

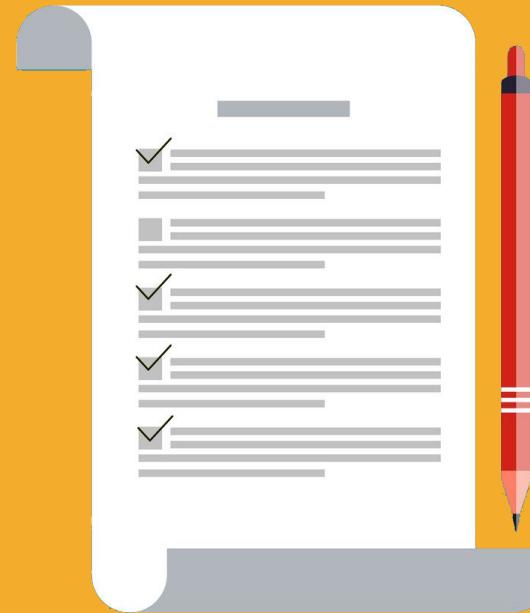
Class - X

Hello

Complete Economics

Crafted with love ❤️

By Digraj Singh Rajput

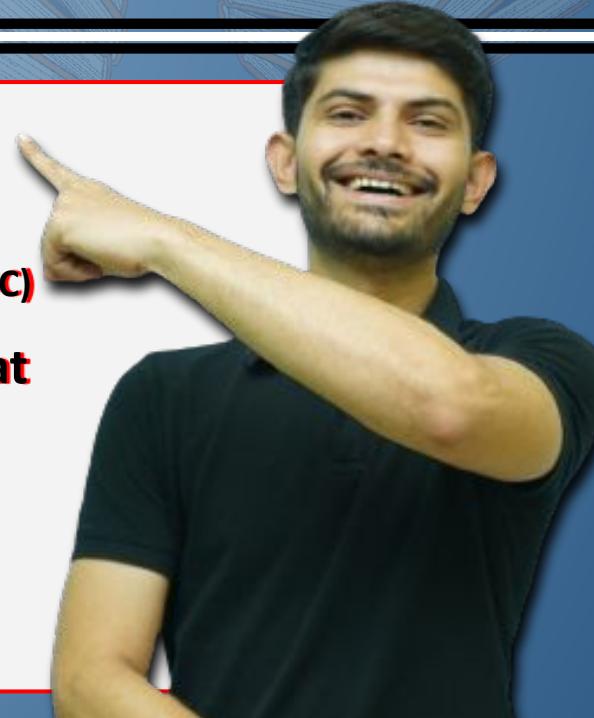


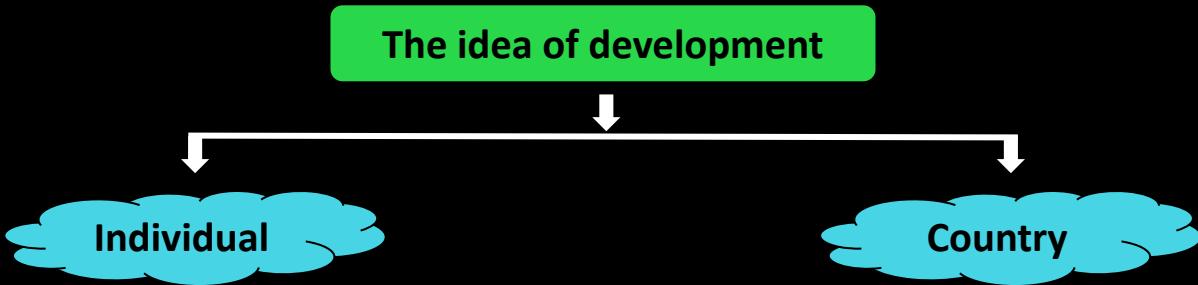
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The questions associated with it. 🤔

Development



- As an idea is complex, inter-disciplinary and related to the democratic political process.

Class 10th - Economics - Development - Full Chapter Explanation



What Development Promises - Different People, Different Goals

Different People



Different Goals



Farmer

Boys

Girls

Tribals

Businessman





Notion for development is different for different people.



In fact, at times two person or groups may seek things which are conflicting.

Explain



A demonstration meeting against raising the height of Sardar Sarovar Dam on Narmada River



Conclusion



So, two things are quite clear:



1. Different persons can have different developmental goals.
2. What may be development for one may not be development for the other. It may even be destructive for the other.



Income and other Goals

Try to understand the heading 😕

Goals

≠ High Income only

There are goals other than income.



Explain

- Besides seeking more income, one-way or the other, people also seek things like equal treatment, freedom, security, and respect of others.
- Quality of our life depends on: **Material + Non-material things.**
- It will be wrong to conclude that what cannot be measured is not important. 😕
- E.g. What factors would you see before accepting a job.

Similarly, for development people at a mix of goals.



National Development

What is national development? 🤔

- Individuals seek different goals, then their notion of national development is also likely to be different.



Similar to developmental goals



It is very important to keep in mind that different persons could have different as well as conflicting notions of a country's development.

- How to decide what is best? +

Associated questions 🤔



How to Compare different Countries or State? 🤔

Development



Different notions for different people.



How come some countries are generally called developed and others under developed?



Understand with the example of comparing students in your class.



Usually we take one or more important characteristics of persons
and compare them based on these characteristics.

Class 10th - Economics - Development - Full Chapter Explanation



Development



Income is considered to be one of the most important attributes of comparing countries.



Rich Nations



Poor Nations



What is the income of the country?



Income of all the resident of the country = **Total income**



Not such a useful measure.

Why? 😠

∴ Comparison should be based on the **average income**.

Average Income =

$$\frac{\text{Total Income}}{\text{Total Population}}$$

- It is also known as **per capita income**. 😠



World Development Report



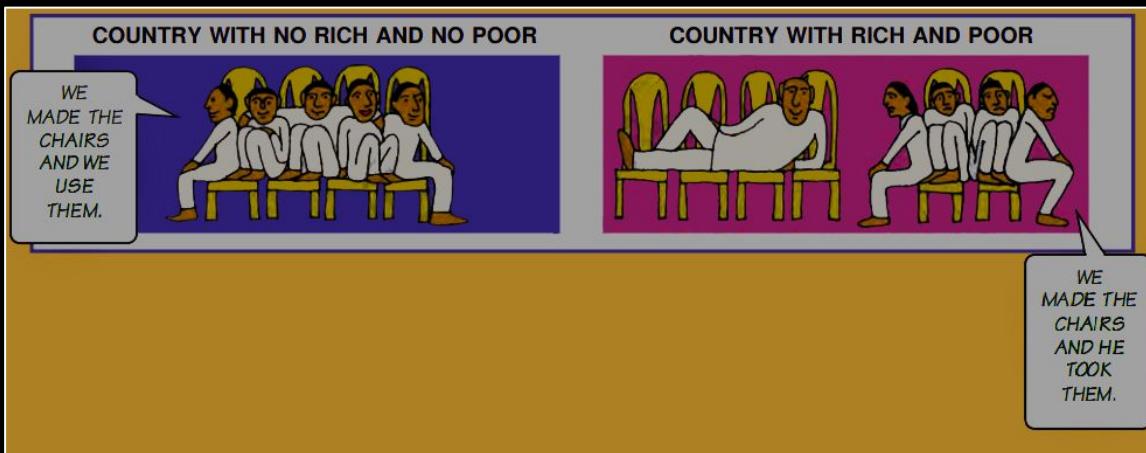
- Brought out by the **World bank**.
- Used to compare countries on the basic of income.
- Countries with per capita income of US **\$49,300 per annum and above in 2019, are called rich countries** and those with per capita income of **US \$2500 or less are called low-income countries**.
- India comes in the category of **low middle income countries** because its per capita income in **2017 was just US \$6700** per annum.
- The rich countries, excluding countries of Middle East and certain other small countries, are generally called developed countries. 😊



Limitation of average income



- Averages are useful for comparison, but they hide disparities.
- It does not tell how the income is distributed among the people.





Income and other Criteria 😠



We found that people not only think of better income but also have goals such as security, respect for others, equal treatment, freedom, etc. in mind.



The same applies for the nation. 😠

TABLE 1.3 PER CAPITA INCOME OF SELECT STATES

State	Per Capita Income for 2017-18 (in Rs)
Haryana	2,03,340
Kerala	1,84,000
Bihar	38,631

Source : Economic Survey 2019–20. A29.



