

4-08-2020

# INDIAN ECONOMY

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## Syllabus - Prelims

- Current Events
- Economic and Social Development.
- Sustainable development, Poverty reduction

\* Questions related to theory are less common.

→ Syllabus - UPSC + Past Papers + Current Affairs

→ Strategy → KSG material & strategy, Newspapers

→ Source → KSG material

→ Depth → GS v/s Expert (Optional) — What  
— Neutral — Why.  
— In between — rationalized approach.

→ Dynamic part — Economic Survey + Budget 2020-21 (2020-21)  
+ updates  
+ Government reports  
+ Int. organizations.



For Terminology; - make Notepad

Data → not daily. - MOSI & RBI notification

Concepts;

- Basic Concepts

- Economic Growth and Development

- Financial Sector - Inflation, ML, Taxation.

- Domestic Sector - Agriculture etc.

- Social Sector.

- Foreign Sector.

- Public Finances

- Miscellaneous

- Recent National & International happenings.

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# Chapter 1: Basics of Economics

• Economics is a subject & Economy is a system

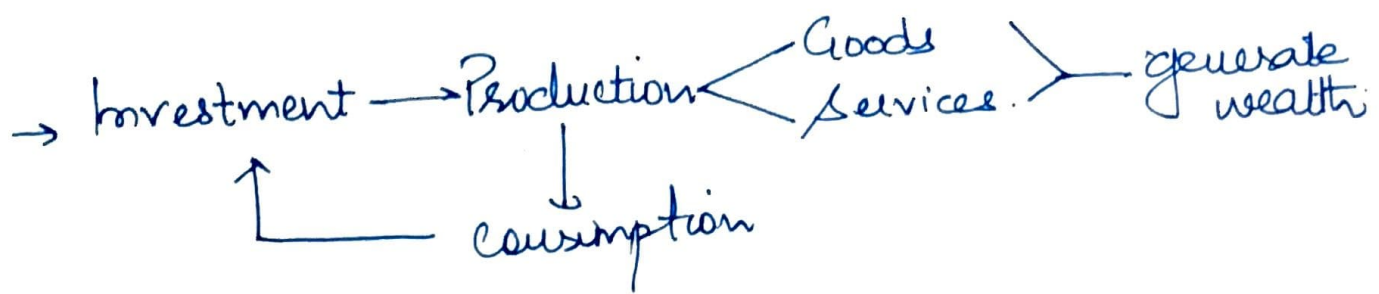
{ Science  
discipline }

Schools.

→ wealth welfare scarcity growth  
definitions

→ 1776, Adam Smith (Father of Economics)

According to him, it is the science of wealth which studies the process of production, consumption and accumulation of wealth. Concept of Economic Man. wealth maximization.

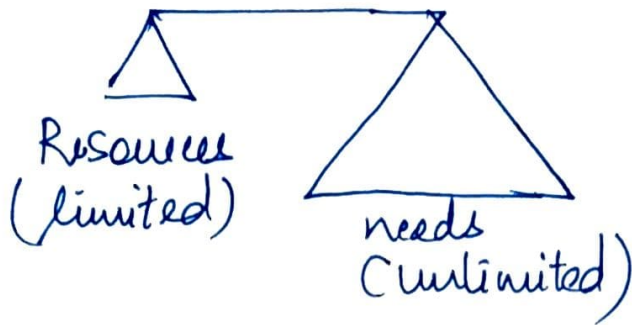


\* Welfare : human welfare centric  
Alfred Marshall → it is the study of men as they live and move and think in the ordinary business of life



Living  $\left\{ \begin{array}{l} \text{food} \\ \text{clothing} \\ \text{shelter} \\ \text{other} \end{array} \right.$

