Springboard
ACADEMY
AN INSTITUTE FOR IAS & RAS

RAS PRELIMS

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INDIAN ECONOMY

PRELIMS EXAM

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Syllabus

Basic Concepts of Economics : -

- ☑ Basic Knowledge of Budgeting, Banking, Public Finance, Goods and Service Tax, National Income, Growth and Development.
- ☑ Accounting – Concept, Tools and Uses in Administration.
- ☑ Stock Exchange and Share Market.
- ☑ Fiscal and Monetary Policies
- ☑ Subsidies, Public Distribution System.
- ☑ E – Commerce.
- ☑ Inflation – Concept, Impact and Control Mechanism.

Economic Development & Planning : -

- ☑ Major Sectors of Economy : - Current Status, Issues & Initiatives of Agriculture, Industry, Service and Trade Sectors.
- ☑ Major Economic Problems and Government Initiatives. Economic Reforms and Liberalization.

Human Resource and Economic Development

- ☑ Human Development Index.
- ☑ Happiness Index.
- ☑ Poverty and Unemployment : - Concept, Types, Causes, Remedies and Current Flagship Schemes.

Social Justice and Empowerment

- ☑ Provisions for Weaker Sections.

Index

Economics Introduction

- Study of economic activities is called Economics.
- **The following are included in economical activities**:
  1. Production of goods & services.
  2. Their consumption
  3. Monetary Transaction
- **Economics is of 2 types:**
  1. Micro Economics :
     When Study is conducted from one person & organisation point of view.
  2. Macro Economics:
     When study is conducted at broad level.

Economies can be divided on the basis of 2 Ideologies:

Capitalism	Communism
• They are supporters of Liberty.	• They are supporters of equality.
• They recognizes private property.	• They do not recognize private property.
• There is no control of the government on the market i.e. free market policies are adopted.	• Complete government control over the market.
• Distribution of resources on the basis of merit	• Distribution of resources on the basis of need
• Democratic government	• Dictatorship
• Support of non-violence	• Support for violence
• Class struggle as well as class co-operation	• class struggle
• Religion is a matter of personal belief	• They are religiously atheist. Religion has been compared to opium.
• Main thinker – "Adam Smith" • Book – The Wealth of Nation, 1776	• Main thinker "Karl Marx" • Book – 1. Das Kapital 2. Communist manifesto.

- In 1917 A.D. → 1st time communism was adoped in Russia.
- Under Leadership of 'Lenin'. 'Bolshevik Revolution' was started.
- In 1922 A.D. U.S.S.R was formed "Union of soviet Socialist Republics"
- Due to communist policies the economic conditions of U.S.S.R deteriorated.
- Finally in 1991 AD USSR was disintegrated.
- In 1949 A.D. under leadership of Mao Zindang communist rule was was established at china.
- In 1978 A.D. economic reforms were adopted by china & from economic point of view china adopted.

- Capitalism but politicaly china is still communist.
- **Other countries adopted communism:**
  1. North Korea
  2. Cambodia
  3. Cuba
  4. Venezuela
- After independence mixed economic model is adopted by India which is mixer of socialism & capitalism.
- That means in some cases market is controlled by govt. & private sector is also recognised.
- In 1991 A.D. Indian economy faced a crisis. After which economic reforms were implemented.
- **They are known as LPG reforms:**
  L → Liberalisation
  P → Privatisation
  G → Globalization
- After which economy started to bend towards capitalism.

❖ Sectors of Economy :-

Economy is mainly divided into 3 sectors:

1. **Primary Sector:**
   - In it those activities are included which are mainly associated with nature.
     Eg: Agriculture, Dairy, Fishing, Forestry
   - It is popularly known as 'Agriculture Sector'.
2. **Secondary Sector:**
   - Industrial activities are placed under it.
     Eg: → Automobile Industry
     → Electronic Industry
     → Textile Industry
   - It is popularly known as 'Industrial Sector'.
3. **Tertiary Sector:**
   - Services are placed under it.
     Eg: → Banking Services
     → Telecommunication Services
     → Software Services
     → Entertainment Services
     → Education Services
     → Medical Services
   - It is popularly known as 'Service Sector'
   - Service is further divided into 2 more sector:
     (i) Quaternary Sector: Knowledge based services are placed under it.
     Eg: → Education Service
     → Medical Services
     → Legal Services

→ Services of Scientists

(ii) Quinary Sector: Under it those services are placed which play an important role in decision making.

Eg: → Civil Services → IAS/RAS
→ Political Services

Note:
In India Minning is placed in Secondary Sectors.

- Development of any country happens in 3 phases.
  (1) Agriculture based economy.
  (2) Industry based economy.
  (3) Services based economy.
- At the time of Independence Indian economy was Agriculture based.
  Because contribution of Agricultural Sector was around 55% in GDP.
- At Present Indian economy is based on Services.

- Contribution of services sector in GDP is around 55%.
- Contribution of Agriculture Sector has reduced to 17% GDP.
- But around 50% population is dependent on Agriculture for employment directly & indirectly.
- Therefore 'Per Capita Income' in Agriculture sector is very low.
- In India Industrial sector could'nt developed sufficiently.

Demand and Supply

Demand:

- That quantity of goods & services which a consumer is ready to purchase at different prices during a certain time period.

Supply:

- That quantity of goods & services which a seller or producer is ready to provide during a certain time period at different prices.
- Idealy demand & supply should be balanced.
- But practically they remains imbalanced due to which 2 condition & arised:
  1. Demand > Supply
  2. Supply > Demand

1. Demand > Supply

↓

Prices will rise

↓

Inflation will increase

↓

Profit to producer→ More Investment → Employment → Regular income → Improvement in standard of living

2. **Supply > Demand**

↓

Prices will Fall

↓

Deflation will increase

↓

Loss to producer→ Decrease in investment→ Decrease in employment→ No regular income decrease in standerd of living.

- Some amount of inflation is good. But its execess is a cause of concern.
- In India inflation Target is – 4% ± 2%
- If this situation continuous for some time period than economy enter into 'Recession'.
- If Recession continuous for some time period then 'Depression' happens.
  For eg. Great Depression 1929 of USA
- Demand is related to money.
- The Money available in market is called 'Liquidity'.
- Liquidity is controlled through monetary policy which is formulated by RBI.
- To control the inflation monetary policy is used

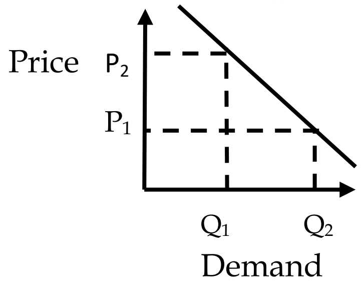
RBI
↓
Monetary Policy

- Interest Rate↓ - Loan↑ - Liquidity↑ - Demand↑ - Inflation↑
- Interest Rate↑ - Loan↓ - Liquidity↓ - Demand↓ - Inflation↓

- Supply is related to production.
- Always efforts are made to increase the production & supply.
- If there is Recession in the country then the govt. expenditure is increased.
- For this 'Fiscal Policy' is used.

Law of Demand:

- This law indicates inverse relation between price & demand.
- It means with increase in price (↑) Demand (↓) reduces & if prices (↓) are low than demand (↑) increases.
- This law indicates view point of consumer.

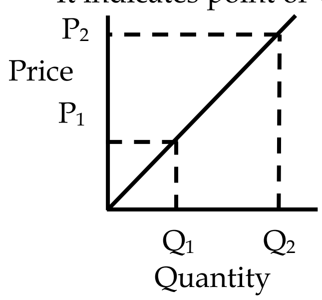


Exception :

1. Essential goods i.e. salt etc.
2. Life saving Drugs.
3. Narcotic Drugs
4. Fashionable goods (Trending Goods)
5. Veblen Goods
   - That goods which are associated with social prestige & Luxury.
     E.g. Gold, Diamond, Five Star Hotel.
6. Giffen Goods:
   - They are low quality goods whose demand does'nt reduce even with increase in price.
     Like : Millets, Bread.

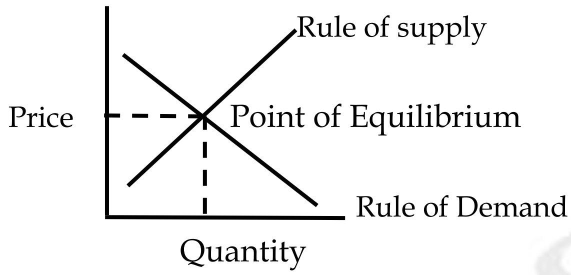
Law of Supply:

- This low indicates a positive relation between price & supply.
- It means as price (↑) increases supply (↑) also increase & with a reduction in prices the supply reduces.
- It indicates point of view of producer & seller.



Exceptions:
1. Monopoly over market.
2. Problem in Transportation
3. Natural Disaster
4. Govt. Restrictions.

Price Determination:
- Price is that point at which both the consumer & producer/supplier agree.
- It is called point of Equilibrium.

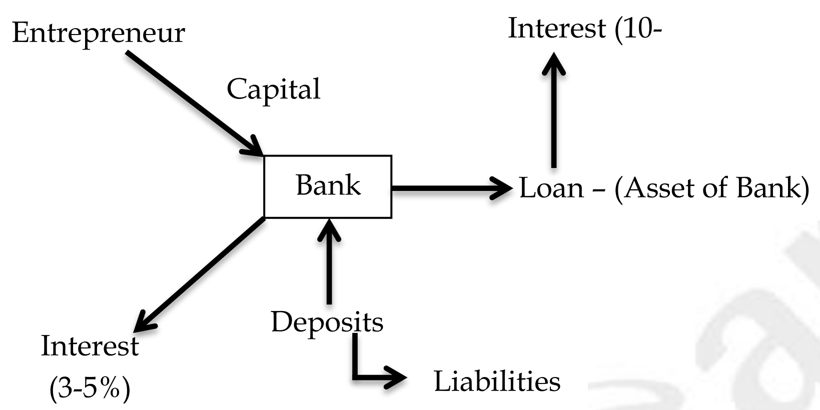


Factors of Production:
There are 4 factors of production & every factor has a cost which is called 'Factor Cost'.

Factors	**Factor cost**
Land	Rent
Labour	Wages
Capital	Interest
Entrepreneur	Profit

Factor Cost = Rent + Wages + Interest + Profit
Market price = Factor cost + Indirect tax - Subsidy

Banking



Margin = Interest received – Interest Paid
Profit = Margin – Cost

Bank Deposite are of 2 types:

1. **Demand Deposit:**
   Under it 2 types of Accounts are opened.
   (i) Current Account:
   - This account is opened by business.
   - No Interest is given in it.

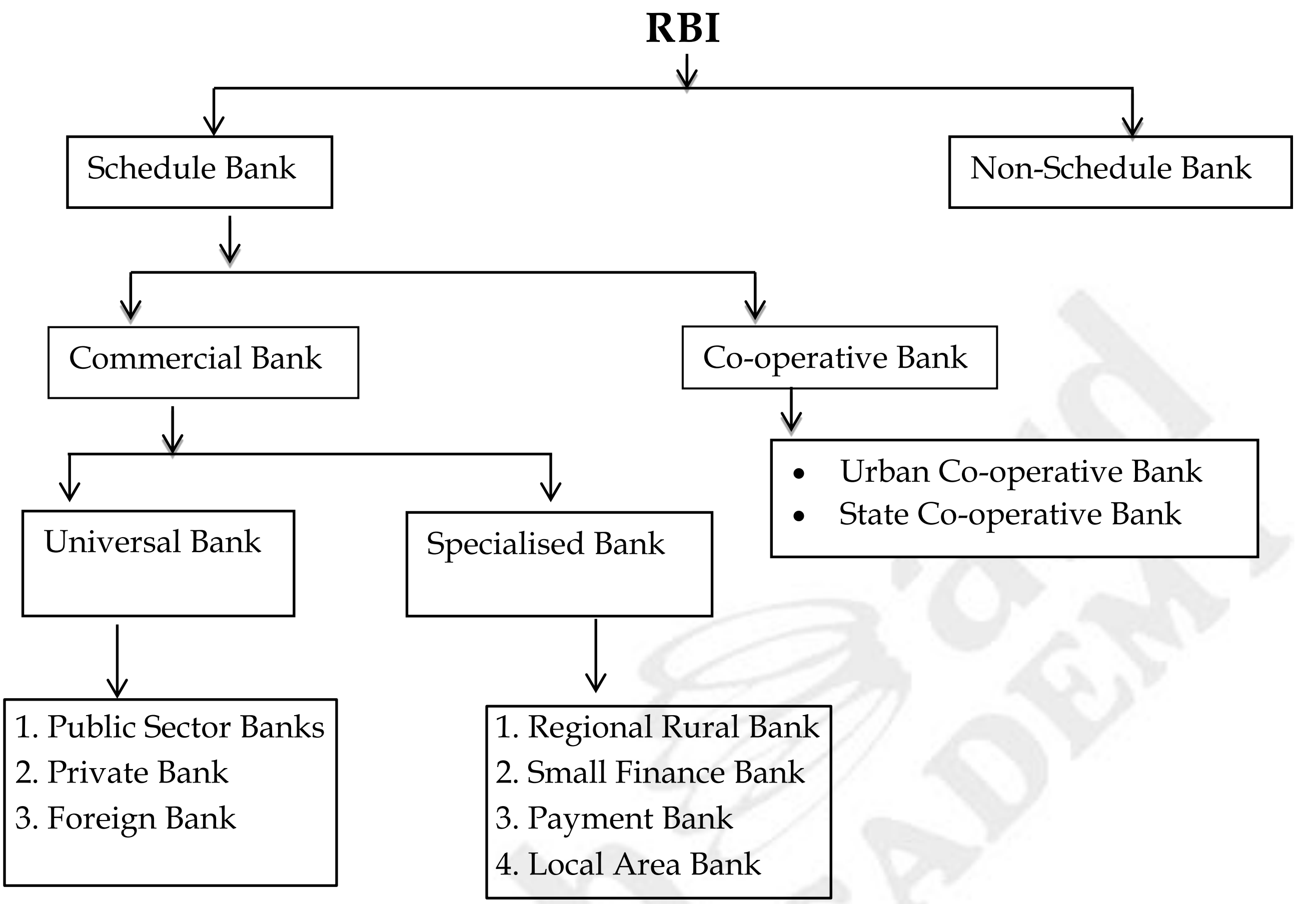
   (ii) Saving Account:
   - It is opened by common people/public
   - 3%-5% interest is given on it.
2. **Time/Term Deposite:**
   Under it 2 types of account are opened.
   (i) Fixed Deposite-FD :-
   - In it money is deposited once & after a certain time period, money is witdrawl.
   - Maximum Interest is given on it.

   (ii) RD – Recurring Deposit : -
   - In it money is repeatedly deposited.
   - After a certain time period money is withdrawal.
   - There is an insurance upto 5 lakh rupees on Bank Deposits.
   - This insurance is given by the DICGC.
     'DICGC': "Deposit Insurance & Credit Guarantee Corporation".
     Establishment : 1978 AD
     Owner : 'RBI'

Brief History of Banking in India

- In India formal banking was started by Britishers.
- In 1770 A.D. → Bank of Hindustan was established ('1st Bank of India'.)
- In 1881 A.D. → Oudh commercial bank was established
  ↓
  '1st bank oprated by Indians'
- In 1894 A.D. → Punjab National Bank established.
  ↓
  1st Indiginous Bank
- During Britsh regime 3 presidency bank were established:
  (1) Bank of Bengal – 1806 AD
  (2) Bank of Bombay – 1840 AD
  (3) Bank of Madras – 1843 AD
- In 1921 AD these 3 banks were merged & 'Imperial Bank of India' was established.
- On July 1955 AD→ Imperial Bank was Nationalized & renamed as State Bank of India (SBI).
- Initially SBI was kept under RBI.
- In 2007 ADits ownership was transfered to Govt. of India.
- In 1959 A.D. → 8 Princely State Banks were made subsidiary. of SBI:
  (1) State Bank of Bikaner (Merged 1963 AD– SBBJ)
  (2) State Bank of Jaipur (Merged 1963 AD– SBBJ)
  (3) State Bank of Patiala
  (4) State Bank of Saurashtra (Merged 2008 AD– SBI)
  (5) State Bank of Indore (Merged 2010 AD– SBI)
  (6) State Bank of Mysore
  (7) State Bank of Hydrabad
  (8) State Bank of Travancore
- In 2017 AD remaining 5 banks were merged in SBI.
- In 2013 AD 'Bhartiya Mahila Bank' was established as a subsidiary bank of SBI.
- In 2017 AD, it was also merged in SBI.
- At present there is no subsidiary Bank of SBI & SBI is largest Bank in India.

<u>Structure of Banking in India:-</u>



Scheduled Banks:

- Banks which are mentioned in 2nd Schedule of 'RBI Act, 1934'.
- They can take all types of services of RBI.
- For this minimum capital is 5 lakh rupees.
- They can be divided into 2 categories:
  (1) Commercial Banks
  (2) Co-oprative Banks

Commercial Banks

- Banks which are established for commercial objective.
- It means their main objective is to earn profit.
- They can be divided into 2 categories.
  (1) Universal Bank
  (2) Differentiated / Specialized Banks

(A) Universal Banks:

- Banks which provides all types of Banking services like
  → Eccepting Deposite
  → Giving Loans
  → Payment Services
  → Locker Facilities

- **They can be divided into 3 categories:**

1. Public Sector Bank:

- Banks in which govt. Share holding is more than 51%
- They are also called govt. Banks.
- At present number of public sector bank is 12. (1-SBI + 11 Nationalised banks)
- In India Banks were nationalized in 2 phases:
  1st Phase – 1969 - 14 Large banks were nationalized.
  2nd Pahse – 1980 – 6 Banks Nationalised.
- The main objective of Bank Nationalised was:
  (i) To expand banking services in rural area.
  (ii) To promote 'Financial Inclusion'.
- At present Banks have been merged, that's why their no. is reduced to 11.
  - 1993: New Bank of India Merger in PNB
  - 2019 : Vijaya Bank + Dena Bank Merger in Bank of Baroda.
  - 2020 : United Bank of India + Oriental Bank of commerce Merger in PNB
  - 2020 : Syndicate Bank Merger in Canara Bank
  - 2020 Andhra Bank + Corporation Bank Merger in Union Bank of India
  - 2020 Allahbad Bank Merger in Indian Bank
- Benifits of Bank Merger:
  (i) Bank of Large scale can be established in India.
  (ii) Indian Banks will be able to complete at International level.
  (iii) Cost of Banks will reduce.
  (iv) Management & Regulation of Banks will be easier.