Analyse





Public Facilities

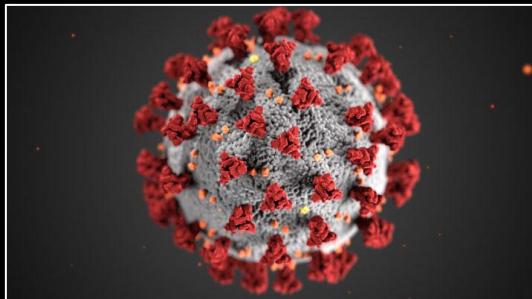
“Money in your pocket cannot buy all the goods and services that you may need to live well.”



Example 😬



- Pollution free environment.
- Protection from infectious disease.



Significance of Public facilities



- I. For many of the important things in life the best way, also the cheapest way, is to provide these goods and services collectively.



Example: Security, transportation.



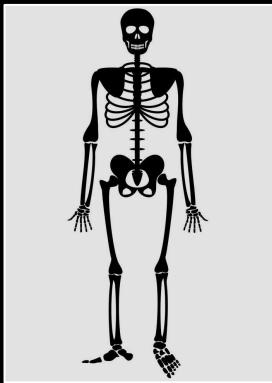
Class 10th - Economics - Development - Full Chapter Explanation



- Kerala has a low infant mortality rate because it has adequate provision of basic health and educational facilities.
- Similarly, in some states, the Public Distribution System (PDS) functions well.
- Health and nutritional status of people of such states is certainly likely to be better.



BMI (Body Mass Index)



+



+



Conclusion



Criteria used to find out whether a person is nourished, undernourished or overweight.



How to find out BMI (Body Mass Index)?



Weight of the person in Kg, Height in meter square.

Example:

$$\frac{\text{Weight (Kg)}}{\text{Height (m)}^2} = \frac{25}{(1)^2} = 25$$

In this case:

- Less than 18 = Undernourished
- More than 25 = Overweight
- Between 18-25 = Nourished

Exception -

Growing childrens are not evaluated on body mass index.



Income



An inadequate measure of the level of development.



Then what is the other criterion? 🤔



Health, education and standard of living are also some important factors.



Human Development Report

Class 10th - Economics - Development - Full Chapter Explanation



UNDP (United Nation Development Programmes)



Human Development Report



Compares countries based on the educational levels of the people, their health status and per capita income.



HDI (Human Development Index)

Class 10th - Economics - Development - Full Chapter Explanation



TABLE 1.6 SOME DATA REGARDING INDIA AND ITS NEIGHBOURS FOR 2019

Country	Gross National Income (GNI) per capita (2011 PPP \$)	Life Expectancy at birth	Mean Years of Schooling of People aged 25 and above	HDI Rank in the world (2018)
Sri Lanka	12,707	77	10.6	73
India	6,681	69.7	6.5	130
Myanmar	4,961	67.1	5.0	148
Pakistan	5,005	67.3	5.2	154
Nepal	3,457	70.8	5.0	143
Bangladesh	4,976	72.6	6.2	134

Source : Human Development Report, 2020, United Nations Development Programme, New York.

NOTES

1. HDI stands for Human Development Index. HDI ranks in above table are out of 189 countries in all.
2. Life Expectancy at birth denotes, as the name suggests, average expected length of life of a person at the time of birth.
3. Per Capita Income is calculated in dollars for all countries so that it can be compared. It is also done in a way so that every dollar would buy the same amount of goods and services in any country.



Analyse



- Do you think there are certain other aspects that should be considered in measuring human development? 😠



Sustainability of Development

- What is sustainable development?



Challenges 😠

Is development sustainable? 😠



Development

→ Requires consumption of resources. →

Depletion □

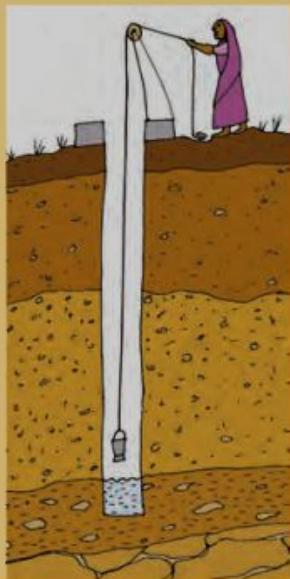
∴ Sustainable use of resources is required and development should be sustainable.

LET'S UNDERSTAND WHY
THIS IS SO THROUGH THE
FOLLOWING EXAMPLE:

Example 1: Groundwater in India

"Recent evidence suggests that the groundwater is under serious threat of overuse in many parts of the country. About 300 districts have reported a water level decline of over 4 metres during the past 20 years. Nearly one-third of the country is overusing their groundwater reserves. In another 25 years, 60 per cent of the country would be doing the same if the present way of using this resource continues. Groundwater overuse is particularly found in the agriculturally prosperous regions of Punjab and Western U.P., hard rock plateau areas of central and south India, some coastal areas and the rapidly growing urban settlements."

- (a) Why groundwater is overused?
- (b) Can there be development without overuse?



Class 10th - Economics - Development - Full Chapter Explanation



FOR EXAMPLE, CRUDE OIL THAT WE EXTRACT FROM THE EARTH IS A NON-RENEWABLE RESOURCE. HOWEVER WE MAY FIND A SOURCE OF OIL THAT WE DID NOT KNOW OF EARLIER. EXPLORATIONS ARE BEING UNDERTAKEN ALL THE TIME.

Example 2: Exhaustion of Natural Resources

Look at the following data for crude oil.

TABLE 1.7 CRUDE OIL RESERVES

Region/Country	Reserves (2017) (Thousand Million Barrels)	Number of Years Reserves will last
Middle East	808	70
United States of America	50	10.5
World	1697	50.2

Source : BP Statistical Review of World Energy, June 2018, P.12.

The table gives an estimate of reserves of crude oil (column 1). More important, it also tells us for how many years the stock of crude oil will last if people continue to extract it at the present rate. The reserves would last only 50 years more. This is for the world as a whole. However, different countries face different situations. Countries like India depend on importing oil from abroad because they do not have enough stocks of their own. If prices of oil increase this becomes a burden for everyone. There are countries like USA which have low reserves and hence want to secure oil through military or economic power.

The question of sustainability of development raises many fundamentally new issues about the nature and process of development.

- Is crude oil essential for the development process in a country? Discuss.
- India has to import crude oil. What problems do you anticipate for the country looking at the above situation?

Conclusion





Chapter Completed





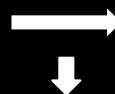
Class 10th - Economics

Sectors of Indian Economy

Full Chapter Explanation

Class 10th - Economics - Sectors of Indian Economy - Full Chapter Explanation

Economy



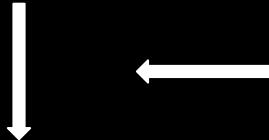
People are engaged in various activities.

This makes up the different sectors of economy.



Class 10th - Economics - Sectors of Indian Economy - Full Chapter Explanation

Primary Sector



Tertiary Sector

Secondary Sector

Interdependence



Primary
(Agriculture)
Sector



produces
natural
goods



Secondary
(Industrial)
Sector



produces
manufactured
goods

Tertiary
(Service)
Sector



helps to develop
other sectors

Class 10th - Economics - Sectors of Indian Economy - Full Chapter Explanation

Primary Sector



- Activities that are undertaken by directly using **natural resources**.
- When we produce a good by exploiting natural resources, it is an activity of the primary sector.

Why Primary?



- Primary sector, it forms the base for all other products that we subsequently make.
- Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called **agriculture and related sector**.



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Secondary Sector



- The secondary sector covers activities in which *natural products are changed into other forms through ways of manufacturing* that we associate with industrial activity.
- This sector gradually became associated with the different kinds of industries that came up, it is also called as industrial sector.
- Example? 😠

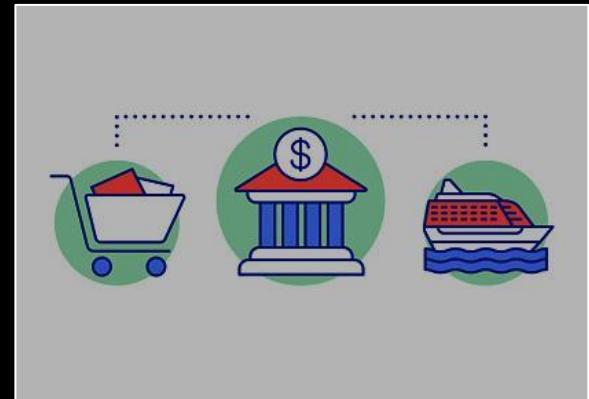


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Tertiary Sector



- These are activities that help in the development of the primary and secondary sectors.
- These activities, by themselves, do not produce a good but they are an aid or a support for the production process.
- Since these activities generate services rather than goods, the tertiary sector is also called the service sector.
- *Example?* 😐
- Expanding nature of tertiary sector.