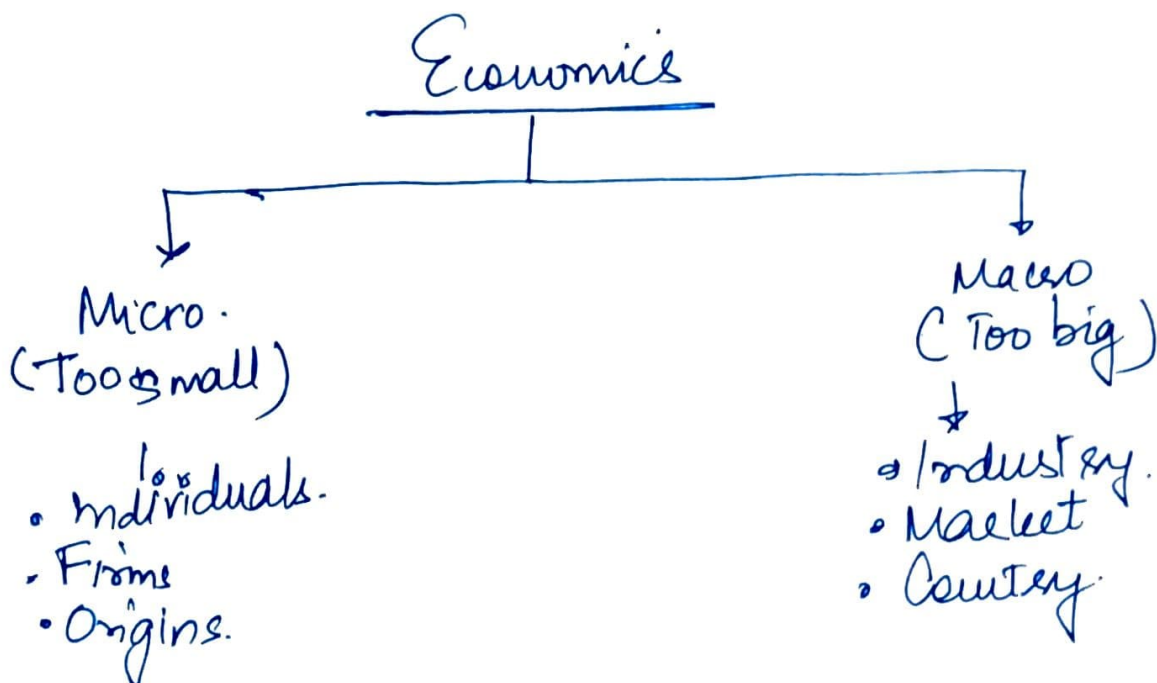
\* Scarcity: Ltd. supply of Resources (Economic).



Paul Samuelson.

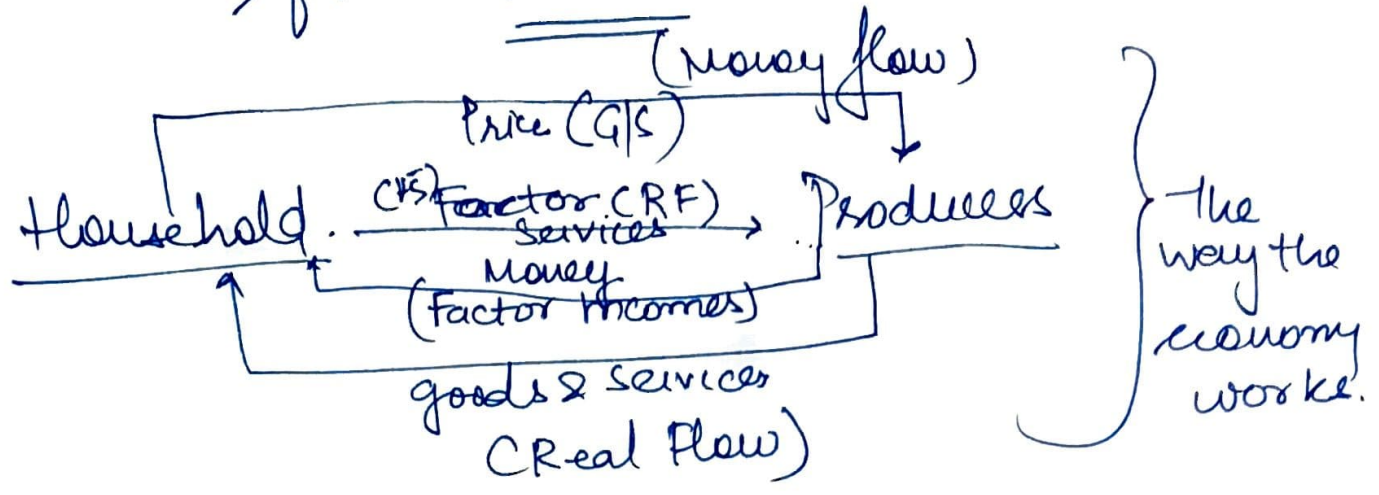
\* Choice scarcity - human wants  
(Optimize)

