

**IASBABA**



## **MOBILIZATION OF RESOURCES & GROWTH-DEVELOPMENT-GS 3**

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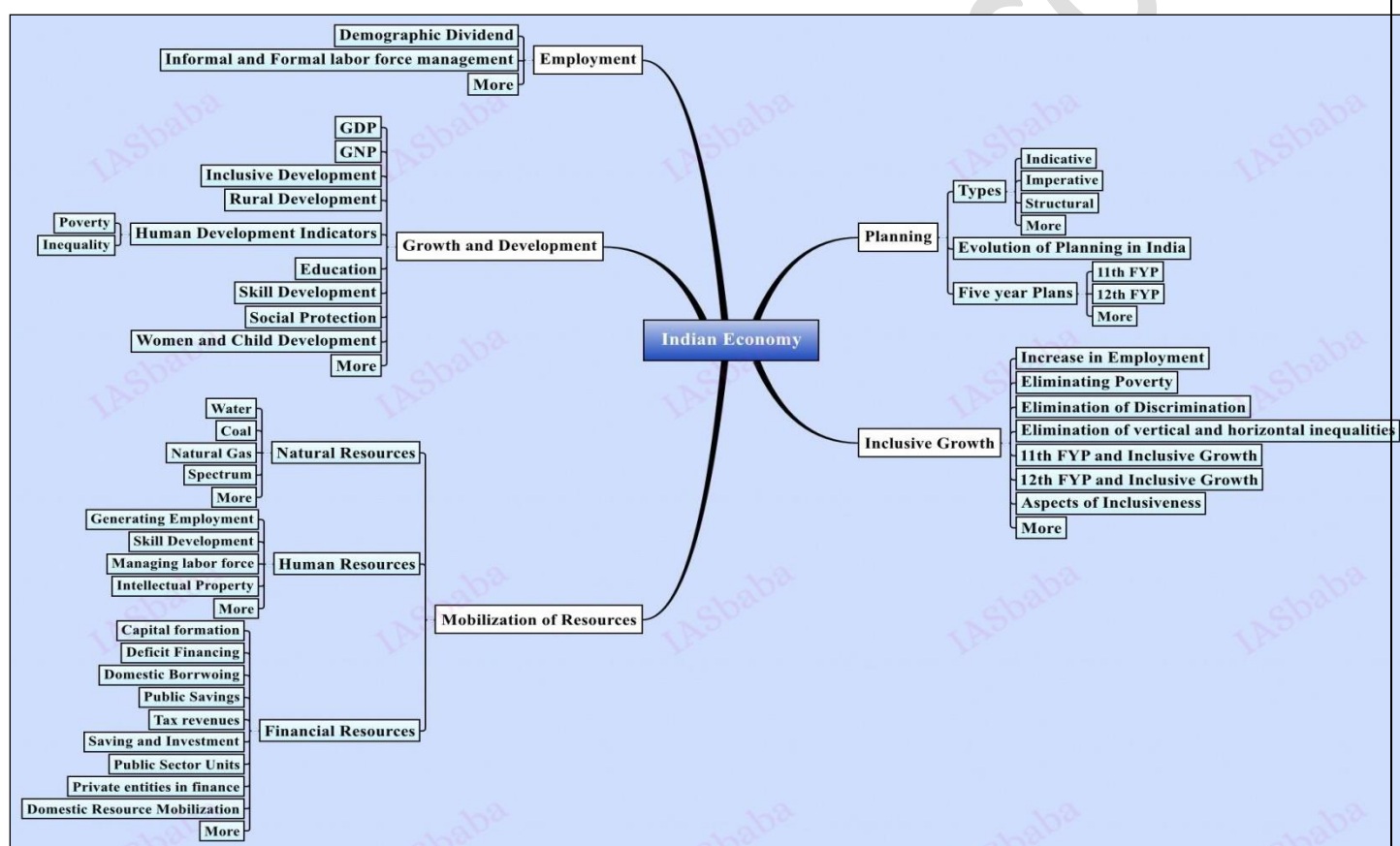
## GS MAINS PAPER III

This document is the second part of Economic Development (Mains GS III) paper and it includes the following topics of UPSC syllabus:

General Studies- III:

- **Growth and Development**
- **Mobilization of Resources**

Below provided mind map briefs us about the areas to be covered under each topic for Mains:



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## Growth and Development

### Introduction:

To a layman, the two words 'growth' and 'development' appear to be synonymous. However, in the 1950s and 1960s, economists drew a line of demarcation between economic growth and economic development.

- True enough, the **concept of economic development is broader than economic growth.**
- **Development is taken to mean 'growth plus change'**, whereas economic growth means growth only quantitative expansion of an economy. Economic growth is, thus, a quantitative concept, while economic development is a qualitative concept.
- **C. P. Kindleberger** says that growth involves focusing on height or weight while development focuses on the change in functional capacity.

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### Concept of Economic Growth

Economic Growth is a narrower concept than economic development. It is an increase in a country's real level of national output which can be caused by an increase in the quality of resources (by education etc.), increase in the quantity of resources & improvements in technology or in another way an increase in the value of goods and services produced by every sector of the economy. Economic Growth can be measured by an increase in a country's GDP (gross domestic product).

Economic growth measures an increase in Real GDP (real output). GDP is a measure of the national income/national output and national expenditure. It basically measures the total volume of goods and services produced in an economy.

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### Concept of Economic Development

Economic development is a normative concept i.e. it applies in the context of people's sense of morality (right and wrong, good and bad).

The definition of economic development (as given by **Michael Todaro**) is an increase in living standards, improvement in self-esteem needs and freedom from oppression as well as a greater choice.

The most accurate method of measuring development is the Human Development Index which takes into account the literacy rates & life expectancy which affect productivity and could lead to Economic Growth. It also leads to the creation of more opportunities in the sectors of education, healthcare, employment and the conservation of the environment. It implies an increase in the per capita income of every citizen.