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Comparing the Three Sectors

Sectors of economy



- Large number of goods and services are produced.
- Huge employment is generated.
- Which sector contributes what in economy?



How do we calculate all this? 🤔



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- Practical problem in counting and comparing different sectors of economy.



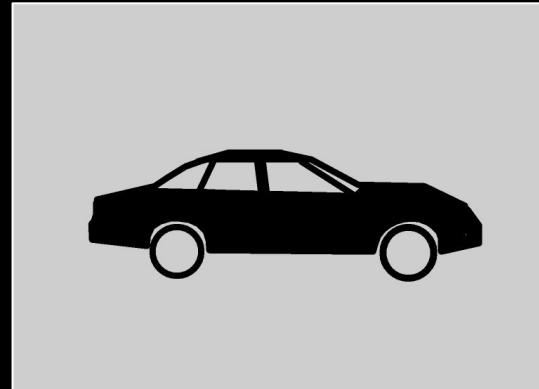
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∴ To get around this problem, economists suggest that ***the values of goods and services should be used rather than adding up the actual numbers.***



Explain 😊



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Comparing and calculating various sectors of economy



Value is used, not the quantity.



!! Precaution !!



- Not every good (or service) that is produced and sold needs to be counted.
- The value of only “***final goods and services***” are to be included/calculated.
- Value of ***intermediate goods*** and services are not, to include/calculated.



How?



Because the value of intermediate goods and services are already in final goods and services.

Explain



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GDP (Gross Domestic Product)



The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year.



The sum of production in the three sectors gives what is called the **Gross Domestic Product (GDP)** of a country.



GDP is the value of all final goods and services produced within a country during a particular year.

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→ Mammoth task of measuring GDP.



Undertaken by a central government ministry.



This Ministry, with the help of various government departments of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.



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Historical Change in Sectors

Primary Sector

- Initial stage
- Technological improvement and increase in production.
↓
- Many people could now take up other activities.

Secondary Sector

- New methods of manufacturing.
↓
- Coming up and expanding of factories.
- Dominance of secondary sector.

Tertiary Sector

- In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries.
- The service sector has become the most important in terms of total production.
- This is the general pattern observed in developed countries.



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Historical Change in Sectors

Primary Sector



Secondary Sector



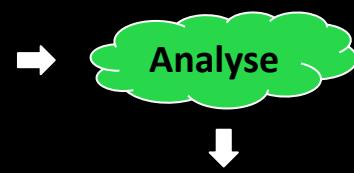
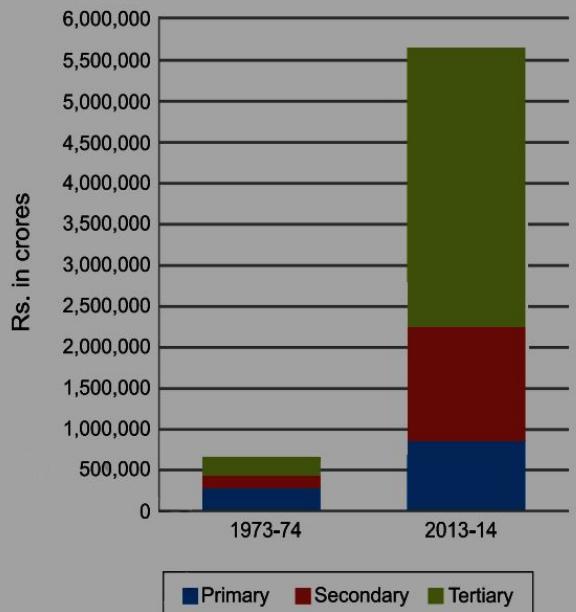
Tertiary Sector





Primary, Secondary and Tertiary Sector in India

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



Reasons behind the rising importance of
the tertiary sector in production?



→ Reasons behind the rising importance of the tertiary sector in production? 😠

- I. Some services are **basic services** (hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc). In a developing country, the government has to take responsibility for the provision of these services.
- II. The **development of agriculture and industry leads to the development of services** such as transport, trade, storage.
- III. As **income levels rise, certain sections of people start demanding many more services** like eating out, tourism, shopping, private hospitals, private schools, professional training etc.
- IV. Over the past decade or so, **certain new services** such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.



Disparities in the growth of the service sector. 😠

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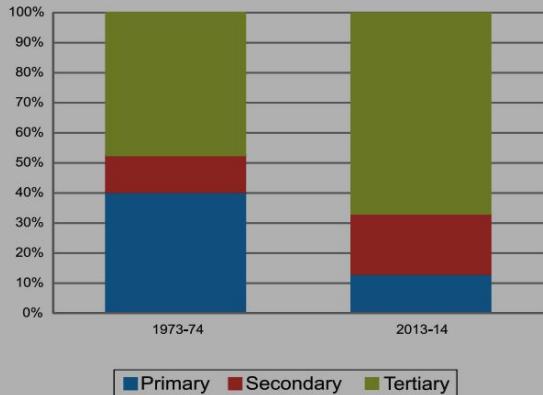


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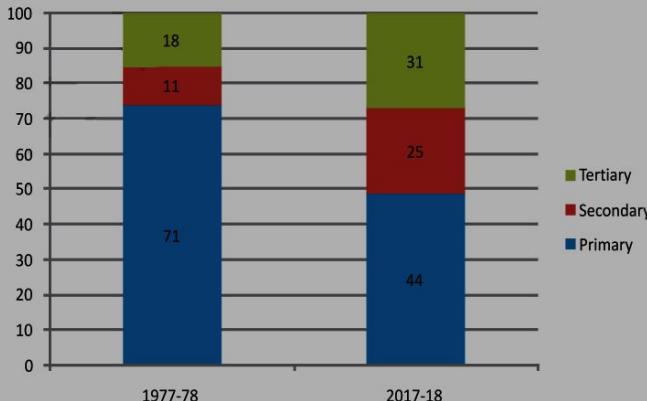


Where are most of the People Employed?

Graph 2 : Share of Sectors in GDP (%)



Graph 3 : Share of Sectors in Employment (%)



Analyse



The shift in the GDP is not same to the share in the employment.

Why?





→ ***Why there has been no shift in the share of sectors in employment as it has been share of sectors in GDP?***



- It is because not enough jobs were created in the secondary and tertiary sectors.
 - Even though industrial output or the production of goods went up by more than nine times during the period, employment in the industry went up by around three times.
 - While production in the service sector rose by 14 times, employment in the service sector rose around five times.
-
- People in the primary sector are ***underemployment/distinguished unemployment***.
 - ***Example:*** Story of Laxmi.



This kind of underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed. Hence, it is also called disguised unemployment.



Underemployment/distinguished unemployment



- **Found mainly in agriculture sector.** 
- This underemployment can also happen in other sectors.

Example: Casual workers (Painters, plumbers, repair persons and others doing odd jobs)

- They may spend the whole day but earn very little.





How to Create More Employment?

- Connect with the story of Laxmi 😠 + Role of government



- Providing irrigation facilities



Reduction in disguised unemployment, employment in construction work.



- Investment in transportation and storage facilities



Employment to farmers and others involved in transport or trade.

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- *Availability of cheap/credit loan*



Useful in buying equipments and starting new work.



- *Identify, promote and locate industries (small scale industries)*



- Food processing
- Cold chain storage





→ Exploring new sectors for employment



- Planning Commission (now known as NITI Aayog) estimates that nearly 20 lakh jobs can be created in the education sector alone.
- Similarly, if we are to improve the health situation, we need many more doctors, nurses, health workers etc. to work in rural areas.
- If tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.



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→ The suggestion discussed till now would take a long time to implement.