\* Growth  $\rightarrow$  study of economic based on production consumption, investment growth.

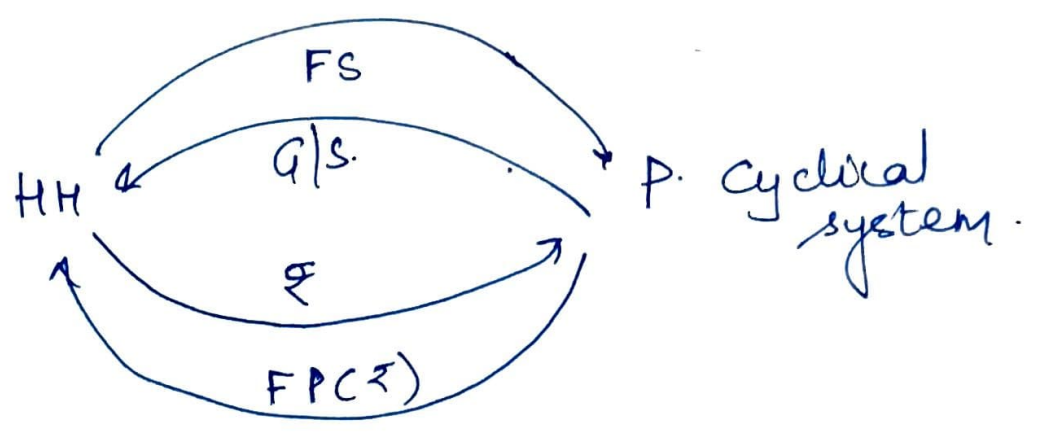


Economy  $\rightarrow$  is a system  
of a region (Country)

Activities — Investment  
production  
Consumption  
on  
based of human wants



OR



So, Economics v/s. Economy.

Subject	System.
Knowledge	Region
Choices ( $R < W$ )?	Activities.

XI - IED ✓ - Indian Economic Development  
 XII - Micro . only terms  
 Macro

## \* Parallel Economy

there are two economy

Main

- Regular
- Recorded
- Visible
- Taxable
- Registered
- in GDP.

v/s

Parallel.

Illegal (Drugs/ weapons etc)  
 Non registered commercial  
 entities  
 Unrecorded  
 Unreported.  
 non-taxed.

Underworld &  
 Black Economy

↓  
 they form a equally  
 big part of economy.