**Measures of economic development will look at:**

- Real income per head – GDP per capita
- Levels of literacy and education standards
- Levels of health care e.g. number of doctors per 1000 population
- Quality and availability of housing
- Levels of environmental standards
- Life expectancy

**Substantial differences between economic growth and economic development:**

BASIS FOR COMPARISON	ECONOMIC GROWTH	ECONOMIC DEVELOPMENT
Meaning	Economic Growth is the positive change in the real output of the country in a particular span of time.	Economic Development involves rise in the level of production in an economy along with the advancement of technology, improvement in living standards and so on.
Concept	Narrow	Broad
Scope	Increase in the indicators like GDP, per capita income etc.	Improvement in life expectancy rate, infant mortality rate, literacy rate and poverty rates.
Implications	Economic growth refers to an increase over time in a country's real output of goods and services (GNP) or real output per capita income.	Economic development implies an upward movement of the entire social system in terms of income, savings and investment along with progressive changes in socioeconomic structure of country (institutional and technological changes).
Term	Short term process	Long term process
Applicable to	Developed Economies	Developing Economies
How it can be measured?	Upward movement in national income.	Upward movement in real national income.
Which kind of changes are expected?	Quantitative changes	Qualitative and quantitative changes

<b>Type of process</b>	Automatic	Manual
<b>When it arises?</b>	In a certain period of time	Continuous process
<b>Measurement</b>	Quantitative  Increases in real GDP	Qualitative  HDI (Human Development Index), gender- related index (GDI), Human poverty index (HPI), infant mortality, literacy rate etc.
<b>Relevance</b>	Economic growth is a more relevant metric for progress in developed countries. But it's widely used in all countries because growth is a necessary condition for development.	Economic development is more relevant to measure progress and quality of life in developing nations.

### Fundamental Differences Between Economic Growth and Economic Development

The fundamental differences between economic growth and development are explained in the points given below:

1. Economic growth is the positive change in the real output of the country in a particular span of time economy. Economic Development involves a rise in the level of production in an economy along with the advancement of technology, improvement in living standards and so on.
2. Economic growth is one of the features of economic development.
3. Economic growth is an automatic process. Unlike economic development, which is the outcome of planned and result-oriented activities.
4. Economic growth enables an increase in the indicators like GDP, per capita income, etc. On the other hand, economic development enables improvement in the life expectancy rate, infant mortality rate, literacy rate and poverty rates.
5. Economic growth can be measured when there is a positive change in the national income, whereas economic development can be seen when there is an increase in real national income.
6. Economic growth is a short-term process which takes into account yearly growth of the economy. But if we talk about economic development it is a long term process.
7. Economic Growth applies to developed economies to gauge the quality of life, but as it is an essential condition for the development, it applies to developing countries also. In contrast to, economic development applies to developing countries to measure progress.

8. Economic Growth results in quantitative changes, but economic development brings both quantitative and qualitative changes.
9. Economic growth can be measured in a particular period. As opposed to economic development is a continuous process so that it can be seen in the long run.

### In summary

- After the above discussion, we can say that economic development is a much bigger concept than economic growth.
- In other words, the economic development includes economic growth. As the former uses various indicators to judge the progress in an economy as a whole, the latter uses only specific indicators like gross domestic product, individual income etc.
- Economic growth means an increase in real national income / national output.
- Economic development means an improvement in quality of life and living standards, e.g. measures of literacy, life-expectancy and health care.
- *Ceteris paribus*, we would expect economic growth to enable more economic development. Higher real GDP, enables more to be spent on health care and education.
- However, the link is not guaranteed. The proceeds of economic growth could be wasted or retained by a small wealthy elite.

### Mains Analysis: Factors affecting economic growth in developing countries

- Levels of infrastructure – e.g. transport and communication
- Levels of corruption, e.g. what percentage of tax rates are actually collected and spent on public services.
- Educational standards and labour productivity: Basic levels of literacy and education can determine productivity of workforce.
- Levels of inward investment: For example, China has invested in many African countries to help export raw materials, that its economy needs.
- Labour mobility: Is labour able to move from relatively unproductive agriculture to more productive manufacturing.
- Flow of foreign aid and investment: Targeted aid, can help improve infrastructure and living standards.

- **Level of savings and investment:** Higher savings can fund more investment, helping economic growth.

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## **Mains Analysis: Economic growth without development**

It is possible to have economic growth without development. i.e. an increase in GDP, but most people don't see any actual improvements in living standards.

1. **Economic growth** may only benefit a small % of the population. For example, if a country produces more oil, it will see an increase in GDP. However, it is possible, that this oil is only owned by one firm, and therefore, the average worker doesn't really benefit.
2. **Corruption:** A country may see higher GDP, but the benefits of growth may be siphoned into the bank accounts of politicians
3. **Environmental problems:** Producing toxic chemicals will lead to an increase in real GDP. However, without proper regulation it can also lead to environmental and health problems. This is an example of where growth leads to a decline in living standards for many.
4. **Congestion:** Economic growth can cause an increase in congestion. This means people will spend longer in traffic jams. GDP may increase but they have lower living standards because they spend more time in traffic jams.
5. **Production not consumed:** If a state owned industry increases output, this is reflected in an increase in GDP. However, if the output is not used by anyone then it causes no actual increase in living standards.
6. **Military spending:** A country may increase GDP through spending more on military goods. However, if this is at the expense of health care and education it can lead to lower living standards.

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## **Mains Analysis: Economic growth figure does not give us correct assessment of an economy for the following reasons**

**First**, economic growth is associated with an increase in GNP/GDP per capita. But per head GNP does not, by itself, constitute or measure welfare or success in development. This is because per capita income does not give any information about income distribution. It is observed that despite high rate of growth, some of the countries experience high incidence of poverty and unemployment.

**Secondly**, economic growth does not talk about the quality of life. In poor developing countries, people end themselves at low level of literacy, low standards of health and nutrition, etc. Miseries arising from lack of food and shelter do not get reflected in the concept of economic growth.



Thirdly, economic growth does not deal with environmental issues. In the process of achieving higher economic growth, environmental considerations like depletion of renewable natural resources, air pollution, etc., are given little weightage. These aspects have an important bearing on the economic development of a country in the long run. Desire for higher and higher economic growth is associated with environmental damages. It is economic development that cares for environmental issues.

It is, thus, obvious that economic development involves something more than economic growth. In fact, there are certain qualitative dimensions in the process of development that are conspicuous by their absence in the growth or expansion of an economy. Economic development implies both more output and changes in the technical, institutional arrangements by which it is produced, and a change in attitudes and values.

“Development concerns not only man’s material needs but also improvement of the social conditions of his life. Development is, therefore, not only economic growth but growth plus change—social, cultural and institutional as well as economic. Development is, thus, not purely an economic phenomenon; it has to be conceived of as a multi-dimensional process.”