2. Private Banks:

- Banks which are owned by a private organisation.
- At present there are 21 such banks.
- They are given/permitted license by RBI.
- Like: In 1993 → 10 Banks were permitted license.
  2001 → 2 Banks
  2015 → 2 Banks → Bandhan Bank, IDFC First Banks
- To decide the conditions of license in 2013 → "Bimal Jalan Committee" was constituted. According to which there are following conditions of Licence:
  (i) Minimum Capital : 500 cr. → at Present it is 1000 cr
  (ii) Banking Experience of 10 years.
  (iii) 25% branches were opened in the areas where banking services are not available.
- In 2016 → RBI Launched 'On Top License' it means one can apply for License on any time.

3. Foreign Banks:

- Banks which are owned by foreign organisation.
- They can open their branches in India with approval of RBI.
- There are 45 Foreign banks oprative in India at present
  i.e. : Citi Bank , HSBC, Royal Bank of Scottland

(B) Differentiated / Specialized Banks:

- Banks which are established for a specific objective.
- **They can be divided into four categories:**

(1) Regional Rural Bank:

- 2 October 1975 → 5 RRBs were established.
- In 1976 → RRB Act was passed.
- Its main objective was to provide banking services in rural areas.
- It is a joint venture in which share holdings of:

  Center Govt. : 50%
  State Govt. : 15%
  Sponsor Bank : 35%
- No RRB was opened in Goa & Sikkim.
- At present there are 43 such banks.

(2) Small Finance Banks:

- **Establishment :** 2015
- **Recommendation:** "Usha Thorat Committee".
- **Objective :** To fulfill 'Small Credit Needs'.

  To Promote 'Financial Inclusion'.
- **Conditions:**

  (i) Minimum Capital : 200 cr.

  (ii) Share of Promoter : 40% → Minimum.
- Accept all types of Deposits.
- 50% Loan should be of am of 25 Lakh.
- At present there are 12 such banks.

  E.g. AU Small Finance Bank.

(3) Payment Bank:

- **Establishment :** 2015
- **Recommendation:** 'Nachiket Mor committee'.
- **Objective :** → To Make payments easier.

  → To promote financial Inclusion
- **Condition :**
  - Minimum Capital : 100 cr.
  - Share of Promoter : 40%
  - They can accept demand deposit but can't accepts term Deposits.
  - Maximum Deposit : 2 Lakh Rupees.
  - Can Issue – Debit card but can't credit card
  - Can't give loans.
- At Present their No. → 5 banks.

  E.g. Jio Payment Bank, Airtel Payment Bank.

(4) Local Area Bank:

- **Establishment :** 1996
- **Recommendation :** 'Narsimhan Committee'.
- Their area of functioning is limited to 3 districts
- Total 4 such banks were established.

- At present its no. is 3 → All the 3 are in South India

☑ **Co-oprative Banks :**

- Those banks which function on co-oprations principle

(1) "One For All & All For One".
(2) 'Democratic Control'
(3) Professional Management
(4) Open Membership

(A) Urban Co-oprative Banks:

- They are established through the law of state govt.
- They provide banking services in Urban areas & Small towns.
- Before 1996, they did'nt provide loans to Agriculture Sector.
- But at present they give such loans.
- Regulated by RBI.

(B) State Co-oprative Banks:

- They are established through law of state govt.
- They gave short term & long term loans to agriculture sector.

State Co-oprative Bank

Short Term
Structure : Three Layered
1. State Level : APEX Bank
2. District Level : DCCB
3. Village Level : PACS

Long Term
Structure : Two Layered
1. State Level : SLDB
2. District Level : PLDB

- DCCB : District Central Co-oprative Bank
- PACS : Primary Agriculture Credit Society
- SLDB : State Land Development Bank
- PLDB : Primary Land Development Bank
- Its Re-finance agency is NABARD (National Bank for Agriculture & Rural Development)
- Regulation → RBI + State Government

Reserve Bank of India (RBI)

Establishment = 1 April, 1935 AD
Recommendation = 'Hilton Young Commission'

- It headquarter was initially at Culcutta.
- In 1937 A.D. → Headquarter was transferred to Mumbai.
- It is a 'Statutory Body'.
- Because it is established under 'RBI Act'
- On 1 Jan. 1949 AD RBI was Nationlised.
- Before it, it also acted as centralized.(Bank of Pakistan & Burma)
- It head/chief is known as governor.
  1st governor : 'Sir Osborne Smith'
  1st Indian Governor : 'C.D. Deshmukh'.

Present Governor : Shakti Kant Das. (25th)

- Appointment by Government of India.
  Tenure : 3 yrs.
- RBI is an 'Autonomus Body'.
- Govt. does'nt interfair into its day to day functioning.
- But for public interest, govt. can give interfair or direction to RBI.

Function of RBI:

(1) Issue of Currency Notes:

- Notes of 2 ₹ & higher value are issued by RBI.
- 1 ₹ note & coin are issued by Government of India (Finance Ministry)
- 1 ₹ note signed by finance secretary.
- But coins are circulated in Market by RBI.
- Notes are printed at four places
  1. Nasik (M.H.)
  2. Dewas (M.P.)
  3. Salboni (W.B.)
  4. Mysore (K.N.)
- Coins are minted at four places:
  1. Mumbai
  2. Calcutta
  3. Hydrabad
  4. Noida
- To issue currency 3 types of methods are used.
  1. Gold system
  2. Porportional Reserve System
  3. Minimum Reserve System:
     - Adopted in 1956.
     - Under it RBI show have Minimum Reserve.
     - 200 cr. Rupees out of which gold bullion of 115 cr. & other assets worth Rs. 85 cr.
- The currency issued by RBI is a 'Legal Tender'. It means no one can refuse to accept it.
- Although, these is some exception in case of coins.
- Govt can withdraw / end the legal tender of a currency. It is called 'Demonetisation'.
- Demonetisation has been done for 3 times till now
  (i) 1946
  (ii) 1978
  (iii) 2016
- Recently RBI Launched Digital currency, which is called e-₹
- **It is of 2 types:**
  1. **e-₹ whole sale:**
     Launched on 1 Nov 2022.
     It is used for transaction between banks & RBI.

2. **e-₹ Retail:**
   Launched on 1 Dec 2022.
   It is used for transaction between person to person & between person to merchant.

(2) Regulatory Body of Banks:

- RBI formulates rules for banks.
- RBI give licence to banks for functioning.
- If any bank violets rule of RBI then RBI can penalised it & even can cancel the licence.
- For regulation → Banking Regulation Act 1949 is used.

(3) Banker of Govt.:

- RBI manages internal Debt of the govt.
- External debts are managed by govt. itself.
- For debt govt. securities are used.

(4) Management of Forex Reserve:

- There are 4 main components in forex reserve:
  1. Foreign Currency Assets
  2. Gold
  3. Special Drawing Rights
  4. Reserve Tranche

(5) Management of Exchange Rate:

- The Rate at which domestic currency is converter into foreign currency & Foreign currency into domestic currency is called exchange rate.
- At present it is decided on the basis of demand & supply.
- But large function should not happen in exchange rate.
- Therefore, RBI manages it.
- E.g.: If there is surpules dollar in market then RBI purchases the surpulus Dollar $ from market.
- If there is deficit of Dollar there RBI sells the Dollar $.

(6) Clearing House Facility:

- RBI acts as mediater between transaction of banks.
- It is called clearing house facility.
  Eg. clearing the check.

(7) Control of Liquidity:

- Through monetary policy liquidity is controled.
- It's main objective is to control inflation

- <u>Monetary policies</u> $\begin{cases} \text{Liquidity}\uparrow \rightarrow \text{inflation}\uparrow \\ \text{Liquidity}\downarrow \rightarrow \text{inflation}\downarrow \end{cases}$

Quantitative Measures	Qualitative Measures
1. CRR (Cash Reserve Ratio)	1. Margin Requirement
2. SLR (Statutory Liquidity Ratio)	2. Consumer Credit Regulation
3. Bank Rate	3. Credit Rationing
4. Repo Rate	4. Moral Suasion
5. Reverse Repo Rate	5. Direct Action
6. MSF – Marginal Standing Facility	
7. SDF – Standing Deposit Facility	
8. Open Market Operation	
9. LTRO – Long term Repo Operation	

Quantitative Measures:

(1) CRR : Cash Reserve Ratio:
- Banks has to keep a certain percentage of their deposits within the RBI in cash form.
- RBI does'nt give any interest on it.

(2) SLR : Statutory Liquid Ratio:
- Banks has to keep a certain percentage in liquid assets like govt. securities.
- SLR & CRR helps in keeping bank deposit secure & liquid.
- They can be used during crisis period.
- To reduce the inflation CRR & SLR can be increased.
- To increase inflation CRR & SLR can be decreased.

(3) Bank Rate:
- Rate of interest at which RBI gives long-term loans to banks is called bank rate.
- It also called 'Penal Rate'.
  Because it used for imposing the penality.

(4) Reporate:
- That Repo Rate at which SBI gives short term loans to banks is called repo rate.
- For this loan banks mortgage govt. securities to RBI.
- But can't used the govt. securities of SLR.
- It is most important rate.
- It is also known as 'Bench Mark Rate' & 'Policy Rate'.

(5) MSF : Marginal Standing Facility (2012):
- Under it RBI gives loans to banks for one day & interest rate is called MSF.
- For this loan, govt. securities of SLR can be used.
- It is also known as "Penal Rate".
- At present it is equal to bank rate.
- To increase the inflation bank rate, Repo rate & MSF are reduced * to reduce the inflation Bank rate, Repo rate & MSF are increased.

(6) Reverse-Repo Rate:
- That interest rate at which banks give short term loans to RBI, is called reverse repo rate.
- Under it RBI mortgage govt. securities to banks.

(7) SDF : Standing Deposit Facility:

- It was started on April 2022.
- Under it banks can give short term loans to RBI.
- Interest rate is called SDF.
- It is different from reverse repo rate because RBI does'nt mortgage any govt. securities.
- To reduce the inflation reverse repo rate & SDF can be increased.
- To increase the inflation, Reverse repo rate SDF can be reduced.

(8) OMO : Open Market Operations:

- Under it RBI does sale & purchase of govt. securities.
- To reduce the inflation govt. securities are sold.
- To increase the inflation govt. securities are purchased.

(9) LTRO : Long Term Repo Operation:

- It was used during corona crisis.
- Under it RBI provide long term loan to banks & repo rate was used as interest rate.
  Note :- Deposits of Banks → Net Demand & Time Liability.
- To increase the liquidity → 'Expansionary' or 'Cheap' or ' Liberal Policy' is used.
- To decrease the liquidity → 'Contractionary' or 'Expensive' or 'Tight Money Policy' used.

Qualitative Measures

(1) Marginal Requirement:

- It shows that how much loan could be given against the loan mortgage.
- E.g.: If an asset worth ₹1cr. is mortgaged & marginal requirenment is 10% then loan of 90 lakh rupee can be given.
- To reduce the inflation marginal requirement can be increased.
- To increase the inflation marginal requirement is reduced.

(2) Consumer Credit Regulation:

- The conditions of consumer loans can be relaxed or tightened.

(3) Credit Rationing:

- Loan can be divided between consumer & industries.
- To increase the inflation consumer are given more loans.
- To less loans are given to reduce it.

(4) Moral Suasion:

- Under it RBI encourages & Discourages Banks to give loans.

(5) Direct Action:

- Under it, RBI takes action against a specific bank who violets the guidelines of RBI.

Urjit Patel Committee :-

- Establishment : 2013.
- Objective : Reforms in Monetery Policy.

Recommendations:

1. Monetary Policy should have a single objective that is to control inflation.
2. Inflation Target → 4% ± 2%
3. Consumer price index should be used for inflation
4. Monetary policy should be reviewed after every 60 days.

5. To formulate monetary policy, monetary policy committee should be constituted.
6. These recommendation are accepted by govt.

Monetary Policy Committies :-

- Constituted : 2016 AD
  Total Member : 6 (Included chairman (5+1))
- 3 From RBI (3 from Govt. India's nomination)
- Tenure : 4 years.
- Chairperson : 'Governor of RBI'.
- Decision through voting & majority.
- If a tie happens than RBI Governor give an another vote which is called 'casting vote'.
- If this committee failed to achieve the target continuously for a months than they had to submit a report in Finance Ministry.

Other Concept Related to Banking

(1) Priority Sector Lending:

- Banks has to give 40% of this total loans to priority sector as loans.
- Below sector are included in priority sectors:
  1. Agriculture → 18%
     Small & Marginal Farmers→ 10%
  2. Weaker Section → 12%
  3. Micro Industry → 7.5%
  4. Others → 2.5%
     - Small Industry
     - Exporters
     - Afordable Housing
     - Education
     - Health
     - Renewable Energy
     - Start ups.
- For 'Small Finance Banks'
  'Regional Rural Banks'
  'Urban Co-oprative Banks' } **PSL target is 75%**
- For 'Foreign Banks' PSL target is 40%
- But Sub-Target have not been decided.
- If any bank could'nt meet the PSL target than that bank had 2 options.
  1. The Remaining amount can be deposited into following funds:

	Funds	institution
1.	**RIDF** (rural infrastructure development)	NABARD
2.	**UIDF** (infrastructure development funds)	**National Housing bank**
3.	**SEDF** (small enterprise development fund)	**SIDBI**

2. PSL Certificate can be purchased from remaining amount
   - The bank which is given loans more than the target can issue PSL certificate.
   - The bank which have given less loan can purchase PSL certificates.

(2) Capital Adequacy Ratio : CAR

$$\boxed{CAR = \frac{\text{Capital}}{\text{Risky Assets}} \times 100}$$

- Banks have to keep a certain percentage of their loans as capital.
- It is known as capital adequacy ratio.
- This concept is adopted as per 'Basel standard'.
- These standards are issued by 'Banks for International settlements' which is located in 'Basel City' of Switzerland.
- BIS published standards for banking sector.
- Basel standards have been issued for 3 time till now.
  1st Basel $\rightarrow$ 1988
  2nd Basel $\rightarrow$ 2004
  3rd Basel $\rightarrow$ 2010
- At present Basel III is implemented According to which CAR should be 8%.
- RBI has issued following standards.
  (i) For Private Banks $\rightarrow$ 9%
  (ii) For Public Sector Banks $\rightarrow$ 12%

(3) Call Money Market:

- In day to day transactions, some banks have surplus cash & some required cash or cash deficit.
- Under such conditions cash transaction is done between the banks.
- All conditions of transactions are decided on phone call.
- Therefore this market is called call money market.
- The Interest rate is called call rate.
- If Money is borrowed for one day than it is called 'call money'.
- If money is borrowed for 2-14 days then it is called 'Notice Money'.
- If it is borrowed for 15-364 days than it is called 'Term Money'.
- Maximum fluctuation happens in this market.
- When RBI decides its 'Policy Rates' then call rate is taken as reference.
- World's Largest call money market located in London & its interest rate is called 'LIBOR' (London Inter Bank Offer Rate).
- India's largest call money market is at Mumbai.
- Its rate of interest is called 'MIBOR' (Mumbai Inter Bank Offer Rate).

(4) Digital Payments:

- When electronic mediums is used for payments than it is called digital payments.
- To promote digital payments in India the main organisation is 'NPCI' (National payment Corporation of India).
- Ownership : RBI + Indian Bank Association.

☑ **National Payment Corporation of India (NPCI) –**

Establishment – 2008 AD

Ownership – RBI + Indian Bank Association.

Service of NCPI:

(1) IMPS: Immediate Payment Services:

- Launched : 2010
- It is used for Immediate payment of upto 5 lakh rupees.

Other Payment Services

(1) RTGS: Real Time Gross Settlement:

- Launched : 2004 by RBI
- It is used for large transactions.
- Minimum payment 2 lakh rupees.

(2) NEFT : National Electronic Fund Transfer:

- Launched : 2005 → RBI
- It is used for payment upto 10 Lakh rupees.
- Minimum payment 1 rupees.

(2) UPI: Unified Payment Interface:

- Launched : 2016
- In it bank details are linked with a virtual address.
- E.g. Mobile number
  UPI Id
  QR Code
- For transaction this virtual address is used.

(3) UPI – 123 Pay:

- It is used for UPI payments through feature phone.
- Launched : 2021

(4) BHIM App : Bharat Interface for Money:

- Launched : 2016
- It is a mobile App for digital payments.

(5) Rupay Card:

- Launched : 2012
- It is an indigenous card of India which can be used for transaction.
- It will reduce the influence of VISA & Master Card.

(6) CTS: Cheque Trancation System:

- An electronic copy of cheque is prepared & sent it to concerned Bank.

(7) NFS: National Finance Switch:

- It is a shared network of ATM.

Types of ATM:

1. **Brown Label :**
   - Name of a specific bank is written on it.
2. **White Label:**
   - Name of bank is'nt written on it.
   - Debit cards of all bank can used in it.
3. **Micro ATM:**
   - It's a small machine which is portable from one place to another.

(8) NACH: National Automated Clearing House:

- It is used for repeated payments to multiple benificiaries.
  E.g. Salary Payments
  Subsidy Payments

(9) NETC : National Electronic Toll Collection:

- It is used for Toll Collection through fastag.

(10) Bharat Bill Pay System:

- It is used for bill payments.
  E.g. Water bill & Electricity bill.

(11) NPCI International Ltd.:

- It's a subsidiary of NPCI whose main objective is to promote UPI & Rupay card at international level.
- At present UPI is being used in the following countries:
  1. Bhutan
  2. Nepal
  3. Mauritius
  4. France
  5. Singapore
  6. UAE.

