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ECONOMICS

INDIAN ECONOMY (10M)

/ A3 - civil

1. poverty and Development, & planning, unemployment.
2. National Income
3. Inflation
4. Banking sector, Budget, Taxes
5. Agricultural and Industrial sector
6. International Trade
7. World Bank, International Monetary fund (IMF)
8. World Trade Organisation

Complete Class Note Solutions
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Reference book: Ramesh Singh
by Indian Economy

UNIT - I

Poverty:-

1. According to Rangarajan committee highest poverty state in India is Chattisgarh (47%).
2. Large poverty country existing in world is India (36 crores) as per percentage South Sudan (88%).

Poverty:-

1. Introduction
2. Meaning
3. Measurement
4. Types
5. Magnitude
6. Reasons
7. Effects
8. Solutions

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1. Introduction:-

Problem of poverty exist in developing as well as developed countries but problem is more severe in developing nations such as south sudan as well as India.

Although America is rich nation still possess 1% of poverty. According to world bank in terms of percentage 88% of people identified under poverty in south sudan their majority of the people unable to spend one dollar per day.

According to National sample survey Organisation the bottom 10% of people from rural India unable to spend Rs, 15/- per day.

However 12th five year plan (2012-2017) of India has targetted to reduce 10% of poverty to 29.5% of total poverty.

2. Meaning:-

In economics available of commodities classified into three:

a. Needs - food, clothes, shelter.

According who ever unable to fulfill these three requirements considered as poor. In India poverty may be estimated and availability of minimum needs.

b. comfort - chair, fan, telephone, using current.

In china who ever unable to fulfill this comforts considered as poor.

c. Luxuries - car, Ac's, Gold ornaments, bungalows.

In America who ever unable to meet this requirements considered as poor. It implies that for estimation of poverty

measurement are varied from country to country.

3. Measurement of poverty :-

a. Food method :-

1. The first economist Dada Bai Nauroji published important book "poverty and Unbritish rule in India" (1876)
2. Under this title he developed "Drain theory" according to problem of poverty routed in British Mall Administration
3. During British rule deliberately small scale industries neglected.
4. Small scale Industries are strong in china due to this they minimised problem of unemployment in their country.
5. According to Dada Bai Nauroji majority of our natural resources exploited and exported to England.
6. For the first time Nauroji estimated the following economic parameters.
 - a. National Income
 - b. per capita Income
 - c. Unemployment
 - d. population
 - e. poverty.
7. He estimated problem of poverty by observing prisoners menu whatever the food is providing for prisoners whoever to made equivalent amount of food, whoever need requirements of prisoners menu outside the prisoners
8. poverty in India — Dandekar and Neela Kant Rath.
poverty of India — D.P. Mukharji.

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poverty and Fenine - A. K. Sen (Noble prize winner)

poverty and the poor - B. S. Minhas.

** b. Expenditure method :-

Most valid method in India. It is also known as modern method in the estimation of poverty since 2004 - 2005 onwards India has adopted this method.

According to UNO 1% whoever unable to spend 1 dollar per day is considered very poor. A person whoever unable to spend 2 dollar per day called General poor. According to Asian development bank a person unable to spend 1.35 dollars per day called poor. In India according to "Suresh D. Tendulkar committee" classified b/w rural and urban areas are 28 Rs. per day and 32 Rs. per day. According to "C. Rangarajan committee" Rural - 32 Rs, urban - 47 Rs.

In 2004 - 2005 planning commission introduced URP and MRP methods.

Under MRP expenditure may be counted per annum or 365 days. (Mixed Recall ~~price~~ period).

Under URP expenditure may be counted per 30 days (Uniform recall period).

c. Annual Income method :-

Income ceiling may be fixed by taking family as a unit. Accordingly a family residing in rural area

whose income is 60,000 below are considered as ⁽³⁾ BPL categories. They are eligible to get "white card". Similarly a family residing in urban areas whose income is 75000 below considered BPL categories they are eligible to get "white cards". If family income is more than 75000 in urban areas they may be provided "pink card".

4. Types of poverty :-

1. Absolute poverty
2. Relative poverty
3. Vicious cycle of poverty
4. poverty line
5. Mass poverty.

1. Absolute poverty :-

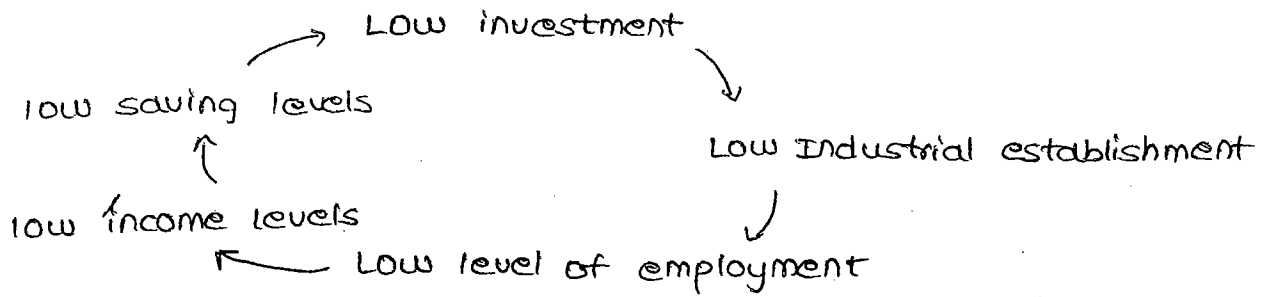
1. It is the primary level of poverty. It is known as chronic poverty. Absolute means so strong here individuals cannot escape from this problem of poverty accordingly people will born and end their life under problem of poverty.
2. Similarly who ever unable to meet minimum requirements also called Absolute poor. It exists in developing nations where majority of people depending upon agriculture till 1990 absolute poverty existed in India.
3. We can see hunger deaths under absolute poverty.

2. Relative poverty:-

1. Relative poverty means in relation and comparison.
2. If we compare income of 'A' and 'Z'. 'Z' may be fall back.
3. Similarly if we compare top 5 income group with bottom 5 income group. we can see large scale income inequalities.
4. For example in India income inequalities taking place population income 20% of people controlling 80% of resources or income. 80% of people controlling 20% of resources.
5. "Carredo Gini" scientifically estimated problem of poverty with the help of income inequalities sometime it is called "Gini Index".
6. In a student "Max O Lorenze" developed income inequalities with diagram. so Lorenze curve also explains income inequalities in the society since 1991 by the establishment of New economic reforms wealth as been increased to many times but it is concentrated in few hands.
7. That's why India divided into two:
 - i) Rich India (Urban)
 - ii) Poor India (Rural areas)
8. In order to removal of poverty during 1977 Indira Gandhi government as established "Garibi Hatao" slogan. Recently in 2005, Manmohan Singh government established "Aamin Hatao" means "removal of rich people."

3. Vicious cycle of poverty :-

- 1. It is developed by Ragner Nurkse. It is arise due to various reasons.



4. Poverty line :-

- 1. It is constructed by V.M. Dandekar and Neelam Kanke Rath.
- 2. It is an imaginary line to segregates APL category to BPL categories by fixing certain parameters.

	APL	
	BPL	
	Food calories	Income measures
R :	2400	60,000 28 Rs.
U :	2100	75,000 32 Rs.

5. Mass poverty :-

- 1. Accordingly where existing of large to poor called Mass poor (or) poverty.
- 2. Mass poverty exist in India. It also exist in rural areas and urban slum areas as well as majority of African countries.

6. Poverty gap :-

P.G = poverty line - Actual value.

$$P.G = 28 - 15 = 13 \text{ (this is poverty gap)}$$

$$P/G = 32 - 20 = 12 \text{ (Urban income poverty gap)}$$

$$P.G = 2400 - 1700 = 700 \text{ (food calories poverty gap)}$$

Multi dimensional poverty Index :-

1. It was constructed by United Nations Development Program (UNDP).
2. It is an auxiliary body to UNO, MPI body is estimated by observing following three indexes.
 - a. Life expectancy index
 - b. Knowledge Index
 - ↳ Dropout rate
 - ↳ Gross enrollment
 - c. per capita income.
3. Similarly any country is having low life expectancy high drop out rate low gross enrollment and low per capita income awarded high incidence of poor their rank in MPI may be high.
4. In 2000, UNO has established 8 millennium developmental goals may be achieved by 2015. For example world, poverty may be reduced to off by 2015.

Estimation of poverty :-

(9)

year	Rural	Urban	combined (%)
1973-74	56.44	41.09	54.88
Suresh. D. Tendulkar committee 2011-12	25.57	13.70	21.90 <u>26.97 crores</u>
C. Rangarajan committee 2011-12	30.9	26.40	29.5 <u>36.29 crores</u>

28 RS (R)

32 RS (U)

32 RS (R)

40 RS (U)

→ Official estimation of poverty for the first time 1973-74.

→ Lowest poverty Goa (63%).

→ Highest poverty Chattisgarh (47%).

A.P poverty by Rangarajan (2011-12) :-

R	U	C
12.7	13.6	13.7

Committees on poverty :-

1. 1993 - D.T. Lakadawala committee
 - Rural
 - Urban
 - combined
2. 2010 - Suresh. D. Tendulkar committee
 - Urban
 - rural
 - combined
3. 2011 - N.C. Sexena - Rural poverty only
4. 2012 - H.R. Hashim - Urban poverty only
5. 2012 - C. Rangarajan - Rural, Urban, combined.

Reasons of poverty:-

1. Over population
2. Low level of investments
3. Improper distribution of land
4. High level of unemployment
5. Existence of corruption.
6. Low level of skills
7. Low level of irrigation facilities
8. Increase in prices.

Effects of poverty:-

1. If poverty exists, we can say increase in malnutrition.
2. Income inequalities.
3. Increase in social tensions, Revolutionary movements
4. poor people cannot mingle main stream of society.
5. According to Gautham Mathur poor people can locate commodities but they cannot purchase.
6. According to A. Kumar sen a blind person can see the problem of poverty because hungry is common for all.

Solutions:-

1. We need to minimize population growth.
2. Investment to be enhance
3. proper distribution of land to the poorest of poor is needed.
4. substantial employment to be generated.
5. corruption and mal practices stopped.
6. Modern skills to be provided to the people.
7. substantial irrigation facilities enhance.
8. High level of prices to be control.

9. Different states followed different methods for removal of poverty. (8)

- a. United A.P followed public distribution system (Ration)
- b. Tamilnadu govt. followed Universal public distribution system (universal means giving accessibility to get into provisions under PDS)
- c. Kerala - strengthening and education system.
- d. W.B - Land distribution method.
- e. Punjab, Haryana - Green Revolution.
- f. Gujarat - providing substantial irrigation facilities.

Unemployment:-

Unemployment is universal process. It exists developing as well as developed countries but problem is more severe in developing countries compared to developed countries.

According to J.M. Keynes (father of modern economics)

1% of unemployment is unavoidable. providing 100% employment will become myth. It won't become reality.

Meaning:-

persons belongs to 15-59 age groups they are physically, mentally stable seeking for employment but unable to find out work is called unemployment or sometimes it is also known as involuntary or open unemployment

Types of Unemployment:-

1. Cyclical Unemployment:-

1. It exist developing as well as developed countries
2. It happens due to imbalance between exports and imports.

3. For example recently Mango products from India suspended European Union. In India all mango cultivators remain idle they face the problem of unemployment.
- * 4. It also may be happened lack of sufficient demand to the products.