Naturally, economic development is a value-based concept. It should include not only the acceleration of economic growth but also the reduction of inequality and eradication of poverty, increase in employment opportunities and welfare of the masses, etc.

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### **Mains Analysis: Amartya Sen’s views on Development** *(Optional to read, you can skip the topic)*

Amartya Sen defines economic development in terms of ‘entitlement’ and ‘capability’.

- Entitlement refers to the set of alternative commodity bundles that an individual can command through the totality of rights and obligations that he or she faces. Thus, entitlements of people generate ‘capabilities’. Entitlements of people do not only depend on their incomes but also on a host of power relations in a society, the spatial distribution of resources in a society (like facilities of health care and schooling) and what individuals can accumulate from such supplied by the state.
- ‘Capability’ represents a person’s freedom to achieve various functioning combinations. Thus, the notion of capability is essentially one of freedom the range of options a person has in deciding what kind of life he or she wants to pursue.

Poverty, according to **Amartya Sen**, is a kind of ‘capability deprivation’. Sen says that economic development should be interpreted as a process of expansion of the freedoms that people enjoy. Important areas of unfreedom that people face are famine and undernourishment, mass illiteracy, poor state of health of people, lack of shelter and other basic needs, economic insecurity, denial of basic civil and political liberty, etc.

Through the policies of expansion of human capabilities, development processes can be initiated. That is why it is said that the basic objective of development is the process of expansion of entitlements and

human capabilities. That is to say, how GNP growth is used to improve human capabilities and, in turn, how people utilise their capabilities is economic development.

Amartya Sen, thus, emphasises that, instead of concentrating on GNP or GDP, **development economics should take into account both entitlements and capability expansion**. He argues that income does not necessarily address the nature of entitlement. Taking a cue from the Chinese famine (1958-1961) as well as the Bengal famine (1943), he emphatically demonstrated that famines, in general, were to be attributed to the entitlement failure rather than the shortage of food. Despite abundant supplies in food, people had to suffer miserably from hunger and famine in Bengal due to entitlement failure in collecting food from the market. Famine is one source of unfreedom.

Sen says; “Development requires the removal of major sources of unfreedom.” The basic condition for economic development are the freedoms from hunger and famine, malnutrition, deficient schooling, poverty, poor health, economic insecurity, denial of civil and political rights, social inequalities, etc. These human goals of economic development as emphasised by Amartya Sen have brought about a change in development thinking at least since the 1970s.

Amartya Sen, carrying on his value-loaded development economics, talks on social justice. He says that undernourishment of children, absence of opportunities of basic schooling, lack of entitlement of basic medical attention, particularly to the underprivileged of our society, etc., are nothing but social injustices.

Since most of these facilities—meant for all Indians crowd out the underdogs through the dominant class or partners of the society. This kind of gross injustice is nothing but denial of development or ‘exclusive development’. Thus, in the development discourse, social justice a more normative concept needs to be provided to all. And, that is development.

## RURAL DEVELOPMENT

### Introduction:

Of late, rural development has assumed global attention especially among the developing nations. It has great significance for a country like India where majority of the population, around 65% of the people, live in rural areas. The **present strategy of rural development in India** mainly **focuses** on **poverty alleviation, better livelihood opportunities, provision of basic amenities and infrastructure facilities through innovative programmes of wage and self-employment.**

The below topics overviews the concept of rural development, integrated rural development, measures to accomplish rural development, role and function of the Government and its' programmes for rural development in India.

**Rural development aims** at **improving rural people's livelihoods** in an **equitable** and **sustainable manner, both socially and environmentally, through** better **access to assets** (natural, physical, human, technological and social capital), and **services, and control over productive capital** (in its financial or economic and political forms) that **enable them to improve their livelihoods on a sustainable and equitable basis.**

The basic objectives of Rural Development Programmes have been alleviation of poverty and unemployment through creation of basic social and economic infrastructure, provision of training to rural unemployed youth and providing employment to marginal Farmers/Labourers to discourage seasonal and permanent migration to urban areas.

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### Concept of Rural Development:

For India, rural development has been an integral part of nation's socio-economic-politico development. The problem is not merely one of development of rural areas but of the development of rural communities— to dispel ignorance and poverty and create self-reliant and self-sustaining healthy modern little communities.

- **Rural development can no longer be identified with mere increase in Gross National Product or even per capita national income.**
- **The increased income should be distributed so as to result in significant diminution of inequalities of income and wealth.**
- Every rural family should have its reasonable share in the generation of GNP and sharing increased per capita income.
- The objective should be to reconstruct the rural economy in such a way that income flowing from the ownership of productive assets, skills and labor would be automatically distributed more equitably.

This fact focuses the need for building viable rural communities of functional rural clusters with improved dwellings, dependable energy supplies, adequate transport and communication facilities that link to the larger world, health and educational facilities, access to credit and markets, culturally invigorated and no longer compartmentalized by barriers of castes and feudal distinctions based on land ownership or occupation.

Development is above all a human process and not just a mechanical or technological change. Development does not mean the construction of physical structures, installation of machines or adoption of latest technology. It is the development of the people, which implies generating in them the awareness of their surroundings, understanding of their problems, identification of opportunities available for a better life, a capacity to work out what needs to be done and formulating programs to fulfill their needs, goals and aspirations.

*“Therefore the goal of development should be to enrich the quality of life, both individual and collective and its universalization in terms of minimal, if not equal, availability to all sections of the population”.*

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### Concept of Integrated Rural Development

Integrated rural development means optimum utilization of natural and human resources of a given rural area for the enrichment of the quality of life of its population.

Optimum utilization emphasizes production, distribution, employment, upliftment of rural poor above poverty line and environmental harmony. Rural economic activity is considered in the context of market economy and the inadequacy in the supply of capital and skills in the rural areas.

Integrated rural development considers the links of the rural area concerned with its market relations, the two-way mobility of capital, labor, policies on economic growth and social justice.

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### Measures to accomplish Rural Development

Rural development cannot be accomplished through piecemeal efforts and in isolation of total development of rural areas and building selfsustaining rural economy.

Integrated rural development calls for satisfying the basic minimum needs of all rural households, such as schools; water supply, drainage and sanitation; health and community centers; transport and communication; energy and fuel.