(12) AEPS: Adhar Enabled Payment Service:

- Information related to Adhar Card is used for payments.

(5) Financial Inclusion:

- It's process in which quality Financial products are provided to all at affordable rates.
- Financial Products like:
  → Bank Account
  → Loan from Bank
  → Insurance
  → Investment opportunity
  → Financial Literacy.
- For economic progress of country financial inclusion is necessary.
- For this govt. has launched many schemes.
- For e.g.
  → Pradhan Mantri Jan Dhan Yojana
  → Pradhan Mantri Jeevan Jyoti Yojana
  → Aaushman Bharat Yojana
  → Sukanya Samridhi Yojana

→ P.M. Fasal Bima Yojana
→ Kisan Samman Nidhi
→ Direct Benefit Transfer

- **Financial Inclusion Index:**
  - Launched – 2021 by RBI.
  - Published in July every Year.
  - Its value ranges between '0-100'.
  - Where hundred (100) refers to complete financial inclusion.
  - '0' (Zero) refers to No-Financial inclusion.
- This index is calculated using 3 factors & 97 Indicators.

Factors		Weightage
Access	-	35%
Usage	-	45%
Quality	-	20%

(6) Money Supply:

- Money supply is done by RBI.
- For this financial intermediaries are used.

  E.g.: Banks
  Post Office
  Re-finance Agency
  NBFC
- For the calculation of money supply 'money aggregates' are used.

Old Money Aggregates:

- They were used between 1977 to 1998.
- M1: Cash with public + Demand Deposits with Bank + Other Deposits with RBI
- M2 = M1 + Demand Deposits with Post Office.
- M3 = M1 + Term Deposits with Banks.
- M4 = M3 + All deposits of Post Office.
- M0 = Cash with Public + Cash Deposits of Banks with RBI (i.e. CRR) + Other Deposits with RBI

Order of Liquidity:

- **M0 > M1 > M2 > M3 > M4**
- M0 is most Liquid

  It is also known as → 'Monetary Base'
  → 'Reserve Money'
  → 'High Power Money'
- M1 & M2 are called 'Naro Money'.

  Because they do'nt help much in credit creation.
- M3 & M4 are are called 'Broad Money'

  Because they help in credit creation.

Money Supply:

- Money Multiplier = $\frac{M3}{M0}$
- There is a negative relation between the CRR & money multiplier.
- It means with increase in CRR the money multiplier decreases

New Money Aggregates:

- NM1 = Cash with Public + Demand Deposit with Banks + Other Deposits with RBI
- NM2 = NM1 + Short Term Time Deposits of Residents with Banks + Certificate of Deposit issued by Banks (Short term loans by banks)
- NM3 = NM2 + Long Term Time Deposits of Residents with Banks + Long Term Loans Taken by Banks.
- L1 = NM3 + Deposit of Post Office
- L2 = L1 + Deposits of Re - finance Agency
- L3 = L2 + Deposits of NBFC (Non Banking Financial Company)

Non Performing Assets (NPA)

- If interest & Principle of a loan is not re-paid for 90 days than these loans are called NPA.
- For agricultural loans NPA's definition is based on crop cycle.
- Till 12 months from declaretion of NPA the loan is called 'Sub Standard Asset'.
- Upto 12 months from that the loan is called 'Doubtful Asset'.
- After that it is considered as 'loss'.
- NPA is of 2 types:
  (1) Gross NPA : Total NPA.
  (2) Net NPA : Gross NPA – Provisioning

Provisioning:

- Banks have to keep certain amount separately from their profit.
- So, that potential loss due to NPA can be tolerated.
- Efforts made to resolve the problem of NPA.

(1) DRT : Debt Recovery Tribunals:

- Establishment : 1993
- Recommendation : 'Narshiman Committee'
- They are special counts for Debt recovery.
- At present Total 39 DRTs are functioning.

(2) CIBIL : Credit Information Bareau of India Ltd.

- Establishement : 2000
- It publishes CIBIL score, which tells about credibility of a person.

(3) SARFAESI Act 2002:

(**Securitisation and Reconstruction of Financial Assets & Enforcement of security interest act. 2002)**

- If a person or an organisation can't pay off the loan then bank can accupy the mortgage assets after giving a notice of 60 days.
- And can recovered the loan by Auctioning the asset.
- Bank can also sell loan to ARC (Asset Reconstruction Company).

(4) IBC : Insolvency & Bankruptcy Code

- This Act was passed in 2016.
- The company which does'nt pay the loan action can be taken against it under IBC.
- Under it the company is resolved between 180 to 270 days.

(5) Bad Bank:

- Establishment : 2021
- It's a special bank which purchases NPA from other banks & tried to recovered it on own.
- it is named as NARCL (National Assets Reconstruction Company Ltd.)
- It will purchase NPA worth of 2 lakh rupees from other banks.

(6) Re-structuring of Loan:

Under it conditions of loan can be changed by banks.

- E.g. Extenting the loan period
  Reduction in Interest rates.
  Converting Debt into Equity

(7) Reforms in Banks:

- Conferences called 'Gyan Sangam' were organized for reforms in Banks.
- '**Indradhanush Yojana**' was prepared for Reforms.

A = Appointment
B = Bank Board Bureau
↓
FSIB (Financial Service Institute Board)
C = Capitalisation
D = Destrssing
E = Empowernment
F = Framework of Accountability
G = Governance

DFI : Development Finance Institution

- They are some special organisation which are established for development of a particular sector.
- Like : → Agriculture Sector
  → Industry
  → Export & Import
  → Housing
  → Infrastructure
- They provide following services to their customers:
  (i) Financial Assistance
  (ii) Act as Guarantor
  (iii) They provide advisory related to technology, management & marketing.

Major DFI's of India

(1) IFCI : Industrial Finance Corporation of India

- Established : 1948 AD
- India's 1st DFI.

(2) ICICI : Industrial Credit & Investment Corporation of India

- Establishment : 1955 AD
- 2nd DFI of India.
- In 2002, it was completely converted into bank on the recommendation of 'Narsiman Committee.

(3) IDBI : Industrial Development Bank of India

- Establishment : 1964
- Initially owned by RBI.
- 1976, ownership transferred to Government of India.
- 2004, it became bank
- 2018, LIC purchased its share from Government of India.

Re-Finance Agencies:

(1) EXIM Bank : Export Import Bank of India

- Established : 1982
- H.Q. : Mumbai
- 100% owned by govt, of India.
- Provides financial supports of exporters & importers.

(2) NABARD : National Bank for Agriculture & Rural Development

- Establishment : 1982
- Recommendation : 'Shivaraman Committee'
- H.Q. : Mumbai
- Initially owned by RBI & Govt of India
- In 2018, complete ownership by government of India.
- It provides refinance facility to co-oprative banks & regional Rural Banks.

(3) National Housing Bank:

- Establishment : 1988
- H.Q. : new Delhi
- Initially 100% owned by RBI but govt. of India purchased it in 2019
- Provides Refinance facility for Development of Housing Sector.
- Issue: 'RESIDES' Index for price monitoring.

(4) SIDBI: Small Industries Development Bank of India

- Established : 1990
- HQ : Lucknow
- Initially owned by IDBI
- At present, Government of India, SBI, LIC & IDBI etc are its owner.
- Provides refinance facility for development of small scale industries.
- Index: 'CRISIDEX'.

(5) NaBFID: National Banking for Financial Infrastructure & Development.

- Establishment : 2021
- H.Q. : Mumbai
- To Provide finance for infrastructure projects.

(6) **MUDRA Bank:** Micro Units Development & Refinance Agency.

- Established on 2015 under Pradhan Mantri Mudra Yojana.
- It is a subsidiary of SIDBI.
- It is a refinance institution.
- It provide loan to micro units through banks & other financial institution.
- It provides loans for:
  - Small Traders
  - Micro Units
  - Street Vendors
- It does'nt give loan in agriculture sector.
- It provides tree types of loans:
  1. Shishu : Upto 50 thousand
  2. Kishore : 50 thousand to 5 lakh
  3. Tarum : 5 lakh to 10 lakh

Banking Ombudsman

- It was established in 1995.
- Any complaint related to services of bank is first raised to the bank manager.
- If the person is not satisfied from the action of bank manager then the complaint can raised to banking ombudsman.
- Appeal against the verdict of banking ombudsman can raised to deputy governor of RBI.
- In 2021 'Integreted Ombudsman Scheme' was launched.
- Complaint against all indices regulated by RBI can be done to integrated ombudsman.

NBFC : Non Banking Finance Company

- Those companies which done the business of financial transaction but they don't have bank license.
- These are established under 'Companies Act'.
- They functions in different sectors

  Like: → Credit
  → Insurance
  → Pension
  → Housing Sector
  → Share Market
- They are regulated by different organisations.
- For loan providing NBFCs, RBI formulated following rules:
  (1) They can't accepts Demand Deposits.
  (2) They can Accepts Term Deposits.
  (3) They can't issue Cheque Book & Debit Card.
  (4) Basel Standards are applicable on them.
  (5) They are not required to follow CRR but have to follow SLR.
  (6) Their deposits are not protected by DISGC.

DISGC – Deposite Insuarance and Credit Guarantee Corporation.

Finance Market

- The Market where money is transacted.
- Companies come here to arrange capital.
- Investers come here to invest.
- Capital is arranged in 2 ways:
  1. By taking Debt
  2. By Selling Shares.
- Investment can be done in 2 ways:
  (1) By giving Debt investers get interest in return.
  it is relatively less risky.
  (2) By purchasing shares in return the investors get share in the profit.
  It is relatively more risky.

Company:
- It is a business organisation which is established to fulfill the business activities.
- Companies are established under 'company Act'.

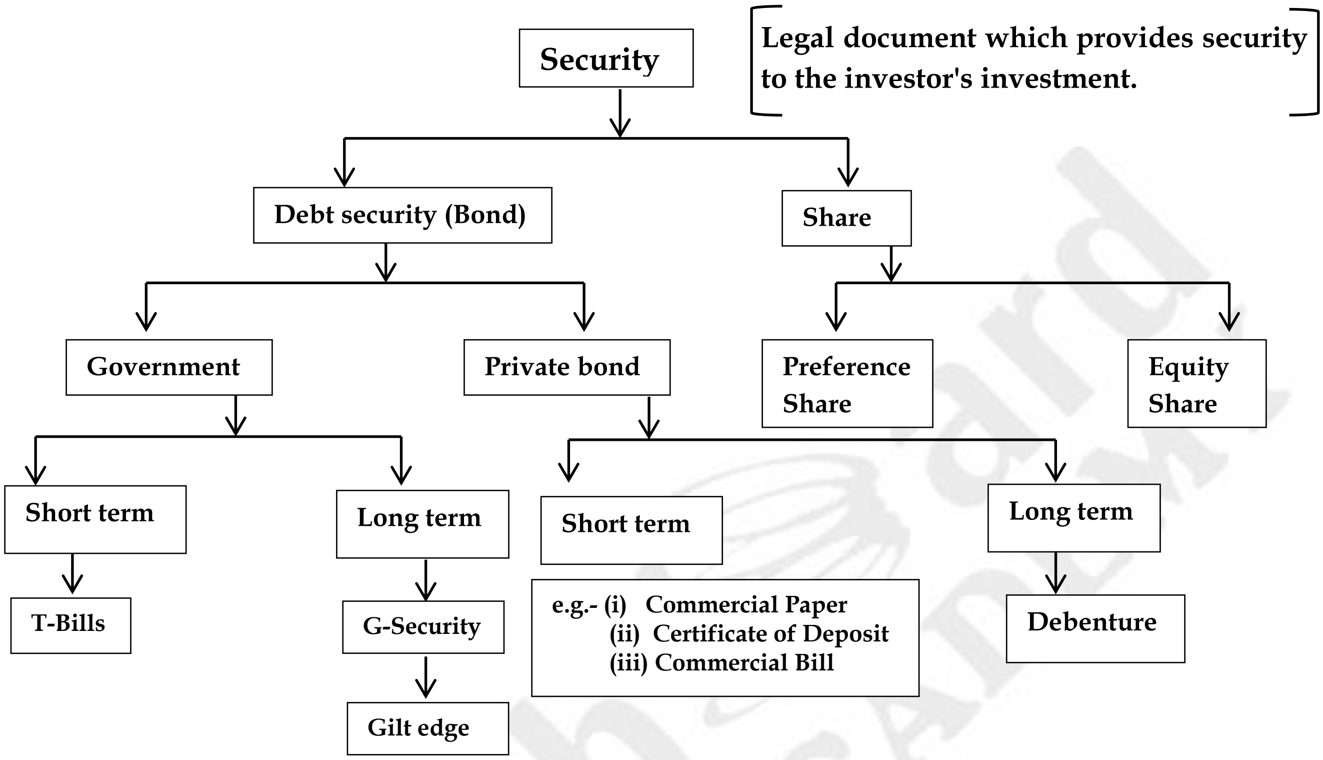
Limited Company:
- The Company in which rights of a creditor are limited.
- It means debt can be recovered from the companies property but can't be recovered by owner's property.
- **These are of 3 types:**
  (1) One Person Company:
  - Only one person can became its owner.

  (2) Private Ltd. Company:
  - Maximum owners 200.
  - Its shares can be sold in share market.

  (3) Public Ltd. Company:
  - Minimum owner – 7
  - It's shares can be sold in share market.

Security

- In Finance securities are transacted.
- Therefore Finance market is also called **'Security Market'.**



Security is of 2 types:

(1) Bond (2) Shares

(I) Bond:

- It's Debt Security, it means money is given as a loan.
- Interest Rate is called "Coupon Rate".
- The time period for which loan is given is known as 'Maturity Period'.
- If it is less than 1 year than it called 'Short Term Bond'.
- If it is more than 1 year than it is called as 'Long Term Bond'.
- If any asset is mortgage against the loan then it is called 'Secured Bond'.
- If Nothing is mortgage than it is called 'Unsecured Bond'.
- The credibility of bond is determined through 'Credit Rating'.
- The bonds which are least credible are called 'Junk Bond'.
- The credit Rating is issued by the 'Credit Rating Agencies'.

Credit Rating Agencies

International	National
→ Standards & Poor (S&P)	ICRA
→ Fitch	CRISIC
→ Moodys	CARE

- Bonds can be sold even before maturity period & profit earn on it is called 'Yield'.
- Bond can be issued by both govt. as well as co-operate organisation.

Government Bond:

(A) Short Term:

Treasury Bill:

- It is a short term debt security issued by govt.
- It's of 3 types:

Types		Maturity Period
T-91	→	91 days
T-182	→	182 days
T-364	→	364 days

- Only central govt. can issue treasury bill & state govt. can't issue it.
- Treasury bills are issued at discount.

(B) Long Term:

(i) G-Sec:

- It is a long term govt. debt security issued by central govt.
- It is issued for maximum 40 years.

(ii) SDL: State Development Loan:

- It is a long term debt security issued by state govt.

(iii) Special Bond:

- Bonds which are issued for a specific purpose.

(a) SGB : Sovergien Gold Bond

- Its main objective is to reduce the import of gold within the country.
- It was 1st issued in 2015.
- It's value is linked to the value of gold.
- maturity period is 8 years.
- Interest of 2.5% is also given on it annualy.
- Tax benifit are also given on it.

(b) Inflation Index Bond:

- Inssued in 2013 for 1st time.
- Its main objective was to project investor from negative impact of inflation.
- It's principle amount increases as per inflation & interest of 1.5% is given.

(c) Municiple Bond:
- It is issued by Urban local bodies.
- Issued in 1997 for the 1st time by Banglore.

(d) Green Bond:
- The money raised from it is used in project which are eco friendly.

In 2021 RBI Launched "RBI Retail Direct Plateform" though which retail investors (Individual) can invest into govt. securities.

Govt. securities are called "Gilt Edge Security" (Most reliable) because they most credible.

Co-oprate Bond:

(A) Short Term:

(i) Commercial paper
- It is a short term Debt security issued by private company.

(ii) Commercial Bill
- It is issued against goods & services purchased by a private company.

(iii) Certificate of Deposit
- When a bank borrows money from a co-oprate organisation for a short term then certificate of deposit is issued.

(B) Long Term

(i) Debenture:
- It is a long term Debt security issued by co-oprative organisation.
- It is of 2 types:

  (a) Convertible Debenture:
  - In it after a certain time period debt can be converted into equity.
  - In India it was popularised by 'Dheerubhai Ambani'.

  (b) Non-convertible Debenture:
  - When Debt can't be converted into equity.

Other Bonds

(1) Zero Coupan Bond:
- The bonds which are issued at discount.

(2) Masala Bond:
- This bond is issued in foreign countries.
- It is issued in rupees instead of $ (Dollar).
- Issued for the 1st time in 2014 by "International Finance Co-opration".

(3) Hundi:
- It was used in pre-indpendence period.
- It was issued by a trader called 'Sarraf'.

(II) Shares:
- In it investors gets a share in ownership of the company.

- Invester also gets share in the profit distribution which is called 'Dividend'.

Shares are of 2 types:

(1) Preference Share:

- They are given priority in the profit distribution.
- But they don't have voting rights.

(2) Equity Shares:

- They are not given preference in profit distribution but they have voting rights.
- They are the real owner of the company.
- Finance market is devided into 2 parts:

Finance Market

Money Market
Short term securities are transferred in it
Eg. T – Bill
→ Commercial Paper
→ Commercial Bill
→ COD
→ Call Money

Capital Market
Long term securities are transacted in it
Eg: G-Sec
SDL
Debentures
Shares

Capital Market

Primary Market

- Primary Securities are issued in it.
- It neither has any specific name for place

Secondary Market

- In it those securities are transacted which already have in primary market.
- It has specific name & place.

For eg. There 2 popular secondary market in India.

(A) BSE: Bombay Stock Exchange.

(B) NSE: National Stock Exchange.