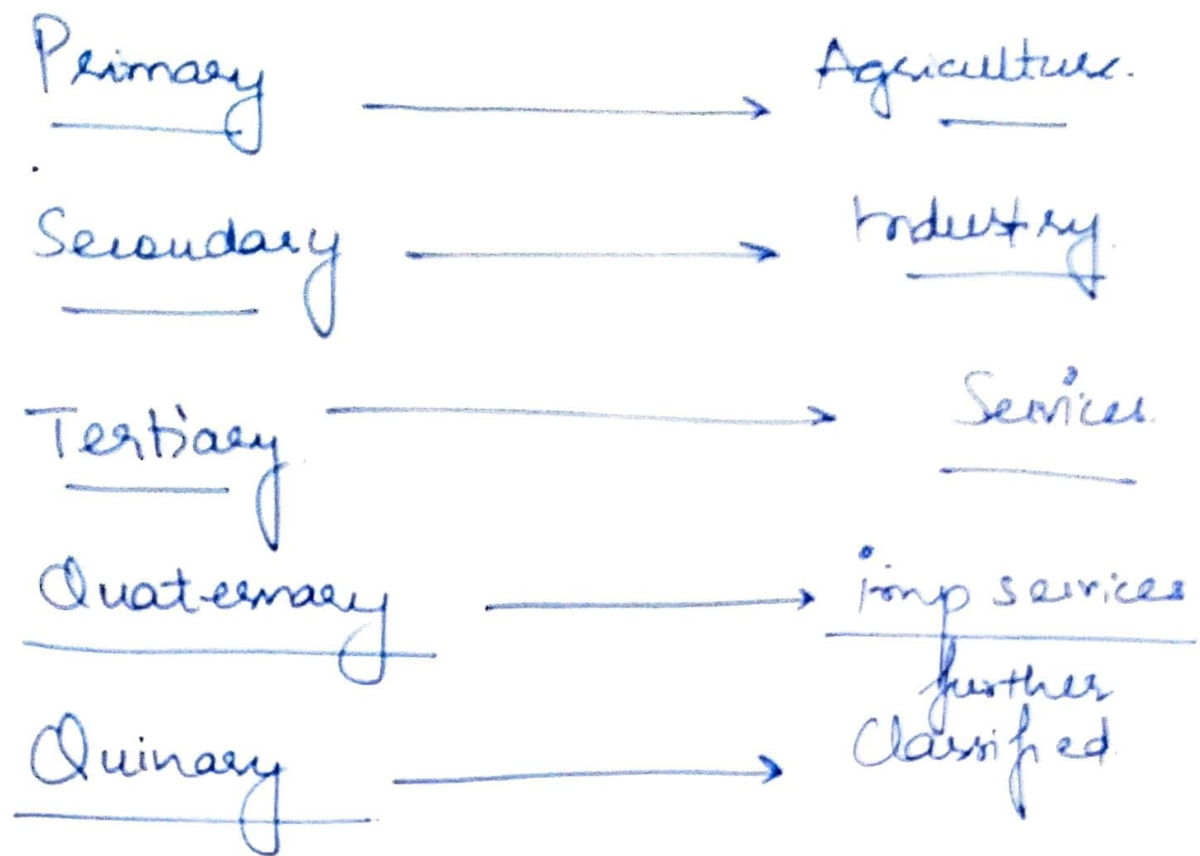
∴ Parallel Economy: all illegal activities and the unreported or unregistered legal activities form the parallel economy. There are several dimensions of parallel economy such as.

- (a) Illegal economy or activities including drug trafficking, arms trafficking, human trafficking, human organ trafficking, smuggling activities which are not registered with any department or institutions.
- (b) Informal sector or unorganized sector.
- (c) Unrecorded economic activities.
- (d) Activities not reported to taxation and non-taxation authorities also called unreported economic activities.

\* Open v/s Closed Economy

Any economy which has economic relations with Rest of the World including imports, exports, Technology transfer, foreign investments, labour exchange, management exchange is an open economy.

# Sectoral Classification of Economy.



1) Primary - the activities based on products of the nature including agriculture, animal keeping, forestry, fishing, mining, quarrying.

2) Secondary sector: based on processing of natural and other products and adding value by manufacturing, assembling, construction etc.