Growth Center Approach is most appropriate for planning integrated rural development. Based on the principle of “equal accessibility” this approach can bring all these facilities, services and local administration [panchayats] within easy reach of the population.

The growth center should be equipped with all the required facilities such as

1. a training center to impart practical training and build capacity to enhance productivity of agriculture and rural/cottage/agro-based industries
2. a mobile training-cum-demonstration unit to provide on the spot training, repair and maintenance services for agricultural and industrial machineries
3. a marketing-cum-warehousing facilities that can provide safe storage and marketing of farm produce and cottage industries products
4. a forest and grass nursery to provide fruits, fuel, fodder and forest cover
5. a developmental school based on the “earning while learning principle” and oriented to develop a cadre of self-employed workers in the area of human, animal, plant and soil-health care and
6. a residential housing complex for workers in the project area.

**Government policies and planning exercise should focus on –**

- 1) optimum utilization of the growth potential of the villages to increase the employment, production and income
- 2) ensuring a larger than proportionate gains of development to the weaker sections of the population
- 3) alleviating chronic unemployment through employment on public works such as irrigation, drainage, roads, railways, housing, soil and water conservation, rain water harvesting, flood control, watershed development, desilting and maintenance of water bodies, afforestation
- 4) augmenting the duration and productivity of employment in their existing occupations through technology upgradation, imparting skills and establishing non-exploitative institutions of credit, marketing and service providers
- 5) reorienting existing institutions/organizations to protect the interest of the poor
- 6) promotion of progressively more egalitarian structure of ownership of assets

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**Conclusion:**

In absence of appropriate rural development policy environment and tardy implementation of land reforms there has been increasing marginalization of land holdings and number of landless laborers.

The lack of micro-level planning, absence of people’s participation and uncoordinated efforts by a multiplicity of agencies have not yielded expected results. These programs are merely reduced to subsidy giving programs short of any planned approach to the development of the rural poor as an inbuilt process in the development of the area and its resources.

The sustainable development intervention in the rural areas largely depends on the successful and effective implementation of self-employment programmes such as SGSY and MGNREGA. Since independence the country has formulated various rural selfemployment programmes and has restructured and revamped them envisaging their wider outreach and acceptability. However, the issues, challenges and concerns relating to the implementation of the self-employment programmes have remained more or less the same.

The **need** of the hour is the **convergence of all development interventions at the grass-root level** so as to enhance necessary infrastructure in the backward regions and ensure capacity building and skill upgradation.

## UNION BUDGET 2017-18 FOR RURAL DEVELOPMENT

### Agricultural Growth

*Agriculture is expected to grow at the rate of 4.1% in 2017-18.*

#### Focus

- Increased funding for crop insurance
- Greater thrust on micro irrigation
- Dairy infrastructure
- Credit availability to tackle farm distress in rural India

#### Allocation

- Total allocation for rural, agricultural and allied sector for 2017-18 is 1,87,223 crores.
- It is 24% more than last year.

Table 1: Agriculture sector and Union Budget 2017-18

S. No	Component	Allocation (Rupees in crores)
1	Agriculture	58,663
2	Special support to cooperative banks for reviving PACS	19,000
3	Rashtriya Krishi Vikas Yojana	4,750
4	Micro irrigation fund	5,000
5	Market intervention and Price Support Scheme	200
6	e-National Agriculture Market	0.75 Lakh each
7	Dairy Infrastructure Development fund	8,000
8	Prime Minister Fasal Bima Yojana	9,000
9	Institutional credit	10,00000
10	Agriculture, Rural development and Allied sectors	1,87,223

## Enhancing Institutional Credit

- Most of the farming community still outside the framework
- Institutions reluctant to provide credit to small and marginal farmers
- **Reason**- further credit → accumulation of NPAs
- Increased allocation to allow banks to provide hassle free loans to farming community
- Adequate availability of credit can steer developmental activities in rural areas

## Reviving PACS

- Primary Agricultural Societies reach where banks cannot reach
- They are also a formal source of credit to small and marginal farmers.
- Financed by District Level Central Cooperative Banks
- They have lost their significance as a source of credit due to multiple reasons
- Thus, government is supporting NABARD for computerisation and integration of 63000 PACs in next three years at cost of 19000 crores
- Computerisation and integration will bring transparency in rural banking and encourage towards cashless society

## Fasal Bima Yojana

- It has wider coverage, more crops and uniform premium rate.
- Coverage increased from 30% of cropped area to 40% cropped area in 2017-18 and 50% in 2018-19

## Soil Health

- Healthy soil gives good yields
- Unfortunately, soil care is seldom done and most farmers cultivate on same land for long period
- **Result**- deficient soil, poor in nutrients and crop yield
- Provision of soil testing mini labs in all Krishi Vigyan Kendras across India.
- This will be run by rural entrepreneurs with government assistance.

## Irrigation

- Long term irrigation fund set up at NABARD to address perennial irrigation water crisis affecting rural India
- A dedicated micro irrigation fund set up in NABARD to cover unirrigated belts in country and promote water conservation measures.



## e-NAM

- Coverage of National Agricultural Marketing is expanded from 250 to 585 APMCs
- Central government to urge state governments to delist perishables such as vegetables and fruits from APMCs and allow farmers to sell directly and get better price

## Dairy development

- India is first in buffalo population, second in cattle, fifth in ducks and chicken and tenth in camel.
- it provides source of livelihood.
- For developing dairy infrastructure, 'Dairy and Infrastructure Development Fund' under NABARD established.
- It will create additional milk processing capacity of 500 lakh liters per day. It will have cascading effect on creating additional income of Rs. 50000 crore per annum.

Thus, budget is carving a new path where instead of relying on subsidies and loan waiver, it aims to increase farmers' income.



## Skill development and Education

Education is a major source of productivity growth because it increases productive human capital which results in overall increase in economic growth and development.

As education is in concurrent list, the policy and implementation initiatives of both central and state government is important to impart education.

### Primary and secondary education

- Sarva Shiksha Abhiyan universalises school education upto primary level.
- It has been allocated Rs. 23,500 crores while teachers' training and adult education has been allocated Rs. 925 crores.
- Mid-day meal scheme has got Rs. 10,000 crore.
- For education in schools like Madarasas and minority institutions, Rs. 120 crores have been allotted.
- Thus, primary education needs continuous focus of central and state government to accelerate pace of literacy in the country.