- A part from these regional stock exchange are also there:

Eg. 1. Jaipur Stock exchange
2. Calucuta stock exchange

- But at present they are not much popular

Main Concept of Primary Market:

(1) IPO : Initial Public offering:

- When a company issue it's shares in the share market for 1st time then this process is called IPO.
- For this approval of SEBI is necessary.
- Application for IPO is made between a certain date & IPO is alloted through lottery.

(2) FPO: Follow on Public Offering

- Sometimes after issuing IPO if the company issue some new share then this process is called FPO.

(3) Right Issue:

- Company can issue additional shares after issuig IPO.
- But only existing share holding can apply for it.

(4) Buy Back:

- In it company repurchases its shares from investors.

(5) Share Capital:

- Money raised from share market is called share capital

Types of Share Capital :

(i) Authorised Capital :

- The capital for which shares are allowed to be issued.

(ii) Issued Capital :

- The capital for which shares are issued.

(iii) Subscribed capital:

- The capital for which applications are received

(iv) Paid up capital:

- The capital which is finally paid to the company.

(6) Underwriting:

- When company brings its IPO then that IPO get under written by a financial institution.
- The financial institution gives a guarantee that IPO will be fully subscribed.
- If this doesn't happens than remaining shares will be purchased by financial institution this process is known as underwriting.
- The financial institution is called 'Underwriter'.
- It makes the investors believe that companies business model is good therefore investment should be done in the company.

(7) Book Building:

- When a company brings IPO then its minimum price are decided.
- For this purpose a survey is conducted & shares are alloted through a lottery.
- This process is called book Building.

Secondary Market :-

In India there are 2 main secondary market.

1. **Bombay Stock Exchange (BSE): -**
   - Establishment 1875
   - It is the oldest stock exchange in Asia.
   - At present it is 2^{nd} largest stock exchange market of India on the basis of market capital & turnover.
   - Largest stock exchange on the basis of Transaction.

Market capital = No. of shares × price of share

   - It is more popular among Retail investors.

Investors

Individual → Retail

Organisation → Institutional

   - Its main index is **'SENSEX'**.
   - It was started in 1986.
   - It tells about average share price fluctuation of '30 large' companies on the basis of market capital.

   Other Index:
   - BSE 100 : Hundred companies included in it.
   - BSE 200 : 200 companies included in it.
   - Bankex : 12 large banks are included in it.

2. **NSE (National stock Exchange)** :–
   - Establishment - 1992 (on the recommendation of Pherwani Committee)
   - Headquarters- Mumbai
   - At present it is largest stock exchange in India.
   - It is more popular among 'institutional investor.
   - 2^{nd} largest on the basis of Transaction.
   - In India electronic trading was started by NSE.
   - It's main index is NIFTY (NSE-FIFTY).

Other Index:

(i) Junior NIFTY/NIFTY Next 50:
   - In it 51 to 100 large companies are included.

(ii) NIFTY-500:
   - In it top 500 companies are included.

(iii) Bank NIFTY:
   - 12 large bank included in it.

Other Facts:

- World's largest stock exchange is New York Stock exchange.
- Another stock exchange based in New York is NASDAQ.
- It's main index is 'Dow Jones'.
- Mainly IT companies are listed in it.
- India's 'INFOSYS' was 1st company which go listed in NASDAQ.
- World's 1st stock exchange was opened at 'Netherland' →'Amsterden stock exchange 1602 A.D.

Important Concept related to secondary market

(1) Investor:

Investor are of 2 types:

(a) Real Investor:

They are the investors of long term & wants to earn money through dividend.

(b) Speculators:

They are investors of short term & wants to earn money through fluctuations in shar prices.

They are of 2 types:

(I) Bull: They tried to push share market in upward direction.

(II) Bear : They tried to pull down the share market.

Note: Stag: They are investors of primary market who invest in IPO.

(2) Trading: Sale & purchase of shares is called trading

It is of 2 types:

(a) Spot Trading:

- Deal is executed at the same time when it is done.
- Rule of T+1 applies in it. It means shares are delivered after one day.

(b) Future Trading:

- They are the deals of future. Which are executed on a certain price.
- For this deal some amount is paid in advanced which is called 'margin money' or 'Token Money'.

Future Option:

- The purchase has a option that he can cancel the deal.
- But under such conditions the margin money is not repaid.

Short Selling:

- Short Seller don't have any shares initially.
- He borrow shares from the broker & Sells.
- Them the market.
- Because of it the supply of shares increases & prices starts to falling.
- Shares are re-purchased at low prices & are return back to broker.
- This process is called short selling.

E.g. Recently an organisation called hindenberg did short selling of shares of Adani enterprinour.

Arbitrage:

- Shares of same company can be purchased from different markets.
- Shares are purchased from that market where prices are low.
- Shares are sold in the market were are high.

- This process is called Arbitrage.

(3) Mutual Fund:

- This works as a mediator between the small investors & Share market.
- It is operated by 'Fund Managers' who are market experts.
- They invest in the securities using their experties.
- And gave returns to the investors.
- Mutual funds allots units to the investors.
- 1st Mutual fund of India : UTI
  - "Unit Trust of India"
  - Established : 1964
- Mutual Funds charge fees to the investors which is called 'expense ratio'.

(4) Venture Capital Fund:

- Institutional Investors does investment in it.
- It is operated by fund manager who are market experts.
- Generally they invest in startups.

(5) Angel Investors:

- These investors invest after believing in talent & idea of a person.
- They don't gave much importance to financial & educational background.
- Like investment of 'Mic Markula'.

(6) Participatory Notes (P-Notes)

- They are inssued by foreign institutional investors.
- Foreign investors who wants to invest in India share market but don't want to register in it.
- They can purchase P-Notes.
- Earlier they were in News.
- Because it is believed that P-Notes are used to invest black money & criminal in Indian share Market.
- At present SEBI has tightened it's rules.

(7) ADR : American Depository Receipt

- If non-american company issue its shars in U.S. share market than it can use ADR.

(8) GDR : Global Depository Receipt

- If a non European company wants to issue its share in European share market than GDR can be used for this purpose.

(9) IDR : Indian Depository Receipt

- If an non Indian company want to issue its shares in Indian share market than it can use IDR.

(10) Dematerialization

- Earlier securities used to be issued into physical format but at present they are issued in electronic format.
- This process is called Dematerialization.
- To invest in share market 2 types of accounts are opened:

(i) Trading Account:

- This account is opened with broker shares are purchased & soled through it.

(ii) Demat Account

- This account is used to store the security.
- They are managed by depository institutions.
- In India there are 2 main depository institution.

(a) NSDL : National Securities Depository Ltd.

- Established : 1996
- Founder : NSE

(b) CDSL : Central

- Establishment - 1998
- Founder – BSE

(11) Securities and Exchange Board of India (SEBI)

- Establishment – 1988
- Headquarter - Mumbai
- In 1992 the SEBI Act was passed.
- It's Chief is called chairperson.
- Appointment – GOI
- Tennure – 3 year
- Present Chairperson – 'Madhavi Puri Buch' (1st Woman chaiperson)

Functions of SEBI-

(i) Regulatory body of Security Market.

- Development of security market in India is its main objective
- It does registration of various institution functioning in security market
- Like : Broker, Stock exchange, Mutual Fund, Depository Institution, Credit Rating Agency

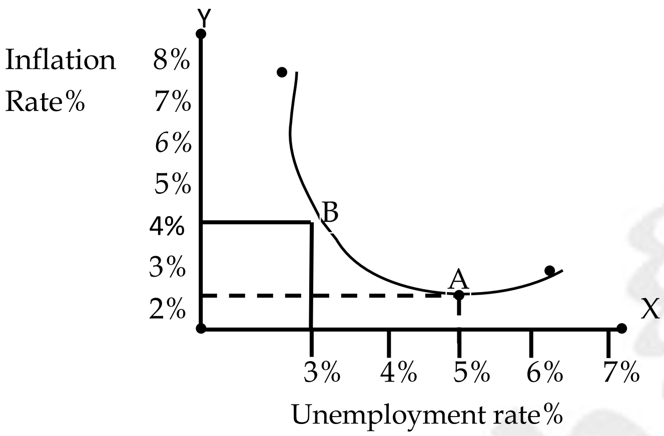
(ii) To protect interest of small investor.
(iii) To stop frauds in share market
(iv) To prohibit insider trading.

Inflation

- Increase in prices of goods & services & reduction in purchasing power of the currency is called inflation.
- Some amount of inflation is necessary for economic development.

Phillips Curve:

- This curve indicates negative/inverse relation between inflation & Unemployment.
- It Means with increase in inflation rate of unemployment reduces & with reduction in inflation unemployment increase.
- This relation holds true only for a certain time period.



Inflation is calculated every month but the prices are compared with the prices of the previous year in the same month like-

Months	2023	2024	Inflation
Jan	100	110	10%
Feb	100	108	8%
March	100	90	10%
April	100	102	2.5%
May	100	90	-10%

Types of Inflation:-

(1) Targeted Inflation:

- In every country inflation target is decided on the basis of development objective.
- For e.g. in develop countries the inflation target is 2% to 6%l.
- Because their main objective is to create employment opportunities where as in develop countries the inflation target is between 1% to 2%. Because they want to avoid negative impact of inflation.
- And this inflation is necessary for economic progress.

(2) Creeping Inflation:

- When the inflation rate is less than 3%.
- This inflation is positive for developed countries.
- But not conducive for developing countries.

(3) Walking Inflation:

- When the rate of inflation is 3% to 6%.
- This inflation is negative for developed countries.
- But positive for developing countries.

(4) Running Inflation:

- When the rate of inflation is between 6% to 10%.
- This inflation is worrying for both developed and developing countries.

(5) Galloping Inflation:

- When the rate of inflation is more than 10%.
- It is a cause of extreme concern.
- To control it extra ordinary measures are taken.

(6) Hyper inflation:

- When the rate of inflation exceeds 50%.
- It is the most dangerous form of inflation.
- The purchasing power of the currency is negligible.
- It creats social & economic unstability in the country.

(7) Disinflation:

- Reduction in rate of inflation is called disinflation

  Eg: ↓ 8%
  6%
  4%
- In it the inflation reduces incomparison to previous month.
- But in comparison to previous year the prices is still high.

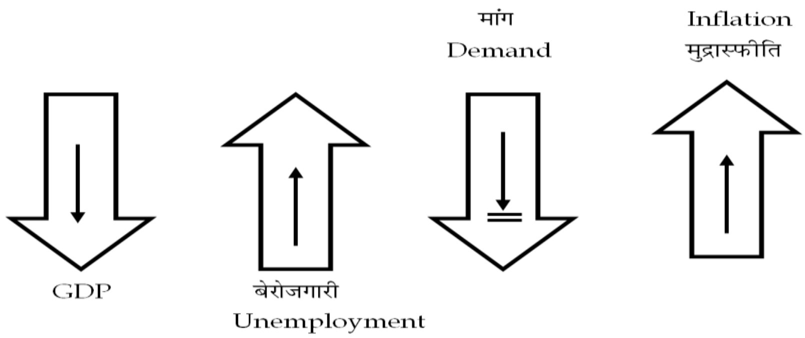
(8) Deflation:

- When the rate of inflation becomes negative.
- It means prices have reduced in company to previous year.
- It reduces investment in the economy & unemployment rises
- If this situation continuous for some time than recession occurs in the economy.
- If recession continuous for some time period than depression occurs

  For eg: great Depression 1929 USA

(9) Stagflation: -

- It is a special condition in which GDP growth rate reduce the unemployment increases but still a high inflation can be seen in country.



- It is a state of Delima for central Bank.
- Because if interest rate are increased then GDP will further reduced.
- If interest rate are reduced then inflation will further increase.

(10) Shrink Inflation:

- When prices of goods & services remains stable. but their quantity & quality reduces.

(11) Skew Inflation:

- When Prices of few goods & services increases significantly & prices of other remains stable. This is called skew inflation.

Eg: Protein inflation (Increase in price of protein products)

(12) Cost Push Inflation:

- This inflation is caused by increase in cost of production.
- Cost of production may increased due to following reason:
  - Increase in the prices of raw materials and Problem of natural disaster and War.
  - Shortage in availability of raw material due to natural calamity
  - Increase in cost of transportation.
    Like- Increase in the prices of crude oil in the international market.
  - Increase in rent.
  - Increase in the rates of wages.
  - Increase in interest rates.
  - Increase in profit of the entrepreneur.
  - Increase in indirect taxes.
  - Reduction in subsidy.

(13) Demand Pull Inflation:

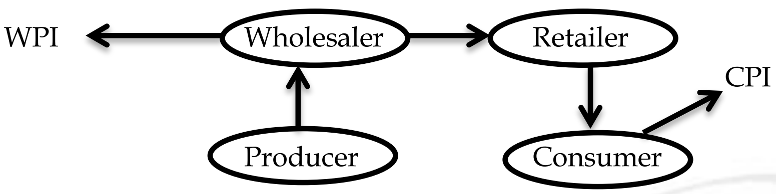
- This inflation is caused by increase in Demand.
- Increase in demand is caused by following reason:
- Increase in liquidity in Market.
- Increase in Govt. Expenditure – Fiscal Stimulus.
- Increase in Income of the consumer.
- Direct Tax ↓ (deficit) reduces.
- Black money in the market.
- Foreign Investment.

(14) Core Inflation:

- Inflation of food & fuel is substracted from main inflation.
  Core Inflation = Inflation - Other Factors

(15) Bottle Neck Inflation:

- This inflation is caused by problems in supply.
- Inflation can be calculated from 2 point of view.
  (i) Wholesaler : WPI – Wholesale Price Index.
  (ii) Consumer : CPI – Consumer Price Index.



WPI	CPI
• Published by Ministry of Commerce and Industry • Issued by the Office of the Economic Adviser • There are four types of WPI (i) Primary articles = 117 (ii) Fuel and Energy = 16 (iii) Manufactured goods = 564 (iv) WPI total = 697 • WPI is calculated for whole of India only, regional WPI is not calculated. • Only goods are included. • The weight of the food items is very less (Approx. = 20%) • Base year = 2011-12 • Issued on the 14th day of every month. • It was the main index till 2014.	• By the Ministry of Statistics and Program Implementation. • Issued by the National Statistical Office (NSO). • There are three types of CPI. (i) CPI Rural (ii) CPI Urban (iii) CPI (Rural + Urban) • CPI is issued for the country as well as for the states and UT i.e. state CPI • Contains both goods and services. • Weightage of Food items is maximum (Approx. = 45%) • Base year = 2012 • Issued on the 12th day of every month. • This is the main index since 2014. (Urjit Patel Committee)

- Base year is that year when the index value is considered 100.
- States Sepratry calculates WPI.
- In Rajasthan its base year is '1999-2000'.
- Another CPI is calculated & published by Labour Bureau under labour ministry.

CPI by Labour (Labour Bureau – Shimla/Chandigarh)

- **Rural (Base year 1986-87)**
  - **CPI Agricultural Labour**
  - **CPI rural labour**
- **Urban (Base year 2016-17)**
  - **Industrial worker**

Producer Price Index:

- In It the increase in price is observed from producer's point of view.
- Both goods & services are included in it.
- It is used in European countries.

Base effect

- When the effect of the previous year's prices on the inflation is calculated, it is called the Base Effect.
- If last year the prices were high then less inflation will be seen in the current year and if last year the prices were low then more inflation will be seen in the current year.

Impacts of Inflation:

(A) Positive Impacts:

(i) Economy growth.
(ii) Increase in investment in the economy
(iii) Increase in employment opportunities.
(iv) Increase in Tax income of the govt.

(B) Negative Impacts:

(i) Purchasing power of currency reduces.
(ii) The person who is saving money suffer loses due to inflation.
- Lender suffer loses & borowers benifited.
- Because of effective interest Rate = Interest rate – Inflation
- People starts to withdrawing their money from banks & starts to investing in assets where returns more than inflation
- But it increase the risk of the person.
- The bank deposits reduces which effects their credit capacity.

(iii) Due to high inflation the tendencies of black marketing increases.
(iv) Inflation most adversly effects the poor house holds.
Because their cost of livelihood increases.
(v) inflation causes more inflation.
(vi) People working in informal sector don't get 'Dearness Allowances'.
- Because of it the real income reduces.
- People working in formal sector get dearness allowances.
- Because of which their nominal income increase & their tax liabilities are alslo increases.
  (Tax Libilities = 'Fiscal Drag')

(vii) The govt. expenditure increases because of which the fiscal deficit of govt. also increases.

(viii) Due to high inflation imports increases & exports reduces.
- Because of which current account deficit increases.

Note: Fiscal Deficit & current account deficit collectively called 'twin Deficit'.

(ix) The credibility of economy reduces which affects investment in the economy.

Measures to Control Inflation:

2 types of measures are adopted to control inflation:

(1) Monetary Measures:
- These measures are adopted by RBI.
- Liquidity is reduced in the market through these to reduce the liquidity interest rate are increased & new currency notes are not printed.

(2) Fiscal measures:
- These measures are adopted by govt.
- They can be divided into 3 categories.

1st : Increase in supply
- The goods & services which are deficit in market govt. trys to increase its supply.
- For this following can be done:
  (i) Increase in supply.
  (ii) Control of export
  (iii) increasing the domestic production.
  (iv) Storage capacity is increased.
  (v) Means of transportation are developed.
  (vi) Action against black marketing.

2nd : Reduction in Demand:
- To reduce the demand govt. can take following actions:
  (i) Reduction in govt. expenditure.
  (ii) Increase in Direct Tax.
  (iii) Action against black money.

3rd : Direct Intervention
- Under it following action can be taken:
  (i) Reduction in indirect taxes.
  (ii) Increase in Subsidy.
  (iii) Inflation relief camps.
  (iv) Goods of basic needs are distributed among benificiaries through PDS (Public Distribution System)
  (v) Dearness Allowances is given to govt. employee.
  (vi) Minimum wage rate can be increased.

Fiscal Policy

- Govt. Policy regarding receipts & expenditure is called fiscal policy.
- It is expressed through budget.
- Budget is a popular term. It is not been used in the constitution.
- In 'Article-112' of the constitution a term "Annual Financial Statement" has been used.