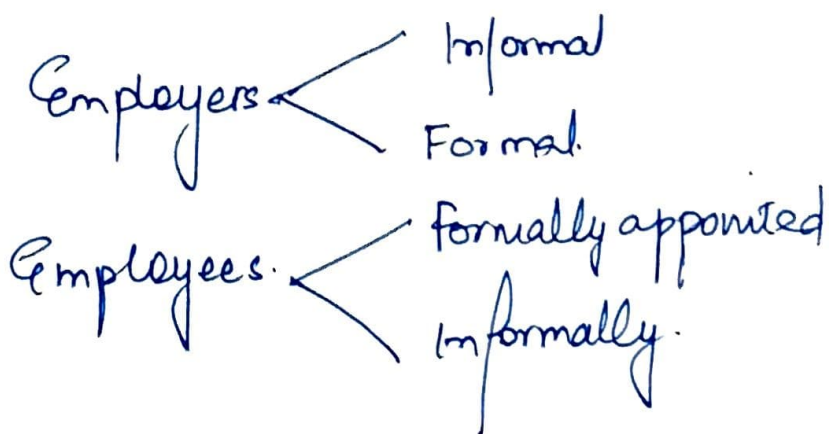
3) Tertiary; based on providing services. Such as trade, transport, broadcasting, communication, banking, insurance, professional services.



4) Quaternary sector ; services based on intellect and specialised knowledge such as consulting, planning, software development. Education.  
 Recently become important.

5) Quinary sector - gold collar jobs  
 - Top level management highly paid work.  
 - Services involving creation and interpretation of existing and new ideas of decision making and strategising  
 - eg CEOs etc.

\* Formal v/s Informal Sector.



	(Employ)	
	Organized	Unorganized (Firms)
Formally		
Informally (Employee)		

W.A. Lewis  
 used the term informal for the  
 first time to define those  
 who do not have formal terms of  
 service, job security and  
 social security.

International Labour Organization (ILO) has  
 defined informality as a way of doing business.  
 Characterized by ease of entry, family  
ownership, small scale, labour intensive,  
reliance on indigenous resources & unregulated  
and competitive markets

NSSO report on the informal sector and conditions of  
 employment in India (2004-2005) showed  
 that out of total workers nearly 82%  
 in rural areas and 72% in urban areas  
 were engaged in the informal sector.

The government realizing the criticality of the issue established National Commission for the enterprises in the unorganized sector in 2004.

The NSSO data for the year 2012 is given below;