### Focus on below schemes for exam:



#### Sarva Shiksha Abhiyan (SSA)

- School Education Quality Index (SEQI) to institutionalize focus on improving education outcomes (learning, access, equity)
- **Shagun portal** - To monitor implementation of SSA
- **'Padhe Bharat Badhe Bharat' (PBBB)** - Foundational learning in early grades with an emphasis on reading, writing and comprehension and Mathematics
- **Rashtriya Avishkar Abhiyan (RAA)** - Motivate and engage children of age group 6-18 years, in Science, Mathematics & Technology
- **Vidyanjali** - Enhance community and private sector involvement in Government run elementary schools

Source: PIB

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Date : 31 Jan, 2017



#### Rashtriya Avishkar Abhiyan

- Community Sensitisation & Engagement
- School Science Facility
- Teachers Support System
- Effective Classroom transaction & Assessment
- Nurturing Students- Clubs & Completions
- Innovation Excellence in Science, Mathematics and Technology



Source: www.mhrd.gov.in

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### Higher education

- It has been allocated Rs. 33,079 crores.
- Support to new IITs, IIMs and IT colleges have been hiked.
- Government has declared to come up with 20 world class institutions with allotment of 50crores
- 250 crores for capital expenditure for setting up higher education finance agency.

- PM Research Fellowship has been created with Rs. 75 crore as research is an important component of higher education.
- Central government has proposed to set up Innovation fund for secondary education. It aims to encourage local innovation for ensuring universal access, gender parity and quality improvement.
- Central government plans to increase post-graduate seats for medical sciences.
- Unnat Bharat Abhiyan and National Academic Depository have been allocated 20 crores and 10 crores respectively.

### Emphasis on Skill Development

- Skill development has received priority of the central government to create skilled workforce for industry as well as self-employment to channelize youth in the country.
- Presently, the Gross Enrolment Ratio of children between 18-24 who enter college is 15%. It is presumed to be increased to 30% by 2022.

**Challenge:** 150 million out of 500 million students during the period of 10 years will go to colleges. The skilling challenge is further magnified when 70% of above 350 million fall in rural and tribal India.

India's skill development mission is challenging as 80% of new entrants to the workforce have no opportunity for skill training.

Approx. there are 12.8 million new entrants to the workforce every year and this results in annual increase of unorganised labour and also to low income groups.

This leads to low productivity and quality of work and lack of capacity to innovate or acquire new work practices in unorganised sector, leading to further depression of wages.

To bring a **solution** to this problem, there has to be integration of skill development and the formal education system. For this, national skill development mission was initiated in 2011 to impart training to 76 lakh youth.

The central government will also launch Skill acquisition and knowledge awareness programme (SANKALP) to provide market related training to 3.5 crore youth.

Vocational training in schools, colleges and specialised institutions like it is also an important component of skill development.

## Boosting Skill Development in India

Cabinet approves Pradhan Mantri Kaushal Vikas Yojana for next phase

Skilling **1cr people** in next 4 yrs; outlay of **12,000 cr**

Dedicated **Model Skill Centres** in all districts

State Govts & SSDMs to be involved with **25% of total training targets**

Residential training for **PwDs**, candidates from **NER, Kashmir & Leh region of J&K, Andaman & Nicobar, Lakshadweep, and LWE**

Focus on skill training for overseas employment

**PMKVY**

प्रधानमंत्री कौशल विकास योजना  
PRADHAN MANTRI KAUSHAL VIKAS YOJANA

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Date : 14th July, 2016

**2017-18 budget provides for various schemes such as**

‘Seekho aur Kamao’, ‘Nai Manzil’, ‘Nai Raushni’, ‘Garib Nawaz skill development centre’ and ‘Begum Hazrat Mehal Scholarship for girls’.

## Education

Quality of rural education has always been questionable. But with incoming of Broadband highways, digital education is breaking the barrier that prevented students from receiving quality education.

There is a focus on Massive Online Open Courses (MOOCs) to help rural students study any courses of their choice.

SWAYAM or Study Web of Active-Learning for young Aspiring Minds is a platform with over 300 online courses to encourage virtual education.

Regarding Digital Literacy, PM Gramin Digital Saksharta Abhiyan (PMGDISHA) is extended to 6 crore rural households to accomplish mission of DigiGaon. It has been allocated Rs. 2351 crores in budget 2017-18.