2. Frictional Unemployment (or) Temporary Unemployment:-

1. It may happens when people are shifting one industry to other industry or shifting one occupation to another occupation.
2. They may not get job immediately. The gap made to frictional or temporary unemployment. /

3. Disguised Unemployment:-

1. The word kind by John Robbins.

2. In developing countries whenever population increases labour force increases but we can see slow movement in employment opportunities.

3. Labour force consisting of age group 15-59 years.

4. According to disguised unemployment availability of more number of people for work actual requirement.

5. For example cultivation of agriculture, 1 acre of land suppose we need 10 people due to pressure of the labour you may engage extra 5 persons. Here more no. of labourers are engage then required additional labourers sometimes called Marginal labourers. Even though we engage this marginal workers, their marginal productivity is equivalent to zero. According to vision 2020 dependency ratio on agriculture to be minimised to 40%. It was 56% previously. It implies that we can see 16% of disguised unemployed.

4. Seasonal Unemployment :-

(7)

1. Generally employment in developing countries influence by seasons or monsoons.
2. According to NSSO estimation 2011-12 out of 365 days in India rural people are provided employment for 180 days. Remaining 185 days become idle. This period is called slack seasons.
3. Whenever breakdown in monsoon happens rural people will migrate in urban areas technically it is called "push migration".
4. In order to minimize push migration during 2003 PURA (pura yojana) established providing urban facilities in rural areas.
5. In order to provide employment for 100 days National rural employment guarantee act established in 2005. Jean Dreze Belgium economist is considered as father of employment guarantee program in India.
6. It was commenced on Feb-2, 2006 at Bandlapalli village (Anantapur). (NREGS scheme)
7. Every year on Feb-2 observed as "National Employment day".
8. On Oct-2, 2009 "NREGS" renamed as "MGNREGS"
9. Employment guarantee scheme for the first time established in Maharashtra in 1972.

5. Educated Unemployment :-

1. Accordingly a person who completed 10th and above remain idle consider as educated unemployed out of total unemployment 100%. we can see 15% of educated unemployment.
2. Educated Unemployment is more in Kerala state.
3. Educated Unemployment problem is more who completed degree and above standard.

6. Under Employment :-

1. It may happened increase in educational opportunities ~~declain~~ decline in industrial establishments.
2. A highly qualified person adjust with low paid work it may not be suitable job for him.

7. Structural Unemployment :-

1. It exists in majority of developing countries majority unemployment in India is in structural form. It is also, called as permanent form of unemployment.
2. It may arise a multiple inter connected inter related reasons. These are a over population, lack of suitable skills (majorly structural unemployment arises with these reasons) low level of investments.

8. Technological Unemployment :-

1. Technology is the cause, for development of unemployment. In order to minimize production cost producers may use modern technology. It leads to unemployment accordingly technology may, bypass employment opportunities.

2. Under MGNREGS we shall not use technology because it is made for manual employment. (8)

9. Voluntary Employment:-

1. Even though employment opportunities are available people may not show interest to take opportunities due to various reasons they may remain idle.

Unemployment Estimations:-

1. There is a Ministry of Labour and Employment which takes responsibility for the estimation of employment as well as unemployment rate in India;
2. N.S.S.O is considered as Nodal agency for real estimation of employment as well as unemployment. It collects field data periodically for every 4 years.
3. Estimation of employment and unemployment N.S.S.O will look into a labour force participation rate as well as work force participation rate. (L.F.P.R)
4. L.F.P.R estimated for 1000. It includes people who are seeking for employment as well as who are provided employment.
5. W.F.P.R it will take into consider only who are actually working accordingly unemployment rate is equal to $L.F.P.R - W.F.P.R$.
6. It estimation of employment and unemployment N.S.S.O calculates no. of working days or hours under the following measures.
 - a. Usual principle status. It is the annual estimation of employment as well as unemployment. If a person

is provided employment for 180 days and more he may be considered as Employee. However if a person is not provided employment for 182 days, we will be considered unemployed.

b. Current weekly status:-

Accordingly in a given week (7 days) if a person is provided atleast 1 hour of work he may be considered as Employee.

c. Current daily status:-

In a given 7 days if person is not provided employment atleast 1 day will be treated unemployed. So rate of unemployment is more under current daily status. Overall unemployment is more in Kerala.

- Rural unemployment is more in Kerala.
- Urban unemployment is more in Bihar
- Youth unemployment is more in Kerala.
- Educated unemployment is also more in Kerala.
- problem of unemployment is more people who still practises caste based occupations.
- ↔ Unemployment is more in agriculture labourers.
It is also more in daily wage earners.

Reasons for unemployment:-

1. Over population
2. Low level of investments
3. Low level of Irrigation
4. Low level of skills. (structural unemployment)

Effects :-

According to V.V. Giri unemployment problem ⁽⁹⁾ is major in society.

Solutions :-

1. Decrease of population growth rate.
2. Need to improve skills.
3. Increasing investments and Irrigation facilities.

According "National skill development" was established in 2009.

Note :-

In 2013 - 14 India's G.D.P growth rate is 4.7%.



UNIT - II

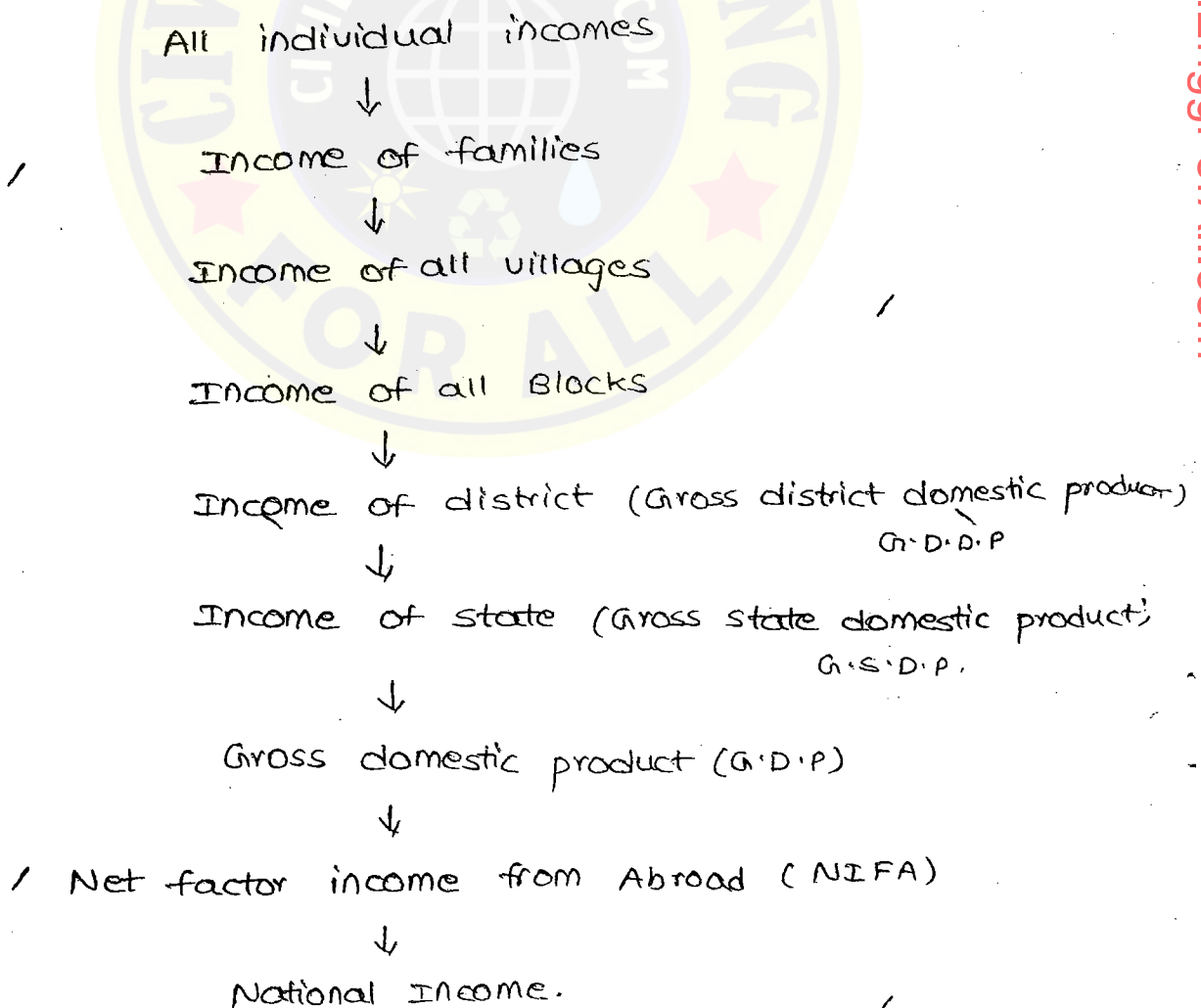
NATIONAL INCOME

1. National Income is equivalent to National product is equivalent to national dividend is equivalent to national expenditure.

$$NI = NP = ND = NE$$

2. National Income is the annual income of the nation. It is the monetary expression of our physical achievement in a given year. Moreover all goods + services produced in a given year in a given country expressed in terms of money is also called as National Income.

3. National Income may be explained in simple terms



Methods in estimation of National Income :-

There are three methods.

1. product method
2. Income method
3. Expenditure method.

Product method:-

Accordingly National income may be estimated by calculating total product in terms of prices. Whatever the commodities and services we produced may be calculated in terms of money. There is a "base year" for calculation of National Income (2004-2005). Base year quantity and prices are expressed q_0, p_0 respectively. Current product is expressed as q_1 , in order to minimise price fluctuation in economy we have to use base year prices.

$q_1 \times p_0$ it is considered as Rationalistic estimation of National Income without inflationary pressure.

Income method:-

It is a most popular method. India's majority of income is calculating under this method. We have to take into consideration income of all tax payers as well as income of all non tax payers. In the economics there are four factors.

Factor	Factor payments
Land	Rent
Labour	wages
capital	interest
Organisation	profit.

$$\text{National income} = R + W + I + P + M.I \text{ (Mixed income)}$$

Here / one individual earned income from different occupations.

Expenditure method:-

It is a modern method rarely used. It is famous in developed countries. India uses this method very rare occasions. According $N.I = \text{Total expenditure} + \text{Total savings}$. Here we have to see total expenditure as well as total expenditure of consumers, private institutions and Government institution.

Note:-

1. India using all three methods for calculating national income.
2. India national income estimated by Dadabhai Nauroji.

