopter Ltd</b>- Miniratne-I category PSU</li> </ul>
<b>Water Transport-</b>	<ul style="list-style-type: none"> <li>• Inland Water Transport- <ul style="list-style-type: none"> <li>▪ Cargo transport at present→ &lt;1%</li> <li>▪ <b>Inland Waterways Authority of India (IWAI)</b>- responsible body</li> </ul> </li> <li>• Recent initiatives- <ul style="list-style-type: none"> <li>▪ As of now, total 111 National Waterways declared</li> <li>▪ <b>largest</b>→ NW- 1- Prayagraj to Haldi</li> <li>▪ <b>shortest</b>→ NW- 69- along Manimuthar river in TN</li> <li>▪ <b>Jal Marg Vikas Project</b>- on NW- 1 <ul style="list-style-type: none"> <li>○ First <b>Inland Multi-modal Terminal Port</b> on river Ganga</li> </ul> </li> <li>▪ A <b>Ro-Ro cum IWT Terminal</b> at Dhubri on NW- 2</li> </ul> </li> </ul>
<b>Shipping-</b>	<ul style="list-style-type: none"> <li>• Around 90% by volume and 70% by value of the trade through ports</li> <li>• <b>12 major and around 200 non-major</b> ports</li> <li>• <b>Average Turnaround Time (ATT)</b>- measurement of efficiency of ports</li> <li>• Govt initiatives- <ul style="list-style-type: none"> <li>▪ <b>Major Port Authorities Bill, 2016</b>- to replace Major Port Trust Act, 1963; to remove the role of <b>Tariff Authority of Major Ports (TAMP)</b></li> <li>▪ MoU for development of <b>Chabahar Port of Iran in 2015</b>, two berth operational in 2018</li> <li>▪ <b>Sagarmala Project</b>- in 2016 <ul style="list-style-type: none"> <li>○ port led direct and indirect development</li> <li>○ Component- Port Modernization &amp; New Port Development, Port Connectivity Enhancement, Port-linked Industrialization, Coastal Community Development</li> </ul> </li> <li>▪ <b>Project Unnati</b>- to prepare Quantitative Benchmarking Module</li> <li>▪ <b>Project Green Ports</b></li> <li>▪ <b>National Maritime Development Project</b></li> </ul> </li> </ul> <p><b>Recycling of Ships Act, 2019-</b></p> <ul style="list-style-type: none"> <li>• Retract and prohibit→ use/installation→ <b>hazardous materials in ships</b></li> <li>• In 2019→ India acceded→ <b>Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009</b></li> </ul> <p><b>Shipping Corporation of India-</b></p> <ul style="list-style-type: none"> <li>• <b>Headquartered</b> at Mumbai; <b>established in 1961</b>; Navratna status in 2008</li> <li>• To manage and operate national and international lines vessels</li> <li>• <b>Provides</b>- Cruise liner and passenger services; bulk carrier and tanker services; and offshore services</li> <li>• <b>Privatisation approved</b> in 2019.</li> </ul>
<b>Telecom Sector-</b>	<ul style="list-style-type: none"> <li>• <b>2nd largest</b> in terms of telephone connections</li> <li>• <b>Overall tele-density</b>→ 90.45%; rural→ 57.35% and urban→ 160.71%</li> <li>• Mobile industry→ contributes→ <b>6.5% to GDP</b></li> <li>• Major Govt initiatives-</li> </ul>

	<ul style="list-style-type: none"> <li>▪ <b>National Optical Fibre Network (NOFN)</b> (later in 2015 named as <b>BharatNet</b>)- <ul style="list-style-type: none"> <li>○ Broadband connectivity to all 2.5 lakh Gram Panchayats in 3-phases</li> <li>○ Funded by <b>Universal Service Obligation Fund (USOF)</b></li> </ul> </li> <li>▪ <b>Public Wi-Fi Hotspots</b>- to ensure last mile connectivity</li> <li>▪ <b>National Digital Communication Policy, 2018</b>- <ul style="list-style-type: none"> <li>○ Broadband for all; enhance India's contribution in Global Value Chain; climbing in <b>ICT Development Index of ITU</b></li> </ul> </li> <li>▪ <b>Digital India Mission</b>- <ul style="list-style-type: none"> <li>○ transforming into digitally empowered society; CSCs for delivery</li> <li>○ <b>Nine pillars</b>- Broadband Highways, Universal Access to Mobile Connectivity, Public Internet Access Programme, e-Governance, e-Kranti: NEGP 2.0, Information for All, Electronics Manufacturing, IT for Jobs, Early harvest Programmes</li> <li>○ <b>3 core components</b>- digital infrastructure, delivering services digitally, digital literacy</li> </ul> </li> <li>▪ <b>National Broadband Mission- Rashtriya Broadband Abhiyan</b></li> <li>▪ <b>National Digital Grid</b>- through National Fibre Authority</li> <li>▪ Creating <b>Broadband Readiness Index</b></li> <li>▪ <b>Software Technology Park Scheme</b>- 100% export oriented; 100% foreign equity permitted</li> </ul>
<b>Housing and Urban Infrastructure-</b>	<ul style="list-style-type: none"> <li>• <b>31% of total population in Urban areas</b> (Census 2011)</li> <li>• Construction sector → <b>8.2% to GDP</b></li> <li>• <b>Pradhan Mantri Awas Yojana (URBAN)</b> (PMAY(U))- <ul style="list-style-type: none"> <li>▪ Pucca house to every household by 2022</li> <li>▪ <b>Female head ownership</b>; Geo-tagging; Credit Linked Subsidy</li> <li>▪ <b>Houses for Economically Weaker Sections (EWS)</b>, Low income Groups (LIG), Middle income Group (MIG)</li> </ul> </li> <li>• <b>Smart City Mission</b>- <ul style="list-style-type: none"> <li>▪ <b>Components</b>- city improvement (retrofitting), city renewal (redevelopment) and city extension (greenfield development) and Pan-city initiative</li> <li>▪ <b>City-challenge competition</b>; Smart City Proposals</li> <li>▪ <b>Four key ingredients</b>- institutional, physical, social and economic infrastructure</li> <li>▪ Develop <b>core infrastructure</b></li> <li>▪ <b>Two indices</b> by MHUA- <b>Ease of Living Index</b> and <b>Municipal Performance Index</b></li> </ul> </li> <li>• <b>Atal Mission for Rejuvenation and Urban Transformation (AMRUT)</b>- <ul style="list-style-type: none"> <li>▪ To transform urban living conditions; 500 cities selected</li> <li>▪ <b>Municipal bonds</b> to tap resources</li> <li>▪ <b>Components</b>- capacity building, reform implementation, water supply, sewerage and septage management, storm water drainage, urban transport and development of green spaces and parks</li> </ul> </li> <li>• <b>National Heritage City Development and Augmentation Yojana (HRIDAY)</b>- <ul style="list-style-type: none"> <li>▪ <b>Holistic development</b> and rivitalise soul of heritage city; central sector scheme; 12 cities</li> </ul> </li> </ul>

**Rural  
Infrastructure-**

- **Components-** physical, institutional, economic and social infrastructure.
- **Pradhan Mantri Awas Yojana (Grameen)** (PMAY(G))-
  - Pucca house for all; Beneficiaries based on SECC; onus on Gram Sabha construction of toilet
- **Sansad Adarsh Gram Yojana (SAANJHI)-**
  - For MPs; 3 Adarsh Gram by March 2019 and then 5 such by 2024; Village Development Plans
- **Shayama Prasad Mukharji RURBAN Mission-**
  - **Bridge rural-urban divide;** create 300 rural growth clusters; selected by state govt; **Critical Gap Funding** by central govt
- **Aspirational Districts Programme-**
  - Transforming **115 districts** across 28 states
  - **Broad contour-** convergence, collaboration and competition
  - **49 indicators across 5 core dimensions.**