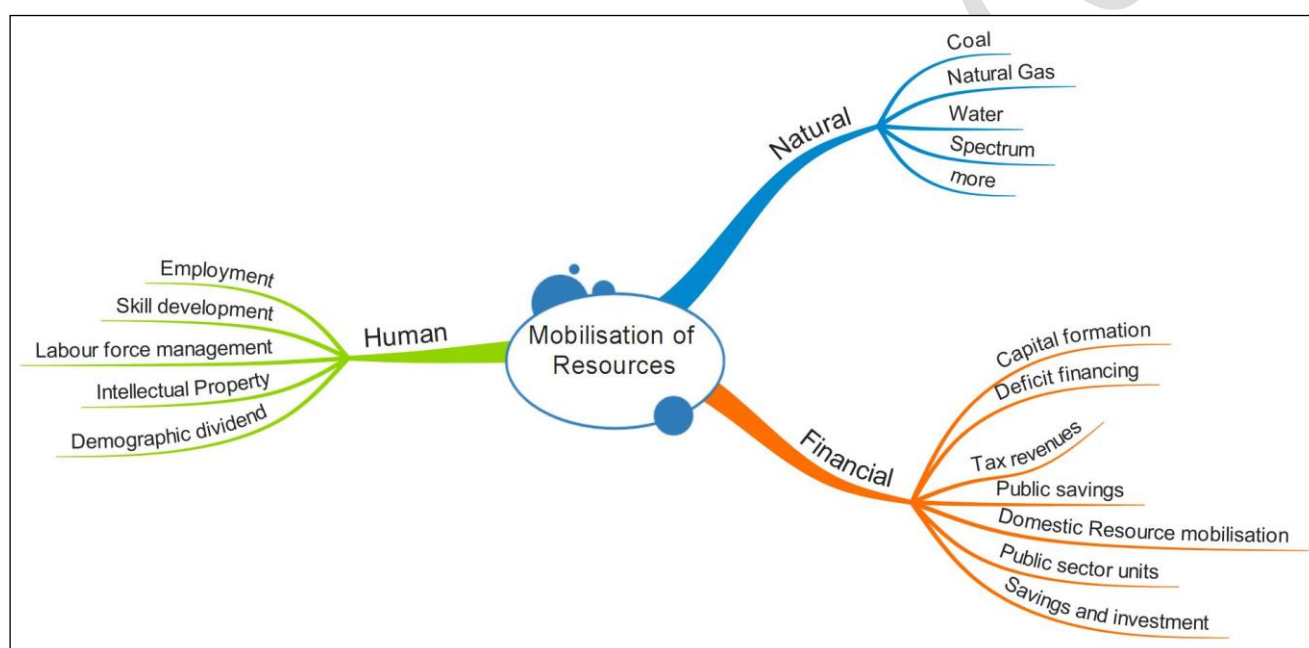
# Mobilization of Resources

## Introduction:

Mobilization of resources means the freeing up of locked resources. Every country has economic resources within its territory known as domestic resources.

Domestic resource mobilization (DRM) is a core priority of the sustainable development agenda. But often these domestic resources might not be available for collective use. The percentage of resources used when compared to the potential is often very low. For a country to grow, identification and mobilization of its resources is necessary. It should be available for easy use and for central and state level planning.

So initial step is the “identification of resources”, we can divide resources under these broad headings as shown in mind-map below:



## 1. Mobilization of Natural resources

- Proper utilization of Natural resources lead to generation of economic resources, prosperity of the nation and it will also lead to sustainability of the resources.
- There should be deliberate measures to enhance transparency, effectiveness and sustainability in utilization of natural resources.
- In recent times, India has seen various scams related to misallocation of resources and various newspapers have campaigned relentlessly for the allocation of natural resources through a fair and transparent process.
- For instance, Coalgate scam, 2G spectrum scam, Land scam etc.

### Areas to focus for Mains exam:

- Identifying the key natural resources being allocated by Government (which are in news) – coal, spectrum, water, natural gas;
- Existing legal and regulatory framework and rules being employed in the allocative processes;
- What changes are being taken to enhance the sustainability, transparency and effectiveness of the allocative processes; and,
- Develop some opinion on what changes are required in the legal, institutional and regulatory framework.

### Identifying the key natural resources

Keep track of the following natural resources - coal, minerals, petroleum, natural gas, spectrum, forests, water and land.

Here in this section we will look into two major issues related to Coal and spectrum.

We will first look into coal and issues related to it.

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### Coal:

India is the world's fifth largest energy consumer, accounting for 4.1% of the global energy consumption. Maharashtra is the leading state in electricity generation. The current per capita consumption of energy in India is 0.5 toe against the global average of 1.9 toe, indicating a high potential for growth in this sector. Of the total electricity consumed in the country, approximately 80% is produced from coal.

The coal industry in India has changed considerably in the last 50 years. From being a predominantly private industry around Independence, it was nationalised completely in 1973 once the government realised coal's essential role in meeting India's power needs. This landmark legislation, the Coal Mines (Nationalisation) Act, 1973 (CMN) is still the main law that governs the mining of coal in India, along with certain sections of the Mines and Minerals (Development and Regulation) Act, 1957 (MMDR), which governs mining more generally.

Unlike other minerals, coal is a Union subject, which makes its governance relatively unique; while the resource is distributed among many states, its mining is controlled by a single government ministry (Ministry of Coal [MoC]), and is carried out by two primarily state-owned enterprises, Coal India Limited (CIL) and Singareni Collieries Company Limited (SCCL).

### What is coal scam?

- Coalgate, as it was popularly known snowballed into a huge political scandal which pulled top leaders and bureaucrats from the previous UPA regime into the probe.

- A report by the Comptroller and Auditor General of India showed inefficient and possibly illegal allocation of coal blocks between 2004 and 2009. It estimated loss to the exchequer to the tune of Rs. 10.7 lakh crore but it later toned this amount down to Rs. 1.86 lakh crore in the final report.

### Major contention in CAG report

- The central point of the CAG report that showed improper allocation was that the government had the authority to allocate the coal blocks. However, this was to be done via competitive bidding. But the government chose to take another route and avoided competitive bidding, the CAG report said. CAG observed the revenue secured from the allottees for allocation was much less than what could have been if there was competitive bidding—hence presumptive loss to the exchequer.

## Spectrum allocation:

### What is 2G spectrum?

2G is short for second-generation wireless telephone technology. Second generation 2G cellular telecom networks were first commercially launched on the GSM standard in Finland by Radiolinja in 1991. Three primary benefits of 2G networks over their predecessors were that phone conversations were digitally encrypted; 2G systems were significantly more efficient on the spectrum allowing for far greater mobile phone penetration levels; and 2G introduced data services for mobile, starting with SMS text messages.

### What is the 2G spectrum scam?

The scam allegedly began in 2008 when nine telecom companies were issued scarce spectrum and licenses for Second Generation (2G) mobile phone services arbitrarily.

The 2G spectrum scam involved politicians and government officials in India illegally undercharging mobile telephony companies for frequency allocation licenses, which they would then use to create 2G subscriptions for cell phones. The shortfall between the money collected and the money which the law mandated to be collected is estimated to be Rs 1,76,645 crore, as valued by the Comptroller and Auditor General of India based on 3G and BWA spectrum auction prices in 2010. India is divided into 22 telecom zones, with 281 zonal licenses in the market. According to the telecom policy of India, when a licence is allotted to an operator, some start-up spectrum is bundled along with it. In 2008, 122 new second-generation (2G) Unified Access Service (UAS) licences were given to telecom companies at a price arrived at in 2001 and on a first-come-first-serve basis.

### Quashing of 2G spectrum licences

On February 20, 2012, the Supreme Court of India delivered a judgement on a PIL directly related to the 2G spectrum scam. Declaring the allotment of spectrum as "unconstitutional and arbitrary", the court quashed all 122 licences issued in 2008 by the then minister for communications and IT.