National income estimations Historical background:-

1. For the first time in India Dadabhai Nauroji estimated India's N.I as rupees 340 crores. He estimated India's population is 17 crores. For 1867-68 per capita income was 20 RS.
$$P.C.I = \frac{N.I}{P} = \frac{340}{17} = 20 \text{ RS.}$$
2. Finley Shirras estimated India's National income for three times. He was only the person estimated N.I for 3 times.
3. Dr. V.K.R.V. Rao estimated India's N.I as well as p.c.I scientifically, he used product method as well as income method. published "India's N.I however Dadabhai Nauroji used product method only during 1949 under leadership of P.C. Mahalanobis national income estimates committee (N.I.E.C) was established. It has submitted report in 1951 our p.c.I was estimated to 246.9 RS/. According to 2013-14 India's per capita income at constant prices Rs. 39,904/-"
4. Largest per capita income in the world registered in U.S.A. there income is 58,000 \$, India's 1300 \$

Estimates of Income :-

(11)

	India	United A.P.	Separate A.P.	Telangana
N.I	CSO	DES	DES	DES
P.C.I	(1951)	(1971)	(2014)	(2014)
	(N. Delhi)	(Hyd)		

1. In India G.D.P (Gross Domestic product) or national income per capita income may be estimated by central statistical Organisation (C.S.O) established in New Delhi (1951)
2. C.S.O works under "Ministry of Statistics" and programme implementation.
3. State income technically called Gross state domestic product (G.S.D.P).
4. Similarly there is another technical word for assessment of district income - Gross ^{district} Domestic product (G.D.D.P).
5. In United A.P previously G.S.D.P as well as G.D.P^D was estimated by Directorate of Economics and Statistics (D.E.S) established in Hyd (1971).
6. Same agency established for separate A.P and Telangana established in 2014.
7. These institutions (G.D.D.P). Centre for economic and ^(C.E.S.S) social studies a premier research institutions calculated poverty and Human development report independently U.A.P.
8. Now C.E.S.S. is preparing Human development for Telangana and A.P.

2M *** * Concepts of National Income :-

1. Gross / Domestic product (G.D.P) :-

1. It is consider as micro level concept. Here geographical area is always associated with G.D.P.

2. G.D.P means all goods and services produced within a given geographical area including exclusive economic zone (350 n miles). In a given years measure in terms of money. The net value is called G.D.P.

3. Here we have to see value of total goods, value of total services difference b/w exports and imports (X-M) and goods are and services are generated by foreign company but under G.N.P exclude a income generated by foreign nationals in India.

Gross National product (G.N.P):-

1. It is a macro level concept.

$$G.N.P = G.D.P + NFIA \text{ (Net Factor Income from Abroad)}$$

2. It is the difference between receives - payments.

3. G.N.P is disassociated with geographical area where goods and services produced is immaterial but those goods and services produced by Indians and foreigners.

4. Even though N.R.I's work in outside India. Indian company working outside India whatever the income they generated would automatically become part and partial of India's Income.

	consumer (C)	private (I)	Govt. (G)
product method	C	I	G
Income method	C	I	G
Expenditure method	C	I	G

M.P - Market price

$$1. G.D.P = C + I + G + (X - M) \text{ (at M.P)}$$

$$2. G.D.P = C + I + G + (X - M) - IT + S \text{ (at F.P or F.C)}$$

1. G.D.P at Market price. Market price under product method

$$G.D.P_{M.P} = C + I + G + (X - M) \quad (12)$$

2. G.D.P at Factor cost. Factor cost nothing but Factor payment. It is calculated under Income method.

$$G.D.P = C + I + G + (X - M) - IT + S \text{ (subsidies)}$$

$$Income = F.P = F.C.$$

3. Net = Gross - Depletion (D)

$$NDP_{M.P} = C + I + G + (X - M) - D$$

$$4. \quad NDP_{F.C} = C + I + G + (X - M) - IT + S - D.$$

$$G.D.P + N.F.I/A \quad \text{---} \quad G.N.P_{M.P} = C + I + G + (X - M) + N.F.I/A$$

$$G.N.P_{F.C} = C + I + G + (X - M) + N.F.I/A - IT$$

$$N.N.P_{M.P} = C + I + G + (X - M) + N.F.I/A - D$$

$$N.N.P_{F.C} = C + I + G + (X - M) + N.F.I/A - IT - D$$

$$\therefore GNP - N.F.I/A = G.D.P.$$

C = consumer's income.

I = private income

G = Govt. income

(X - M) = Export and Import Income

N.F.I/A = ~~National~~ Net factor Income from Abroad

N.N.P = Net National product

N.D.P = Net domestic product

M.P = Market price.

S = subsidies

IT = Indirect taxes.

Note :-

which is called National Income $\frac{NNP_{FC}}{P}$

$$1. P.C.I = \frac{N.I}{\text{population}(P)} \quad P = \text{Mid year population}$$

$$2. P.C.I = \frac{N.N.P_{F.C}}{P}$$

$$3. P.C.I \text{ at const. year} = \frac{NNP_{FC} \text{ at constant year price}}{\text{population.}}$$

$$4. \text{NOMINAL P.C.I (or) P.C.I at current year} = \frac{NNP_{FC} \text{ at current year price}}{\text{Mid year population.}}$$

Prices in estimation of N.I or G.D.P :-

There are two different prices

1. Base year price (or) constant year price (or) Real year price
2. Current year price (or) Nominal year price.

Base year is 2004-05 $\rightarrow q_0, P_0$

current year is 2013-14 $\rightarrow q_1, P_1$

National income in India $q_1 \times P_{01} = 99,00,000$

$q_1 \times P_0 = 55,00,000$

P.C.I at ~~current~~ ^{base} year price is 39,904 RS

P.C.I at current year price is 73,013 RS.

Note :-

1. World Human development Report - 1990
2. National Human development Report - 2001
3. State Human development Report - 2008

- Important points:-
1. For the first time "World Human Development Report" published in 1990. Latest is the 2014 till so far 24 H.D.R has been released.
 2. United Nations Development program (U.N.D.P) published H.D.R, every year. It is associated body under U.N.O.
 3. For the first time in India in 1996 "Madhya Pradesh" govt. has independently established "State Human Development Report".
 4. National planning commission has established "National Human Development Report" in 2001. However for the first time centre of Economic and social studies (C.E.S.S) established U.A.P^{state} H.D.R.
 5. Pakistan economist Mahamad - Ul-Huk constructed "Human Development Index" based upon "H.D.I" H.D.R will be publishing.
 6. Paul Streaten has defined H.D.I. There are three parameters under H.D.I
 1. Life Expectancy Index (L.E.I)
 2. Knowledge Index (K.I)
 - a. Mean years of schooling
 - b. Expected years of schooling.
 3. Decent standard of living Index (GNI per capita income)
 7. Latest Human Development Report was released in the month of June. Here U.N.D.P has calculated total 187 countries. Accordingly 1st country given to Norway, 136th country - India (H.D.I value 0.586). 187th country - Nigeri
 8. According to 2011-12 "N.H.D.R" first state in India is Kerala, last Chattisgarh. United A.P - 9th, Telangana - 13th state
Separate A.P - 15th (first Vishakhapatnam) / (Hyd - Nizamabad)

PLANNING AND DEVELOPMENT

Planning in India:-

1. For the first time in the world economic plans established in 1928. Russian plans called as "Gas plans".
2. "Gas" means state controlled Economy.
3. Joseph Stalin established socialist plans in that country.
4. Stalin is considered as "Father of world planning"
5. Russia is considered as "Mother of world planning" becoz majority of the countries adopted plans in Russia.
6. In India plans were established 1951 by the efforts of J.L. Nehru. He is considered as "Father of Indian planning".
7. Every year NOV-14 is celebrated "National-cooperative day".
8. In world 9085 years of planning completed, in India 60 years of planning completed. we completed '11' five year plans and six annual year plans. (1966-69) is also called plan holiday for five year plans. we are in the middle of twelfth 12-five year plan.

** Name of the plans - Growth Model and Objectives:-

Plan	Tenure	Growth Model	Objectives
I	1951 - 56 (Apr-1 - Mar 31)	given by R.F. Harrod and Domar	Agriculture & Irrigation development
II five year plan	1956 - 61	P.C. Mahalanobis and J.L. Nehru	Rapid industrial development
III five year plan	1961 - 66	Ashok Menta	Self Reliance (Import substitution Export promotion)

III annual plan (plan Holiday)	1966 - 69	Allen Manne and Ashok Rudra	Green Revolution
IV five year plan	1969 - 74	Dr. Gadgil	Growth with Justice and stability.
V five year plan	1974 - 79	P.N. Haskar and D.P. Dhar	Removal of poverty
Annual plan (or) Rolling plan	1979 - 80	Gunnar Myrdal	Small scale industries.
VI five year plan	1980 - 85	R.F. Harrod and Domar	Removal of un-employment, Energy resource development
VII plan	1985 - 90	Vakil brahmananda and Rajev growth	Depvelopment of food work and productivity
Annual plan	1990 - 92	M.M. Singh and P.V.N. Rao	Establishment of new/economic reforms and privatization of economy.
VIII plan	1992 - 97	Manmohan singh and P.V. Narasimha Rao	Human Resource Development.
IX plan	1997 - 2002	Madhu dandavath	Growth with social justice and Rural development.
X plan	2002 - 2007	National planning comission (N.P.C)	generation of employment opportunities.
XI plan	2007 - 2012	N.P.C.	Towards faster and more inclusive growth
XII plan	2012 - 2017	N.P.C.	Towards faster and sustainable a more inclusive growth.

Note:- self/ reliance first time used under III - five year plan

* IN 2014-15, MGNREGS got 33,000 crores (Budget plan)

Rapid Industrialization:-

For the first time Russia adopted this method. It also introduced capital intensive method giving more importance to technology and money is considered as capital intensive method. By using this two within a span of 20 years (1928-48) Russia achieved tremendous growth rate which is equivalent to 150 years' growth rate of America.

In India Nehru introduced capital intensive method but it created large scale unemployment. Due to this Morarji Desai government in 1978 introduced labour intensive methods means using more no. of labour in the process of production. The largest labour intensive social welfare program in India is "Mahatma Gandhi National Rural Employment Guarantee scheme". It is meant for generation of employment in manual works. Under 2014-15 budget RS. 33000 crores allocated.

Self Reliance:-

We need to improve more production and we have to suspend imports from other countries we need to export max. commodities from other countries. Growth with social justice we have to provide from weaker section to minorities.

Human Resource Development:-

Here we need to improve human skills efficiency, Hard working. In economics Human Resources called as Demographic dividend. Demos means population, graphy means study. Scientific study of population is demography. population is considered as asset.

Faster:-

In India initial 30 years of economy (1950-80) avg annual growth rate registered to 3.4%. It is very slow growth rate. Prof. Raj Krishna commented this growth as Hindu growth rate.

Inclusive growth:-

According to this whatever you neglected 64 years of economy need to be identify take immediate steps. Accordingly we need to include poverty, unemployment, rural backwardness, farmers suicide and take appropriate methods immediately.

Sustainable:-

It has two components

1. protection of environment.
2. Save the resources in the interest of future.

National planning commission:-

It is established on March-15 1950. Head quarter is New Delhi. That building is known as Yojana bhavan.

Structure:-

It has one ex-officio chairman, one Deputy chairman, 6 cabinet ministers, 1 secretary and some of the experts. Whoever become P.M will act as Ex-officio chairman for N.P.C.

First Ex-officio chairman is J.L. Nehru. Last chairman is Manmohan Singh. Because N. Modi govt. abolished N.P.C. they are looking for alternative institution.

First Deputy chairman is Gurbhag Singh. Last Dy. chairman is Montek Singh Ahluwalia.