## 17. Industry

**Industrial Policies since independence-**

**Industrial Policy  
Resolution (IPR)  
of 1948-**

- **Mixed economy and socialist pattern**
- **Protection** → cottage and small-scale industries
- Industrial classification- **four categories-**
  - Industries with exclusive central govt monopoly
  - Mixed sector
  - Controlled private sector
  - Industries under private sector

**Industries  
(Development &  
Regulation) Act,  
1951-**

- Advent of '**license raj**'
- **Three major controls-** Licensing, allocation of raw materials to undertakings based on sanctioned output and control over the prices

**Industrial Policy  
Resolution (IPR),  
1956-**

- Based on **Mahalanobis model**; emphasis → **heavy industries**; focus on backward region
- Establishment of **ITIs**; recognized → significance → foreign capital
- **3-fold classification-**
  - Schedule A (strictly under Centre)
  - Schedule B (both public & private sector)
  - Schedule C (open to private sector with licensing)

**Industrial Policy  
Statement of 1973-**

- Identified **six core industries-** iron & steel industry, cement, coal, crude oil, oil refinery and electricity; emphasis on joint sector
- **Foreign Exchange Regulation Act (FERA), 1973** enacted; allowed limited investment by MNCs

**Industrial Policy**

- Focused → **small-scale and tiny industries**



<b>Statement of 1977-</b>	<ul style="list-style-type: none"> <li>Interaction between industrial and agricultural sector</li> <li>Emphasis→ <b>village industries</b>, resurrection of khadi etc.</li> </ul>
<b>Industrial Policy Statement of 1980-</b>	<ul style="list-style-type: none"> <li>Public sector→ entrusted→ task to <b>raise pillar of economic infrastructure</b>→ reasons→ greater reliability, requirement of large investments and longer gestation period of projects</li> <li><b>Many industries</b>→ <b>relaxation from licensing</b></li> <li><b>Focus shift</b>→ competition in the domestic market, technological upgradation</li> <li>Foundation for export-based industry</li> </ul>
<b>Major features of pre-1991 policies-</b>	<ul style="list-style-type: none"> <li><b>Protection to local industries</b></li> <li><b>Promotion of import substitution policy</b></li> <li>Control over industries through licensing and regulations</li> <li><b>Restrictions on foreign capital</b></li> <li>Encouragement to cottage and small-scale industries</li> <li>More emphasis on public sector industries and control</li> </ul>
<b>New Industrial Policy, 1991-</b>	<ul style="list-style-type: none"> <li><b>Emphasis shifts</b> from regulation to development</li> <li><b>Industrial De-licensing</b>; industries reserved for public sector reduced</li> <li>Foreign investment promoted; Foreign Technology Agreements</li> <li>Amendment in <b>MRTA Act</b>; <b>Dilution of protections</b> of small-scale industries</li> <li>Closure of sick public sector enterprises</li> <li>Reforms through <b>LPG- Liberalisation, Privatisation and Globalisation</b></li> </ul>
<b>Government licensing required at present for-</b>	<ul style="list-style-type: none"> <li>Distillation &amp; brewing of alcoholic drinks</li> <li>Cigars &amp; cigarettes of tobacco and manufactured tobacco substitutes</li> <li>Electronics &amp; aerospace and defence equipment</li> <li>Industrial explosives including matchboxes</li> <li>Specific hazardous chemicals such as Hydrocyanic acid, Phosgene, Isocyanates etc.</li> </ul>
<b>Sectors reserved for Public sector at present-</b>	<ul style="list-style-type: none"> <li>Atomic energy</li> <li>Railway operations</li> </ul>
<b>National Investment and Manufacturing Zones (NIMZ)-</b>	<ul style="list-style-type: none"> <li>Important instrument of <b>National Manufacturing Policy, 2011</b></li> <li><b>Large areas of developed land</b> with the requisite ecosystem for promoting world class manufacturing activity; Integrated Industrial Township; different from SEZs</li> <li>Land- <b>5000 Ha</b>; at least 30% area of land→ manufacturing units</li> <li>Special Purpose Vehicles; <b>Centre's support</b>→ max. 20%</li> <li>External infrastructural linkages by Central govt like roads etc.</li> <li>3 NIMZ finally approved- <b>Prakasam</b> (Andhra Pradesh), <b>Sangareddy</b> (Telangana) and <b>Kalinganagar</b> (Odisha).</li> </ul>
<b>Make in India-</b>	<ul style="list-style-type: none"> <li>Launched in 2014</li> <li><b>Four pillars</b> to boost entrepreneurship- New process, New infrastructure (industrial corridors, smart cities etc.), New sectors (identified 25 sectors), and New mindset.</li> </ul>

	<ul style="list-style-type: none"> <li>Measures taken so far- <ul style="list-style-type: none"> <li><b>India Aspiration Fund</b>- under SIDBI for Venture Capital Financing</li> <li><b>SIDBI Make in India Loan for Small Enterprises (SMILE)</b></li> <li><b>Micro Units Development and Refinance Agency (MUDRA)</b></li> </ul> </li> </ul>
<b>Industrial Revolutions-</b>	<p>1.0 (1800 onwards)-</p> <ul style="list-style-type: none"> <li>Powered by <b>coal</b>, iron machines and factories, railways steamships and telegraph</li> </ul> <p>2.0 (1900 onwards)-</p> <ul style="list-style-type: none"> <li>Powered by <b>electricity</b>, oil, motor vehicles, planes, telephone, TV, Cinema and Radio</li> </ul> <p>3.0 (1980 onwards)-</p> <ul style="list-style-type: none"> <li><b>Electric and hydrogen powered</b> vehicles, drones, flexible robots, 3D printers and nanotechnology</li> </ul> <p>4.0 (from 2016 WEF's- Davos Summit onwards)-</p> <ul style="list-style-type: none"> <li>Computerization of Industrial revolution 3.0 using <b>AI, IoT, cloud computing; automation</b> of manufacturing processes</li> </ul>
<b>Tools to measure performance of Industries-</b>	
<b>Index of Industrial Production (IIP)-</b>	<ul style="list-style-type: none"> <li>Published by <b>NSO</b> every month; <b>base year</b>- 2011-12</li> <li>Statistical measure of industrial performance</li> <li>Measures short-term changes in the volume of production of a basket of industrial products;</li> <li><b>IIP General</b>- Mining (14.2%), <b>Manufacturing (75.5%)</b> and Electricity (10.3%)</li> <li><b>IIP Use-based</b>- <b>Primary Goods (34.1%)</b>, Intermediate Goods (17.2%), Capital Goods (8.2%), Infrastructure Goods (12.3%), Consumer Goods (12.8%), Consumer non-durables (15.3%)</li> </ul>
<b>Index of Eight Core Industries-</b>	<ul style="list-style-type: none"> <li><b>By Office of Economic Advisor</b>; <b>base year</b>- 2011-12; eight core industries have combined weight of 40.3% in IIP</li> <li><b>Sectors</b>- Coal (10.3%), Crude Oil (8.9%), Natural Gas (6.8%), <b>Refinery Products (28%)</b>, Fertilizers (2.6%), Steel (17.9%), Cement (5.4%), Electricity (19.9%)</li> </ul>
<b>Annual Survey of Industries-</b>	<ul style="list-style-type: none"> <li>Related to <b>organised manufacturing sector</b>; published by <b>CSO</b>; data collected as per Collection of Statistics Act, 2008</li> <li><b>ASI covers</b>- All the factories registered under Section 2(m)(i) and 2(m)(ii) of Factories Act 1948, Units with 100+ employees, Registered Bidi and Cigar manufacturing units and all electricity undertakings</li> <li><b>Does not cover</b>- defence establishment, oil storage &amp; distribution depots, departmental units (railway workshops, government mints, sanitary, water supply etc.)</li> <li><b>Important indicators generated</b> on ASI are- number of factories, production, employment, wages, invested capital, capital formation, input/ output and value added on annual basis</li> </ul>
<b>Purchasing Managers Index (PMI)-</b>	<ul style="list-style-type: none"> <li>Published by <b>Japanese firm Nikkei</b> but compiled and constructed by Market Economics, HSBC</li> <li>Indicator of economic health, business momentum and investor sentiments</li> <li><b>A reading above 50 points indicate expansion while below 50 points indicate contraction of economic activities</b></li> </ul>



- **5 major indicators used**- new orders, inventory levels, production, supplier deliveries and the employment environment

**Industrial  
Sickness-**

- Based on the failure of a company to pay debt in a certain period
- **Declaration by NCLT**

**Companies  
(Amendment) Act,  
2019-**

- Law covering incorporation, functioning and dissolution of companies in India.
- Enabling the redemption of preference shares
- Issue regarding auditors to be tabled in Annual General Meeting
- **Judicial Manager Mechanism**- to place the management in the hands of a qualified insolvency practitioner called judicial manager.