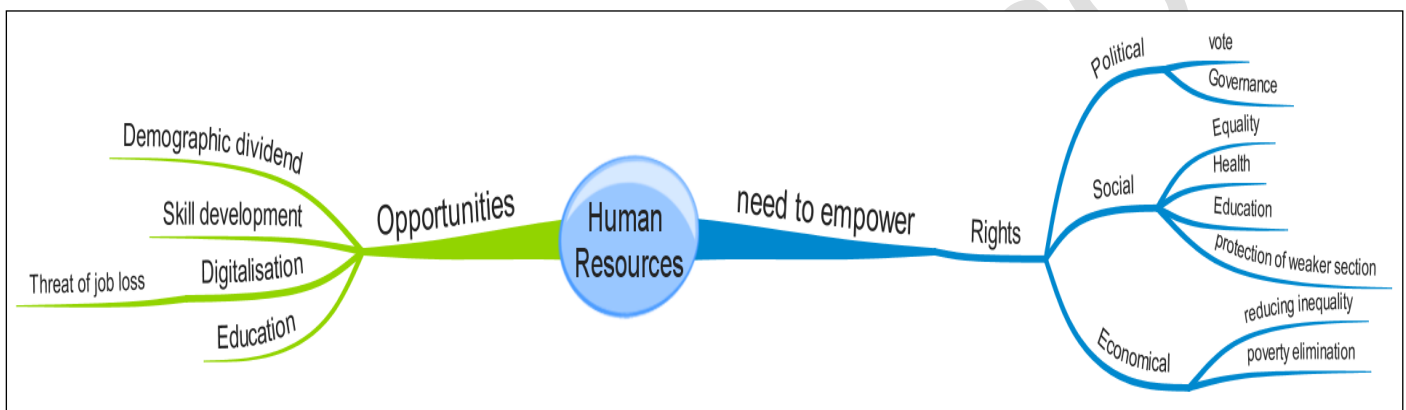


The court also imposed a fine of Rs 5 crore each on Unitech Wireless, Swan telecom and Tata Teleservices and Rs 50 lakh fine on Loop Telecom, S Tel, Allianz Infratech and Sistema Shyam Tele Services Ltd.

The court further said the then telecom minister "wanted to favour some companies at the cost of the public exchequer" and "virtually gifted away important national asset".

## 2. Mobilization of Human Resources

Organizing human potential for ready use is necessary for growth of India. In-fact, as country of 125 crore people, India now is eyeing more on its human resource potential. The demographic dividend is also in favour of India.



- **Human capital** is **deciding factor in the economic development**. Indian economy is plagued with **poor human resources**. While the **average population is traditional and lacks scientific knowledge**, **33% of population is still illiterate**. It **retards economic progress in country**.
- Organizing human potential for ready use is essential for growth of India. In-fact, as country of 125 crore people, India now is observing more on its human resource potential. The demographic dividend is also in favour of India.
- **Mobilization of human resources** emphasizes the **need to empower human resources**.
  - **Weaker sections** such as women, children, SC, ST, OBC etc. should be brought into **mainstream**. There should be **correct employment opportunities for human resources**, and **when there is lack of skill the job demands, there should be skill development programs**.
  - It is suggested to utilize the demographic dividend. India is currently forcing on its technologists, engineers, doctors and scientists.
  - Government is making efforts to **divert school dropouts to technical or vocational training program**. The scheme has been formulated through **private public partnership** under which short term training modules will be conducted.
- **Economist stressed that if nation needs to grow, more goods and services should be produced**. The production can be done by government sector, private sector or in PPP mode. But **for that, the economic resources of a country should be organised**.
- In India, **despite having good savings rate, domestic investment is less**. **Indians are investing in less productive assets like gold and consumer durable**.

- For good economic development, India needs to invest in agriculture, manufacturing or services. In India, tax collected is very less. The tax base has to be broadened.
- Four factor of production such as land, labour, capital and organization should come together. There should be an atmosphere for growth and investment. It can be said that organizations do not “suddenly emerge” but require the mobilization of resources.
- In contemporary capitalistic society, these resources are more “free flowing” and are easier to mobilize than in more traditional societies. Many factors impact the development of the organization.
- **Initial Resource Mix:** There are various resource needs in a starting organization (technology, labour, capital, organizational structure, societal support, legitimacy). But the accurate mix of resources are not always available. The most valuable resource of an organization is its people. More savings and more productive investment.

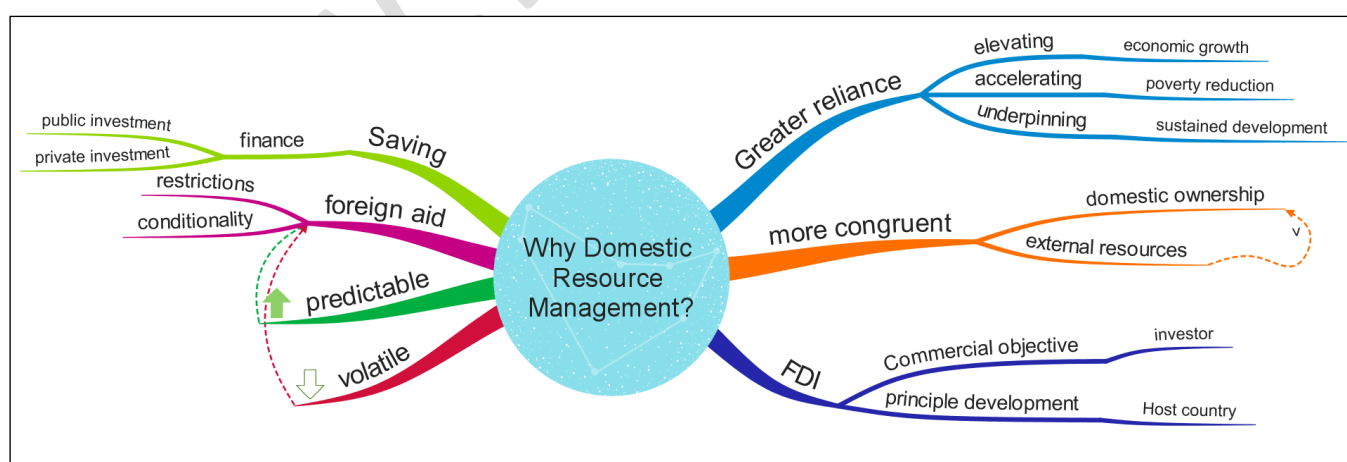
### 3. Mobilization of financial Resources