Function:-

N.P.C. is not a constitutional body it is established by parliament it will give advices to government on socio economic parameters. It tries to modernize India. It will make research on various policy matters. periodically it will estimate problem of poverty. It will prepare five year plans and annual plans. Later same draft plan will sent to National Development Council (1952 Aug-6).

N.P.C. will scrutinize draft plans and finalizes. Without acceptency of N.D.C. no central plan will come into effect. Similarly state plan will scrutinize by National planning commission without acceptency of N.P.C. no state plan will come into effect.

Historical Background of plans:-

In 1928 first person who talk on establishment of plans was Subash Chandra Bose. In 1934 Mokshagundam Visveswaraya published one important book "planned economy for India" under this title he advised to British government for the speedy establishment of plans.

In 1938 under the leadership of J.L. Nehru planning committee established it was suspended due to outbreak of second world war during 1936 P.S. Loknath published principles of planning. During 1936 K.N. Sen published "Economic reconstruction of India" both advised establishment of plans. In 1944 A.D. Dhalal acted as a chairman for planning advisory body. In 1944 Bombay plan established at Mumbai

8 crate industrialist assembled and made some resolution for the development of India. In 1944 "Sriman Narayan Agarwal established "Gandhian plan" on Gandhian principles. He advised government to prepare plan on Gandhian Econom model. In 1945 people's plan was established by M.N. Roy. In 1946 under the leadership of Nehru Department of planning and development was established. It was recommended establishment of N.P.C.

In 1950 sarvodaya plan was established by Jai prakash Narayan. It is also prepared Gandhian Ideology.

Objectives of planning:-

Economic objectives	social objectives
1. Improve Gross domestic product.	1. Minimize illeteracy and improve child sex ratio (0-6 years).
2. Improve per capita income. It may be arrived to National income, by population.	2. Encourage women empowerment
3. Improve saving and investments. Investment is considered engine of growth on economics.	3. Improve Life expectancy.
4. Improve productivity.	4. Minimize infant mortality rate (0-1 year). of children.
5. Minimize poverty and unemployment	5. Minimize over population.
6. Minimize inflation and prices.	6. I.M.R. rate in girls is 44:1000
	7. "Missing future mothers" word used by Amartsen.
	8. Minimize maternal motor rate (M.M.R).

Vision 2020:-

1. Vision 2020 established on Jan-23, 2003. It was designed by Syam Prasad Gupta popularised by A.P.J. Abdul Kalam implementing through N.P.C.
2. During 1995 for the first time Malaysia "Mahadir Mohammad" published "New deal program for Asia" where he advocated vision 2020.
3. First state in the world introduced vision 2020, that was United A.P in 1999.
4. Second state is Gujarat (2001).

Long term objectives of vision 2020:-

1. Annual targeted G.D.P growth rate (9%)
2. By 2020, 1.35 billion people will be provided better standard of living.
3. Dependency ratio on agriculture reduced to 40%.
4. Urban population will improved to 40%.

Investments :-

11th five year plan : 35,82,767 crores (actual estimate)
36,44,718 crores (proposed estimate)

12th five year plan : 76,49,802 crores.

Note:- Most successful plan in India is "1st five year plan"

G.D.P	Growth rate
10 th - 8%	7.6%
11 th - 9%	8%
12 th - 8.2%	Awaiting

Off all plans highest G.D.P growth rate is "8% (11th five year plan)"

Plan wise development in India:-

(17)

1. First five year plan:-

1. First five year plan (1951-56)
2. Growth model is R.F. Harrod and Domar. He is a U.S.A. economist.
3. Objectives are Agriculture, Irrigation development, Minimise rate of inflation or prices, improve G.D.P growth rate.
4. G.D.P. growth rate 2012-13 is 4.5% and 2013-14 is 4.7.

Achievements:-

1. IN 1951 land reforms are established. It is to distribution of land to poorest of poor.
2. IN 1951 Zamindari system was abolished. It acted as middle man between government and farmers. They collect huge taxes from farmers and paid less taxes to government.
3. They have been greatly exploited farmers.
4. IN 1952 for first time in India family planning operation established by prof. Irawati Karve. India was first country who established family planning program. That's why India is considered as "Mother of world family".
5. IN 1952 community development program established. It was first social welfare program in India. This is meant for rural development.
6. IN 1955, S.B.I was nationalised. It was first commercial bank which was nationalised.
7. IN 1955 Industrial Credit Investment Corporation of India was established. It give loans to private industries.
8. First five year plan is the only plan which succeeded to control inflation here average annual inflation registered to 3.2%.

Note:-

Which committee has established in India to review on going social welfare schemes. [D]

- A. Rangarajan
- B. Montek Singh Ahluwalia
- C. Jairam ramesh
- D. Chaturvedi committee

→ All given 144 programs, he recommended to minimize programs.

Second five year plan:-

1. It is established in 1956-61.

2. Objectives:-

- a. Improve G.D.P. growth
- b. Minimize income inequalities
- c. provide 11 million employment opportunities
- d. Establishing industries very rapidly.

3. Progress:-

- a. Under this plan govt. adopted big push theory, originally it was advocated by Rossestain Rodan.
- b. Accordingly large scale investments are needed to establish large scale production.
- c. Russia developed by using large scale investments. Here economy may be pushed to forward through big investments.

Trickle down theory:-

It established by J.L. Nehru in 1956. Accordingly to minimize age hold problems such as unemployment, illiteracy, rural backwardness, we need to improve state income. This theory was failed because although income of the govt. has been improved but govt. was unable to distribute resources that's why during 1978 Morarji desai has abolished

Trickle down theory

For the first time in India. First Industrial policy was established in 1948. Under this we adopted mixed economy. Here we can see co-existence of public as well as private sector in the economy.

Father of mixed economy system was J.M. Keynes. Father of capitalism was Adam Smith. Investment was given more importance, here private sector will guide the economy.

Father of socialism is Karl Marx. Here public sector is given more importance. In 1956 Industrial Policy Resolution is considered as Magna Carta of Industries (or) economic constitution.

Under this I.P.R. three big Iron steel industries were established.

1. Rourkela Iron steel Industry (Technology given by Germany)
2. Bhilai Iron steel Industry (Technology given by Russia)
3. Durgapur

In 1954 Prof. Gorwala committee was established by R.B. on rural credit is classified into three categories.

1. Short-term credit (15 months)
2. Medium term (15 months - 5 years)
3. Long term (5 - 20 years).

In 1956, P.C. Mahalanobis committee established on Income inequalities.

Note:-

1. In 2013 by R.B.I Prakash Bakshi committee to study on "cooperative society"

Third five year plan (1961-66):-

1. Designed by Ashok Mehta

Objectives:-

1. Self Reliance
2. Minimize regional inequalities
3. Minimize population growth rate
4. Improve exports

Progress:-

1. IN 1960-61, intensive agriculture district program was established. (I.A.D.P)
2. IN 1964-65, intensive agriculture area program (I.A.A.P) established. Both the programs were designed to boostup agriculture production.
3. Due to these Green Revolution made possible in India.
4. The word Green Revolution was coined by William F. God-
5. Norman Borlugh is treated "Father of world Green Revolution"
6. IN India M.S. swaminathan is considered "Father of Green Revolution".
7. By the beginning of third five year plan our planners thought that "take off stage". The word coined by W.W. Rostow.
8. Registering maturity in the economy is called "take off stage".
9. IN 1963, Agriculture Refinance Development Corporation (ARDC) established it is renamed as "NABARD" in 1982. (National Bank for Agricultural Rural development). It was recommended by Shiva raman committee. It is considered as Apex bank in refinance.

During third five year plan Bokaro Iron steel industry was established.

10. NABARD is established Rural ^{infrastructure} development fund in 1995.
(R.D. R.I.D.F) (19)

11. In 1964 Unit thrust of India was established. It is renamed as Axis Bank.

12. In 1964 Industrial development bank of India (IDBI) which is largest developmental bank to provide maximum credit to industries.

13. It become scheduled commercial bank in 2008. so it is last scheduled commercial bank.

14. To provide modern seeds in 1965 "High yielding varieties of program was established".

Failures of third five year plan:-

1. Third five year plan was considered most unsuccessful plan because of following reasons:
 1. 1962 war with china was broke out
 2. 1965 war with pakistan. Due to these two wars plan base priority shifted from development to defence.
 3. Development of unfavourable monsoon.
- * 4. Decline Agriculture production. Due to this India imported wheat from "public Law of 480". When food grains production was declined huge demand for food grain production emerged and finally High level inflation registered (14%). By the recommendation of Ashok Mehta committee annual plans were established because India was not in a position to start Fourth five year plan. In 1968-69 "annual plan period" remember as "plan holiday (plan holiday for five year plan)". Three annual plan all economic parameters improved. Then India established 4th five year plan (1969-74).

Fourth Five year plan (1969-74) :-

Growth model by D.R. Gadgil.

Objectives:-

1. Growth with social justice.
2. Growth with stability
3. Achieving self reliance
4. Minimize regional inequalities

Progress:-

1. During 1969 by the recommendation of Hazari committee 14 banks were nationalised.
2. For the first time 1949 R.B.I was nationalised under R.B.I act 1949.
3. IN 1955 S.B.I was nationalised.
4. IN 1980 six banks were nationalised. Now we are in regim providisation of banking sector recommended by Narasimhan committee in 1992.
5. Due to increase in food grains production in India "P.L. - 480" was suspended.
6. IN 1969 under Nareeman committee lead bank scheme was established. Accordingly each scheduled commercial bank has lead one backward region are they have to adopt some of the district to minimize regional inequalities.
7. IN 1969, M.R.T.P. Act was established.
8. IN 1970 M.R.T.P implemented. (Mono police Restructive Trade practices). Mono poly means one single sellar will control the entire market sometimes they may exploit interest of the consumers. Due to this some restrictions were made on big industrialist or big companies.

9. IN 1973 F.E.R.A (Foreign exchange Regulation Act) (20)
10. IN 2000 F.E.M.A (Foreign exchange Management Act)
11. IN India there are three components in foreign exchange reserves. these are always kept with R.B.I
- US dollars (through exporting commodities)
 - Gold reserves (by purchasing)
 - Special Drawing rights. It is specially created money by International Monetary fund.

However severe foreign exchange crisis has emerged in 1990-91. Our foreign exchange reserves decline to very low 1 billion dollar. Due to development of this crisis India has adopted privatization of economy through 1991 Industrial policy resolution. These efforts broadly called New economic reforms or Macro level economic reforms. During post economic reforms by April 2014 India's foreign exchange reserves improved to 304.4 US billion dollars. By these India reached to 7th position. China is the top in terms of adding huge gold reserves as well as foreign exchange reserves. India stood 9th position in terms of "Gold reserves".