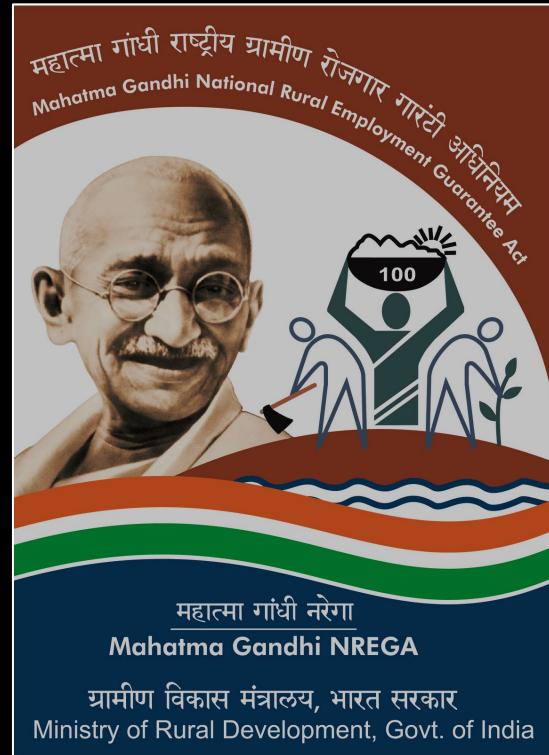
For short term, we need some quick measures to solve the problem of unemployment.



∴ Recognising this, the central government in India made a law implementing the Right to Work in about 625 districts of India.



MGNREGA (Mahatma Gandhi National Rural Employment Guarantee Act, 2005)





MGNREGA, 2005



- **Mahatma Gandhi National Rural Employment Guarantee Act 2005.**
- State funded work creation programme. 😠
- Under MGNREGA 2005, all those who are able to, and are in need of, work in rural areas are guaranteed 100 days of employment in a year by the government.
- If the government fails in its duty to provide employment, it will give ***unemployment allowances*** to the people.
- The types of work that would in future help to increase the production from land will be given preference under the Act.



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Division of Sectors as Organised and Unorganised

Kanta

Kanta works in an office. She attends her office from 9.30 a.m. to 5.30 p.m. She gets her salary regularly at the end of every month. In addition to the salary, she also gets provident fund as per the rules laid down by the government. She also gets medical and other allowances. Kanta does not go to office on Sundays. This is a paid holiday. When she joined work, she was given an appointment letter stating all the terms and conditions of work.



Kamal

Kamal is Kanta's neighbour. He is a daily wage labourer in a nearby grocery shop. He goes to the shop at 7:30 in the morning and works till 8:00 p.m. in the evening. He gets no other allowances apart from his wages. He is not paid for the days he does not work. He has therefore no leave or paid holidays. Nor was he given any formal letter saying that he has been employed in the shop. He can be asked to leave anytime by his employer.

Do you see the differences in the conditions of work between Kanta and Kamal?



**Division of sectors of economy
of the basis of work conditions.**

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Organised Sector

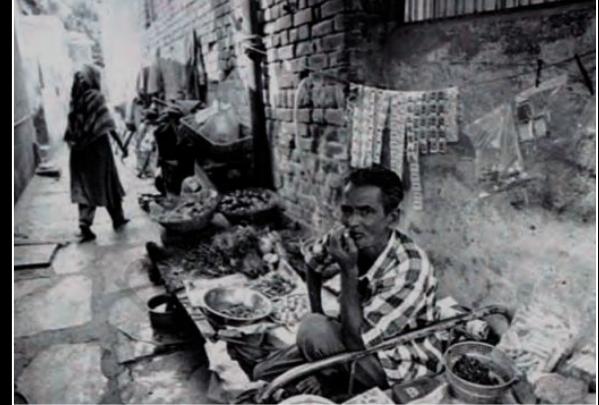
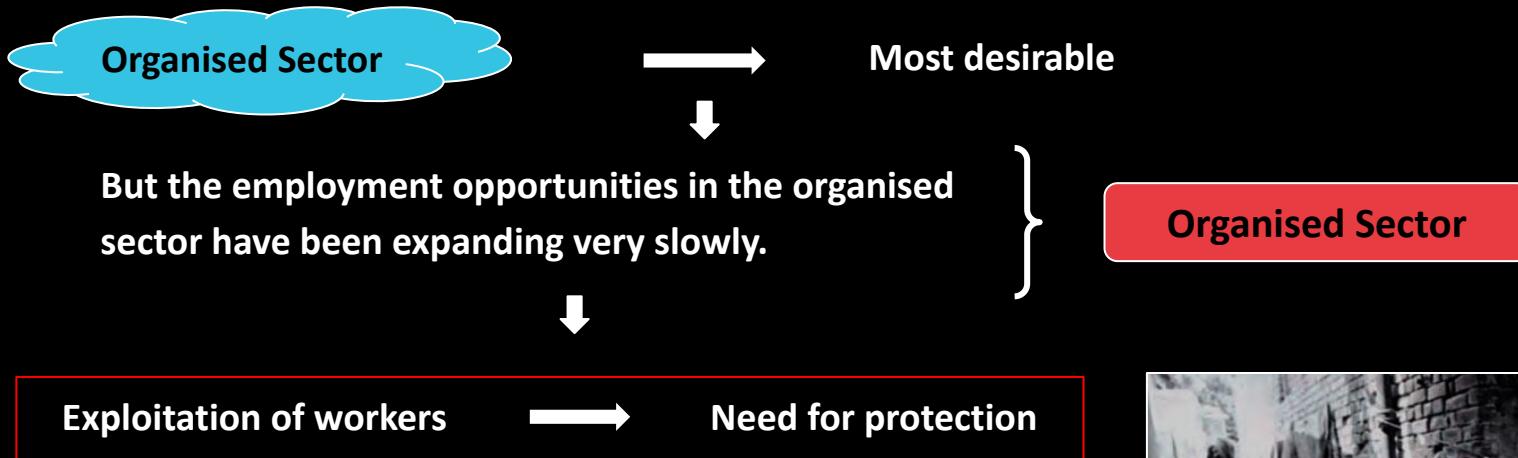
- Terms of employment are regular and people have assured work.
- They are registered by the government and have to follow its rules and regulations such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act etc.
- Workers in the organised sector enjoy security of employment.
- They are expected to work only a fixed number of hours.
- If they work more, they have to be paid overtime by the employer.
- They get paid leave, payment during holidays, provident fund, gratuity etc., medical benefits.
- When they retire, these workers get pensions as well.

Unorganised Sector

- The unorganised sector is characterised by small and scattered units which are largely outside the control of the government.
- There are rules and regulations but these are not followed.
- No job security.
- Jobs here are low-paid and often not regular.
- There is no provision for overtime, paid leave, holidays, leave due to sickness etc.
- Employment is not secure.



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Rural Area

Urban Area



Landless agricultural labourers, small and marginal farmers, share croppers and artisans

Workers in small-scale industry, casual workers in construction, street vendors, head load workers, garment makers, rag pickers etc.



How to protect them?



- Timely delivery of seeds.
- Providing agricultural inputs.
- Cheap credits, storage facilities and marketing outlets.

- Government should support in the procurement of raw material.
- Special government programme.

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Workers from scheduled castes,
tribes and backward communities.



Unorganised sector



Problems

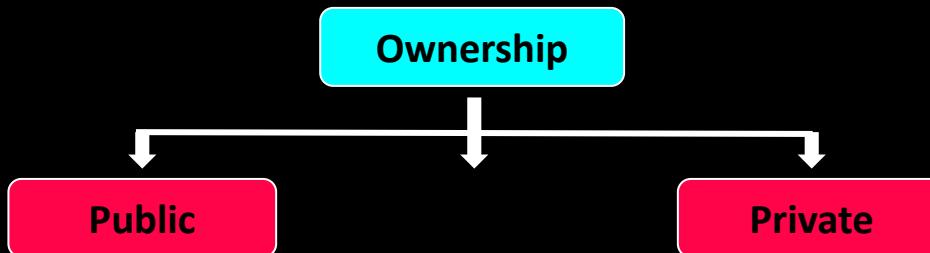


Besides getting the irregular and low paid work,
these workers also face social discrimination. 😢

Protection and support to the unorganised sector workers is thus necessary
for both economic and social development.



Sectors in terms of Ownership: Public and Private Sector



- Owned by government.
- Owned by private individuals or group.

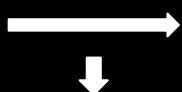
Example - Railways



Service motive v/s Profit motive



Public sector



Service motive

- Modern day governments spend on a whole range of activities. What are these activities?
- Why do governments spend on such activities?