**Corporate Social  
Responsibility-**

- Companies integrate the social and environment concerns in the business operations; is a way of giving back to the society; to **spend at least 2% yearly**
- Any unspent annual fund to be transferred to Funds like PM Relief Fund etc.

**Recent Reforms in Industrial Labour Laws**

**The Code on  
Wages, 2019-**

- **Subsume**- The Minimum Wages Act 1948, The Payment of wages Act 1936, The Payment of Bonus Act 1965, The Equal Remuneration Act 1976
- Has come into force
- Extends to **whole of India**
- Provision of minimum and timely payment of wages to all employees irrespective of the sector and wage ceiling
- **Covered many unorganised sector workers** like agricultural labour, painter, chowkidars etc.
- **Only MGNERAGA workers not covered**
- Definition of employee- does not contain apprentices and member of the armed forces
- Wage can't be below floor rate (fixed by Central govt)
- Limitation period for filing claims by workers raised to 3 years and made uniform

**The Code on  
Industrial  
Relations Bill,  
2019-**

**Subsume**- The Trade Union Act 1926, The Industrial Employment (Standing Orders) Act 1946, The Industrial Disputes Act 1947.

**The Code on  
Social Security  
Bill, 2019-**

**Subsumes**- Employees' Compensation Act 1923, Employees' State Insurance Act 1948, Employees' Provident Funds and Miscellaneous Provisions Act 1952, Maternity Benefit Act 1961, Payment of Gratuity Act 1972, Cine Workers Welfare Fund Act 1981, Building and Other Construction Workers Cess Act 1996, Unorganised Workers' Social Security Act 2008

**The Code on  
Occupational  
Safety, Health and  
Working  
Conditions Bill,  
2019-**

- **Subsumes**- The Factories Act 1948, The Mines Act 1952, Dock Workers (Safety, Health and Welfare) Act 1986, Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996, Plantations Labour Act 1951, Contract Labour (Regulation and Abolition) Act 1970, Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act 1979, Working Journalist and Other Newspaper Employees (Conditions of Service and Miscellaneous Provision) Act 1955, Working Journalist (Fixation of Rates of Wages) Act 1958, Motor Transport

Workers Act 1961, Sales Promotion Employees (Condition of Service) Act 1976, Bidi and Cigar Workers (Conditions of Employment) Act 1966, Cine Workers and Cinema Theatre Workers Act 1981.

- **Cover workers of establishments with at least 10 workers**
- **Restrict the civil courts** from hearing matter under the Code.

**Industrial  
Employment  
(Standing Orders)  
Central  
(Amendment)  
Rules, 2018-**

- by Ministry of Labour and Employment
- now **fixed term employment for all sectors** (earlier only for specific)
- **existing permanent workmen can't be converted as fixed term employment**
- **no notice of termination necessary** in case of temporary workman
- will make it easier for companies to lay-off workers

**Two New Pension Schemes launched in 2019-**

**Pradhan Mantri  
Shram Yogi  
Maan-dhan (PM-  
SYM)**

- Voluntary and contributory; to benefit **unorganised sector workers**
- Age- **18-40 years**; monthly income  $\leq$  `15,000 /-
- Beneficiary pays prescribed monthly contribution and Central Govt contributes equally
- Fix **`3,000/- monthly pension** after 60 years of age

**National Pension  
Scheme for  
Traders,  
Shopkeepers and  
Self-employed  
Persons-**

- Voluntary and contributory; for **Traders, shopkeepers and self-employed**
- Age- **18-40 years**; turnover not exceeding `1.5 crore annually
- **Not a member** of EPFO/ ESIC/ NPS/ PM-SYM or an income tax payer
- 50% monthly contribution by beneficiary and equal contribution by Central govt
- After 60 years of age- **`3,000/- fix pension monthly**

**MSME Sector**

**Classification  
(based on annual  
turnover)-**

- Micro Enterprise- up to `5 Crore
- Small Enterprise `5 Crore- `75 Crore
- Medium Enterprise- `75 Crore - `250 Crore

**Role/ importance-**

- Contribute  $\geq 40\%$  of industrial production
- Share in total exports  $\geq 40\%$
- Contribute 7- 8% to GDP
- Employment  $\geq 11$  crore
- Industrialisation of rural and backward areas

**Recent Govt  
initiatives-**

- Interest subvention of 2% for all GST registered MSMEs on incremental credit up to `1 crore
- CPSUs to **procure at least 25% from MSMEs** (out of which 3% from women entrepreneurs)
- 20 Technology Centres and 100 Extension Centres
- 70% cost of pharmaclusters by central govt
- **Credit Guarantee Scheme for Micro and Small enterprises**
- Credit linked Capital Subsidy Scheme

- The Pradhan Mantri MUDRA Yojana
- Public Procurement Portal for MSMEs
- Scheme for Upgradation of Rural and Traditional Clusters (SFURTI)
- Marketing Assistance and Technology Upgradation (MATU)

**Ease of Doing  
Report-**

- By IFC (an arm of World Bank)
- India improved from 77th position to 63rd in 2020 edition
- 1st among South Asian nations
- 10 indicators are- Starting a business, Dealing with construction permits, Getting electricity, Registering Property, Getting Credit, Protecting minority investors, Paying taxes, Trading across borders, Enforcing contracts, Resolving insolvency.
- Out of these except Getting Credit, Protecting Minority investors and Enforcing contracts, improved in all.

**eBIZ Project-**

- Under DIPP; create one-stop-shop of convenient and efficient services to the investors, businesses and industries.
- Key features- Creation of business-friendly environment; service-oriented approach; G2B services

**Start-up India-**

- Since 2016 intending to- build start-up ecosystem, have sustainable growth, generate employment, have growth with innovation and design
- Funds for Startups under SIDBI
- Measures taken so far-
  - Start-up Hub
  - Mobile app and portal
  - Scheme for Startup IPR Protection (SIPP)
  - Relaxed norms in public procurement
  - Innovation centres and Research Parks

**Stand-up India-**

- In 2016; provides a digital platform based on 3 pillars to support enterprises promotion for SC, ST and Women entrepreneurs
- Loan under the scheme is appropriately secured and backed up by a credit guarantee
- Bank loan payable up to 7 years and between ` 10 lakh to ` 100 lakh for Green field enterprises

**Other recent  
reforms by govt**

- National Policy on Electronics (NPE) 2019- to create electronics manufacturing industry by 2025
- National Policy on Software Products, 2019
- National Mineral Policy 2019
- Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME)- II

**Circular  
Economy-**

- Alternative to traditional linear economy (make, use, dispose)
- NITI Aayog proposed, in 2019, concept of Circular Economy

**Public Sector Undertakings**

- Owned by the Union Government of India
- Classified into- Central Public Sector enterprises (CPSEs), Public Sector Banks (PSBs), State level Public

enterprises (SLPEs)

**Maharatnas**

- Top most category of CPSEs
- Awarded by Department of Public Enterprises
- **Criteria** for Maharatna-
  - Have Navratna Status
  - Listed in Indian Stock Exchange
  - Avg annual turnover more than `25000 crore during last 3 years
  - Avg annual net profit after tax- more than `5000 crore during last 3 years
  - Significant global presence
- At present - **10 Maharatnas**