Important Fact:

- 1st Budget of India was presented in 1860 by 'james Wilson'.
- 1st budget of independent India was presented in November, 1947 AD by "R.K. Shanmukham Shetty".
- Budget is presented on 1st working day of Feb.
- Before 2017 it used to be presented on last working day of Feb.
- In 2017 more changes were done:
  (a) Rail budget was merged with general budget on recommendation of "Bibek Debroy Committee".
  (b) Rail Budget was firstly presented on 1924 A.D. the recommendation of 'Acworth Committee'.
  (c) Distinguished between planned & Non planned expenditure was removed.

- **Planed Expenditure:**
  Expenditure done to complete 5 years plan
- **Non-planned expenditure:**
  Remaining expenditure is called non-planned expenditure.
- At present 5 year plan have been stoped.
- 12th five year plan was (2012-17) the last five year plan.
- Budget is presented at 11 A.M.
- Before 1999, It used to presented at 5 P.M.
- When budget is presented then firstly budget speech is given.

The speech has 2 parts

Part A:

General announcement related to economy.

Part B:

Tax related changes.

After speech 3 documents are placed in the parliament:

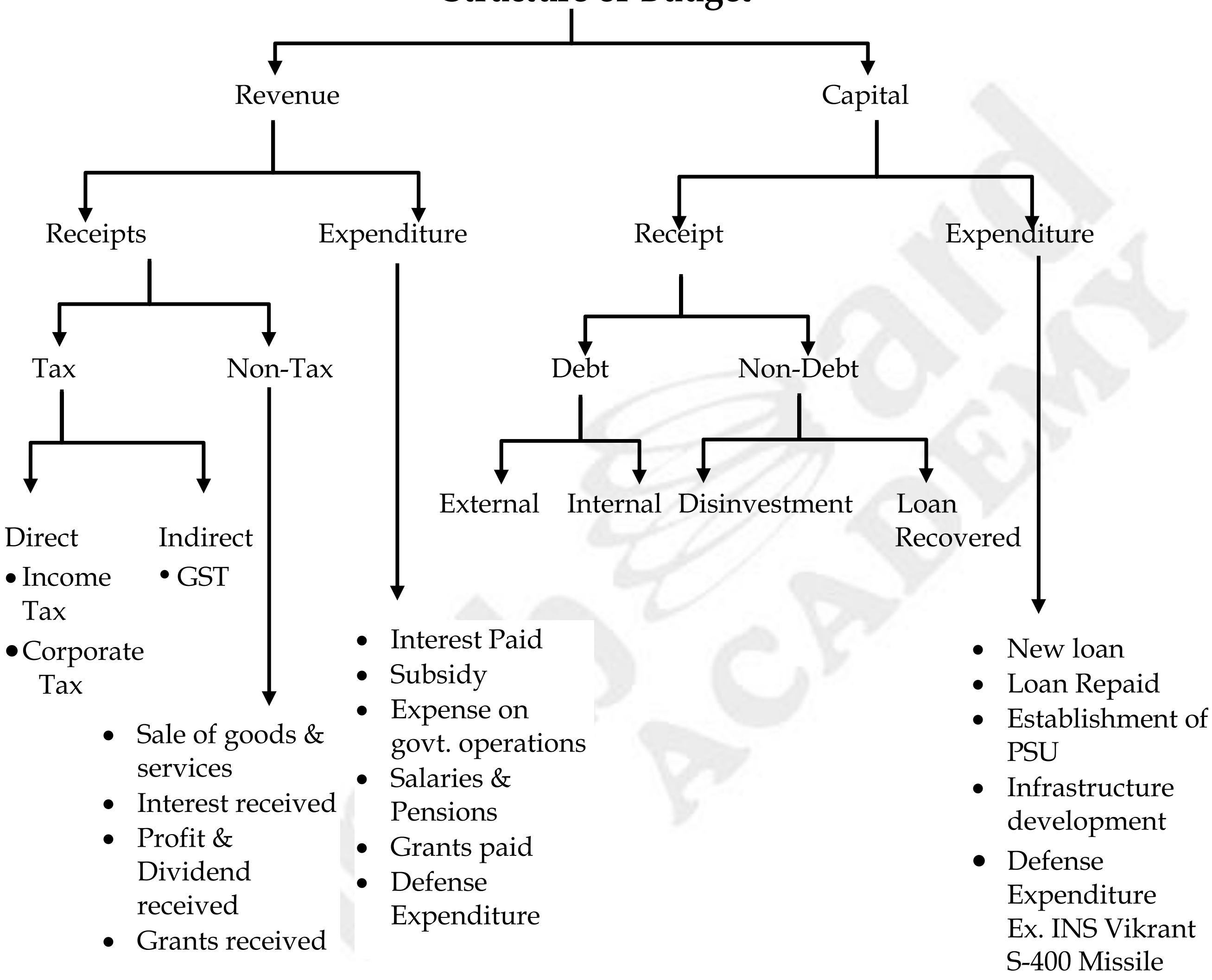
(i) Annual Financial Statement (AFS)
- It has data of govt. receipts & expenditure.

(ii) Finance Bill
- To implement the tax related changes.

(iii) Appropriation Bill
- For expenditure related approval from consolidated fund.
- One day before presenting budget economic survey/review is presented in the parliament.

- It is prepared by 'Chief Economic Advisor'.
- Peresent chief economic advisor is : V. Ananth Nageshwarn.
- All documents related to budget are prepared by "Dept. of Economics Affairs (Its Budget Division)

Structure of Budget



Budget is devided into 2 parts:

1. Revenue Budget
2. Capital Budget

1. Capital Budget:

- In it those transaction are placed which affects assets & liabilities.
- These transactions are less frequent.

(i) Capital Expenditure - That expenditure which either increases Assets or decreases Liabilities.

(ii) Capital Receipts - Those receipts which either reduce assets or increase liabilities.

2. **Revenue Budget:**
   - These transaction don't effect asset & liabilities.
   - These transaction are more frequent.

(i) **Revenue Expenditure**

- That expenditure which neither increase the assets nor decreases the liabilities, it is the expenditure of consumption.
- Revenue receipts are receipts that neither reduce assets nor increase liabilities.

(ii) Revenue Receipts:

- Those receipts neither reduce assets nor increase liabilities.
- It is the income of the govt.

Budget is of 3 types on the basis of receipts & expenditure:

(1) Balance Budget:

- When receipts & expenditure are equal then it is called balanced budget.

(2) Surplus Budget:

- When receipts are higher than expenditure then it is called surplus budget.

(3) Deficit Budget:

- When receipts are less than the expenditure
- In India govt. present deficit budget.

Deficits of Budget:

(1) Revenue Deficit (RD): - The difference between expenditure and receipts of revenue.
Revenue Deficit (RD) = Revenue Expenditure (RE) - Revenue Receipts (RR)

(2) Effective Revenue Deficit (ERD):-
Effective revenue deficit (ERD) = Revenue Deficit (RD) – Grants given for asset creation

(3) Fiscal Deficit (FD): - Total liabilities created by the government in a financial year i.e. loan taken by the government in a financial year.

- Fiscal Deficit = Total Expenditure – [Revenue Receipts +Non-Debt Capital Receipts]

Or

- Fiscal Deficit = Total Expenditure - [Revenue Receipts + Recovery of Loans + Receipts from Disinvestment]
- This is the most important deficit of the budget; it is being used since 1997.
- It was recommended by the Sukhmoy Chakraborty Committee.
- Earlier budget deficit was used.

Budget Deficit = Total Expenditure - Total Receipts

- To fulfill this deficit govt. used to issue 'Treasury Bills'.
- And RBI used t print new currency notes.
- It is called "Deficit Monetization."
- At present it has been stoped.
- Because it increase liquidity in the market & inflation increases.

- At present the budget deficit is zero.

(4) Primary deficit:-

- Interest payment is substracted from the fiscal deficit.
- It's an indicator that how much portion of the debt is used to repaid the interest of old debt.

Primary Deficit = Fiscal Deficit – Interest Payment

Deficit Financing:

- Govt. intensionaly present deficit budget so that capital expenditure can be increase, infrastructure could be created & employment opportunity could be created.
- So that economic progress could be insured.
- The concept of 'Deficit Budget' was given by an economist – 'J.M. Keynes'
- Some amount of fiscal deficit is good for economy but it's excess is not good for economy.

Fiscal Consolidation:

- To control fiscal deficit:
- Revenue maximisation.
- Expenditure rationalisation
- Effective Debt management are used
- This concept is called fiscal consolidation.

FRBM Act 2003 : Fiscal Responsibility & Budget Management Act - 2003

- To control the Fiscal deficit FRBM Act was passed in 2003.
- Following target were placed in it-
  (i) Fiscal Deficit = 0% of GDP
  (ii) Revenue Deficit = 3% of GDP
- This target was to be achieved till 2008-2009.
- After 2006 deficit monitisation will not be done
- The above target couldn't be achieved on time.
- Therefore time limit was extended.
- In 2016 'FRBM Review Committee' was constituted.
  Whose chairman 'N.K. Singh'
- Their recommendation were included in FRBM act through an amendment in 2018.
  Like:
  (i) A deviasion of 0.5% is accepted in target of fiscal deficit. It is called **Escape clause**.
  It can be used under following circumstances
    (1) War
    (2) Collapse of Agriculture
    (3) National Clamity
    (4) Structural Reforms in the economy.
  (ii) Debt to GDP Ratio should be 60%
    - It means total debt of the country should not be more/exceed 60% of GDP.

- In it debt of central govt – 40%
  & State govt. – 20%
- Under this act following documents are presented in parliament:
  - "Medium Term Fiscal Policy Statement".
  - "Fiscal Policy Strategy Statement".
  - "Macro Economic Framework Statement".

  Fiscal Deficit

2023-24	:	5.8%
2024-25	:	5.1%
2025.26	:	4.5%
- **In Rajasthan FRBM act was passed in 2005.**

Budget Reforms:

(1) Zero Based Budget:

- In traditional budget only new expenditure are reviewed. Old expenditure are not reviewed.
- Where as in zero based budget new & old all types of expenditure are reviewed.
- So, that unnecessary expenditure can be identified & they can be removed.
- It helps in controlling fiscal deficit.
- It's main challenge is that it is a time consuming process.
- Therefore it is partially adopted in India.
- For 1st time in 1986 it was adopted by 'Department of Science & Technology'.

(2) Outcome Budget:

- It was started in 2005.
- Under it a physical target is placed before every expenditure.
- And expenditure is reviewed on the basis of that physical target.
- It increase efficiency of the expenditure.

(3) Gender Budget:

- It was started in 2005.
- Under it schemes for women are sepratly mentioned.
- It has 2 parts:
  Part A: In it those schemes are mentioned where 100% allocation is for women.
  Part B: In it those schemes are placed where more than 30% allocation is for women.

(4) Sunset Budget :

- In it those schemes are placed whose end date is predecided

Note:

Interim Budget:

- This budget is present in election year.
- It is valid for 1 year.
- But it can be abolished even before time.
- Generally big announcement are not model in it.

❖TAX :-

- It is a mandatory payment to govt.
- It is main source of revenue for govt.
- In return govt. doesn't give any good & services directly
- Although, even indirectly.
- Tax are of 2 Types:

(1) Direct Tax (2) Indirect Tax

Direct	Indirect
➢ It is generally levied on a person or institution or profit. ➢ There cannot be shifting of tax burden. ➢ In this, tax incidence and tax impact occur at the same point, that is, the one who is taxed, it has its effect. ➢ Ex. Income tax, corporation tax.	➢ It is generally levied on goods and services. ➢ There can be shifting of tax burden. ➢ In this, tax fall and tax effect happen at the different point. ➢ Ex. GST

Tax over tax

It is of two types

(1) Cess - It is levied for a specific purpose; the revenue received from it can be used only for that Specific purpose.

It can be imposed only by the Central Government.

E.g. - Health cess, Education cess, Road cess etc.

(2) Surcharge – It does not have any special purpose; the revenue received from it can be used for any work.

- Cess and surcharge are temporary in nature.
- The revenue from these is not shared with the state government. (On the recommendation of the Finance Commission)

Direct Taxes of central govt.

(1) Income Tax:

- This tax is levied on the income of a person
- Income is of two types
- Gross Income -Total income received from all sources in a financial year.
- Taxable Income = Gross Income - Exemptions

[Agricultural income
Housing loan
Life insurance
Education loan
Savings plan]

- Govt. give exemptions to incourage the person.
- With increase in income the tax rates also incrases, Therefore it is called 'Progressive Tax'.
- It reduces income inequality.

E.g. Gross Income = 15 Lakh

Exemption = 3 Lakh

Taxable Income = 12 Lakh

Taxable Income	**Tax Rate**	**Tax Liability**
12 Lakh	30%	60,000
10 Lakh	20%	1 Lakh
5 Lakh	5%	12,500
2.5 Lakh	0%	0
		1,75,500 Rs.

- In 2020, Govt. implemented 'new Tax Regime'.
- If a person doesn't want to use exemption then that person can optional for this new tax regine.

Old Tax regime	
Income	Tax Rate
0.-2.5 Lak	0%
2.5-5 Lakh	5%
5-10Lakh	20%
> 10 Lakh	30%
Income upto 5 Lakh Rs is tax free	

New Tax regime	
Income	Tax Rate
0-3 Lakh	0%
3-6 Lakh	5%
6-9 Lakh	10%
9-12 Lakh	15%
12-15 Lakh	20%
> 15 Lakh	30%
Income upto 7 Lakh Rs is tax free	

Corporate Tax:

- This tax is levied on profit of the business organisations.

$$\boxed{\text{Taxable Profit} = \text{Gross Profit} - \text{Exemptions}}$$

- But many legal disputes happened due to it.
- In 2019, govt. introduce 'New Tax Regime'.
- If any company doesn't want to use exemptions than that company can optional for new tax regime.

Old Tax Regime Tax Rate	New Tax Regime
Turnover >400 cr 30%	Tax Rate – 22%
Turnover <400cr 25%	

- If a new investment is done in manufacturing after 2019 then 15% tax rate will be levied on the company.

Minimum Alternate Tax : MAT

Some companies make excessively Use of exemptions, due to which the taxable profit becomes zero, an additional tax is imposed on such companies.

Capital gains tax :

This tax is levied on the profit made when an asset is sold. If the asset is sold before 3 years then short term capital tax is levied and if the asset is sold after 3 years long-term capital gains tax will be levied.

- For the stock market, this time limit is one year.
- For this tax, TDS (Tax Deducted at Source) system is used, that is, this tax is deposited by the buyer.

(i) Retrospective Taxation:

- When tax is levied on past transactions.
- This provision was added on 2012 & its was removed in 2021

(ii) Tax Evasion - When tax is not being paid in Violation of Tax laws.

(iii) Tax Avoidance – When tax is not paid by taking advantage of loopholes in tax laws.

The vodaphone tax dispute was of tax avoidance.

GAAR : General Anti Avoidance Rules:

- To Prohibit the tax avoidance govt. implemented GAAR.
- According to if a foreign transaction is carried out & it has only objective to save tax.
- It has no business objective than in such case tax will be levied in India.

(iv) Security Transaction Tax: This tax is levied on sale & purchase of securities in security market.

(v) Dividend Distribution Tax: Abolished in 2020.

(vi) Wealth Tax: Abolished in 2015.

(vii) Fringe Benefit Tax: Abolished in 2009.

(viii) Banking cash transaction tax: Abolished in 2009.

(ix) Gift Tax: Abolished in 1998.

(x) Estate Duty: Abolished 1985.

Direct Tax of State Govt.

(i) Tax on Agriculture Income

- But no state govt. levied this tax in India.

(ii) Professional Tax:

- This tax is levied on professional working in the state.
- Maximum 2500 Rs annualy can be levied.
- In Rajasthan this tax is not levied.
- But it is levied in states like Gujarat, Maharashtra etc.

(iii) Property Tax:

- This tax is levied on the property in Urban areas.

(iv) Stamp Duty:

- This tax is levied on purchases of the property.

(v) Land Revenue:

- It is the rent paid on the land.

Indirect Taxes of Central Govt.

(i) Excise Duty:

- This tax is levied on the production of goods.
- It is included in GST except petroleum products.
- 5 petroleum products:
  - Crude Oil
  - Natural Gas
  - Petrol
  - Diesel
  - Air Turbine Fuel

(ii) Custom Duty:

- This tax is levied on import & export
- Except basic custom duty rest were included in GST

(iii) Central Sales Tax:

- It used to be levied on interstate sale.
- It is totally included in GST at Present.

(iv) Service Tax:

- It used to be levied on services
- At present completely included in GST.
- ✪ Those indirect taxes of state Government which have been transferred to local bodies are not included in GST.

Indirect taxes of the state government -

(i) Sales Tax-:

- This tax is levied on sale of goods within the same state.
- Except petroleum products, all others were included in GST.

(ii) State Excise Duty-:

- This tax is levied on alcohol for human consumption; it has been completely kept outside the GST.
- It is the main source of income for the state.

(iii) Purchase Tax: Included in GST.

(iv) Luxury Tax: Included in GST

(v) Entertainment Tax: Included in GST

(vi)Advertisement Tax: Included in GST.

(vii) Entry Tax (Octroi): Included in GST

(viii) Lottery Tax: Included in GST

(ix) Tax on beting & Gambaling: Included in GST

(x) Electricity Tax: Not Included in GST

❖ GST (Goods & Sevice Tax) :-

Background –

- GST in India was recommended by the Vijay Kelkar Committee in 2003.
- It was announced in the 2006 budget that in 2010 GST will be implemented.
- But it could not be implemented due to the disagreement of the state governments.
- Finally in 2016, 101st constitutional amendment was done in the constitution for implementation of GST.
- From 1st July 2017 GST was implemented in India.
- 1st country to implement GST was France – 1954.