Why government is needed to spend?

- I. There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost.

Explain



∴ Governments have to undertake heavy spending and ensure that these facilities are available for everyone.

- II. There are some activities, which the government has to support, activities like selling electricity at the cost of generation, PDS system, etc.



Why?



Class 10th - Economics - Sectors of Indian Economy - Full Chapter Explanation



- The private sector may not continue their production or business unless government encourages it.
- Many units, especially small-scale units, might have to shut down.

∴ Government has to bear part of the cost.



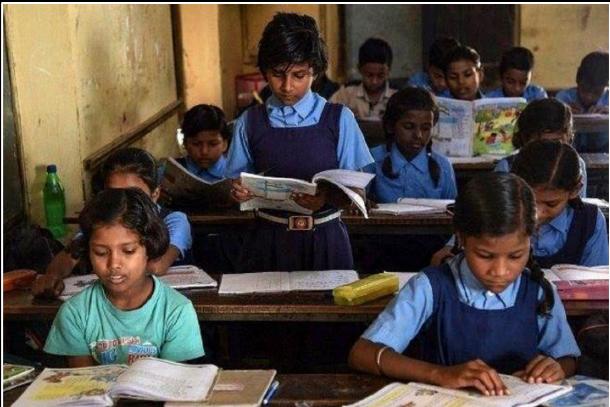
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III. There are a large number of activities which are the primary responsibility of the government.



- The government must spend on these.
- *Example:* Health and education





Chapter Completed





Introduction -

Money and Credit



Importance of money in everyday life. 



Goods are being bought and sold with the use of money. In some of these transactions, services are being exchanged with money.



Money

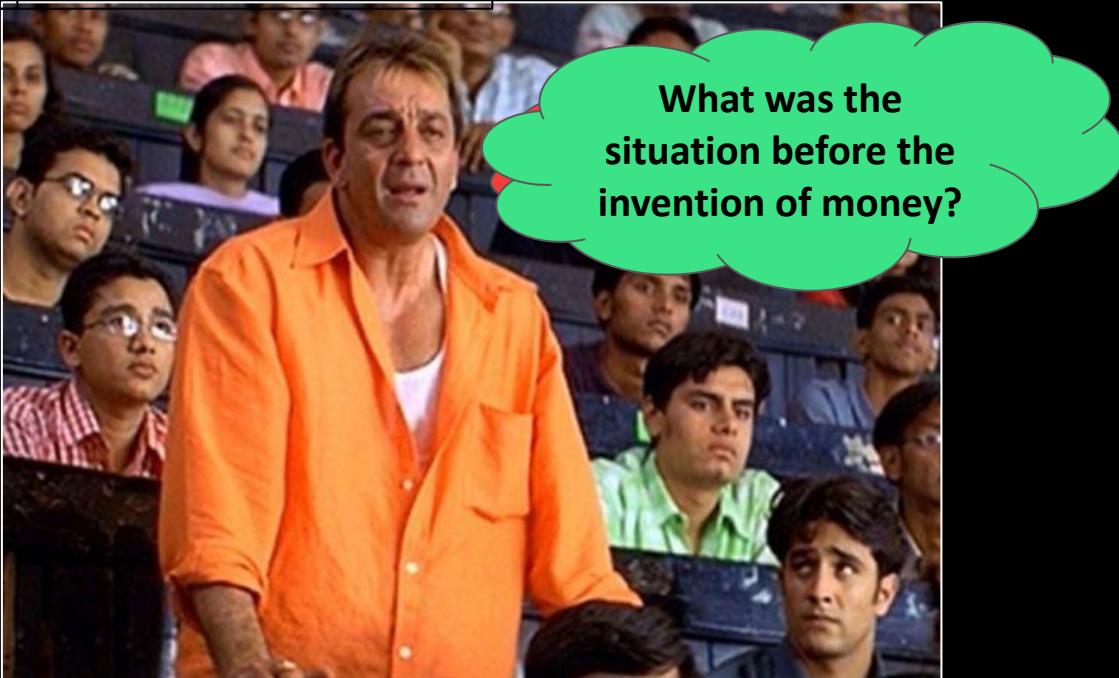
For some, there might not be any actual transfer of money taking place now but a promise to pay money later.



Credit



Introduction -





Introduction -

Money



In the absence of money we would have to rely on the ***double coincidence of wants.***



What a person desires to sell is exactly what the other wishes to buy.

The transaction in absence of money is known as ***Barter system.***



A system where goods are directly exchanged without the exchange of money.



Introduction -

Money as a medium of exchange

Economy with money → Eliminate the need for double coincidence of wants.

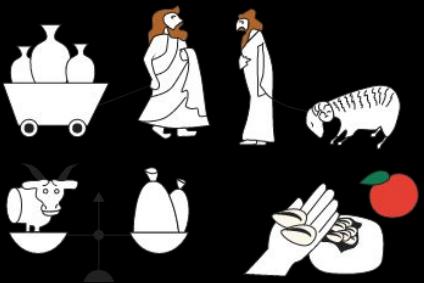
Explain

Money → Acts as an intermediate in the exchange process.

∴ Money as a medium of exchange.



Modern Forms of Money -



Money as a medium of exchange for transaction.





Modern Forms of Money -

Currency



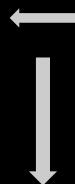
- Modern form of money (paper notes and currency)



Issue



Fiat value, No intrinsic value



- Modern currency is not made of precious metal such as gold, silver and copper.
- Unlike grain and cattle, they are neither of everyday use.
- The modern currency is without any use of its own.

Then why it is accepted as medium of exchange?

- Because it is authorised by the government of the country.



Modern Forms of Money -

Authorised by the government of the country



- The Reserve Bank of India issues currency notes on behalf of the central government.
- No other individual or organisation is allowed to issue currency.
- No individual in India can legally refuse a payment made in rupees.





Modern Forms of Money -

Deposits with Banks

- Deposits with banks people have
- Also a type of money.

Questions

Extra cash

→ People deposit it with bank (Bank account). →

क्यों?



- Banks pay an amount as interest on the deposits.
- People's money is safe.
- People also have the provision to withdraw the money as and when they require.

→ Can be withdrawn on demand

→ Demand deposits



Modern Forms of Money -

→ Demand deposits offer another interesting facility. →

Cheque



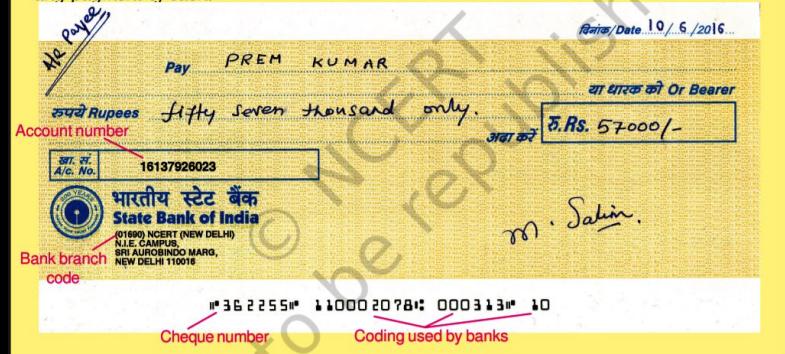
A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been issued.