**Navaratnas**

- **Criteria** for Navaratna status-
  - Must have Miniratna Category-I status along with Schedule 'A' listing
  - Have at least 3 excellent or very good MoU in last 5 years
  - Must score a composite score of 60 out of 100 in last 3 years
  - Score based on **6 parameters**-
    - Net profit to Net worth
    - Manpower cost to cost of production or services
    - Gross margin as a percentage of capital employed
    - Gross profit as a percentage of turnover
    - Earnings per share
    - Inter-sectoral comparison based on net profit to net worth
- At present- **14 Navaratnas**

**Miniratna**

- Divided into **two category**- Category-I and Category-II
- **Category-I**
  - Should have made profits for last 3 years continuously, earned a pre-tax profit of `30 crore or more in at least 1 of these 3 years
  - Have positive net worth
  - Financial autonomy to incur capital expenditure up to `300 crore or equal to their net worth, whichever is lower
- **Category-II**
  - Should have made profit in last 3 years and have positive net worth
  - Financial autonomy to incur capital expenditure up to `150 crore or 50% of their net worth, whichever is lower
- At present- **62 Category-I and 12 Category-II Miniratnas**

## 18. International Institutions

<b>Bretton Woods Institutions</b>	<ul style="list-style-type: none"> <li>• <b>Twin</b> international economic institutions- <b>International Monetary Fund (IMF)</b> and <b>International Bank for Reconstruction and Development (IBRD)</b> of World Bank group- established after the <b>Bretton Woods Conference</b> held in 1994 in US.</li> <li>• Delegates from <b>44 allied nations</b> attended.</li> <li>• Conference also called <b>United Nations Monetary and Financial Conference</b>.</li> </ul>
<b>International Monetary Fund (IMF)</b>	
<b>Objective-</b>	to solve short-term <b>Balance of Payment (BoP) crises</b> ; reduction of <b>exchange rate control</b> ; stable exchange rate regime; promote <b>international monetary cooperation</b> .
<b>Functions-</b>	Surveillance, lending and technical assistance.
<b>Facts-</b>	Autonomous organisation affiliated to UN; <b>India is a founding member</b> ; presently- <b>189 members</b> ; <b>Headquarter-</b> Washington DC; provides <b>loans only to member nations</b> .
<b>Types of Financing-</b>	<ul style="list-style-type: none"> <li>• Concessional lending- <ul style="list-style-type: none"> <li>▪ Through <b>Poverty Reduction and Growth Trust (PRGT)</b> Facility</li> <li>▪ Only low-income countries</li> <li>▪ <b>Zero-interest rates</b></li> <li>▪ <b>Three concessional lending facilities-</b> Extended Credit Facility, Standby Credit Facility and Rapid Credit Facility.</li> </ul> </li> <li>• Non-concessional lending- <ul style="list-style-type: none"> <li>▪ Based on market determined interest rates</li> <li>▪ <b>Types include-</b> Stand-by-Arrangement (SBA), Extended Fund Facility, Rapid Financing Instrument, Flexible Credit Line, Precautionary and Liquidity Line.</li> </ul> </li> </ul>
<b>Reports by IMF-</b>	<ul style="list-style-type: none"> <li>• <b>World Economic Outlook-</b> Twice a year; indicates the risk and uncertainty</li> <li>• <b>Global Financial Stability Report-</b> Twice a year assessment of the stability of global financial markets</li> <li>• <b>Fiscal Monitor Report-</b> Twice a year; analyse the public finance development</li> <li>• <b>External Sector Report-</b> Annually; assessment of global external developments</li> <li>• <b>Regional Economic Report-</b> Region-wise growth and development prospects.</li> </ul>
<b>Financial Resources of IMF-</b>	<ul style="list-style-type: none"> <li>• <b>Quotas-</b> funds provided by member countries</li> <li>• Multilateral borrowing from NAB</li> <li>• Bilateral borrowing Agreements</li> </ul>
<b>Governance Structure of IMF-</b>	<ul style="list-style-type: none"> <li>• <b>Board of Governors-</b> <ul style="list-style-type: none"> <li>▪ Decision-making body of IMF; one Governor and one Alternate Governor from each member country.</li> <li>▪ Advised by two Ministerial committees- International Monetary and Finance Committee (IMFC) and Development Committee</li> </ul> </li> <li>• <b>Executive Board</b></li> </ul>
<b>India and IMF-</b>	<ul style="list-style-type: none"> <li>• Founding member; <b>13th largest IMF Quota holder</b></li> <li>• Borrowed under Extended Fund Facility in 1981 and under two SBA in 1991</li> <li>• Has subscribed to IMF's Special Data Dissemination Standard</li> </ul>

	<ul style="list-style-type: none"> <li>India's <b>quota- 2.76% and vote share- 2.64%</b></li> </ul>
<b>Reforms undertaken-</b>	<ul style="list-style-type: none"> <li>More influencing power to developing nations</li> <li>Chinese Renminbi included in SDR basket in 2016</li> </ul>
<b>Reforms demanded-</b>	Restructuring of voting rights; conditionalities; more resources; IMF chief selection process; end US domination.
<b>Special Drawing Rights (SDR)-</b>	<ul style="list-style-type: none"> <li>Artificial currency units of IMF; <b>created in 1969</b>, are foreign exchange reserve assets; neither a proper currency nor a claim on IMF; reviewed after <b>every 5 years</b></li> <li>Value based on basket of <b>5 major currencies- US Dollar (41.73%), Euro (30.93%), Chinese Renminbi (10.92%), Japanese Yen (8.33%), and British Pound (8.09%)</b></li> <li>Criteria for inclusion of a currency in SDR Basket- Export criterion and currency to be freely usable.</li> </ul>
<b>Quotas-</b>	<ul style="list-style-type: none"> <li>Quotas are denominated in SDRs; Reviewed every 5 years</li> <li><b>Role of Quota-</b> <ul style="list-style-type: none"> <li>Subscription to IMF</li> <li>Voting Power</li> <li>Access to IMF financing</li> </ul> </li> </ul>
<b>Washington Consensus-</b>	<ul style="list-style-type: none"> <li>These are <b>IMF Conditionalities</b> which each member country taking financial help requires to follow. Some of them are- <ul style="list-style-type: none"> <li>Devaluation of currency; higher interest rate to stabilise the currency; no budgetary overspending; removal of price controls and state subsidies</li> </ul> </li> </ul>
<b>World Bank Group-</b>	
<b>Facts-</b>	<ul style="list-style-type: none"> <li><b>Group of 5 institutions; Headquarter-</b> Washington DC</li> <li>To be part of World Bank, a country <b>needs to be a member of IMF first</b></li> <li>World Bank has set two goals for the world to achieve by 2030: <ul style="list-style-type: none"> <li>End extreme poverty by decreasing percentage of people living on less than \$ 1.90 day to no more than 3 percent.</li> <li>Promote shared prosperity by fostering the income growth of the bottom 40 per cent of every country.</li> </ul> </li> </ul>
<b>Five organisations under World Bank group-</b>	<p><b>International Bank for Reconstruction and Development (IBRD)-</b></p> <ul style="list-style-type: none"> <li>Original World Bank institution; established on 27 Dec 1945 after Bretton Woods Conference of 1944; India founding member; at present- <b>189 members</b></li> </ul> <p><b>International Development Association (IDA)-</b></p> <ul style="list-style-type: none"> <li>Established in 1960 with India as founding member; <b>173 members</b>, Headquarter- Washington DC; known as <b>Soft Lending Arm of World bank</b>; Crises Response Window to help during crises and emergencies.</li> </ul> <p><b>International Finance Corporation (IFC)-</b></p> <ul style="list-style-type: none"> <li>Established in 1956; India founding member; <b>184 members</b>; Headquarter- Washington DC; focused exclusively on promotion of private sector.</li> </ul> <p><b>Multilateral Investment Guarantee Agency (MIGA)-</b></p> <ul style="list-style-type: none"> <li>Established in 1988; <b>181 members</b>; Headquarter- Washington DC</li> </ul> <p><b>International Centre for Settlement of Investment Disputes (ICSID)-</b></p>