Fifth five year plan (1974-79):-

Objectives:-

- Removal of poverty to minimize population growth
- Minimize inflation rate
- Boost up exports

Progress:-

- IN 1974 minimum needs programm was established.
 - Food
 - shelter
 - clothes

2. During 1974, command area development program established to improve Irrigation facilities.
3. In 1997 "National watershed Management scheme" was established. In 2014 July, it is renamed as "Neerachal".
4. In 1975, "20 points program" was established on June-1.
5. It has 20 important objectives these were meant for comprehensive development of Rural villages. In the implementation of 20 PP. United A.P stood first in three successive financial years (2010-11, 2011-12, 2012-13).
6. On Oct-2nd 1975 by the recommendation of Narasimham committee regional rural banks established for the development of rural areas and farmers. previously they were 86 R.R.B's presently they are been minimised to "63".
7. In 1975-77 during emergency period compulsory family planning operations has been implemented.
8. During 1976 "National population policy was established" under this, Marriage age will be hiked 14 to 18, 18 to 21.
9. Latest "National population policy" established on May-11 2000. At same day 8:45 AM by the birth of Aastra India's population reached to 100 crores. Under these India's population may be stabilized by 2045. India's population crosses china's population in 2050.
10. In 1975, "Integrated child development scheme" was established. It is to improve nutritious level in children in Rural villages. It is implementing in the name of Anganwadi system. India's having world largest I.C.D.S Scheme.

- 11. In 1977 Garibi Hatao scheme.
- 12. In 1978 Rajasthan state govt. established Aanchodaya scheme. Identification of poorest of the poor. Take Stanges method in design for speedy Removal of povert
- 13. 1972 - 73 } India attain "Trade Surplus" except these two
 1976 - 77 } years majority of time India has been under
 Severe "Trade deficite".
- 14. Trade surplus means "Exports are more than Imports"
- 15. Trade defecite means "Imports are more than Exports"

Note:-

For the first time in which five year plan "Trade Surplus" is "Fourth five year plan" defecite

Rolling plan (1979 - 80):-

- 1. Concept developed by Gunnar Myrdal. /
- 2. Rolling plan in India implemented by D.T. Lakadawala comitte
- 3. He estimated the poverty in 1993.
- 4. Under Rolling plan 1979, "Trysem" (Training for Rural Youth, in self employment) was established. It is to provide self employment for rural youth.
- 5. In 1978, Integrated Rural Development program establishe for development of rural villages.
- 6. In 1978, District Industrial centres (D.I.C) established with the objectives of establishing industry in each district in decentralization of industries. /

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Sixth Five year plan (1980 - 85) :-

Growth model is R.F. Harrod

Objectives :-

1. Removal of Unemployment
2. Improve energy resources
3. Improve literacy level
4. Improve women empowerment

Progress :-

1. In 1980, National rural employment program established. It is to provide employment for rural people.
2. In 1982, Dwakra development of women and child rural areas. It is meant for removal of poverty in Rural poor women.
3. India is having largest self help groups in the world
4. Within India A.P's is having more no. of self help groups. Total 10 Lakhs members, 1.1 crores dwakra now merged into national rural livelihood machines. It is meant for removal of rural poverty.
5. In 1982 NABARD and EX-IM bank (Export - Import)
6. In 1983 Rural landless employment guarantee program established.
7. In 1985 Sick Industries companies Act (S.I.C.A). It is to revival of sick industries in India.

Note :-

present Unemployment rate in India are 50 million (or)

5 crores

Seventh Five year plan:- (1985-90)

22

Objectives:-

1. Food, work, productivity
2. Modernization of India
3. Improve I.T. related Technology

* Progress:-

1. In 1985, Indira Aawaz yojana was established. It is meant for construction of pakka houses for rural poor. This is the central sponsored scheme. Investment shared by central and state govt. is 75:25.
2. In 2011 Rajiv Aawaz yojana was established. It is implementing a slogan "slum free India". It is constructed pakka houses for slum residence. or
3. In 1986 Operation black board was established to improve adult literacy.
4. In 1988 "Million weathrs scheme". It has been implemented in United A.P in the name of Indira Jala prabha in 2011. Objective year is to provide proper irrigation facilities for S.C, S.T. farmers.
5. In 1988 "Securities exchange board of India" established by R.B.I. It is to control stock market in India. S.E.B. is given Autonomous powers in 1992. or
6. In 1988 "India Tourism development corporation" was established, during 1988-89 highest G.D.P growth rate was registered i.e., 9.9%. economically it is called Boom.
7. In 1989 "TRY, NRY" was established (Jawahar Roighar yojana, Nehru Roighar yojana)
↓
Removal of Urban unemployment.
↓
Removal of Rural Unemployment

Although seventh five year plan (1988-89) highest G.D.P growth rate registered. But five year plan registered some of negatives or drawbacks. Due to these India was not in a position to start eight five year plan. Instead we adopted annual plans for two years (1990-92). This were last annual plans of India.

Total annual plans reached to '6'.

Drawbacks of seventh five year plan:-

1. Severe B.O.P crisis emerged. (Balance of payments)
2. A systematic record of India's trade contracts with rest of the world is called B.O.P.
3. Similarly India's exports as well as imports in one year may be scientifically recorded under B.O.P process. presently India is having trade contracts with 180 countries of 193 U.N.O. member countries.
4. During that time due to increasing largest exports foreign exchange reserves decline to very low. (1 billion us dollars).
5. During 1990-91 India's inflation registered to 10.4% for annum
6. Majority of central public sector units under huge losses. They become shelter zones for unemployment. Now C.P.S.U. was revived at present total no. of C.P.S.U is 274. Of these 7 C.P.S.U's registered tremendous progress they awarded with Maharatna status. Total Maharatnas are "7" whichever the company is earning 25000 crores profit for annum may be awarded named as Maharatna.
7. Fiscal deficit (F.D) increase it means increase in total expenditure then total revenue deficit was 10.3%. (1990-91)

On June - 24, 1991 Dr. Manmohan Singh announced in Lok Sabha inception of new economic reforms sometimes these reforms are also called Macro level economic reform. These reforms associated with following economic concepts.

1. Globalisation :-

It is also known as inter nationalisation. Inter connection of all economies in the world is Globalisation accordingly in the name of trade all countries become very close. However the watch dog of International trade is World Trade Organisation (W.T.O) it was established on Jan- 1995, Head quarter Geneva of Switzerland.

2. Liberalization :-

Accordingly more liberty will be given provide economy. Here government powers will be minimised. These procedure sometimes called "Indicative planning".

3. privitisation :-

It is the assests transformation from government to private sector. It is opposite to the process of nationalisation. It is implementing in India in the name of dis-investment. It means slowly reduction of govt. investment and encouragement of investment from private sector.

Govt.	private
75%	25%
59%	41%
25%	75%
0%	100%

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4. Marketisation:-

Inter connection of all markets in the world is called Marketisation. Accordingly producer can sell his product in any where in the market. Similarly consumer can avail best products from any where in the world.

5. Economisation:-

Giving more importance to economic activities.

Accordingly all political social affairs shall be controlled or adjusted according to needs and demands of the economy. Finally according to Karl Marx all human relations are economical.

Eighth Five year plan (1992-97):-

Growth model prepared by ManMohan Singh. These five year plan greatly influenced by New economic reforms giving importance to private sector in the planning is also called Indicative planning. It was commenced under eighth five year plan of India.

Objectives:-

1. Development of Human resources
2. Improve literacy level.
3. Improve life expectancy.
4. Minimize population growth rate.

Progress:-

1. During 1992, Narasimham committee has recommended for privatisation of banking sector.
2. In 1992, Rangarajan committee recommended privatisation of CPSU (slowly withdrawing govt. investment is technically called dis investment. Process commenced in 1993, to see day to day activities of dis investment process a permanent

3. In 1992 Raja Chellappa Committee established on tax reform. He recommended for the introduction of service tax and comprehensive vat (value added tax). Service tax introduced on April-1, 1994 by Manmohan Singh. It is indirect tax to central govt. It is also considered as youngest tax of all taxes of central government.
4. Originally in 1978 L.K. Jha Committee as recommended introduction of vat. Initial VAT was successfully implemented in France (1954). Raja Chellappa recommended comprehensive VAT. This is the state govt. indirect tax. Comprehensive tax commenced in India by replacing sales tax from 1st April 2005. United A.P entered into VAT in 2005. At present in India VAT is successfully implementing all 29 States, 5 Union Territories except 2 U.T's these are Andaman Nicobar Islands and Lakshadweep.
5. In 1993 for removal of unemployment P.M.R.Y (Prime Minister Rojgar Yojana) established.
6. In 1993 MPLADS (Member of parliament-arians local area developmental scheme) established. Accordingly each parliament member will provide Rs. 5 crores for annum for the development of local areas. Recently Sachin Tendulkar adopted Khandrika village (Nellore).
7. In 1995 N.S.A.P (National Social Assistance Program) established. It has three sub programs.
1. Indira Gandhi National Oldage Pension Scheme (IGNOPS) pensions will be provided for elderly persons who cross 60 years. It is implementing in the name of Aasava in Telangana.

2. National Maternity benefit scheme (N.M.B.S). It is the protection of health in the pregnant women.
3. National Accidental benefit scheme (N.A.B.S). Accordingly excrucia will be provided to the diseased persons.
8. In 1995 mid day meals scheme was established it is to improve gross enrolment and minimize drop out rate. India is having world largest midday meals scheme. It is extended to 8th class. The program was greatly impacted to minimize dropout rate in school education.

Ninth five year plan (1997-2002):-

Objectives:-

1. Establishing growth with social justice. Here along with economic growth we need to provide equitable justice for S.C's, S.T's, OBC's and muslim minorities because in rural urban areas poverty is more in muslim minorities.
2. Giving importance of rural development.
3. Minimize dumping it means deliberate production exportation and generation of National Income is leads to dumping. India is also planning do the same. It slogan of "Make in India". Under dumping we can see two prices. prices may high at local markets they may low at international market. They may encourage or attract more consumers. Largest country in the world comitting dumping and encouraging dumping is china. china is considered as "world manufacturing Hub" particularly small scale industry.

progress:-

1. In 1997, Kasturba Gandhi Balika Educational programme established. It is to encourage girls education and most backward district in India. Such as girls are residing

far places, forest and valley regions. Because girls education is low in these regions.

2. In 1997 GKY (Ganga kalyani yojana) established to improve ground level water and construction of bore wells for farmers.

3. In 1997 Swarna Jayanti Sahari Rajghar yojana, now it is merged into "national urban renewal machine" (2012). Major objective of this program to generation of employment opportunities in urban areas.

4. In 1997 "National water shed" management scheme established to protection of rain water. Anna Hazare is considered most important person in the better management of rain water. He created model village "Ralegan Siddi" (Ratnagiri dist. Maharashtra).

5. In 1998, kisan credit cards established by S.B.I it is provide credit facilities to agriculture farmers. United A.P. was largest state for utilisation of k.c.c. Largest district W.G.

6. On dec-25, 2000 three important social welfare schemes established.

1. Sarwa siksha Abiyan - To encourage cent percent literacy in primary education to become part and partia of Right to education implementing April-1, 2010. Funding distribution is central govt. bear 65%. and state govt. bear 35%.

2. Pradhana Manthri Grama Sadak Yojana - It is cent % central govt. sponsored scheme. Major objective is to construction of roads to rural villages where rural population is 500 in village. For tribal areas population of that village should not less 250 persons.