Advantages

Cheque Payments

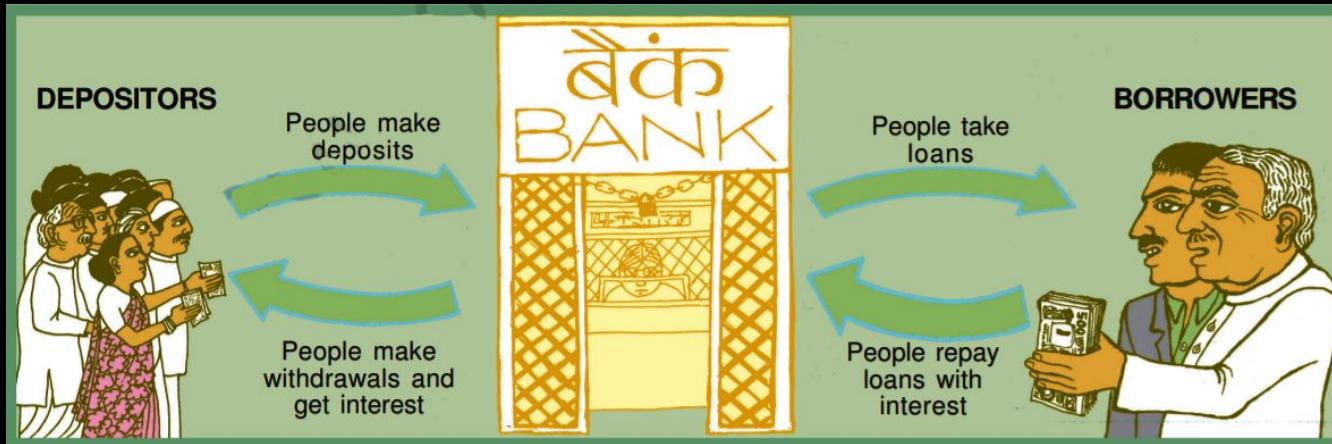
A shoe manufacturer, M. Salim has to make a payment to the leather supplier and writes a cheque for a specific amount. This means that the shoe manufacturer instructs his bank to pay this amount to the leather supplier. The leather supplier takes this cheque, and deposits it in his own account in the bank. The money is transferred from one bank account to another bank account in a couple of days. The transaction is complete without any payment of cash.





Loan Activities of Banks -

→ What do the banks do with the deposits which they accept from the public?





Loan Activities of Banks -

Loan activities of Banks - On ground



- Banks keep a small proportion of their deposits as cash with themselves.
- पैसों का करता क्या है बैंक? A yellow and black striped icon of a bank vault or safe.



- Banks make use of the deposits to meet the loan requirements of the people.
- Banks mediate between those who have surplus funds (the depositors) and those who are in need of these funds (the borrowers).
- Banks charge a higher interest rate on loans than what they offer on deposits.
- The difference between what is charged from borrowers and what is paid to depositors is their main ***source of income***.



Two Different Credit Situations -

Credit

→ Loan



The lender supplies the borrower with money, goods or services in return for the promise of future payment.

Story of Salim



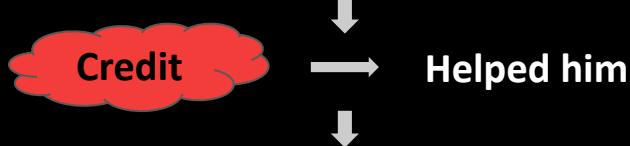
Story of Swapna





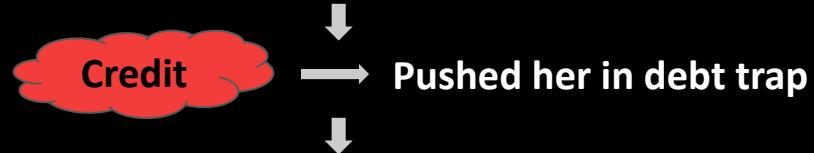
Two different Credit Situations -

Story of Salim



- Helps him to meet the ongoing expenses of production, complete production on time, and thereby increase his earnings.
- Credit therefore plays a vital and positive role in this situation.

Story of Swapna



- The failure of the crop made loan repayment impossible.
- She had to sell part of the land to repay the loan.

Analyse



Whether credit would be useful or not, therefore, depends on the risks in the situation and whether there is some support, in case of loss.



Terms of Credit -

What is terms of credit?



- Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit.



DO CO MO Internet A green rounded rectangle containing the text "DO CO MO Internet" followed by the Unacademy logo icon.



Terms of Credit -

Interest Rate



Borrower must pay to the lender along with the repayment of the principal.

Collateral



Collateral is an asset that the borrower owns (such as land, building, vehicle, livestocks, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.

Documentation requirement



Paperwork

Mode of Payment



Installment/
Lump Sum Cash/
Gold/ Property

- Terms of credit may vary depending on the nature of the lender and the borrower. 



Formal Sector Credit in India -

Formal sector loans



Loans from banks and cooperatives.



The Reserve Bank of India supervises the functioning of formal sources of loans.



How?



Informal sector loans



Moneylenders, traders, employers, relatives and friends, etc.



There is no organisation which supervises the credit activities of lenders in the informal sector.



Why?





Formal Sector Credit in India -

How reserve bank in India supervises the functioning of formal sources of loans?



- The RBI monitors the banks in actually maintaining cash balance.
- The RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, etc.
- Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.





Formal Sector Credit in India -

Credit activities in Informal sector

No organisation which supervise it



- Interest rate is high.
- Lender use unfair means to get their money back.

Interest rate ↑



Cost of borrowing ↑



Large part of the earnings of the borrowers is used to repay the loan.



Debt trap

- People who might wish to start an enterprise by borrowing may not do so because of the high cost of borrowing.





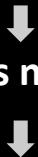
Formal Sector Credit in India -

What can be done to improve the situation in informal sector?



- Banks and cooperative societies need to lend more.

Why?



Cheap and affordable credit is crucial for the country's development.





Formal Sector Credit in India -

Formal and Informal credit : Who gets what? 



- Majority of poor household gets loans from informal sector.
- Majority of rich household gets loan from formal sector.



What's the problem? 



- The formal sector still meets only about half of the total credit needs of the rural people.
- The remaining credit needs are met from informal sources. Most loans from informal lenders carry a very high interest rate and do little to increase the income of the borrowers.

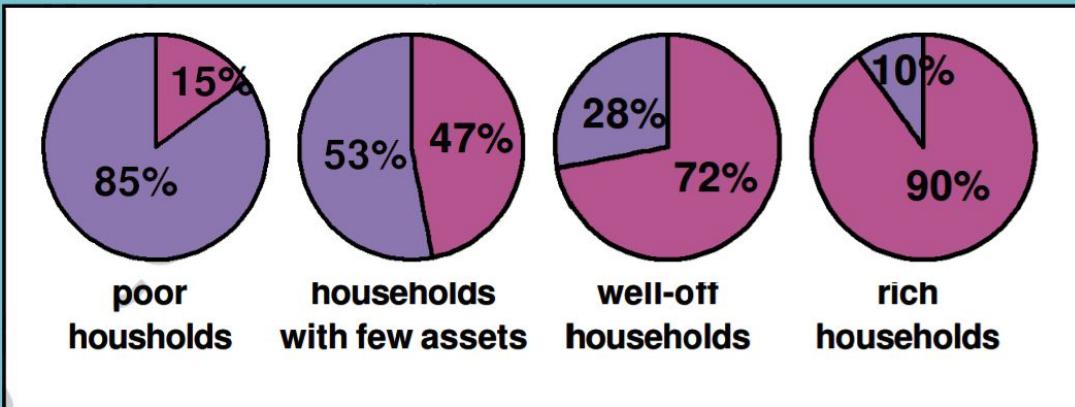


Solution 



Formal Sector Credit in India -

Graph 2 : Of all the loans taken by urban households, what percentage was formal and what percentage was informal?



BLUE : Per cent of loans from the INFORMAL sector

PURPLE : Per cent of loans from the FORMAL sector



Formal Sector Credit in India -

Solution



- Thus, it is necessary that banks and cooperatives increase their lending particularly in the rural areas, so that the dependence on informal sources of credit reduces.
- Secondly, while formal sector loans need to expand, it is also necessary that everyone receives these loans.



Self-Help Groups for the Poor -

- Poor households → Depends on informal sector → 
- ↓
- Banks are not present everywhere in rural India. → Absence of collateral 
 - Getting a loan from a bank is much more difficult than taking a loan from informal sources.
 - Absence of collateral is one of the major reasons which prevents, informal lenders know the borrowers personally and hence are often willing to give a loan without collateral.

Problems

→ ∴ Organising people into SHG (self help group) is necessary.



Self-Help Groups for the Poor -

What is self help group? 



- **Self Help Groups (SHGs) are small groups of poor people. The members of an SHG face similar problems. They help each other, to solve their problems. SHGs promote small savings among their members**



Pool fund to help their members.