- The saving and investment process in an economy is organised around a financial framework that facilitates economic growth. A well designed financial system promotes growth through effective mobilisation of savings and their allocation to the most productive uses by either following a centralised approach or a decentralised approach or a combination of both. Typically, economies with underdeveloped capital markets adopt a centralised approach, whereby financial intermediaries mobilise resources from savers and allocate them to borrowers.
- Traditionally, banks have played a critical role in the financial intermediation process as they are able to deal more appropriately with transaction costs and information asymmetries in a financial system. As financial markets develop, transaction costs and information asymmetries reduce, the decentralised approach for guiding the saving-investment process also gains significance, and households with surplus resources increasingly invest in capital market instruments. The historical experience shows that virtually in all the economies, including the market-intermediated ones, banks have played a central role in resource mobilisation and supporting the growth process, and that the development of banks and other intermediaries has itself facilitated the development of financial markets.
- The genesis of banks’ role in the resource mobilisation process lies in firms relying critically on external sources of finance, especially in their formative stages.
- Banks have played a key role in coordinating investment efforts in many economies such as Belgium, Germany, Italy and Japan in engineering ‘take-offs’ during their critical phases of development. Resource mobilisation by banks became a critical factor in their ability to act as ‘catalysts’ of economic development.
- During the ‘take-off stages’ of these economies, large and powerful banks initially relied on capital contributions from a small number of founders and thereafter as their industrial lending portfolio grew, they took recourse to deposits as a major source of funds. With the development of markets, borrowings also became an important source of funds for the banks.
- Historically, financial intermediation by banks has played a central role in India in supporting the growth process by mobilising savings, particularly after the nationalisation of the 14 major private

banks in the late 1960s. Banks have been particularly instrumental in mobilising deposits from the household sector, the major surplus sector of the economy, which, in turn, has helped raise the financial savings of the household sector and hence the overall saving rate. Notwithstanding the liberalisation of the financial sector and increased competition from various other saving instruments, banks continue to play a dominant role in the financial intermediation of the Indian economy. The deregulation of interest rates has opened up new avenues for banks to mobilise funds at competitive rates. Moreover, banks, by virtue of being the ultimate platform for clearing and settlement for all financial transactions, provide accounts and resources to other sectors as also other financial intermediaries.

- The Indian economy has witnessed robust growth performance in recent years and banks have played a major role in providing the required amount of resources. In order to sustain the growth process, banks would have to continue to provide funding on a large scale. In India, there exists an enormous potential of savings in rural and semi-urban areas. Also, in India quite a large part of domestic savings is locked up in unproductive physical assets. The mobilisation of savings from hitherto untapped areas and conversion of physical savings into financial savings would necessitate introduction of appropriate products to suit the demand of savers. Banks are indeed in an ideal position to do so because of certain inherent characteristics of deposits such as safety and liquidity.
- Apart from mobilisation of deposits, banks, for meeting their resource needs, also depend on non-deposit resources both at home and abroad. A part of non-deposit resources comes from borrowings, which help augment the funding needs of the banks instantly. However, they also pose a challenge in terms of their availability and management of borrowing costs, amidst potential interest rate and exchange rate risks. Thus, an effective use of borrowings requires a system of appropriate risk management by banks.

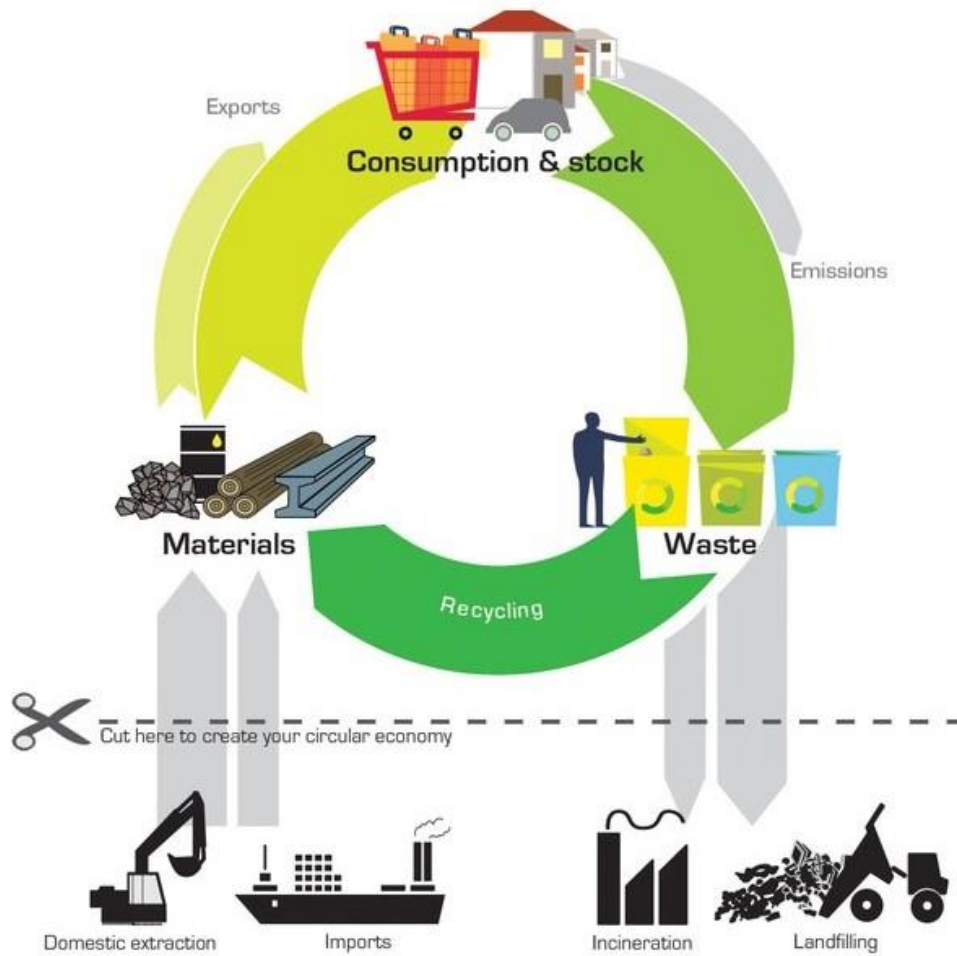
## Need of domestic Resource Management in country like India



How can we make our economy resource efficient?

## How can we make our economy circular and resource efficient?

Currently, we are using more resources than our planet can produce in a given time. We need to reduce the amount of waste we generate and the amount of materials we extract.



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