Sailent Features of GST

1. It is a comprehensive tax as most of the indirect taxes have been subsumed in it.
2. With this, the principle of "one nation one tax" has been implemented, that is, India has become a unified market.
3. GST is levied on the supply of goods and services.
4. It is a multiple level tax as it is levied at each level of value addition.
5. It is a value added tax, that is, tax is levied only on value addition.
6. The CGST is imposed by the central government. SGST is levied by the state government. If goods and services are supplied from one state to another, then the IGST is imposed by the central government.
7. The central government collects the IGST, after keeping its share, the state's share is given to the respective states. That's why GST is called destination based tax. IGST is also imposed on imports.
8. CGST and SGST are applied on the same base, this avoids the Cascading effect.
9. Due to the value added tax, the cascading effect can also be avoided.

   Tax Liability = Tax Received - Tax Paid.
10. Generally there are 5 main rates of GST.
    a. 0%- Milk, Egg, Curd, Lassi
    b. 5%- Sugar, Cheese, Coffee beans, Household LPG
    c. 12%- Butter, Ghee, Almonds
    d. 18%- Hair Oil, Toothpaste, Pasta
    e. 28%- Mini Cars, Freeze, AC, Luxury Items.
11. It is mandatory for business establishments with a turnover of more than 40 lakh for general states and 20 lakhs for special states to be registered in GST.
12. After registration, a 15-digit GST Identification Number is issued.
13. In GST all functions are performed through online medium.
14. To built its online infrastructure "GSTN" named on organisation is established. which is a non-profit, non-govt. company.
15. In GST 'E-way bill' has been made mandatory.
16. If goods worth more than 50,000 are transported from 1 place to another place then it is mandatory to generate e-way bill.
17. It can be generated through website, mobile App & SMS.
18. Central govt. paid GST compensation to states for 5 years (2017-22)
19. All important decisions of GST are taken by 'GST Council'.

GST Council –

- This is a constitutional body, for this Article 279 (A) was added to the constitution.
- The representatives of center & States participates in it.
- Re-presentative of centres → 'Union Finance ministry (Chairperson of it)
  → Union Minister of Finance State

- Re-presentative of State → Finance Minister of All State
  → Delhi, Pudduchery & J&K (in future)
- All decisions of GST council are taken through voting.
- Vote value of centre govt – 33%
- Vote value of state govt. – 67%
- 75% votes are needed to take decisions.

Functions of GST Council

1. Determining which taxes should be included in GST.
2. Determination of the date of inclusion of petroleum products in the GST.
3. Determining the rates of GST.
4. Determining the goods and services which are to be added in GST.
5. To remove the problems coming in the implementation of GST.
6. Determination of GST rates at the time of disaster.
7. Resolving disputes related to GST.

- GST had removed 'cashcading effect'.
- Tax over tax is called cash coding effect.

National Income

To measure national income following concepts are used:

(1) Gross Domestic Product (GDP)-

Defination

It is the monetary value of all final goods and services produced within a country's domestic territory within a specific time period.

This definition has four main parts:

1. **Final Goods and Services:**
   - In Measurement of GDP final goods & Services are included.
   - But intermediate goods & services are not included.
   - Those goods & Services which have completed the process of production & they are ready for consumption are called 'Final Goods' & services.
   - Those goods & services which are used in production process are called 'intermidiate goods services'.
   - Example: Car is a final good and tires used in it are an intermediate good.
   - To avoids double counting intermediate goods are not included.

2. **Domestic territory of a country:**
   - In this the geographical area of a country
   - Exclusive Economic Zone (200 nautical miles)
   - Embassies and military bases abroad
   - Ships and aircraft registered in the country

3. **Certain Time Period:**
   - GDP is calculated for 1 financial year. (1 April to 31 March)
   - A financial year is divided into 4 quarters.

     1 F.Y = 1 April to 31 March

Q1	Q2	Q3	Q4
April	July	Octobar	January
May	August	November	Febuary
June	September	December	March

4. **Monetary Value:**
   - Quantity × Price = Monetary Value

Gross National Product (GNP)–

It is the monetary value of all final goods and services produced by the residents of a country within a specific time period.

GNP = GDP + Indian resident earning abroad - Foreign resident earning in India

$$\boxed{GNP = (GDP + \text{Net Factor Income Abroad})}$$

Two types of citizens $\left\{ \begin{array}{l} \text{Resident Indians} \\ \\ \text{Non-Resident Indian citizens who have been abroad for 6 months} \end{array} \right.$

- Goods and services produced by NRI (Non-Resident Indian) are not counted in GNP

Net = Gross - Depreciation

- NDP (Net Domestic Product) = GDP – Depreciation
- NNP (Net National Product) = GNP – Depreciation

All of the above four concepts (GDP, GNP, NDP, NNP) can be calculated on the basis of factor cost as well as market.

Factor Cost = Rent + Wages + Interest + Profit

Market price = Factor cost + Indirect tax - Subsidy

$GDP_{(MP)}$= $GDP_{(FC)}$ + Indirect Tax – Subsidy

$GNP_{(MP)}$ = $GNP_{(FC)}$ + Indirect Tax – Subsidy

$NDP_{(MP)}$ = $NDP_{(FC)}$ + Indirect Tax – Subsidy

$NNP_{(MP)}$ = $NNP_{(FC)}$ + Indirect Tax – Subsidy

$NNP_{(FC)}$ = $NNP_{(MP)}$ - Indirect Tax + Subsidy

- The Net National Product (NNP) at factor cost is called National Income in economics.

$$\text{Per Capita Income (PCI)} = \frac{NNP_{FC}}{\text{Population}}$$

Personal Income = National income - Corporate tax - Undistributed profit - Net interest payment from household + Transfer payment

Personal Disposable Income (PDI) = Personal Income - Personal Tax Payment – Non-Tax payment (like pension, insurance, PF)

GDP is 2 types:

(1) Nominal GDP:

- When GDP is calculated at current prices.
- Impact of inflation is included in it.
- E.g.

Year	Production	Price	GDP	GDP Growth
2022	3 quantity	100 Rs.	300 Rs.	$\frac{400-300}{300} \times 100$
2023	2 quantity	200 Rs.	400 Rs.	= 33.33%

(2) Real GDP:

- When GDP is calculated at constant prices.
- Impact of inflation is not included in it,
- The year whose prices are taken as constant prices is called base year.

Year	Production	Price	GDP	GDP Growth
2022	3 quantity	50 Rs.	150 Rs.	$\frac{100-150}{150} \times 100$
2023	2 quantity	50 Rs.	100 Rs.	= - 33.33%

GDP Deflator:

$$\text{GDP Deflater} = \frac{National\ GDP}{Real\ GDP} \times 100$$

- It is an indicator of inflation.
- It is more accurate than CPI & WPI
- But it less popular because it's calculation takes longer time.

Methods of GDP Measurements:

Income Method – The cost of the factors of production is added up.

$$\boxed{\text{GDP = Rent + Wage + Interest + Profit}}$$

Expenditure Method- Consumption Expenditure + Investment + Government Expenditure + Export-Import

$$\boxed{\text{GDP} = C + I + G + (X\text{-}M)}$$

Production Method- Value addition is calculated in different sectors of the economy.

- Value addition = Total selling price of products – Cost of intermediate goods
- When GDP is calculated using production method then it is called 'G.V.A.' (Gross Value Added)
- $G.V.A_{MP} = GVA_{FC}$ + Indirect Tax – Subsidy
- In 2015 following changes were made in the production method.
- $GVA_{BP} = GVA_{FC}$ + Production Tax – Production Subsidy
- $GVA_{MP} = GVA_{BP}$ + Product Tax – Product Subsidy

Production Tax & Production Subsidy:

Are those taxes & subsidies which are independent on Production value.

E.g. Land Revenue stamps & Registration fees etc. tax on profession subsidy: Input subsidy to farmers to village & Small Industries.

Product Tax & Product subsidy:

- Those tax & subsidies which are dependent on production volume.
  (Ex: Sales tax, Service Tax, Import & Export duties. Subsidy – Food, petroleum & fertilizer subsidies.)
- In India GDP is measured / calculated by 'NSO' National Statistical office.
- In India 'Income method' is not used.
- 'Expenditure method' & 'Production method' are used.

Challenges of GDP Measurement

1) Double Counting
2) Improper Records
3) Problem of Inclusion & Exclusion
4) Illegal good & services are not included in GDP.
5) Capital gains is not included in GDP. (i.e. gold/Land's value increment)

Economic Growth & Economic Development

Economic Growth	Economic Development
• Narrow concept • The increase in production is measured. • Quantitative Concepts • One dimensional • Important for developed countries • Indicators like GDP, GNP, PCI etc. are used. • Easy to measure	• Broad concept • Along with production, social welfare is measured. • qualitative concept • Multidimensional • Important for developing countries • Indicators like HDI, Happiness Index are used. • Relatively difficult to measure

Human Development Report:

- This report is published by UNDP (United Nations Development Programme)
- Theme of Report 2023-24
- "Breaking the Grid lock"
- "Reimagining cooperation in a Polarized world".
- In this report following Index are publisher:

(1) Human Development Index:

- ➢ This index was developed by Pakistani economist Mehboob-ul-Haq in 1989.
- ➢ It was first published report of 1990.
- ➢ India's 'Amritya Sen' assisted in development of this index.
- ➢ Value of this Index ranges between '0+1'
  zero refers to → No Development
  One refers to → complete Development
- ➢ It is calculated on the basis of three factors (Health, Education and Standard of Living)

Dimenstion	Indicators	Minimum	Maximum
Health	Life expentancy at birth (Years)	20	85
Education	Expected years of schooling (yrs)	0	18
	Mean years of schooling (yrs.)	0	15
Standard of living	GNI per Capita (2017 PPP $)	100	75000

- ➢ To compare the per capita income "Purchasing Power Parity" (PPP) is used.
- ➢ For e.g.
- ➢ 10 Samosa in USA = 1$ | 10 Samosa In India = 70₹ | Exchange Rate 1$ = 70₹

- Date of 2023-24
  1st Rank – Switzerland
  Last Rank (193) – Somalia
  134th Rank – India
- HDI Value → 0.644
- Life Expatancy at Birth → 67.7 years
- Expected years of schooling → 12.6 years
- Mean year of Schooling → 6.6 years
- Per capita Income → 6,951 $
- Rank of 2021 → 135th

(2) Inequality – Adjusted Human Development Index (IHDI)

- Impact of in equality on human development index is measured through it.
- Value of IHDI : 0.44
- Overall loss due to inequality in HDI : 31.1%

(3) Global Development Index (GDI):

- In it HDI for male & female is calculated sepratly.
- And a comparative study is conducted.
- Value of GDI : 0.852
- HDI for Female : 0.582
- HDI for Male : 0.684
- Per Capita income of female is very less in comparison to male.

(4) Gender Inequality Index:

- It is calculated using 5 factors:
  (i) Maternal Mortaility Rate.
  (ii) Adolescent Birth Rate.
  (iii) Share of Seats in Parliament.
  (iv) Population with at least secondary education rate.
  (v) Labour force participation Rate.
- Value of GII : 0.437
- India's Rank : 108th

(5) Global Multidimensional Poverty Index:

- It was started in 2010.
- It was developed by 'UNDP' & "Oxford Poverty & Human Development Initiative" (OPHDI)
- It is calculated using 3 dimensions & 10 indicators.

3 Dimensions	10 Indicators
1. Health	1. Nutrition 2. Child Mortality Rate
2. Education	3. Year of Schooling 4. School attendance
3. Living Standard	5. Cooking fuel (LPG) 6. Sanitation 7. Electricity 8. Clean Drinking water 9. Assets 10. Floor

Percentage of multidimensional poors in India in 2019-20 : 16.4%

(6) The Planetary Pressures Adjusted Human Development Index (PHDI):

- It was started in 2020.
- Two Indicators are used for its calculation.
  1. Per capita CO_2 emission
  2. Material Footprint per capita
- Value of PHDI : 0.625

World Happiness Index:

- This Index is issued by the Sustainable Development Solutions Network, a global initiative of the United Nations.
- This report is released every year on 20 March (World Happiness Day).
- This report is published by Sustainable development solution network.
- To measure this index a survey is conducted which is called 'Gallup Poll'.
- Three main questions are asked under the survey
  1. Evaluation of life
  2. Positive emotion
  3. Negative Emotion

- Apart from this, 6 key factors are also used.
  a. per capita GDP
  b. Healthy Living Standard
  c. Social Security
  d. Freedom of choice
  e. Generosity
  f. Perception towards corruption.

Rank of 2024

1st Rank = Finland

India's rank = 126th

Last Rank = Afghanistan = 143

Poverty

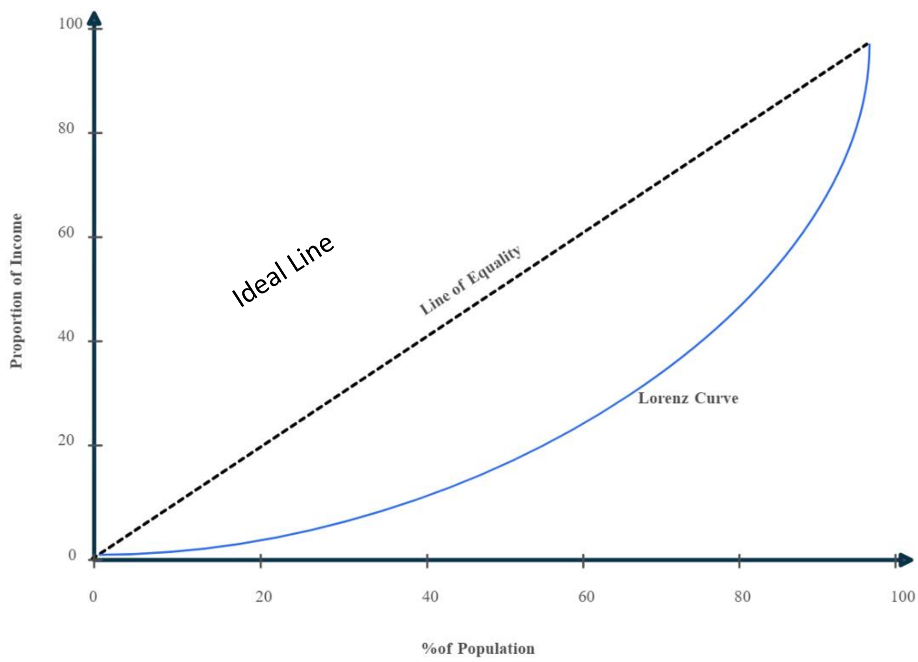
- It is condition is which a person doesn't have sufficient economic resources to fulfill his basic needs.
- Poverty is of 2 types:
  1. Relative Poverty
  2. Absolute Poverty

(1) Relative poverty

- Under this, a comparative study of the income of different persons is done. Inequality is measured in this.
- It tells about economic inequality
- To measure it 'Lorenz Curve' is used.

Lorenze Curve

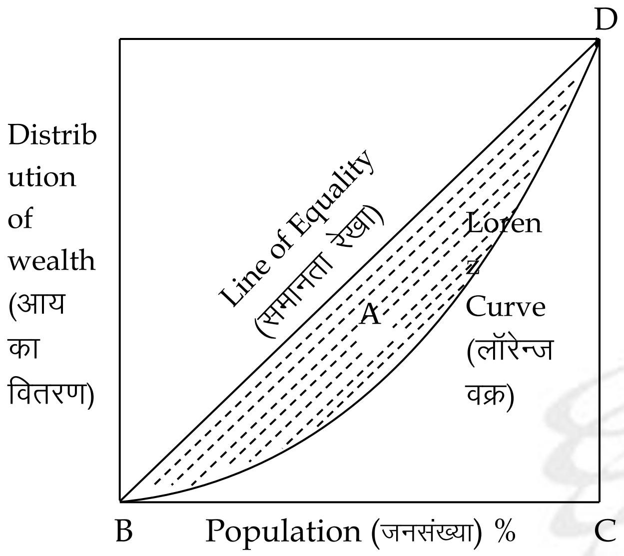
- This curve show/indicates income distributes among population.
- The line drawn at 45° is called 'Line of Equality'.
- It is an ideal line.
- Practicaly the Lorenz curve of a country lies between line of equality & x-axis.
- The country whose Lorenz curve is away from line of equality that country has more inequality.



Gini coefficient-

- It is the mathematical form of Lorenz curve.

$$\text{Gini Coefficient} = \frac{\textit{Shaded Area A}}{\textit{Total Area BCD}}$$



- The value of the Gini coefficient ranges from 0 to 1.
  0 – Perfect Equality

  1 - Absolute Inequality
- The Country which has higher Gini coefficient also has higher inequality.

(2) Absolute Poverty:

- It is a condition in which a person doesn't have sufficient economic resources (through which he can) to fulfill basic needs.
  Like: food, clothes, house, education, health.
- In India poverty is measured on the basis of household & not on the basis of individual.
- 5 members are considered in the family.
- Poverty is measured not on the basis of income but on the basis of consumption expenditure.
- To purchase the basic needs the money needed is called poverty line.
- Poverty line is determined by 'Niti Aayog' (earlier, planning commission).
- To identify poor households 'NSD' conducts household consumption expenditure survey.
- The families whose consumption expenditure is lower than poverty line are known as BPL families.
- And whose consumption expenditure is higher than poverty line are called APL families.
- This method is called "head Count Method".
- In Survey of NSO, 3 types of Methods are used

1. **URP (Uniform Reference/ Recall Period)**
   - Under this, it is seen that how much a family has spent on food items in the last 30 days.
2. **MRP (Mixed Reference/Recall Period)**
   - Under this, it is seen that how much a family has spent on clothes, shoes, education, health, durable goods (TV, fridge) etc. in the last 365 days.

3. **MMRP (Modified MRP)**
   - Under it expenditure of 7 days, 30 days & 365 days are observed.

7 Day
- Vegetable
- Egg
- Fruits
- Bread
- Petrol

30 Day
- Edibles
- Fuel
- Electricity
- Rent
- Milk

365 Day
- Clothes
- Education
- Health
- Shoes
- Other durable goods

Poverty Measurnment at Global level

1. **UNDP:**
   Global Multidimensional Poverty Index.