3. Anchoodaya Anna yojana - It is meant for poorest of the poor in the society. They may provided additional 10kg rice or wheat along with state govt. 25 kg rice or wheat. It is under public distribution system. PDS is implementing without malpractices in Karnataka. Universal P.D.S. implementing in Tamilnadu means all beneficial provided Ration cards. In India 40% of corruption identified under this scheme.
7. Justice Wadwa comittee was established on P.D.S. system. (Public distribution system) for effective implementation.
8. Kerala is the only state established cent% of banking linkage for all citizens Jandhan yojana.
9. In 1998, public private partnership (P.P.P). It is to encourage large scale infrastructure under public private partnership. we adopted this model in U.K. That's why Ninth Five year plan is called Infrastructure plan.
10. In 2001, VAMBAY (Valmiki Ambedkar Malina Basti Awas yojana). Tenth Five year plan (2002 - 2007): -

Objectives:-

1. This plan influenced by vision - 2020.
2. Generation of employment opportunities by 50 million or 5 crores. Accordingly we need to provide 1 crore additional employment every years.

Employment targets

- X plan - 50 million
- 58 million
- 50 million or 5 crore / Non agriculture activities.

- 3. Gross domestic product growth rate by 8%.
- 4. Establishment of comprehensive V.A.T.
- 5. Minimize govt. unnecessary expenditure.

Progress:-

- 1. This plan achieved 7.6% G.D.P. growth rate. Target is 8%.
- 2. In 2002, to provide safe drinking water facilities to rural areas. Swasala dhara was established.
- 3. In 2003, Gramina sanchara sevak established to provide telephone connectivity to rural villages.
- 4. In 2005, National rural employment guarantee act was established. For the first time in India Employment guarantee act established in Maharashtra.
- 5. In 2005, National rural health mission established to improve life expectancy.
- 6. "Rajiv Aarogya Sree" established in three district first time in 2007. April-1, 2008 it has been extended to entire state.
- 7. In the implementation of "MGNREGS" more no. of women participants identified in Kerala.
- 8. In 2005, Bharat Nirman established to renovate or modernize rural India.
- 9. First state in India which successfully implemented at April-1, 2003 in Haryana.
- 10. From April-1, 2005 comprehensive VAT launched.
- 11. In 2003, F.R.B.M. Act established. physical responsibility budgetary management act. It was designed by "Vijai khelkar" we adopted this from Newzealand implemented on April-1, 2004. Accordingly physical deficit to be minimize to 3% by 2016-17 financial year.

physical deficite = Total expenditure > Total Revenue.

Eleventh Five year plan (2007 - 2012) :-

1. Towards faster and more inclusive growth

Objectives :-

1. Improve G.D.P for annum by 9%. (achieved growth rate was 8%.)
2. Reduction of poverty by 10%.
3. Generation of employment opportunities to 58 million.
4. Improve 4% agriculture growth rate.
5. zero to six years child sex ratio to be improved to 935 for 1000 boys. It would be 950 for 1000 in 12th five year plan.
6. Minimize infant mortality rate (0 to 1 year) death rate in 1000 births.
7. According to 2012 I.M.R. rate is 42 for 1000 but target level of 11th plan 28 for 1000.

progress :-

1. In 2007 Aam Admi Bhima yojana it is to provide insurance facilities for Agriculture labourers who do not have land.
2. In 2008 prime minister employment generation program for generation of employment.
3. National Rural livelihood machine to 2011 to minimize poverty in rural areas.
4. In 2011, Janani sishu suraksha yojana to contacting safe deliveries in pregnant women. It is to minimize maternal mortality rate.
5. In 2012, Rajiv Aawaz yojana was established.

** Twelfth Five year plan (2012-2017) :-

(2)

Towards faster and ^{sustainable} ^{inclusive} a more subgrowth plan. Total targets 2

Objectives :-

1. Improve G.D.P. growth by 8.2%.
2. Generation of employment opportunities to 50 million in non agricultural sector.
3. Average agriculture growth rate improved to 4%.
4. In 2007, Rashtriya Rushi vikas yojana established. In english it is called National Agriculture policy. Here Agriculture growth rate has fixed to 4%.
5. Reduce 10% of poverty
6. Achieving 10% of growth rate in agriculture sector.
7. Improve irrigation facilities to 103 million hectares from 90.2 ^m billion hectares
8. Improve tele density 70%.
9. 90% of families should maintain Aadhar linked bank accounts.
10. child sex ratio to be improved (950)

Progress :-

1. G.D.P. achieved growth rate 2012-13 is 4.5%. It is the decadal lowest growth rate.
2. In 2013-14, 4.7% wholesale price index inflation for 2013-14 registered to 6%. For the same period consumer price index inflation registered to 9%.
3. Food grains production 2013-14, 264.4 million tons.
4. In 2009 Aadhar project established in both Telangana and A.P. Aadhar project implementing through Ministry of civil supplies.

5. In 2013, Rashini scheme was established to minimize fresh recruitments in Necklaim. Accordingly tribal youth may provided employment opportunities.

UNIT - IV

BUDJET

1. It is an important economic tool, it tries to reshape face of India.
2. Originally the word budjet is derived from french word. In French word it is called Bougett means leather bag or pouch.
3. Accordingly finance minister by presence a budjet by opening a leather bag. this kind of customary practise ^{starting} during british parliament.
4. Budjet always contain two important elements, Revenue as well as Expenditure.
5. Budjet = expected govt. Revenue and expected govt. expenditure in a given year.
6. Budjet tenure is 365 days
7. Budget explains systematic calculations of govt. annual expected income and expected expenditure.
8. According to Indian constitution of Article - 112, president of India will recommends central finance minister to present a budjet before parliament particularly in lower house of parliament (L.S).
9. Since India is a Federal country financial powers also distributed into states.
10. Likewise state governor under article - 202, recommends respective state finance minister to present a budjet before state legislative assembly.

11. Article 243 clause-D explains panchayat Raj Budgets.
12. Traditionally budget may present on Feb-28. This remeber Budget day or B-day.
13. Before presentation of actual budget on Feb-27 in the parliament Railway budget will be presented. on the same day economic survey also presented.
14. Budget as well as economic survey will be prepared by economic affairs it works under Ministry of finance
15. Economic survey shows blue print of Indian economy o the face of Indian economy it would be the previous year achievement because budget is always in advance.
16. For example latest budget 2014-15 survey would be 2013-14.
17. Economic Survey identifies progress and backwardness in the economy. Based upon this testimony (survey) govt will take measures through budget.
18. When budget was presented on Feb-28, entire March is meant for clause wise clause discussion. Finally it will sent to president of India. P.O.I accepts an immediately. It will come into operation.
19. R.B.I function commensed on April-1, 1935

Historical background of Budget:-

1. For the first time in India during 1860 James Williams presented Budget.
2. In 1921 budget splitted into two, Railway budget as well as central budget this was recommended by Accworth Louis committee.
3. In 1946, intiram govt. Liyakath Ali Khan presented budget.

4. In NOV-26, 1946 Shun Mukam Setty presented post independent budget.
5. In 1950-51 John Mutaiah presented first Republic budget. This budget has tried to change face of India. It recommended establishment of National.
6. In 1955-56 budget papers printing in Hindi Language also.
7. In 1958 J.L. Nehru when acting as P.M for the first time budget was presented by the P.M.
8. In 1970-71 the first women finance Minister "Indira Gandhi" established Budget.
9. During 1964-68 on Feb-29 Leap year Murarji Desai presented two budgets including latest Arun Jetley budget for 2014-15.
10. Total no. of India's budgets reached to 84. Of this 110 budgets presented by Murarji Desai. He presented highest no. of budgets. 9 budgets presented by Chidambaram/Veerabhadra Singh in H.P presented 15 state budgets, he presenting highest no. of budgets in India.
11. In United A.P, 13 budgets presented by K. Rossalah.
12. During 1997-98 Chidambaram presented dream budget accordingly income tax, Corporation tax reduced to very low.
13. During 2000-2001 financial year budget Yaswanth Sinha has been changed scheduled and presentation of budget instead of 5:30 pm to 11:00 A.M. This budget is considered millenium budget.

14. Finance minister later become President of India are
R. Venkata Raman, Pranab Mukherjee.

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Types of budget:-

1. General budget:-

1. Initially it was established in Australia (1984). In India it was established 2000-2001 making specific allocations for women is better known as General budgeting. It is designed to minimize general inequalities and establish women empowerment.

Sub plan:-

It is part and partial of major plans in India. We have had S.C., S.T. sub plan established 1974-75 at central level.

2. First state in India which established S.C., S.T. sub plan that was united A.P. Accordingly S.C., S.T. sub plan act established 2013. It has been implemented in the name of "Indiramma kalalu" IATA.

3. Major objective S.C., S.T. sub plan making specific allocations for the benefit of S.C., S.T.'s.

4. Whatever the allocations allotted for S.C., S.T.'s shall not be diverted or under utilised.

2. Vote on account budget:-

1. It is considered as temporary budget to meet temporary urgent problems.

2. Generally budget may be presented on Feb-28 entire March month allotted for clause wise clause discussion. It would be implemented from April-1, similarly when

budget is in discussion in the parliament. Whenever very urgent is arise govt. will establish vote on account budget.

3. Interim budget :-

1. It establish on two occasions. When outgoing govt. do not have a time to rule. Similarly newly established govt. who do not have sufficient time to establish regular budget. When these govt. is not in a position to establish regular budgets they may opt for Interim budget it may be replaced as soon as presentation of regular budget.

4. Zero/ based budget :-

1. It is much familer in U.S.A. Originally it was coined by "peter fire" in 1969.
2. In India it was establish U.P. Singh (1985-86).
3. Generally for the making of all budgets previous budgets are to be considered as base budgets.
4. For example in India latest budget 2014-15 is designed by observing two previous year budgets (2012-13, 2013-14).
5. Under this budgets there will be possibility of making rough estimations.
6. Under Z.B.B, zero is the base but not the previously budget estimates.
7. Here every estimations is newly prepared starting from zero. Every account is scientifically designed consequently budgetary expenditure may be low.
8. It is a resource saving excersise. However under Z.B.B. we can make some changes in the budget in the middle or when govt. think so necessary. Recently

5. performance budget:-

1. In every budget finance minister tries to design targeted goals.
2. How much amount or production or growth rate may be established through this budget may be explain under this budget.
3. For example 2014-15 budgetary expenditure is 17.92 lakh crores by using this govt. has planned to achieve 4.5% physical debicite.
4. Government has targeted to achieve G.D.P. growth rate in between 5.5 to 5.9

6. Outcome budget:-

1. It always shows actual performance of previous budget.
2. It explains real picture through previous budget. It may relationship between Input and output.
3. For example G.D.P. growth rate may be 4.5%. this may be considered under performance.

Budget classification:-

Revenue expenditure:-

Revenue consisting of Tax Revenue and Non Tax Revenue

Direct taxes:-

1. Direct taxes of central government

Income tax:- (13%)

Income tax are 13%.

↳ → state govt. income taxes, stamps and Registration.

central govt.

State govt.

* According 2014-15

1. Corporation tax (21%)

1. Stamp and Registration

2. Land Revenue

Indirect taxes:-

Central govt. Indirect taxes:-

1. Central excise
2. Service tax
3. Custom

State government:-

1. VAT - 6%.
2. State excise
3. Entertainment tax
4. Electricity duty
5. Motor vehicle tax.

Non tax revenue:-

1. Income through central public sector units.
2. Selling govt. property and getting income (dis investment)
3. Borrowing from R.B.I, International Monetary Fund (I.M.F), world bank, Asian, development Bank, Japanese reconstruction bank.
4. Interest / recovery
5. Loans Recovery.
6. Money from employees provident fund.