	<ul style="list-style-type: none"> <li>Established in 1965; <b>163 members (India is not a member)</b>; Dispute Resolution Organisation.</li> </ul>
<b>Reports by World Bank-</b>	<ul style="list-style-type: none"> <li><b>World Development Report</b>- annual; in-depth analysis of a specific aspect of economic development.</li> <li><b>Doing Business Report</b>- annual; analyse 10 quantitative indicators; India ranked 63 in 2020 edition</li> <li><b>Global Economic Prospects</b>- examines global economic development and prospects; twice a year</li> </ul>

### IMF Versus World Bank

IMF	World Bank
IMF was established in 1945.	Its first wing IBRD was established in 1945.
<b>Objective</b> of IMF includes – <ul style="list-style-type: none"> <li>Exchange rate stability.</li> <li>Resolve short-term BOP problems of member countries.</li> </ul>	<b>Objective</b> of World Bank is – Promotion of economic and social development in developing and poor countries.
Provides loan to Governments of the member nations (generally at market interest rate).	Provides loan to both Governments and the Private Sector of the member nations. (on concessional terms).
No associated institutes and therefore a smaller staff.	It has five associated institutes and hence a larger size of staff.
Funding of IMF comes through– quota subscription from every member, multilateral borrowings and even bilateral borrowings.	It borrows through selling bonds and notes directly to the member nations and also receives contribution from richer member countries.

### New Development Bank or BRICS Development bank-

<b>Facts-</b>	<ul style="list-style-type: none"> <li>Need for NDB felt- IMF and WB inclined towards Developed countries and BRICS nations have less than 15% voting rights in IMF</li> <li>Came into existence in <b>2015 Summit in Russia</b>; <b>Headquarter</b>- Shanghai, China.</li> </ul>
<b>Function-</b>	<ul style="list-style-type: none"> <li>support infrastructure and sustainable development projects</li> <li>provide technical assistance.</li> </ul>
<b>Features-</b>	<ul style="list-style-type: none"> <li><b>5 member nations</b>- BRICS countries; membership <b>open for all UN members</b></li> <li>All five members- <b>equal share of contribution and voting rights</b></li> <li><b>One member- one vote policy</b>; no veto</li> </ul>
<b>Achievements-</b>	<ul style="list-style-type: none"> <li>Received <b>AA+ international credit rating</b> in 2019</li> <li>Its first green bond in Chinese bond market</li> </ul>
<b>Challenges-</b>	<ul style="list-style-type: none"> <li>China's domination</li> <li>Competition with AIIB</li> </ul>

	<ul style="list-style-type: none"> <li>Constant availability of funds.</li> </ul>
<b>Contingent Reserve Arrangement-</b>	Introduced in <b>2015</b> by <b>BRICS</b> countries to overcome BoP crisis; increasing South-South cooperation; <b>China- highest voting right</b> and India, Brazil & Russia have equal voting right
<b>Asian Development Bank (ADB)-</b>	
<b>Facts-</b>	<ul style="list-style-type: none"> <li>Established in <b>1966</b> initially with 31 member countries including India; presently- <b>68 members (latest- Niue in 2019)</b>; members even from outside Asia (like US)</li> <li><b>Headquarter-</b> Manila, Philippines; has weighted voting system; <b>Japan holds largest</b> portion of share capital- all Presidents being Japanese till now.</li> </ul>
<b>Objectives-</b>	<ul style="list-style-type: none"> <li>To eradicate poverty from Asia-Pacific</li> <li>To bring economic stability and sustainable development</li> </ul>
<b>Functions-</b>	Provide loans and technical assistance
<b>Reports-</b>	<b>Asian Development Outlook</b>
<b>Features-</b>	<ul style="list-style-type: none"> <li>Provide Direct Financial Assistance</li> <li>New operational priorities and approaches</li> <li>Financing for Development agendas and SDGs, Paris agreement, Sendai Framework etc.</li> </ul>
<b>Asian Infrastructure Investment Bank (AIIB)-</b>	
<b>Facts-</b>	<ul style="list-style-type: none"> <li>Multilateral Development Bank setup <b>in 2016</b> to improve social and economic outcomes in Asia</li> <li>Presently <b>102 membership (78 members (including India) + 24 prospective members)</b></li> <li>Members even from outside Asia; <b>US and Japan are not members</b></li> <li><b>Headquarter-</b> Beijing, China</li> <li>Voting share based on size of member country's economy.</li> <li><b>India is 2nd largest holder</b> after China</li> </ul>
<b>AIIB Vs ADB-</b>	<ul style="list-style-type: none"> <li>Japan and US dominate ADB while China dominate AIIB</li> <li>Both have AAA credit rating</li> <li>Lending by AIIB is less than ADB</li> </ul>
<b>Achievements-</b>	<ul style="list-style-type: none"> <li>Gained <b>Permanent Observer status</b> in 2018 by UN</li> <li>Energy sector holds largest share in investment</li> <li>Successfully finished- Andhra Pradesh Rural Road Project, Sustainable Services Sanitation Services Program.</li> </ul>
<b>Criticism-</b>	<ul style="list-style-type: none"> <li>AIIB needs to transform its investment projects from 'Hard Infrastructure' to 'Comprehensive Infrastructure'.</li> <li>To shift towards a more environment- friendly approach towards funding of projects.</li> </ul>
<b>Organisation for Economic Cooperation and Development (OECD)-</b>	
<b>Facts-</b>	<ul style="list-style-type: none"> <li>Established in <b>1961</b>; organisation of <b>36 countries</b>; <b>headquarter-</b> Paris</li> <li>Most recently joined by <b>Lithuania in 2018</b>; also includes non-European nations</li> <li><b>China is not a member</b></li> <li><b>Official UN Observer</b></li> </ul>
<b>Objective-</b>	To stimulate economic progress and world trade