2. **World Bank:**
   Poverty Line = $2.15 per person per day

3. **ADB : Asian Development Bank**
   Poverty line = $1.51 per person per day

Brief History of Poverty Measurment in India

(1) Dada Bhai Naoroji:
- Poverty was measured for the 1st time in 1867-68
- His book : "Poverty & Un-British Rule in India"

(2) National Planning Committee :1938
- Chair Person : "Jawahar Lal Nehru"
- Food, Cloths & house are considered as basic needs.

(3) Bombay Plan : 1944
- This Plan was formulated by Industrialist.
- It is also called 'Tata Birla Plan'

(4) Expert Group of Planning Commission : 1962

(5) Dandekar & Rath Committee : 1971

- Calorie consumption methology was used for the 1st time

(6) Alagh Committee : 1979

- Along with calori nutritional requirement also be considered.
- Poverty Line : Rural Areas (2400 cal. per day), Urban Area (2100 ca. per day).

(7) (D.T.) Lakdawala Committee : 1993

- Calorie consumption methodology should be continued.
- State specific poverty line should be determine.

(8) Suresh Tendulkar Committee : 2005

- He submitted his report in 2009.
- He criticized calorie consumption methodology.
- Because at present consumption pattern is changed.
- URP should be replaced by MRP.
- Poverty line according to him:

  Urban:
  - 5000 Rs per family per month
  - 1000 Rs per person per month
  - 33 Rs per person per day

  Rural:
  - 4080 Rs. per family per month
  - 816 Rs per person per month
  - 27 Rs per person per day

  Percentage of poor
  2004-05 → 37.2%
  2011-12 → 21.9%

(9) Rang Rajan Committee : 2012

- He submitted his report in 2014.
- Poverty line according to him
  Urban Areas = 7035 Rs. per family per month.
  Rural Areas = 4860 Rs. per family per month.
- Percentage of Poor (2011-12) = 29.5%
- This committee used modiefied mixed reference period.
- Govt. didn't accept the recommendations of this committee.
- Therefore the last official available figure of poverty is of Tendulkar committee.
- It means in 2011-12 → 21.9%

National Multidimensional Poverty Index of Niti Aayog:

- Started : 2021
- It is calculated using 3 dimensions & 12 indicators.

Dimensions	Indicators
Health (1/3)	→ Nutrition
	→ Child and adolescent mortality
	→ Health facility at birth (maternal health) (Not included in UN's Index)
Education (1/3)	→ Mean Years of education
	→ School attendance
Standard of living (2/3)	→ Cooking fuel (LPG)
	→ Hygiene
	→ Drinking Water
	→ Electricity
	→ Concrete house
	→ Assets
	→ Bank Account (Not included in UN's Index)

- In 2019-21 percentage of poor is 14.96%.
- Poorest state of India – Bihar
- Most prosperous state of India – Kerala
- 10th poorest state of India – Rajasthan
- For this index data is taken from 'National Family Health Survey'.

Causes of Poverty:-

- Lack of Education
- Increment in Population
- Unemployment
- Inflation
- Lack of Skills
- Malnutrition
- Corruption
- Lack of Health services
- Lack of Financial Inclusion
- Lack of Social Securities (Insurance, Pension)
- Social Discrimination

- Lack of Infrastructure
- Lack of Political will
- Non-inplementation of govt. Schemes
- Poverty itself is a cause of poverty which to 'Vicious Circle' of poverty.

Measures to elemenate Poverty:-

There are 2 main approaches to eliminate poverty.

(1) Trickle Down Theory

- Supporters of this theory - Dr. Jagdish Bhagwati, Arvind Panagariya
- Book - Why Growth Matters
- According to them, the government should spend more on physical infrastructure and implement economic reforms so that investment can be attracted and new employment opportunities can be created.
- With the increase in investment, the tax revenue of the government also increases.
- This method increases inequality in the short run, but poverty can be reduced in the long run.

(2) Direct Redressal-

- Supporters - Amartya Sen, Jean Dreze
- Book - An Uncertain glory: India and its Contradictions
- According to them, direct assistance should be given by the government to the poor families.
- For this, different assistance programmes should be run.
- Government should spend more on social infrastructure.
- Like- education, medicine, nutrition, pure drinking water
- At present both the above mentioned methods are used.
- Following schemes are implemented to remove poverty:
  (i) Pradhan Mantri Garib Kalyan Ann Yojana
  (ii) Poshan Abhiyan
  (iii) Pradhan Mantri Matra Bandhan Yojana
  (iv) Samagrah Siksha Abhiyan
  (v) Mid Day Meal Scheme
  (vi) Pradhan Mantri Aawas Yojana
  (vii) Pradhan Mantri Sobhagya (Sahaj Bijali Har Ghar Yojana)
  (viii) Swachh Bharat Mission
  (ix) Jal Jiwan Mission
  (x) Pradhan Mantri Jan-Dhan Yojana
  (xi) Ayushman Bharat Yojana
  (xii) MNAREGA
  (xiii) National Livelihood Programme
  (xiv) Pradhan Mantri Vishawkarma Yojana
  (xv) P.M. Swanidhi Yojana
- As Per the economic Survey of 2016-17 'Universal Basic Income' used as concept to remove poverty.
- It means/referes to a minimum regular income give by govt. to all.

Finance Commission

Concept : Australia (Common Wealth Grant Commission)

Australia	India
permanent Body Advisory Body	Temprary Body Constitutional Body

- **Constitutional Provision :**
  Part XII & Article 280
- **Appointed by :** President of India (Article 280(1))
- **Report :** To President of India
- **Special Status :** Quasi Judicial Status

Members of 16th Finance Commission

- Mr. Ajay Narayan Jha.
- Smt Annie George Mathew
- Dr. Niranjan Rajadhyaksha
- Dr. Saumya Kanti Gosh
- Secretory – Ritvik RAnjanam Pandey

Objectives:

- The purpose of setting up the finance commission in India is to provide 'Stability' to the financial relation between center & state.
- The main functions of finance commission
  (1) To determine the appropriate formula or principle for the distribution of (Gross tax revenue) Central taxes and duties between center and state)

16th F.C(finance commission)	16th FC Report
Time period: 31st Dec 2023 to 31st oct 2025	Implement = 5% 1 April 2026 to 31st March 2031

Ex:

F.C	Center	State	No, of States
13th	68%	32%	28
14th	58%	42%	29
15th	59%	41%	28
16th			

(2) To dertermine the formula with refrence to the financial assistance given by the center to the states.

(3) To review the center state financial relations.

(4) In addition to the above functions, any other work which may be assigned to him by the president.

15th Finance commission

- The recommendations of the 15th finance commission were to be implemented from 2020 to 2025 but it was extended by 1 year & now its recommendation will be applicable from 2021 to 2026.
- It is note worthy that two reports were released by the 15th finance commission.
- The first report was released for 2020-21
- The second report 2021-26.

Major recommendation of 15th finance commission

(1) The share of state in the central taxes & duties has been recommended to 41%. Though the 14th finance commission had placed it at 42%.
(2) The reduction of 1% has been made due to an increase in central expenditure due to the creation of U.T. of Jammu & Kashmir & Laddakh.

In the determination of horizontal share the following 6 factors have been considered:

Factor	weightage
Income difference	45%
Geographical Area	15%
Population	15%
Demographic Performance	12.5%
Forest & Ecology	10%
Tax & Fiscal efforts	2.5

Recommendation on Grants:

Grants will be given to 17 states to meet the revenue deficit.

Central grants for state is given for the following:

(i) Social needs
(ii) Administration & infrastructure
(iii) Water supply & sanitation
(iv) Tourism
(v) Maintanence of Culture & Historical sites.
(vi) Disaster Management

Sector Based Central Grant:

A total of 8 sector have been given this contract grant.

(1) Health
(2) Scool Education
(3) Higher Education
(4) Implementation of Agriculrture Reforms
(5) Maintenance of Pradhan Mantri Gram Sadak Yojana
(6) Judiciary

(7) Aspirational Districts & Blocks.
(8) Statistics.

Grants to Local Bodies:
A total grants of 4.36 Lack crore has been recommended to the local bodies. According to the commission, the following are the shortcoming of Gram Panchayats & Local bodies:
(1) Lack of Human Resource
(2) Lack of Technical Proficiency.
(3) Insufficient Capital.
(4) Inadequacy of the recommendation of the state finance commission.

According. to 15^{th} F.C, the most benificiary state.
(1) Uttar pradesh
(2) Bihar
(3) Himachal Pradesh
(4) West Bengal
(5) Maharashtra
(6) Rajasthan
(7) Goa
(8) Sikkim
(9) Mizoram

E - Commerce

- E-commerce is the buying & selling good & service over the internet.
- It is conducted over computers, tablets, smart phones & other smart devices.
- Almost anything can be purchased through e-commerce today.

Model of E-commerce

(1) B to B	(2) B 2 C	(3) B 2 G
(4) C 2 B	(5) C 2 C	(6) C 2 G
(7) G 2 B	(8) G 2 C	(9) G 2 G

(1) Business to Business : B2B

- In this model transaction between two business companies takes place.
  E.g.: If a company does not manufacture any product it busy that product from another company, then it comes under B2B category.
  Ex: Alibaba, Amazon, India Mart.

(2) Business to Consumer : B2C

- In this model transaction between business/company & consumer takes places.
- It is widely used form of E-commerce.
  Ex: When a consumer buys products directly from Flipkart, Amazon, Netflix, Hotstar.

(3) Consumer to Business : C2B

- It is opposite of B2C Model
- In this model, transaction between consumer & company takes place.
  Eg. When a company gives requirement for it's work designing & a person offers to design it.

(4) Consumer to Consumer : C2C

- In this model transaction between two consumer takes place.
  E.g: when one person sells some products or services to another person on sites like e-bay & olx, Security Market.

In India there are 3 types of e-commerce business:

(1) Inventory based Model of e-commerce:

It means an e-commerce activity where the inventory of good & services is owned by the e-commerce entity & is sold to the consumers directly.
Eg: Shopper stop, Tatacliq, Alibaba in china SBA etc.

(2) Market Place based Model:
It means providing an information technology platform by an-e-commerce entity on a digital & electronic network to act as a facilitator between the buyer & seller.
Eg: Snapdeal

(3) The Hybrid Model:
This Model is composed of both inventory & market placed model.
Eg: Amazon & Flipkart

Benifits to consumer:

(1) Benifits to Consumer:
- Goods & Services are available at low cost.
- Goods & Services can be purchased at any time & any place.
- Goods & services can be purchased at any time & any place.
- Consumer gets the bills, which promotes consumer protection.
- Review & feedback facility is available.

(2) Benifits to Traders:
- Reach of business increases
- Cost of business reduces
- The cost of building infrastructure is low.

(3) Benifits to Government:
- It increase the tax revenue of govt.
- It attracts investment, especially foreign investment.
- It creates employment opportunities.
- It increase economic activities which helps in GDP growth.

Challenges of E-commerce
1. Weak digital infrastructure
2. Lack of digital literacy
3. Incompleteness of financial inclusion
4. Small businessmen can't complete
5. Online Frauds
6. Lack of effective govt. policies & laws.

Unemployment

- The State in which a part of the labour force has the willingness & ability to work, but does not get it, is called unemployment.
- Unemployment= Labour force – Work force
- **Labour Force :** Every person in the age group of 15 to 59 years who has the willingness & ability to work is called labour force.
  (i.e.-working or seeking or available for work**)**

- **Work Force :** The Person who comes under the labour force who has got enployment is called work force.

- **Types of unemployment : -**

1. **Voluntary Unemployment : -**
   - If the person under the labour force is not ready to work on 'determined wages'.
   - This happens when the person does no get the work or salary according to thecapacity so it is not related to Poverty.

2. **Involuntary Unemployment : -**
   - If the person under the labour force is ready to work even for less than the fixed Wages, but even then he does not get wok then, this type of unemployment is called involuntary Unemployment.
   - This Unemployment is directly related to Poverty.

Types of Unemployment in Urban Areas : -

1. **Frictional Unemployment : -**
   - A Person belonging to the labour force when he leaves one job & gets another job, remains unemploy during the intervening time.
   - This unemployment is called Frictional unemployment.
   - But it is not a serious threat to the economy.

2. **Cyclical Unemployment : -**
   - Unemployment arising due to imbalance between demand & supply in the economy, especially during recession, it is called Cyclical Unemployment.

3. **Under Unemployment : -**
   - When a person under the labour force is working on minimum wages, but he does not get work as per his skills, then it is called Unemployment.

4. **Educated Unemployment : -**
    - When educated youth is unemployed because of faulty education system, lack of economic opportunity & in search of better employment, it is called educated Under unemployment.

5. **Structural Unemployment : -**
    - The unemployment that occurs due to structural changes in the economy is called structural unemployment.(eg.- P.C., Phone, dish Tv.)

6. **Technical Unemployment : -**
    - The unemployment which arises due to upgrading in technology of production & production with new machines is called technical unemployment.

Long Term Unemployment : - More than 6 months.
Hardware Unemployment : - Arises due to Criminal background of person.

Types of Unemployment in Rural Areas : -

1. **Disguised Unemployment : - (Hidden Unemployment)**
    - Under this, the person coming under labour force gets employment but the marginal productivity of his labour is Zero.
    - This happens due to the employment of more workers than needed.
    - Here marginal productivity means the productivity of one additional worker & that is equal to Zero.
    - It is seen in Agriculture.
2. **Seasonal Unemployment : -**
    - When people get employment in a particular season & after that they become unemployed then it is called seasonal unemployment.

Reasons of Unemployment : -

1. Reduced opportunities due to rapid population growth.
2. Decreased rate of employment generation due to lack of resources.
3. Due to weak infrastructure, industries could not develop adequately, lack of industrialization especially MSMEs.
4. The back wardness of agriculture & the anomaly o monsoon.
5. Slowing down of economic growth.
6. Jobless growth.
7. Side effect of LPG.
8. Corruption in schemes ran for unemployment Eradiction.
9. Reduction in govt. jobs.
10. The level of education is very poor, all people are not educated.
11. Market-based skills are not provided in educational institutions, which cause the problem of educated unemployment.
12. Lack of Enterpreneurship.
13. In India most of the people are job seekers but the no. of job givers are very less.

Measures to Combat(Control) Unemployment : -

1. By increasing production.
2. By controlling the population.
3. by encouraging saving.
4. By Promoting MSMEs.
5. By making educatonal reforms by making Vacational training compulsory.
6. By promoting self-employment.
7. To eradicate unemployment, emphasis should be given on skill development & training should be given according to the demand of industries.
8. By promoting co-operative industries.
9. By Promoting employment through self-help-groups By Promoting Labor-based technology.
10. By promoting food processing Industries.
11. By Promoting labour-based Technology.
12. By promoting Exports.

Measurnment of Unemployment in India : -

Unemployment in India is measured by the "National Statistical Office"(**NSO**)

1. Usual Status Unemployment :
2. Weekly Status Unemployment :
3. Daily Status Unemployment :

1. **Usual Status Unemployment : (Annual Status Unemployment)**
   - The number of people who did'nt get work according to their skills level throughout the Year.
   - This way thus This unemployment represents long-term Unemployment.
   - Under this, if a person is employed in employment for 183 days or more out of 365 days, then he is considered in the work force.
   - And If he is not employed for 183 days then he is considered out of work force.

2. **Current Weekly Status Unemployment : -(CWS)**
   - Number of people who did not get work for the whole week.
   - Under this, if a person is not able to get work even for 1 hr. in 7 days, then he is considered in unemployment.
   - (NSO used this method for calculation in India.)

3. **Daily Status Unemployment : -**
   - It Indicates the number of people who get more than 1 he. & less than 4 hr. of work in a day, then they will be considered as.
   - 'Half day work' & if the work more than 4 hr. that person will be considered under 'Full day work'.

Note : -

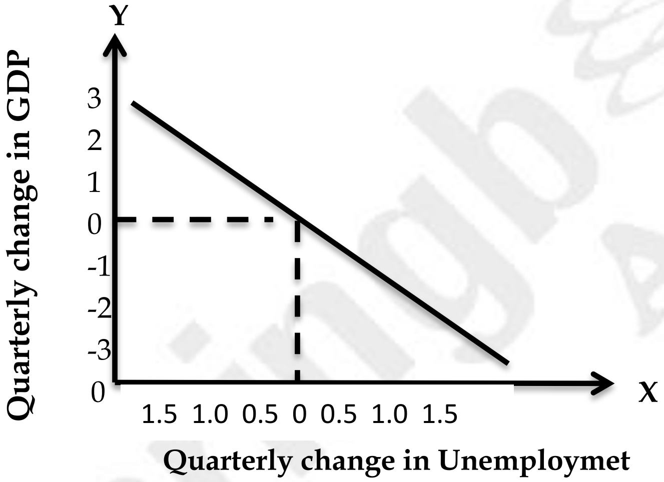
1. Daily Status Unemployment presents the best measure of unemployments.
2. Standard Person Year : - When a person gets works for 273 days in a year according to 8 hr. daily, it is known as standard person Year.(8 hrs.* 273 days)
3. The Unemployment figures are released by the NSO in the " Periodic Labour Force Survey"(PLFS report)

PLFS report:-

1. NSO releases this report Quaterly. → **Jan.-March**, April-June, July-Sep., Oct.-December
2. It was launched in april 2017.
3. 'U' rate was 3.2 % in 2022-23.

Okun's Law : -

- It shows the relationship between the growth rate of a country & Unemployment rate.
- Inverse relation found between these two.
- According to Okun's law, if the GDP of a country Increases by 3% then the unemployment rate of that country will decrease by 1%.
- Similarly, if the unemployment rate in a country increased by 1% the GDP will be decreased by about 3%.



Government Schemes Related to Unemployment : -

1. Pradhan Mantri Vishwakarma Yojana : -

- Started – 17 September 2023
- Type – Central Scheme.
- Ministry – Ministry of Micro Small Medium Enterprises.
- Time Period : - 5 Years
- Total Budget : - rs. 13,000 cr.
- Beneficiaries : Include Vishwakarma, Traditional artisars & craftsmen engaged in various Professions like blacksmith, goldsmith, potter, carpenter, sculptor, boat maker, cobbler, tailor, barber etc.