Expenditure:-

1. plan expenditure (productive expenditure)
2. Non plan expenditure (Non or) Un productive expenditure).

plan expenditure:-

It is for five year plans

1. Central plans
2. State plans

Non plan expenditure:-

1. Interest payments
2. Subsidies [L.P.G
Fertilizers

4. Salaries, allowances, pensions
post metric scholarships

$$\text{Budget} = \text{Revenue} + \text{Expenditure}$$

$$\text{Debit budget} = \text{Expenditure} > \text{Revenue}$$

$$\text{Surplus budget} = \text{Revenue} > \text{Expenditure}$$

$$\text{Balanced budget} = \text{Revenue} = \text{Expenditure}$$

5)

India always in debit budget all developing countries shall with debit budget. Because we shall not save resources without spending.

Since developing countries are having major problems we need to spend more money even by getting borrowings.

**
1. In revenue portion tax revenue is more than non tax revenue (75%).

2. In G.D.P. percentage of tax Revenue.

3. In a given taxes, Direct taxes are generating more income than Indirect taxes. But 1950-51 to 2007-08 indirect taxes are generating more income than direct taxes.

4. In 2013-14 direct taxes are 55.5% and indirect taxes are 44.5%.

5. Within direct taxes corporation taxes provide more income.

6. In non tax revenue, total borrowing are 24%.

2014-15 budget
Revenue 100%.

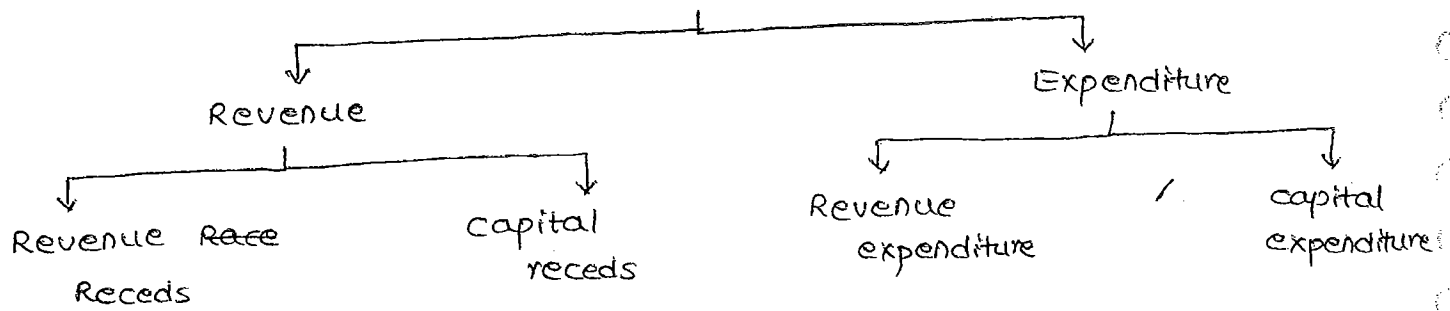
1. Borrowing - 24%.
2. Corporation - 21%.
3. Income tax - 13%.
4. Central exercise - 10%.

Expenditure (100)%.

1. Interest payment - 20%.
2. subsidies - 12%.

→ India's borrowing place in world is 10th

Budget classification



$$\text{Revenue account} = \text{Revenue Recs} + \text{Revenue expenditure}$$

$$\text{Capital account} = \text{Capital Recs} + \text{Capital expenditure}$$

$$\text{Total Revenue} = \text{Revenue Recs} + \text{Capital Recs}$$

$$\text{Total expenditure} = \text{Capital Recs} + \text{Revenue expenditure} + \text{Capital expenditure}$$

$$* \text{ Revenue deficit} = \text{Revenue expenditure} > \text{Revenue Recs}$$

→ In overall revenue, revenue recs are than capital Recs

→ In overall expenditure, Revenue expenditure is more, with in revenue expenditure interest payments are more.

Fiscal deficit (F.D):-

1. concept initially given by J.M. Keynes (1936). It was introduced in India (1996-97) budget.

2. On recommendation of S. Chakravarti $F.D = \text{Total expenditure} > \text{Total revenue}$

$$\text{Total expenditure} = \text{Revenue expenditure} + \text{Capital expenditure}$$

$$\text{Total revenue} = \text{Revenue Recs} + \text{Capital Recs}$$

3. F.D. explains overall borrowing requirements of the govt. in a given budget year.

4. For example according 2014-15 budget F.D is estimated to 4.1%.

5. By 2016-17 F.D may be curtile (reduced) to 3%.

6. To minimize F.D. F.R.B.M.A. act, 2003 established

7. In order to minimize F.D. government may lay down Fiscal policy. (52)

8. The ultimate objective of Fiscal policy is to bring social justice.

9. The following are the instruments under Fiscal deficit.

a. Borrowing the money from R.B.I.

* b. It leads to technically Deficit finance.

c. Lay down new taxes, taxes may be hiked, imposition of tax on tax. (C.E.S.S)

d. Disinvestment means selling government non performing assets.

e. Borrowings are Internal and External Borrowings. Using post office savings, L.I.C, G.I.C, Employees provident fund. External borrowings are I.M.F, world bank, Asian development bank, Japanese reconstruction bank.

f. Internal, External Borrowing ratio (100%)

Internal - 95.5%

External - 4.5%

→ From 2014 April, total borrowings in India are 55 lakh crores.

10. Revenue deficit is a part and partial of Fiscal deficit.

11. The study of govt. Revenue and expenditure sometimes called "public finance".

12. In 2014-15 budget, Income tax slabs

** * Income tax slab	(60 years)	(80 years)
Annual Income	slab	Income slab.
1. upto 2.5 lakh	NO tax	1. upto 5 lakh NO tax
2. upto 2.5 to 5 lakh	10%	2. 5 to 10 lakh 20%
3. 5 lakh to 10 lakh	20%	3. above 10 lakh 30%
4. > 10 lakh	30%	

INFLATION

* * *
Q. Identify the name of the committee recently established by R.B.I on monetary policy to control rate of inflation. [A]

- A. Urjit, patel
- B. Anand Maya Ram
- C. C. Ranga Rajan
- D. Hanumanta Rao.

Inflation:-

1. It is common phenomena in all countries. Normal rate of inflation is unavoidable. (inveitable).
2. In India target rate of inflation is 3-5% for annum.
3. It is necessary for smooth functioning of all economic affairs.
4. Continuous rise in prices in economics called Inflation.
5. Inflation, is a technical word to see upward mobility in the prices. In order to absorb changes in prices we need to compare current year prices with constant year prices.
6. Constant year or base year or real year in India is 2004-05. Here prices are assumed always 100.
7. In 2014-15, for that same commodity price may increase to 106. Here we can say 6% of inflation for annum.
8. According to Milton Freidman, Inflation is always and everywhere a monetary phenomena.
9. Accordingly higher the money supply higher will be the demand, prices and higher will be the Inflation.

Reason:-

1. Existence of more supply there is a positive relationship between increase in money supply increase in prices.



2. When volume of money or money supply increases face value of Rupee decreases.
3. It means value for money declines, value for goods and services increases.
4. For suppose you may purchase 10 commodities at Rs. 100 in 2013-14. But in 2014-15, if suppose you are permitted to purchase 8 commodities with same Rs. 100 it leads to fall in purchasing capacity of Rupee.
5. According to J.M. Kemes inflation is always and everywhere a non monetary phenomena.
6. Accordingly whenever aggregate supply is decreases it tends to increase aggregate demand. It automatically enhance prices at rate of inflation.
7. According to kemes reason for increase in inflation is demand.

Supply	Demand	Prices	Inflation
1	5	5	5
2	4	4	4
3	3	3	3
4	2	2	2
5	1	1	1

8. According to the table lower the supply higher will be the demand, higher the supply lower will be the demand. We can see inverse relationship b/w supply and demand.
9. Similarly direct relationship between demand prices and inflation.

Price fluctuations and Consequence :-

1. Normal rate of inflation :-

Here production cost = 100

selling cost = 103 to 105

Normal prices increasing profit margin automatically increases then to get additional profits entrepreneur or industrialist tries to expand industries it leads to increase in output increase in additional employment. Rate of unemployment may fall down. When people are working their income level increases their purchasing power increases. It automatically minimizes poverty rate and enhance standard of living. It enhances life expectancy.

2. Abnormal rate of inflation :-

production cost = 100

selling cost may be 150.

Here we can see 50% increase in prices. When high prices existing in the economy we can see postponement of present consumption by majority of consumers because they can't afford. It leads to decline in demand level decline in profit margin decreases. When rate of employment decreases it tends to increase rate of unemployment. When people are remain idle individual income levels fall down their purchasing power also reduced then rate of poverty increases standard of living decreases, life expectancy automatically fall down.

3. Deflation :-

production cost = 100

selling cost = 95

Continuous fall in prices technically called deflation.

1. When prices are declining, profit margins and industries may incur losses. It leads to a decline in the employment rate.
2. Finally, we can conclude that a normal rate of inflation is considered an ideal form of inflation. In order to expect additional employment, we shall be ready to bear some price increases. Targeted and ideal rate of inflation in India is 3 to 5%. In European Union countries, it should be 2 to 3%.

Types of Inflation:-

1. Creeping Inflation:-

1. This is considered as the first level of inflation. Here the annual rate of inflation is $< 10\%$ for an annum.
2. Professor Kent used this word. He called this type of inflation "mildest inflation".
3. If the government is unable to control it, it leads to walking inflation.

2. Walking Inflation:-

1. Here prices may fluctuate 3 to $< 10\%$ for an annum.
2. In India, the Wholesale Price Index (W.P.I.) inflation for 2013-14 registered to 6%.
3. India is under walking inflation.

3. Running Inflation:-

1. Here prices may run like a horse. Annual rate of inflation is between 10 to $< 20\%$.

4. Galloping Inflation:-

1. Here the annual rise in prices might be more than 20% or 200%.
2. It sends dangerous signals to the economy.

5. Hyper Inflation:-

1. Here prices may increase more than 50% per day or 500% per month.
2. It is existing in South Sudan.
3. It is last stage in the measurement of inflation.

6. Demand pull inflation:-

1. J.M. Keynes has given importance to this concept. According to him when demand increases price also automatically increases. This is also called as price inflation.

Reasons:-

1. For develop Unfavourable monsoons, shortage in supply.
2. Increase in prices.
3. Increase in money supply
4. Increase in black Marketing
5. Increase in exports. when exports increases sometimes domestic demand increases.
6. Development of fiscal deficit. To minimize fiscal deficit govt. may adopt following measures.
7. Borrowing money from R.B.I
8. Increase in tax rate.
9. Increase in disinvestment
10. Increase in General borrowing. It may enhances overall money supply.

7. Cost push inflation:-

Officially it was observed in 1950. Accordingly whenever production cost increases price increases. There are four factors in economy.

Factors

Factor payments

Land	Rent
Labour	wages
capital	interest
organisation	profit.