<b>India and OECD-</b>	<ul style="list-style-type: none"> <li>India→ on governing board</li> <li>Engaged with Body Accession Membership</li> </ul>
<b>Importance of OECD-</b>	<ul style="list-style-type: none"> <li>Contribute around 63% of global GDP and 75% of world trade</li> <li>18% of global population resides here.</li> </ul>
<b>European Bank for Reconstruction and Development (EBRD)-</b>	
<b>Facts-</b>	<ul style="list-style-type: none"> <li>Established in 1991; has 69 countries and 2 European institutions as members;</li> <li>India joined in 2018 (latest member); mainly supports private sector development</li> <li>Headquarter- London; US→ largest shareholder.</li> </ul>
<b>Benefits of EBRD membership to India-</b>	<ul style="list-style-type: none"> <li>Enhanced investment opportunities</li> <li>Promotion of economic interest</li> <li>Increased scope of cooperation; and enhanced international market</li> </ul>
<b>World Trade Organisation (WTO)-</b>	
<b>Evolution of WTO-</b>	<ul style="list-style-type: none"> <li>ITO- initial proposition to setup ITO under Bretton Woods Conference.</li> <li>GATT signed in 1947 with 23 founding members</li> <li>Negotiations and consensus under Uruguay Round led to the creation of WTO through signing of Marrakesh Agreement.</li> </ul>
<b>Facts about WTO-</b>	<ul style="list-style-type: none"> <li>Established on 1 Jan 1995, replacing GATT; headquarter- Geneva, Switzerland</li> <li>164 members (including India as founding member; latest Afghanistan in 2016); not part of UN</li> <li>Follows one country-one vote system; publishes World Trade Report every year</li> <li>Ministerial Conference- highest decision making body</li> </ul>
<b>Organisational Structure-</b>	<ul style="list-style-type: none"> <li>Ministerial Conference- <ul style="list-style-type: none"> <li>Attended by Ministers of Commerce and trade of all member states</li> <li>Meets once in 2-years; till now 11 meetings</li> </ul> </li> <li>General Council- <ul style="list-style-type: none"> <li>Attended by Ambassadors of member States in Geneva every year</li> <li>Acts as- Dispute Settlement Body and trade Policy Review Body</li> </ul> </li> <li>Councils for Trade- <ul style="list-style-type: none"> <li>Includes 3- Council for Trades in Goods, Council for Trade in Services and Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS)</li> </ul> </li> <li>Numerous Committees and Workshops</li> </ul>
<b>Three major Principles of WTO-</b>	<ul style="list-style-type: none"> <li>Most favoured Nations (MFN)- <ul style="list-style-type: none"> <li>Treating other partners equally; should not discriminate between its trading partners</li> </ul> </li> <li>National Treatment- <ul style="list-style-type: none"> <li>Based on non-discrimination between domestic and foreign products.</li> </ul> </li> <li>Special and Differential (S&amp;D) Treatment with Developing countries</li> </ul>
<b>Major WTO agreements-</b>	<ul style="list-style-type: none"> <li>Agreement on Agriculture (AoA)- <ul style="list-style-type: none"> <li>Executed in 1995</li> <li>Based on three pillars- <ul style="list-style-type: none"> <li>Only up to Reasonable level of Domestic Support- <ul style="list-style-type: none"> <li>Green Box</li> <li>Blue Box</li> </ul> </li> </ul> </li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>◆ Amber Box <ul style="list-style-type: none"> <li>○ Enhanced Market access</li> <li>○ Phase out export subsidies</li> </ul> </li> <li>• <b>General Agreement on Trade in Services</b>- to liberalise trade in services</li> <li>• <b>Agreement on Trade-Related Aspects of Intellectual Property Rights</b></li> <li>• <b>Trade-Related Investment Measures (TRIMs)</b></li> <li>• <b>Sanitary and Phytosanitary Measures</b></li> <li>• <b>Trade Facilitation Agreement</b> of WTO- Came into force in 2017; <b>India has ratified TFA.</b></li> </ul>
<b>Achievements of WTO-</b>	<ul style="list-style-type: none"> <li>• Use of restrictive measures for BoP gone down</li> <li>• Radical changes in trade, exchange and domestic reforms</li> <li>• Trade Policy Review Mechanism</li> </ul>
<b>Criticism of WTO-</b>	<ul style="list-style-type: none"> <li>• Trade reforms→ incomplete in many countries majority share of benefits to developed nations</li> <li>• Growing social division against low-skilled workers</li> <li>• Implementation related issues</li> </ul>
<b>Intellectual Property Rights-</b>	<p>WTO defines it as the rights given to the person over creation of their mind.</p> <ul style="list-style-type: none"> <li>• <b>Patent-</b> <ul style="list-style-type: none"> <li>▪ Statutory right for an invention granted- for a limited period of time (in India-20 years)</li> <li>▪ Territorial right, no patent valid worldwide</li> </ul> </li> <li>• <b>Trademark-</b> <ul style="list-style-type: none"> <li>▪ Visual symbol; known as brand name; in Indi- 10 years</li> </ul> </li> <li>• <b>Copyright-</b> <ul style="list-style-type: none"> <li>▪ Bundle of rights given by the law to the creators of literary, dramatic, musical and artistic works and the producers of cinematograph films and sound recordings</li> </ul> </li> <li>• <b>Geographical Indication-</b> <ul style="list-style-type: none"> <li>▪ From a definite geographical territory; identify agricultural, natural or manufactured goods.</li> </ul> </li> <li>• <b>Industrial Designs-</b> <ul style="list-style-type: none"> <li>▪ Covered under The Trade and Merchandise Mark Act, 1958; for 10 years in India</li> </ul> </li> <li>• <b>Trade Secrets-</b> <ul style="list-style-type: none"> <li>▪ A formula or practice; permanent in nature</li> </ul> </li> </ul>
<b>Generalised System of Preferences (GSP)-</b>	<ul style="list-style-type: none"> <li>• Available to least-developed countries (LDCs) who are WTO members; a preferential tariff system→ provides scope for tariff reduction for LDCs by other WTO members</li> <li>• <b>Special Products</b>- agricultural commodities of special importance</li> <li>• <b>Special Safeguard Mechanisms</b></li> </ul>
<b>National Intellectual Property Rights Policy-</b>	<ul style="list-style-type: none"> <li>• Released by GoI in 2016</li> <li>• In compliance with the WTO's agreement on TRIPS</li> </ul>

**Other International Economic Organisations**

<b>G3</b>	FTA between- <b>Mexico, Colombia and Venezuela</b> for a 10 year period from 1995 to 2005
<b>G8</b>	<ul style="list-style-type: none"> <li>Formerly G7 including <b>US, Canada, Germany, Britain, France, Italy and Japan.</b></li> <li><b>Russia was made a member in 1977</b></li> </ul>
<b>G20</b>	Established in 1999; <b>India is a member</b>
<b>G33</b>	<ul style="list-style-type: none"> <li>Also known as <b>Friends of Special Products in Agriculture</b></li> <li>Has <b>48 members including India</b></li> </ul>
<b>Organisation of Petroleum Exporting Countries (OPEC)</b>	<ul style="list-style-type: none"> <li>Created at <b>Baghdad Conference in 1960</b>; headquarter- Vienna, Austria</li> <li><b>13 members-</b> Iran, Iraq, Kuwait, Saudi Arabia, Venezuela, Libya, UAE, Algeria, Nigeria, Gabon, Angola, Equatorial Guinea and Congo.</li> <li><b>Latest- Congo in 2018; Ecuador withdrawn in 2020</b></li> </ul>
<b>ASEAN</b>	<ul style="list-style-type: none"> <li>Established in <b>1967 in Bangkok by Indonesia, Malaysia, Philippines, Singapore and Thailand</b></li> <li>Currently- <b>10 member states and 2 observer states</b></li> <li><b>India- neither member nor observer</b></li> <li><b>RCEP-</b> FTA between ASEAN and 5 of ASEAN's FTA partners- Australia, China, Japan, New Zealand and South Korea</li> <li><b>India withdrew from RCEP in 2019</b></li> <li>India is-           <ul style="list-style-type: none"> <li>Sectoral partner of ASEAN since 1992.</li> <li>Dialogue partner since 1996.</li> <li>Summit level partner since 2002.</li> <li>Strategic partner since 2012.</li> </ul> </li> </ul>
<b>East Asia Summit-</b>	
<ul style="list-style-type: none"> <li>Established in <b>2005</b></li> <li>Forum of <b>18 countries of Asia-Pacific (including India)</b></li> </ul>	