- **Members can take small loans from the group itself to meet their needs.**
- **The group charges interest on these loans but this is still less than what the moneylender charges.**
- **After a year or two, if the group is regular in savings, it becomes eligible for availing loan from the bank.**
- **Empowerment of members (decision taking power, accountability).**
- **Provide a platform to discuss and act on a variety of social issues such as health, nutrition, domestic violence, etc.**

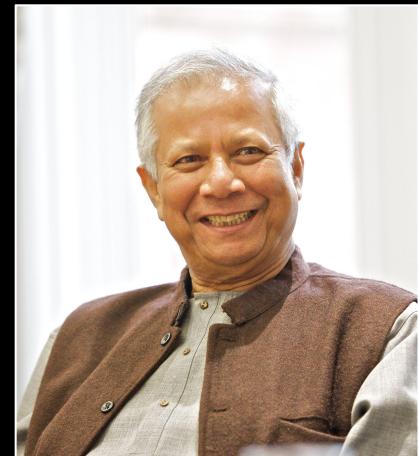


Self-Help Groups for the Poor -

Grameen bank of Bangladesh



- It was started by Professor Muhammad Yunus, the founder of Grameen Bank, and recipient of 2006 Nobel Prize for Peace.
- Started in the 1970s as a small project, Grameen Bank in 2018 had over 9 million members in about 81,600 villages spread across Bangladesh.
- Almost all of the borrowers are women and belong to poorest sections of the society.



Professor Muhammad Yunus



Chapter Completed





Introduction -

Globalisation



The Indian Economy

In a matter of years, our markets have been transformed!



Production Across Countries -

Before

- Production was largely organised within countries.
- Raw material, food stuff and finished products.
- Trade was the main channel connecting distant countries.

After

- Coming up of companies called multinational corporation (MNCs).
- Owns or controls production in more than one nation.

What are MNCs?



Multinational corporation are the large companies which owns or controls production in more than one nation. They set up offices and factories for production in regions where they can get cheap labour and other resources, so that they can earn greater profits.



Production Across Countries -

Spreading of Production by an MNC

A large MNC, producing industrial equipment, designs its products in research centres in the United States, and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the company's customer care is carried out through call centres located in India.

This is a call centre in Bengaluru, equipped with telecom facilities and access to the Internet to provide information and support to customers abroad.





Production Across Countries -

Production is organised in increasingly complex ways.



The goods and services are produced globally 

China

Mexico and Eastern Europe

India

- Advantage of being a cheap manufacturing location.
- Closeness to the markets in the US and Europe.
- Skilled engineers
• English speaking youth

!!*This process reduces the cost.!!*



Interlinking Production Across Countries -

Who is Interlinking Production Across Countries?



MNCs

How?



Factors' MNCs consider before setting up any production units.



- Is it close to the markets .
- Is there skilled and unskilled labour available at low costs.
- Whether the availability of other factors of production is assured.
- MNCs might look for government policies that look after their interests.

→ Having assured of these conditions MNCs invest in countries.



Foreign Investment



Interlinking Production Across Countries -

Ways through which MNCs set up their production are

- I. *MNCs set up production jointly with some of the local companies of these countries.*



Benefits to Local Company

- Get money for additional investments.
- MNCs might bring with them the latest technology for production.

Benefits to MNCs





Interlinking Production Across Countries -

II. *MNC buy up local companies and then expand production.*



MNCs with huge wealth normally do this. →

Example



Parakh foods was bought up by the Cargill foods.



Why did MNCs do so? A thinking emoji with a striped headband and a hand on its chin.



Interlinking Production Across Countries -

- III. Large MNCs in developed countries place orders for production with small producers.
↓
 - Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers around the world.
 - These products are then sold under the brand name of MNCs.
- These large MNCs have tremendous power to determine price, quality, delivery, and labour conditions for these distant producers.



Women at home in Ludhiana
making footballs for large MNCs



Foreign Trade and Integration of Markets -

Foreign Trade

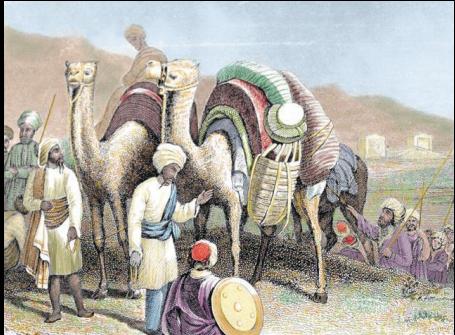


Integration of market



Historical perspective.

E.g. East India Company coming to India.





Foreign Trade and Integration of Markets -

What are the Advantages of Foreign Trade?



Producers

- Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
- Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world.
- Cost of production is reduced.

Buyers

- Import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.
- Competition among the producers reduces the price and the quality improves.

Foreign trade thus results in connecting the markets or integration of markets in different countries.



Foreign Trade and Integration of Markets -

Foreign trade - Chinese toys in India

Toys were sold by domestic manufacturer.

Chinese manufacturer started exporting toys in India.



High price

v/S



Low price

Buyers in India now have the option of choosing between Indian and the Chinese toys.



- Cheaper prices and new designs.
- Chinese toys become more popular in the Indian markets.



What is Globalisation?

→ MNCs investing in various parts of the world.

+

→ Foreign trade between countries has been rising rapidly.



Agent of Globalisation



Foreign Investment +

Foreign Trade

= Integration of production and market across countries.

∴ Globalisation is this process of rapid integration or interconnection between countries.



What is Globalisation?

Globalisation : A broad concept



- World coming closer.
 - Movement, of goods, services, investments and technology.
- +
- Movement of people between countries.



- People usually move from one country to another in search of better income, better jobs or better education.
- However, there has not been much increase in the movement of people between countries due to various restrictions.



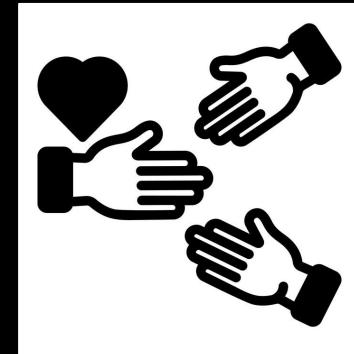


Factors that have Enabled Globalisation -

Factors that have Enabled Globalisation



- Technology
- Liberalisation of foreign trade and foreign investment policy.





Factors that have Enabled Globalisation -

Improvement in technology



Stimulate the globalisation process.

Explain



Improvement in transportation
technology



- This has made much faster delivery of goods across long distances possible at lower costs.

Development in information and communication technology



- Telecommunication, computers and internet are some of the developments which are connecting world to remote areas with satellite communication devices.



Factors that have Enabled Globalisation -



Containers for transport of goods

Goods are placed in containers that can be loaded intact onto ships, railways, planes and trucks. Containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Similarly, the cost of air transport has fallen. This has enabled much greater volumes of goods being transported by airlines.



Factors that have Enabled Globalisation -

Information and communication technology (or IT in short) has played a major role in spreading out **production of services** across countries. Let us see how.



Using IT in Globalisation

A news magazine published for London readers is to be designed and printed in Delhi. The text of the magazine is sent through Internet to the Delhi office. The designers in the Delhi office get orders on how to design the magazine from the office in London using telecommunication facilities. The designing is done on a computer. After printing, the magazines are sent by air to London. Even the payment of money for designing and printing from a bank in London to a bank in Delhi is done instantly through the Internet (e-banking)!

LET'S WORK THESE OUT

1. In the above example, underline the words describing the use of technology in production.
2. How is information technology connected with globalisation? Would globalisation have been possible without expansion of IT?



Factors that have Enabled Globalisation -

Liberalisation of foreign trade and foreign investment policy



Connect with the imports of Chinese toys. 🎁



- Role of liberalisation
- Role of trade barrier





Factors that have Enabled Globalisation -

Trade barrier



Tax on import is an example of trade barrier, governments can use trade barriers to increase or decrease (regulate) foreign trade.



- This was considered necessary to protect the producers within the country from foreign competition.
- Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up.

No Imports



→ Only essential items were allowed.



Factors that have Enabled Globalisation -

Liberalisation



Removing barriers or restrictions set by the government is what is known as **liberalisation**.



→ *Around 1991, some far-reaching changes in policy were made in India.* 



- The government decided that the time had come for Indian producers to compete with producers around the globe.
- It felt that competition would improve the performance of producers within the country since they would have to improve their quality.
- This decision was supported by powerful international organisations.