40

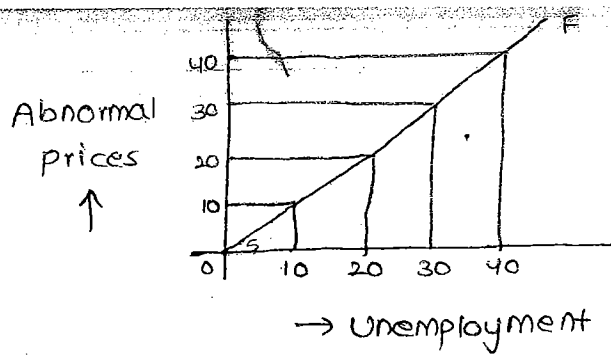
2. Sometimes inflation may develop due to increase in factor payments. Whenever wages increases production cost increases. It is technically called wage induced inflation.
3. profit margins increases leads to profit induced inflation.
4. Sometimes imported prices for crude oil increases transport cost also increases. It leads to increase in overall prices technically it is called "New inflation".
5. Increase in fuel prices increase in inflation called "New Inflation".

8. Stagflation:-

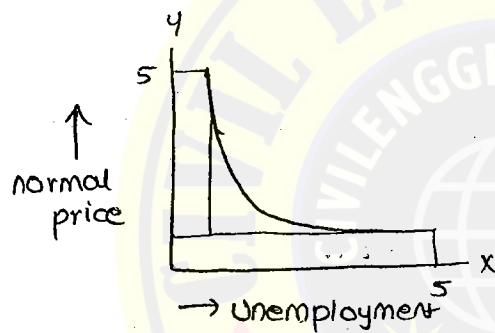
1. It is developed by professor Samuelson in 1970. By observing some of economic incidents in Latin American countries.
2. Here stag means stagnation in prices leads to deflation. Flation means Inflation rise in prices.
3. So stagnation is equal to existence of deflation as well as existence at a time.

$$\text{stagnation} = \text{Deflation} + \text{Inflation}$$

4. According to Samuelson abnormal rate of inflation increase high level of unemployment also arises.
5. There is a positive relationship for increase in inflation and increasing the rate of unemployment.
6. Rate of unemployment can be explained in graph.



7. When prices increasing 10 to 40% rate of unemployment also increases 10 to 40%.
8. A.W. Phillips explains inflation and employment in the following manner.
9. According to him at normal rate of inflation it can registered high level of employment. It is similar to the targeted level inflation 3 to 5%.



10. According to him when price is 5 Rate of unemployment is 1. when prices decreased to 1 unemployment increase to 5.
11. According to Phillips there is a positive relationship b/w increase in inflation, increase in employment rate. However there is an inverse shift in increase in prices decreasing rate of unemployment.

Note:-

Q. Which type of inflation majorly exist in India?

A. Structural inflation.

New inflation:-

1. It is newly established inflation by increase in prices for fuels.

Food inflation:-

1. It was developed in India in Jan-2009. Now it is controlled.
2. Increase in prices for food related articles such as wheat, Rice, oils, milk, vegetables.

Protein inflation:-

1. It means increase in prices in protein related item.
Ex:- pulses, meat.

Core inflation:-

1. Estimation of rate of inflation without considering (f² food and fuels). It is a western concept govt. may adopt this method to show minimum rate of inflation before general public.

Headline inflation:-

1. Here inflation may be measured by observing overall changes in many commodities including f² (food and fuel)
2. In India we follow headline inflation till 2014 Aug-6th
- * 3. Wholesale price index (W.P.I) is was the headline ~~index~~ ~~of~~ ~~cost~~ from Aug-7th 2014 onwards consumer price index (combine is considering headline inflation in India.
4. changes suggested by Urjith patel committee
5. Point to point inflation:-

	Sep	Oct	Nov
2013-14 :	110	106	105
2014-15 :	108	112	120

1. comparing price changes between two financial years with exact month.
2. India follow this method for the estimation of inflation because in India rate of inflation may be measured in 30 days.
3. previously estimated for a week.

Structural inflation:-

1. Maximum India's type of inflation is in structure nature. It may develop due to various reasons.
2. Over population.
3. Backwardness in agriculture.
4. Failure in monsoons due to low technology increase in production cost.

Disinflation (or) Suppressed Inflation:-

1. If inflation may be reduced to minimum level by taking various measures it is called suppressed or disinflation.

EX:- 2013-14 : 106 RS It would be 1% reduction.
 2014-15 : 105 RS

Reflation:-

1. Sometimes govt. may deliberately hike the prices for some of the commodities for the production of weaker sections and farmers.
2. When prices are normal it may increased to 103 to 105.
3. For example, Kharif and Rabi ministry of agriculture will fix minimum support price for farmers.

Measurement of Inflation:-

(37)

1. Ministry of commerce and industry is a responsible minister for the estimation of rate of inflation.
2. But actually central statistical organisation (C.S.O) is considered nodal agency for the estimation of inflation in India.
3. Steps to minimize inflation will be taken by R.B.I. It has given autonomous powers recently to take stringent methods on to control inflation.
4. There are two methods for the estimation of inflation.

Wholesale price Index (W.P.I):-

1. previously it is called Head line Inflation.
2. price fluctuation may observe on wholesale prices
3. It estimate the rate of inflation by taking many commodities. Total commodities is 676 including f^2 (fuel and food)
4. For W.P.I estimation of inflation base year is 2004-05 assumed price 100. 2013-14 price might be 106. Then W.P.I inflation is 6%.
5. 2004-05 April-1 to March 31.

Consumer price index (C.P.I):-

1. It is also called cost of living index (or) Retail price index.
2. C.S.O. established three indexes under C.P.I.
 - a. C.P.I Rural
 - b. C.P.I combined
 - c. C.P.I Urban.
3. These indexes are operated since 2011. Base year is 2010 Jan-1 to Dec-31.
4. Here price fluctuations may be observed on Retail basis. Now C.P.I. combined is the headline information for India.
5. 2013-14 W.P.I - 6%. C.P.I (c) - 9%.

6. If you observed plan wise inflation. First five year plan considered most successful plan in controlling inflation. Most unsuccessful plan to control inflation is third five year plan.

Inflation Reasons:-

1. Increase in demand
2. Fall in output level
3. Increase in exports (when government deliberately exporting commodities at local market demand may increased)
4. Increasing Black money
5. Black marketing
6. Increase in public expenditure.

Effects of Inflation:-

Benefits	Loss
1. producers benefited	1. consumers, poor people
2. Business mans	2. poor people
3. Farmers	3. Owners of Land
4. Share market	4. Fixed bonds
5. Organised (public employees)	5. Fixed salary employees (private sector)
6. Borrowers	6. Creditors

- Value for dollar increases value for Rupee decreases
- Domestic commodities become costlier, people will importing same commodities from other countries, it leads to trade deficit
- At the time of inflation domestic commodities become costlier.
- Trade deficit means increasing imports over exports it automatically develop crisis in international trade and balance of payments.

9. "SEZ" was controlled by Ministry of Commerce and Industries.
10. Previously "Kandla" (Gujarat) export processing zone (EPZ) was established. It was the Asia's first processing unit. In 2005 EPZ renamed as SEZ (Special Economic Zone).
11. In India there are 588 SEZ's is notified. Maharashtra is having a more no. of SEZ's.
12. One peculiar condition of SEZ is whatever the production and services in SEZ is meant for exportation.
13. In India SEZ facing lot of problems because govt. has indiscriminately grabbed the land from farmers.
14. SEZ become successful in china in the entire world.
15. India's exports largely reaching to Asia but previously our direction of trade was with Europe.
16. If we observed India's export contact with single country i.e., U.S.A.
17. India also importing majority of commodities from Asia particularly from china.

Foreign Direct Investment (F.D.I):-

1. It is essential for development of any country.
2. Initial 40 yrs of Indian economy from 1950-90. Government never encourage F.D.I.
3. As soon as establishment of new economic reforms in 1991. Govt. has interested to encourage F.D.I.
4. In 1992 Rangarajan Committee advised the govt. for the enlargement of F.D.I.
5. F.D.I means any multi national company is going to establish its new branch outside from its origin.
Ex:- Hyundai company is going to establish his plant in chennai may be considered F.D.I.
6. F.D.I investors may bring foreign technology, investment modern methods for enlargement of production. It may encourages competitive atmosphere even in domestic companies.

INTERNATIONAL TRADE

1. It is necessary for all countries according to Adam Smith
2. Inbalance in production cost may leads to expansion of international trade.

Ex:- compare to India production cost is low for USA in tobacco. In India to stop the production of tobacco and it has to import from U.S.A. Likewise production cost is more in U.S.A for coffee. It is better to the stop the production of coffee in U.S.A and import it from India.

3. The term "BOP" is more popular in International trade.
4. A systematic record of India's trade contact with rest of the world is called BOP.
5. Indian commodities are reaching to 119 countries, similar importing from 140 countries.
6. So "BOP" observed exports and imports of the country with rest of the world in given year.
7. Trends of "BOP" observed in following manner.

a. Favourable BOP:-

India's exports are more in 1972-1973 and 1976-77 and it leads to Trade surplus. Trade surplus has been registered in 4th five year plan (1972-73) and again fifth five year plan (1976-77).

b. Unfavourable BOP:-

More number of Imports than exports it leads to trade deficit. India has been survived with trade deficit in majority of time.

c. Trade Balanced:-

Exports are equivalent to imports. It occurs in rare occasions.

8. In the beginning of Indian economy, India's trade share was high. In 1950-51 \rightarrow 1.7% , but 2013-14 \rightarrow 0.5% trade share. In order to achieve atleast 1% trade share in

7. F.D.I investors physically they may use our labour force, water, electricity and they will generate income.
8. However central govt. is given the power to impose on corporation tax particularly on net profits.
9. Corporation tax is a tax imposed on net profits of the private companies either domestic or foreign companies.
10. It was introduced in 1956 which is the single most tax in India yielding more income to central govt.
11. If private companies are not getting profits instead of non paying tax they need to pay minimum alternative tax in 1996.
12. We adopt this from U.S.A. It is known as alternative minimum tax.
13. In the entire Asia the country china attracting more F.D.I followed by India.
14. More F.D.I's in India coming from Maurishers followed by U.S.A.
15. India's getting more F.D.I's in software, telecommunication sector. Delhi region stood first the reason is attracting more F.D.I followed by U.P. In south India F.D.I attraction Hyderabad stood first but in entire India, Hyderabad stood sixth.

Foreign Institutional Investments (F.I.I):-

1. It is also necessary for development of economy but we need to more F.D.I than F.I.I. we can see more volatility changes in F.I.I. It may move frequently from one destination to other destination. These is technically called Hot money.
2. We can called F.I.I as Foreign money lenders. they can invest in Indian Foreign market. they, have to registered his name in Exchange board of India (SEBI).
3. S.E.B.I will monitored entire Indian stock market.
4. As long as Indian companies are getting profits F.I.I investments will be more. Otherwise it will divert to other countries.

5. In 1996 Asian Tigers economy (Thailand, Japan etc) collapse economy due to large scale withdrawal of FDI
6. However we can't see frequent changes in F.D.I. F.D.I. is considered as Rationalistic form of investment.
7. In India F.D.I investment share is 55.5% and FII share is 45.5%.

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