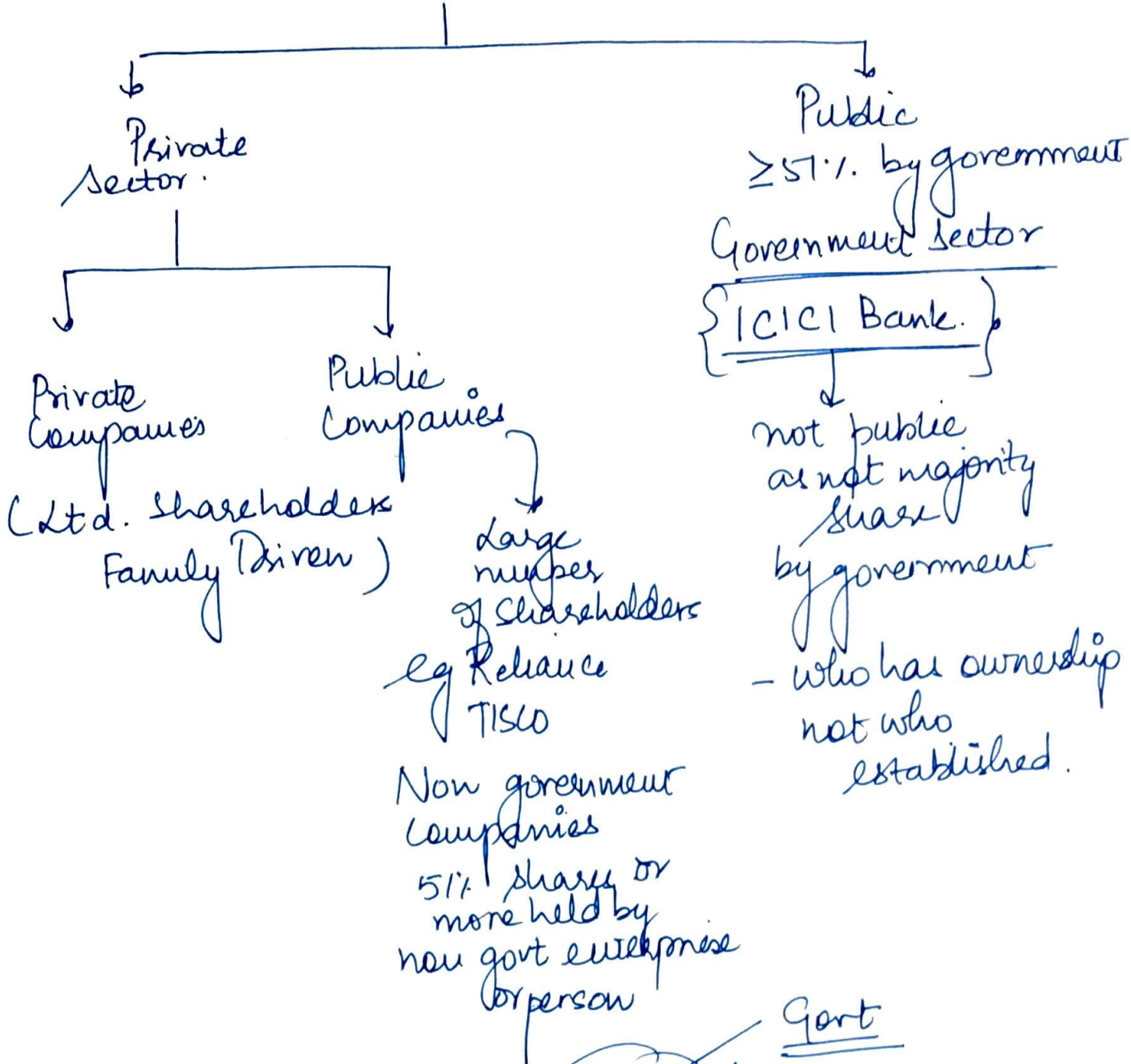
	Organized	Unorganized.	(sector)
<u>Formally</u>	37m	1.4m	- 8%
<u>Informally</u> (employed)	45m	391 m	- 92%

## \* Classification

- I. Primary, Secondary, Tertiary, Quaternary, Quinary.
- II. Formal, Informal.
- III. Private v/s Public Sector.
  - (CPSU, PSB)
  - Public limited companies
  - Reliance → public sector company but private



# Sector



Different concepts

- Private v/s Public sector Bank
  - Private v/s Public companies
  - Private v/s Public sector (Economy).
- Large number of people as shareholders.
- Govt

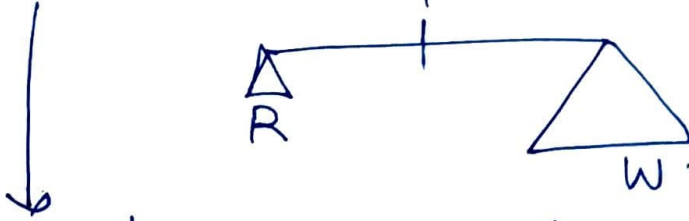
PSB - PNB, SBI

PLC - owned by Public not Govt.

# \* Problem of Scarcity

means limited availability of resources

Ltd. Resources v/s Unlimited want



- Natural Resources (Land)
- Human Resources (etc. Labour)
- Man-made Resources (Capital)
- Enterprise (Entrepreneur)