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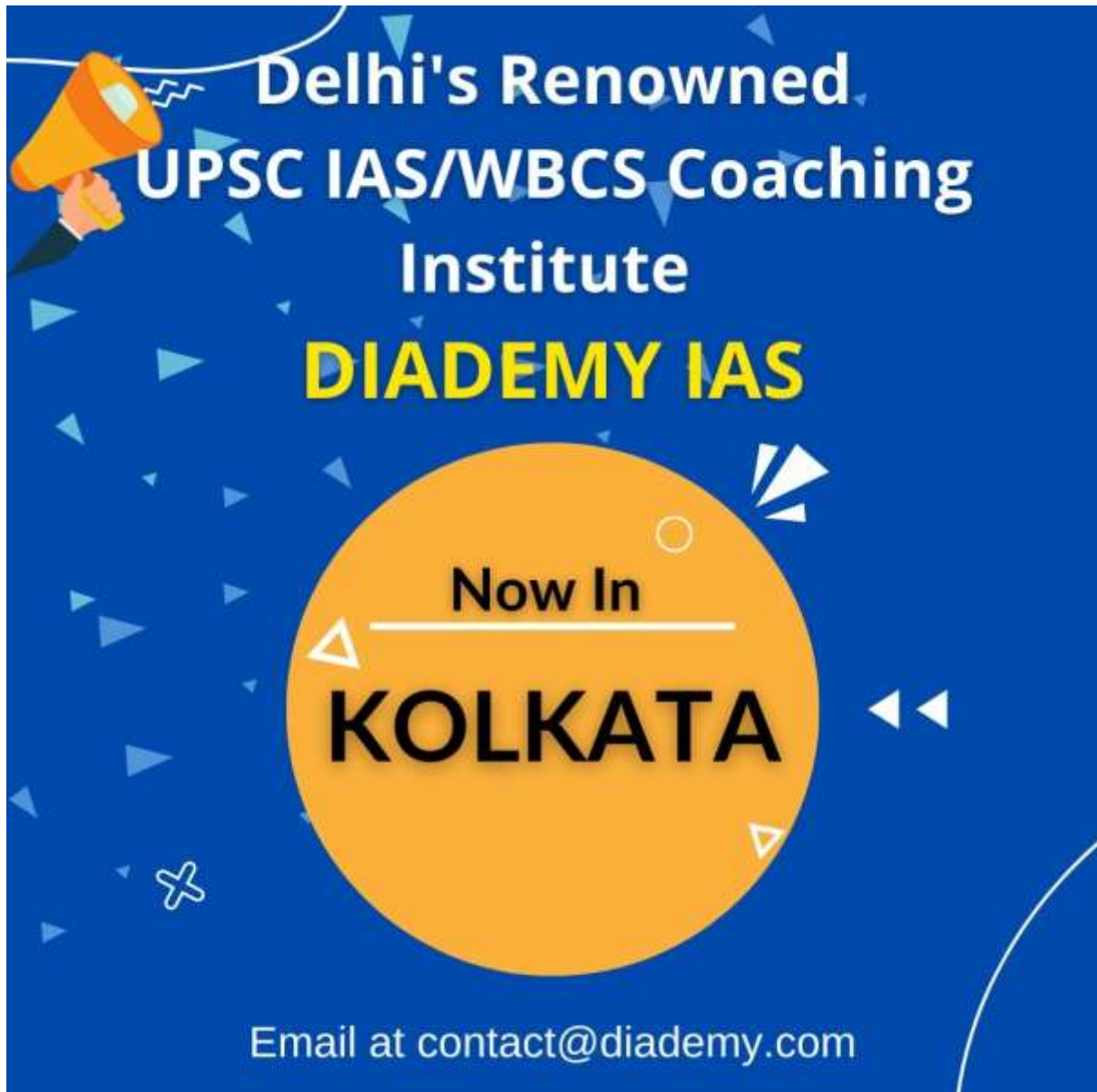
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## 19. Planning

### Various Concepts of Economic Planning-

<b>Imperative Planning-</b>	<b>Authoritative planning</b> ; one central authority for decisions; <b>socialist economies</b> .
<b>Indicative Planning-</b>	also known as inducement planning; government acts <b>as facilitator</b> ; regulates private sector; <b>mixed economies</b>
<b>Perspective Planning-</b>	<ul style="list-style-type: none"> <li>Planned for long period of time; operationalised through 5-year and annual plans</li> <li><b>NITI Aayog has adopted this planning structure</b></li> </ul>
<b>Fixed Plan-</b>	Fixed for <b>certain time period</b>
<b>Decentralised Plan-</b>	<ul style="list-style-type: none"> <li><b>Execution from grass-root</b> level</li> <li>Formulated by Centre in accordance with the State authorities</li> </ul>
<b>Rolling Plan-</b>	<ul style="list-style-type: none"> <li><b>Every year three new plans</b> are prepared</li> <li>No fixation of dates</li> </ul>
<b>Core Plan-</b>	<ul style="list-style-type: none"> <li>As per this, the <b>Planning Commission requests the States</b> to submit their projected revenue estimates.</li> <li>On the basis of such estimates, Planning Commission determines the expenditure for the State annual plans.</li> <li>This helps to <b>prevent diversion of funds</b> from the priority sectors to the non- planned account.</li> </ul>
<b>Rational of Economic Planning in India at the time of Independence-</b>	<ul style="list-style-type: none"> <li><b>Poor economic conditions</b> at independence</li> <li>Effective mobilization of resources</li> <li><b>Lopsided development</b> in industries</li> </ul>

### Evolution of Indian Economic Planning-

<b>M. Visvesvaraya Plan (1934)-</b>	Emphasized on <b>shifting from agriculture to industrialization</b>
<b>FICCI Proposal (1934)-</b>	Advocated for setting up <b>National Planning Commission</b>
<b>Congress Plan (1938)-</b>	<b>National Planning Committee was formed</b> with JL Nehru as its head
<b>Bombay Plan (1944)-</b>	<ul style="list-style-type: none"> <li>By <b>top eight industrialists of Bombay</b></li> <li><b>Aim</b>→ agricultural restructuring through abolition of Zamindari system, rapid industrialisation, development of essential and consumer goods and small, medium and cottage industries.</li> </ul>
<b>Gandhian Plan (1944)-</b>	By <b>Acharya Shriman Narayan Agarwal</b> ; emphasis→ <b>economic decentralisation</b> .
<b>People Plan (1945)-</b>	By <b>M.N. Roy</b> ; <b>aim</b> → agricultural development along with maintaining an equal balance with industrialisation
<b>Planning Advisory Board (1946)-</b>	By <b>the interim government</b> ; to review plans and future projects and to provide recommendations upon them

<b>Economic Programme Committee (1947)-</b>	<ul style="list-style-type: none"> <li>By <b>All India Congress Committee</b> to plan a balance private and public partnership and urban and rural economies</li> <li><b>Recommended</b> for forming the Planning Commission</li> </ul>
<b>Sarvodaya Plan (1950)-</b>	Drafted by <b>Jayaprakash Narayan</b> ; <b>emphasised</b> on agriculture and small and cottage industries
<b>Planning Commission (1950)-</b>	charged with the responsibility of making assessment of all the resources of the country, formulating plans for the most effective and balanced utilization of resources
<b>NITI Aayog (2015)-</b>	<ul style="list-style-type: none"> <li><b>Replaced planning Commission</b></li> <li>Functions as <b>think tank</b></li> </ul>
<b>Strategies of Planning of India-</b>	
<b>Pre 1991 or Pre-reforms Phase-</b>	<p><b>Several basic strategies-</b></p> <ul style="list-style-type: none"> <li>Reliance on public sector; Controlled expansion of private sector; Development and establishment of heavy industries; Promotion of small-scale industries; Inward looking trade strategies; Restrictions on foreign capital</li> </ul> <p><b>Several planning models-</b></p> <ul style="list-style-type: none"> <li><b>Harrod- Domar Model</b> (in 1st FYP)- <ul style="list-style-type: none"> <li>Increase national income and production capacity</li> </ul> </li> <li><b>Nehru- Mahalanobis Model</b> (in 2nd FYP)- <ul style="list-style-type: none"> <li><b>Two-sector model</b>- Consumer Goods sector and Capital Goods sector</li> <li>Investment in heavy industries; based on Russian strategy; self-reliant economy</li> </ul> </li> <li><b>Gandhian Strategy-</b> <ul style="list-style-type: none"> <li>By Acharya Shriman Narayan Agarwal in 1944</li> <li>Two basic objectives- raise material and cultural level of masses and provide basic minimum standard of life</li> <li>Scientific development of agriculture; rapid growth of village and cottage industries; employment oriented planning.</li> </ul> </li> </ul>
<b>Post 1991 or Post-reforms Phase-</b>	<b>Private sector promoted</b> ; free play of market; <b>foreign inflows</b> encouraged; minimization of restriction on import; promotion of <b>PPP model</b> ; policy of <b>LPG</b> in 8 <sup>th</sup> FYP.
<b>LPG Strategy-</b>	<ul style="list-style-type: none"> <li>Coined by <b>Rao- Singh</b>; ended the license-permit Raj; <b>allowed FDI</b>; Export Promotion Policy</li> <li><b>Liberalisation-</b> <ul style="list-style-type: none"> <li>A policy of <b>deregulation</b>; reducing government regulation</li> <li><b>Delicensing</b> most of industries; restrictions largely removed on mergers, takeovers etc.; capital market was liberalised</li> </ul> </li> <li><b>Privatisation-</b> <ul style="list-style-type: none"> <li>Policy of <b>transfer of ownership</b>; policy of <b>deservation</b>; policy of Miniratnas and Navratnas; policy of <b>disinvestment</b></li> </ul> </li> <li><b>Globalisation-</b> <ul style="list-style-type: none"> <li><b>Opening up</b> of Indian economy; import <b>liberalisation programmes</b>; opening up the economy; allowing <b>full-convertibility of rupee on current account</b> of BoP</li> </ul> </li> </ul>
<b>NITI Aayog-</b>	<ul style="list-style-type: none"> <li><b>National Institution for Transforming India (NITI) Aayog-</b> established on <b>1 Jan 2015</b></li> </ul>