Factors that have Enabled Globalisation -

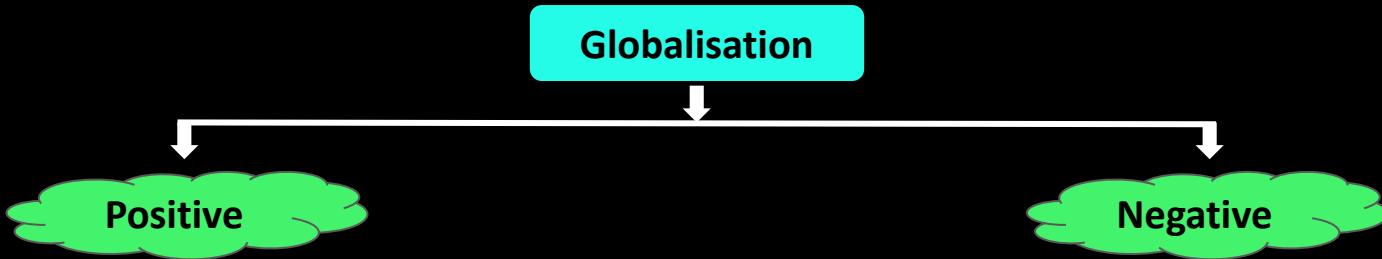
Impact of liberalisation: Foreign trade, Foreign investment



- Goods could be imported and exported easily and also foreign companies could set up factories and offices here.
- Businesses are allowed to make decisions freely about what they wish to import or export.
- The government imposes much less restrictions than before and is therefore said to be more liberal.



Impact of Globalisation in India -



Advantages to consumers (particularly the well off section in urban areas).

Among producers and workers, the impact of globalisation has not been uniform.

- Greater choice.
- Improved quality of product at lower price.
- Enjoy much higher standards of living than was possible earlier.

↓
Explain



Impact of Globalisation in India -

Positive impact of globalisation on producers

1. ***MNCs have increased their investments in India.***



- MNCs have been interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas.



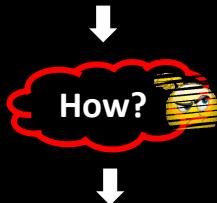
- In these industries and services, new jobs have been created.
- Local companies supplying raw materials, etc. to these industries have prospered.



Impact of Globalisation in India -

Positive impact of globalisation on producers

2. *Several of the top Indian companies have been able to benefit from the increased competition.*



- They have invested in newer technology and production methods and raised their production standards.
- Some have gained from successful collaborations with foreign companies. 



Impact of Globalisation in India -

Positive impact of globalisation on producers

3. *Globalisation has enabled some large Indian companies to emerge as multinationals themselves.*



- Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts)



Class 10th - Economics - Globalisation and the Indian Economy



Impact of Globalisation in India -



Tata Motors (automobiles)



Infosys (IT)



Ranbaxy (medicines)



Asian Paints (paints)



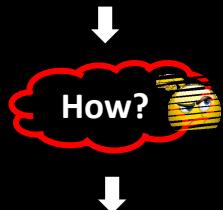
Sundaram Fasteners (nuts and bolts)



Impact of Globalisation in India -

Positive impact of globalisation on producers

4. *Globalisation has also created new opportunities for companies providing services.*



- Example of IT services.
- A host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in countries such as India and are exported to the developed countries.



Impact of Globalisation in India -

Negative impact of globalisation

Small producers: Compete or perish

Competition and uncertain

Story of Ravi



Rising Competition

Ravi did not expect that he would have to face a crisis in such a short period of his life as industrialist. Ravi took a loan from the bank to start his own company producing capacitors in 1992 in Hosur, an industrial town in Tamil Nadu. Capacitors are used in many electronic home appliances including tube lights, television etc. Within three years, he was able to expand production and had 20 workers working under him.

His struggle to run his company started when the government removed restrictions on imports of capacitors as per its agreement at WTO in 2001. His main clients, the television companies,

used to buy different components including capacitors in bulk for the manufacture of television sets. However, competition from the MNC brands forced the Indian television companies to move into assembling activities for MNCs. Even when some of them bought capacitors, they would prefer to import as the price of the imported item was half the price charged by people like Ravi.

Ravi now produces less than half the capacitors that he produced in the year 2000 and has only seven workers working for him. Many of Ravi's friends in the same business in Hyderabad and Chennai have closed their units.

Story of Sushila

A Garment Worker

35 year old Sushila has spent many years as a worker in garment export industry of Delhi. She was employed as a 'permanent worker' entitled to health insurance, provident fund, overtime at a double rate, when Sushila's factory closed in the late 1990s. After searching for a job for six months, she finally got a job 30 km. away from where she lives. Even after working in this factory for several years, she is a temporary worker and earns less than half of what she was earning earlier. Sushila leaves her house every morning, seven days a week at 7:30 a.m. and returns at 10 p.m. A day off from work means no wage. She has none of the benefits she used to get earlier. Factories closer to her home have widely fluctuating orders and therefore pay even less.

Analyse



Impact of Globalisation in India -

Small producers: Compete or perish



→ Posed challenges for small producers. 



- Batteries, capacitors, plastics, toys, tyres, dairy products, and vegetable oil are some examples of industries where the small manufacturers have been hit hard due to competition.
- Several of the units have shut down rendering many workers jobless.



Impact of Globalisation in India -

Competition and uncertain employment

Competition ↑

→ Most employers these days prefer to employ workers 'flexibly'.



Explain



MNCs

→ Try to cut their cost.



Look for the cheapest supplier.

- Hiring of workers on temporary basis.
- Long working hours.
- Low wages are paid to the workers.



MNCs make large profits, workers are denied their fair share of benefits brought about by globalisation.



World Trade Organisation -



Liberalisation: Supported by some very powerful international organisations.



World Trade Organisation



Why do organisations like WTO support liberalisation? 📚



- These organisations say that all barriers to foreign trade and investment are harmful.
- Trade between countries should be 'free'.
- All countries in the world should liberalise their policies.



World Trade Organisation -

World Trade Organisation



- An organisation whose aim is to liberalise international trade.
- Started at the *initiative of the developed countries*.
- WTO establishes rules regarding international trade, and sees that these rules are obeyed.
- About 164 countries of the world are currently members of the WTO as on 2016.





World Trade Organisation -

Questions on the working of WTO



Supposed to allow free trade for all.



- In practice, it is seen that the developed countries have unfairly retained trade barriers.
- WTO rules have forced the developing countries to remove trade barriers.

Example: Current debate on trade in agricultural products.

Debate on Trade Practices

You have seen in Chapter 2, that the agriculture sector provides the bulk of employment and a significant portion of the GDP in India. Compare this to a developed country such as the US with the share of agriculture in GDP at 1% and its share in total employment a tiny 0.5%. And yet this very small percentage of people who are engaged in agriculture in the US receive massive sums of money from the US government for production and for exports to other countries. Due to this massive money that they receive, US farmers can sell the farm products at abnormally low prices. The surplus farm products are sold in other country markets at low prices, adversely affecting farmers in these countries.

Developing countries are, therefore, asking the developed country governments, "We have reduced trade barriers as per WTO rules. But you have ignored the rules of WTO and have continued to pay your farmers vast sums of money. You have asked our governments to stop supporting our farmers, but you are doing so yourselves. Is this free and fair trade?"

A typical cotton farm in USA consists of thousands of acres owned by a huge corporation that will sell cotton abroad at lowered prices.





World Trade Organisation -

WTO : Debates on Trade Practices

India (Developing)

V/S

U.S. (Developed)

The agriculture sector provides the bulk of employment and a significant portion of the GDP in India.

Developed country such as the US with the share of agriculture in GDP at 1% and its share in total employment a tiny 0.5%.

Impact

People who are engaged in agriculture receive massive support and subsidy for production and export products. This is not the case in developing countries like India. 



World Trade Organisation -

Result



Due to this massive money that they receive, US farmers can sell the farm products at abnormally low prices. The surplus farm products are sold in other country markets at low prices, adversely affecting farmers in these countries.



∴ Farmers in developing countries are facing problem, this is the point of debate on trade practices in WTO.



Developing V/S Developed



Is this free and fair trade? 🐝



The Struggle for a Fair Globalisation -



→ Because not everyone has benefited from globalisation.



Globalisation

→ It is a reality, the question is how to make globalisation more 'fair'?



What is a fair globalisation? A yellow and black striped bee icon.



Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.



The Struggle for a Fair Globalisation -

How to make globalisation more fair?



Government can play a major role.



- The government can ensure that labour laws are properly implemented and the workers get their rights.
- It can support small producers to improve their performance till the time they become strong enough to compete.
- The government can use trade and investment barriers.
- It can negotiate at the WTO for 'fairer rules'.
- Developing countries can come together to fight against the domination of developed countries in the WTO.



People can also play an important role. (Campaigns, demonstration, Protest, etc.)



Chapter Completed



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