	<ul style="list-style-type: none"> <li>Replaced Planning Commission; <b>non-constitutional and non-statutory body</b></li> <li><b>Policy think tank</b>; <b>no financial role</b> and recommendations are <b>not binding</b>.</li> </ul>
<b>Composition of NITI Aayog-</b>	<ul style="list-style-type: none"> <li>NITI Aayog comprises of- <ul style="list-style-type: none"> <li><b>PM as Chairperson</b></li> <li>Vice-Chairperson nominated by PM</li> <li>On full-time <b>Chief Executive Officer (CEO)</b></li> <li>Four full-time members; max two part-time members; max four Council of Ministers; Special Invitees nominated by PM</li> </ul> </li> <li><b>Governing Council</b> of NITI Aayog comprises of the <b>CMs of States and Lt. Governors of UTs as members</b>, headed by PM; replace NDC</li> <li>Provision of <b>Regional Councils</b></li> <li>Staff of NITI Aayog divided into two hubs- <ul style="list-style-type: none"> <li><b>Knowledge and Innovation Hub</b></li> <li><b>Team India Hub</b></li> </ul> </li> <li><b>Offices</b> attached to NITI Aayog- <ul style="list-style-type: none"> <li><b>Development Monitoring and Evaluation Office (DMEO)</b></li> <li><b>National Institute of Labour Economics Research and Development (NILERD)</b></li> </ul> </li> </ul>
<b>Objective of NITI Aayog-</b>	<ul style="list-style-type: none"> <li>Foster <b>co-operative federalism</b></li> <li>Formulation of plans at village level (<b>bottom-up approach</b>)</li> <li>Special attention to <b>sections at risk</b></li> <li><b>National security</b> interests; partnership with national and international <b>think tanks</b>; <b>platform for resolutions</b></li> </ul>
<b>Functions of NITI Aayog-</b>	<ul style="list-style-type: none"> <li>Act as a <b>think tank</b></li> <li><b>Cooperative federalism</b></li> <li>Formulate <b>credible plans and policy framework</b></li> <li>Monitor and evaluate the <b>programme's implementation</b></li> </ul>
<b>National Development Agenda replaced the 5-year plan-</b>	Includes- <ul style="list-style-type: none"> <li><b>Vision Document</b>- covering a duration of 15 years</li> <li><b>Strategy Document</b>- 7-year long plan</li> <li><b>Action Plan Document</b>- 3-year short-term plan</li> </ul>
<b>Major Agendas under 3-year Action Plan Document of NITI Aayog-</b>	<ul style="list-style-type: none"> <li>Reduce <b>fiscal deficit</b>; <b>doubling Farmers' income</b>; job creation; urban and rural development, strengthen <b>transport infrastructure</b></li> <li><b>Electricity, LPG connections</b> for all households</li> <li>Elimination of <b>black carbon</b>; <b>National Science &amp; Technology and Innovation Foundation</b> creation</li> <li>Simplify tax system</li> </ul>
<b>NITI Aayog's Performance evaluation-</b>	<ul style="list-style-type: none"> <li>Contribution <b>in major agricultural sector reforms</b>- <ul style="list-style-type: none"> <li>Implementation of MSP for notified crops- <b>PM-AASHA</b></li> <li>Model Act on <b>Contract Farming</b></li> <li>Business model for <b>Doubling Farmers' income</b></li> <li><b>Agriculture Export Policy</b></li> <li><b>Gramin Agricultural Markets (GrAM)</b></li> </ul> </li> </ul>

- **Model Agricultural Land Leasing Act, 2016**
- **Agriculture Marketing and Farmer Friendly Reforms Index**
- Contribution in **major nutritional sector reforms**
  - **National Nutrition Strategy**
  - **National Council** on India's Nutritional Challenges
  - **National Technical Board of Nutrition (NTBN)**
- Contribution in **major health sector reforms**-
  - **Ayushman Bharat Scheme**
  - **National Medical Commission Bill**
  - National Commission for **Homoeopathy Bill** 2018, National Commission for **Indian System of Medicine Bill** 2018, National Commission for **Yoga and Naturopathy Bill** 2018
- Contribution in **major educational sector reforms**-
  - Performance-based graded autonomy framework
  - Accreditation-framework
- Contribution in **major mineral sector reforms**-
  - National Energy Policy 2018
- Transforming India's Gold market
- **Aspirational District Programme**
- **Atal Innovation Mission**

**Key Performance  
Index by NITI  
Aayog-**

**Composite Water Management Index** (published in June 2018)-

- By NITI Aayog + Ministry of Road Transport and Highways, Shipping and Water Resources
- Comprises **9 themes with 28 key performance indicators**
- Base year- **2015-16**

**School Education Quality Index** (September 2019)-

- By NITI Aayog + MHRD
- Consists of **30 critical indicators** categorized into- Outcomes and Governance processes aiding outcomes
- Base year- **2015-16**

**India Innovation Index** (October 2019)-

- Examine innovation capabilities and performance
- Index is calculated as the average of the scores of its two dimensions-
  - Five Enablers
  - Performance dimension

**Sustainable Development Goals (SDGs) India Index-**

- By NITI Aayog + Ministry of Statistics and Programme Implementation (MoSPI), **UN in India** and **Global Green Growth Institute**.
- Based on **100 indicators**; covers **16 out of 17 global SDGs**
- **Index score**- Aspirant (0-49), Performer (50-64), Front Runner (65-99), Achiever (100)

**Planning Commission vs NITI Aayog**

S. No.	Planning Commission (PC)	NITI Aayog (NA)
1	PC enjoyed <b>the power to allocate funds</b> to ministries and State Governments.	NA has <b>no financial power</b> of fund allocation. It is only a think tank.
2	It issued <b>dictums</b> to State Governments for its implementation.	It issues <b>guidelines</b> in consultation with State Governments
3	Kind of <b>Top-Down approach</b> was followed in formulating plans	<b>Bottom-up approach</b> is followed by NA.
4	Decisions were more <b>centralised</b> under PC.	<b>Decentralisation</b> to ensure cooperative federalism is one of the guiding principles of NA. States now play a more significant role in policymaking.
5	PC had <b>eight full-time members</b> . No provision for part-time members.	<b>Four full-time members</b> and maximum two part-time members.
6	Had Deputy Chairperson and Member Secretary other than full-time members. Did not have the post of Vice-Chairperson and CEO.	Has the post of Vice-Chairperson. Also, one post of CEO (of Secretary rank in GOI) nominated by Prime Minister.
7	PC reported to National Development Council comprising of Chief Ministers and Lt. Governors.	NA has Governing Council with Chief Ministers of States and Lt. Governors of UTs as members.
8	PC used to <b>impose policy of States</b>	NA has <b>no power to impose policy</b> . It is essentially an advisory body.

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