- 18 Traditional trades in both rural & urban areas are covered under this scheme.
- Benefits : Loans assistance of first installment of rs 1 Lakh & Second installment of rs 2 lakh at a concessional interest rate of 5 percent.
- It is a collectral free loan.
- Under this scheme, a grant of rs 500 per day will be given for skill training & rs. 15,000 for the purchase of modern equipment.

2. Lakhpati Didi Yojana : -

3. Pradhan Mantri Svanidhi Yojana : -

- Started – 1 June, 2020
- Ministry : Ministry of Housing & Urban Affairs.
- Objective : A Scheme named " Pradhan Mantri Street Vendors Atamnirbhar Nidhi" was started to provide financial support to small shopkeepers &n howkers i.e. Street Vendors.
- Financial Assistance : -
- First EMI - Rs. 10,000
- Second EMI -Rs. 20,000
- Third EMI - Rs. 50,000
- A time period of 1 year is given to repay this capital.

4. Skill India : -

- Started : - 15 July, 2015
- Objective : - This scheme was started to increase the skill development of workers in India & to make India the center of capacity building.

Note : - Skill India 4.0

- Duration : 3 Years(2024-2027)
- Announcement in Budget 2023-24.
- Under this the Indian youth will trained under industry 4.0(Other topics: Robotics, IoT, Drone Training)
- 30 Skill India Centers will be established.

5. Ustad Scheme : -

- Launched : 14 May, 2015
- From – Varanasi, UP.
- Objective : Ustad scheme was started to providing capacity development & training to the people of these communities to promote handicrafts related to traditional arts & handicraft in minority communities.
- Ministry : Ministry of Minority Affairs.

6. MUDRA Scheme : -

7. Start Up India : - 2016

8. **Make In India : - 2014**

9. **MGNREGA : - Mahatma Gandhi National Rural Employments Guarantee Act.**
   - It was Started on 2 Feb 2006 from Andhra Pardesh.
   - This Act was passed by the parliament in sep.,2005
   - On October 2, 2009, It's name changed from NREGA to Mahatma Gandhi National Rural Employment Guarantee Act.

Provions on MGNREGA : -

1. This act implemented by Gram panchayats.
2. This law gaurantees 100 days of employment in financial year (To every house hold willing to engage in unskilled lobour.)
3. 150 days in drought-affected & drough-affected & tribal areas.
4. In Rajasthan 125 days (200 days in drought-affected & drough-affected & tribal areas)
5. 33% beneficiers will be women according to provision of this act.
6. This las has been inacted as 'Legal Right' to get employment.
7. Employment will be given within 15 days of applying for employment.
8. If the employment is not provided within this time period the applicant will get unemployment allowance.
9. Employment has to be provided within 5 km. from the place of residence of the worker.
10. If employment is availavble is far than the distance than the person should provided transport allowance.
11. Under this work of rural Infrastructure is done like dams, Johads, digging of ponds etc.

Benefits of MGNREGA : -

1. Employment Growth.
2. financial inclusion of women & backwar classes.
3. Ensure minimum wages.
4. Improvement in Standard of living
5. Conservation of Natural resources.

Subsidy

- Subsidy refers to the economic assistance provided by the govt. to the citizens.
- In economic terms, the difference between the economic cost & the selling price of a product, if borne by the govt. is called subsidy.

10. Objective of Subsidy : -

1. To increase social Justice.
2. To increase economic production.
3. To remove market imbalance.
4. To increase exports.
5. To control inflation.

✓ In Budget 2024-25 the subsidy is 6%

Subsidies in India are given for the following (In decending order) : -

1. **Food items Subsidy : -** **(**Maximum)-: PDS, Mid day meal, Nutritional Subsidy, A.A.Y.
2. **Fertilizer Subsidy : -** Urea subsidy.
3. **Fuel Subsidy : -** LPG Subsidy (PAHAL), Ujwla Yojana.
4. **Govt. Services : -** For education, Health, Skill developer.
5. **Insentives : -**
   - **I.** Tax exemption.
   - **II.** Interest Subvension
   - **III.** Exempton in SEZ
   - **IV.** Subsidy in PLI Scheme
   - **V.** MSP to Farmers
   - **VI.** Subsidy to startups.

➢ Types of Subsidy : -

1. **Social Subsidy : -**Subsidies given to promote social welfare such as old age pension, widow pension, pension to disabled, food frains to the poor etc.
2. **Economic Subsidy : -** Subsidy given to encourage economic production such as subsidy for startups, subsidy for SEZ, MSP to farmers, Interest subvention, Subsidy on electric vehicles, Subsidy on purchase of machines etc.
3. **Direct Subsidy : -** The subsidy which is mentioned in the budget, is called direct subsidy.If it is transfered directly to beneficiary's account, it is called as "Direct Benifit Transfere". eg. LPG subsidy.
4. **Indirect Subsidy : -**
   - Such Subsidy, which is not mentioned in the budget & is received indirectly by the beneficiary, is called indirect subsidy.
   - Such as Subsidy for higher education, technology subsidy given on loan, given on Import-Export subsidy given on R&O.

5. **Merit Subsidy : -**
   - Such subsidy, the benifit of which is available to a large section of the society. Generaly it is related to poor.
   - Such as subsidy given on education, health, railway fare etc.
6. **Non-Merit Subsidy : -**
   - Such subsidy given for individual profit. That's it benifits the individual.
   - Such as - Subsidized petrol,Diesel.
   - Generally it is related to rich people.
7. **Food Subsidy : -**

   Such subsidy which given to ensure the availability of food at low price, is called food subsidy.
   Such as - : Public Distribution System
   PM Poshan Yojana (Mid-day-meal)
   Anpurana Rasoi Yojana.
   Bal-Gopal Yojana.

Positive aspects of Subsidy : -

1. The Welfare o weaker & deprived sections.
2. Promotes social justice & economic justice.
3. Promotes equitable distribution of resources.
4. Helps to face challenges like poverty, unemployment hunger.
5. Economic subsidies encourage producer to produce.
6. The Citizens & industries of the country get protection from inflation & recession.
7. The welfare nature of the state is ensured.
8. Subsidy promotes Exports.

Challenges of Subsidy : -

1. Subsidies increase revenue deficit, resulting in higher fiscal deficit of the govt.
2. The Subsidy increases 'Debt to GDP' Ratio.
3. Subsidies increases the purchasing level & not the standard of living.
4. The challenges of leakage.
5. The challenges of corruption.
6. Public capital formation gets affected due to subsidies.
7. Subsidies are considered against the rules of market competition.
8. People from disadvantaged sections are not able to become self-dependent due to subsidies & are always dependent on the govt.

JAM-Trinity-

- J - Jandhan Account
- A – Adhar No.
- M – Mobile No.

➢ DBT : Direct Benifit Transfer : -

Launched : - 1 Jan., 2013

Purpose : -

1. To Transfer the subsidy money provided for govt. schemes directly to the beneficiary's account by the govt.
2. To Eleminate corrouption.
3. The Biggest schemes of DBT :-
    1. **PAHAL Yojana:-** Started– 1 Jan,2015 (Related to LPG Gas Cylinder subsidy)
    2. **PM-Kisan Yojana : -** Started – 24 Feb., 2019
       Under this Rs. 6,000 transfered to farmers annualy by DBT.

Industry

- **Index of Industrial Production.**
- **Types of Industry.**
- **Industrial Policy.**
- **LPG.**
- **Major schemes related to Industries.**

Index of Industrial Production : (I.I.P)

- IIP gives information about the state of production in the industrial sector of an economy in a particular period.
- It is released every month by the NSO under the Ministry of Statistics & Program Implementation.
- These figures indicates on increase or decrease in production as compared to the base year. (2011-12)
- It's base year is '2011-12'.
- This index is the simplest way to describe the growth happening in the industry sector.
- IIP is measured on the basis of production of 407 items of manuacturing, mining & Power sector.
- High weightage given to Manufacturing Sector.

Sectors		**Weightage**
Manufacturing	-	77.63%
Mining	-	14.37%
Electricity	-	7.99%

On the basis of usage these 407 items are classified into 6 parts: -

	6 Parts	Items (407)	Weightage(100%)
1.	Primary or basis items	15(LN)	34.1
2	Capital Goods	67	8.2
3	Intermediate items	110(HN)	17.2
4	Manufacturing & Infrastructure	29	12.3
5	Durable consumer goods	86	12.8
6	Non Durable consumer goods	100	15.3

Core Industries : -

- 8 Major Infrastructure supporting industries are called core industries.

- These are the industries whose development leads to the development of other industries.
- The wightage of these industries in the IIP Index is 40.27%.

Sr.No.	Industry Name	Weightage(%)
1	Refinery Product	28.04
2	Power	19.85
3	Steal	17.92
4	Coal	10.33
5	Crude Oil	8.98
6	Natural Gas	6.88
7	Cement	5.37
8	Fertilizers	2.63

Types of Industries : -

1. Cottage Industries : -

- These industries are set up at family level.
- They are owned by a family only.
- Very little investment is made in these & the use if technology is also nomind.
- The People working in these are family members rather than permanent wage workers.
- Such as painting, cotton, washing, Potter, carpenter, blacksmith work, jaggery, pickles, papad, Jam & spices etc.

2. Village Industries : -

- These industries are set up at village level.
- Where the population is less than 10,000
- Investment in these is upto about 15,000
- Note:- The 'Khadi & Village Industries Commission' established : 1956,
  HQ – Delhi.
  Purpose for the development of village/ cottage industries.

3. **Small Industries : -**

They are known as MSMEs(Small industry is Included in MSMEs)

Small Industries

↓

MSMEs

↓

For defination an act in 2006 'MSME Development Act-2006'

↓

uantity/Value to invest in Plant & Machinery

↓

Goods | **Manufacturing** | **Services**

Micro	25 Lakh	10 lakh
Small	25 lakh to 5 Cr.	10 lakh to 2 cr.
Medium	5 cr. to 10 cr.	2 cr. to 5 cr.

From 1 july, 2020 new defination of MSMEs-

Types	Investment	Annual Turnover
Micro	1 Cr.	5 Cr.
Small	1 Cr. to 10 Cr.	5 Cr.to50 Cr.
Medium	10 Cr.to50 Cr.	50 Cr.to250 Cr.

- 'MSME Act-2006 has been enacted to define these industries.
- According to which it was defined on the basis of investment maid in the plant or machinery.
- Accordingly, these industries were divided into 2 parts manufacturing & service Sector.
- MSME -related to manufacturing.
    - Micro Industries - Investment below 25 lakh,
    - Small Scale Industries - Investment from 25 lakh to 5 Cr.
    - Medium scale industries - Investment from 5 Cr. to 10 Cr.
- MSME – related to service sector:-
    - Micro Industries – Investment below 10 lakhs
    - Small Scale Industries Investment from 10 lakhs to 2 Cr.
    - Medium scale industries Investment from 2 Cr. to 5 Cr.
- The Above defination was changed on the 1 July, 2020

Benefits of MSMEs.

1. It promotes inclusive development.
2. Employment opportunity for both skilled & unskilled.
3. Maximum employment generation after agriculture in MSME.
4. Benefit of locational advantage i.e. 'One district one Product' approach.
5. It promotes decentralisation of Industries.
6. Big share in export (40-45%)
7. Big share in GVA.
8. Role in inflation control.
9. Stops migration towards urban area from the rural.

Challenge of MSMEs:-

1. **The cost of Production is high-** Because of technical backwardness, costly Unorganisation sector debt, low productivity due to production from unskilled labour & lack of godowns for storage etc.
2. Underdevelopment of infrastructure, power crisis, traffic crisis etc.

3. Effect of globalisation : competition from MNCs.
4. Low Investment.
5. Lack of enterprenourship .

Schemes related to Industrial Sector:-

1. **Make in India:-**
   Started on 25 Sep., 2014
   Objectives :- Making India a global hub o manufacturing.
   Making/Positioning India as an ideal investment Destinaion.
2. **Start ups India : -**
   Enterprises established in new areas & in new way are called start ups.
   Such as : - Artificial Intelligence
   Machine Learning
   Bio Printing
   3 D Printing
   Fuel etc.

Types of Startups :

1. **MINI-CORN** : Valuation over $ 1 Million.
2. **UNI-CORN** : Valuation over $ 1 Billion.(This Term created by Aileen lee in 2013)
3. **DECA-CORN :** Valuation over $ 10 Billion.(ex.- Swiggy, & Flipkart)
4. **HECTO-**CORN : Valuation over $ 100 Billion.(Microsoft, Facebook, Space-X(USA))

Note : -

Chinkara Startups : Which are going to turn in UNICORN in 3 years.

Cheeta start ups : Which are going to turn in UNICORN in 5 Years.

Start up India Scheme:-

- Started : 16 Jan 2016
- **Objective :** To promote start up Industry & Innovation in India.

Main Characteristics of start up India : -

1. Tax exemption for 3 years.(Income & Corporate Tax)
2. Entrepreneur can exit in '90 days exist plan'.
3. Initial traning under 'Atal Innovation Mission' & all type of help will be provided to start ups in 'incubation centers'. (Rajasthan - Jaipur)
4. Upto 80% rebate in patent fee.
5. No. govt. Inspector for inspection for 5 years.
6. Self certification facility.
7. Registration by start up mobile application or start up web portal.
8. 10 Cr. financial assistance to large start ups.

Note:-
1. India is at 3 position after America(USA) & china in start ups.
2. National start up day 16 Jan.

3. **Stand up India : -**
   Started : 5 April, 2016
   Objective:
   1. Promoting SC/ST Women Entrepreneurs.

   Targets :-

   1. Under this, the above mentioned category of Entrepreneurs are provided cheap loans ranging from Rs. 10 lakh to 1 Cr. from banks.
4. **PLI Scheme : Production Linked Incentive Scheme.**
- Started: 2020
- '14 emerging' industrial sectors have been included in this scheme.
- In which Subsidy will be given by the govt. on starting production & Selling.
- Total Budget : 1.97 Lakh Cr.
- Time Period : 6 Years.
- Under this a target has been set to increase production in those areas where India still Imports.
- Benefits : So, this scheme will not only increase production in these areas but India will also get self- reliance in those areas & India will also generate exports opportunities in these areas.

5. **DLI : Design Linked Incentive Scheme : -**
- Started : June,2022
- Objective : To start Chip manufacturing & 54 equipment in India.
6. **PM- MITRA : Prime Minister Mega Integrated Textile Region & Apparel.**
- Announcement : Budget 2021-22
- Duration : Till 2027
- Ministry : Ministry of Textiles
- Budget : 4445 Cr.
- **Objective :**
   1. To Provide modern industrial infrastructure facilities to the textile industries of India on a large scale.
   2. To increase global acceptance of Indian Textile Products.
   3. To Generate employment & attract investment in textile industry.
   4. 'Mitra Parks' will be established in seven states of India.
      1. Gujrat
      2. Maharashtra
      3. Karnataka
      4. Uttar Pradesh
      5. Madhya Pradesh
      6. Telengana
      7. Tamilnadu
   5. Financial Assistance:
      1. Rs 500 Cr will be given for the development of 'Green field park'(completly New park)
      2. Maximum Rs 200 Cr. will be given for the 'Brown field Park' .(already in existance)

7. **Lakhpati Didi Scheme : -**
    - Announcement : 15 Aug., 2023
- **Objective :**
    1. To provide skill development training to 3 Cr. women.
    2. To encourage setting up micro enterprises through self-help groups.
    3. To enable Rural women to earn an income of Rs 1 lakh per year.

    Financial Assistance: Under this scheme women are provided a loan of Rs. 5 Lakh without Interest.

    Eligibility : For this women needs to join any self help group in her state.

8. **Lakhpati Didi Yojana (Rajasthan) :** - Launched -23 december 2023
    Objective :
    - A skill development programme for women in rural areas.
    - Benefits are given to 11.24 lakh women in Rajasthan state.
    - Under it women provided a loan of Rs 5 Lakh without interest.
    - Application must be a native of Rajasthan & actively involved in SHOs.

9. **PM Vishwa Karma Yojana :**
10. **Mudra Yojana: -**

Note:- Details in Industry Chapter.

11. **Mharatna Scheme : - 2010**

    - **Objective:** To enable large public sector enterprises to expand their business by seeing autonomy & emerge as a big company in the world.

    - **Eligibility :** (Criteria)
        1. The company should have Navratna Status.
        2. Company should be listed Indian stock exchange market as a govt. company.
        3. The 'Average Annual Turnover' during the last 3 years should be more than Rs.25,000 Cr.
        4. The 'Average Annual Net worth' in the last 3 Years should be more than Rs. 15,000 Cr.
        5. The 'Average Annual Net Profit' in the last 3 years should be more than Rs.5,000 Cr.
        6. Companies should have a significant presence in the internatinal market in the field of business.

    - **Benefits of Mharatna companies : -**
      Mharatna Companies can make mergers & acquisitions or investments with domestic & foreign companies up to 15 % of their net worth or up to Rs. 5,000 Cr. without the permission of Govt.

- Numbers of Mharatna compnies: (14 componiese)

  1. BHEL : Bharat heavy electricals limited.
  2. GAIL Gas Authority of India Limited.
  3. SAIL Steel Authority of India Limited.
  4. IOCL Indian Oil Corporation Limited
  5. HPCL Hindustan Petroleum Corporation Limited.
  6. BPCL Bharat Petroleum Corporation Limited.
  7. ONGC Oil & Natural Gas Corporation.
  8. NTPC National Thermal Power Corporation.
  9. CIL Coal India Limited
  10. PGCIL Power Grid Corporation of India Limited.
  11. PFCL Power Finance Corporation Limited.
  12. RECL Rural Electrification Corporation Limited.
  13. Oil India Oil India Limited.
  14. HAL Hindustan Aeronautics Limited (October, 2024)

  Note :- Recently Hindustan Aeronautics Limited has been rated as the 14th Maharatna Company of India by the Central Government.

SEZ: Special Economic Zone

- A Special economic Zone is a geographical area located in a country. Where economic laws are more liberal than other areas of the country.
- It is given the status of an economically foreign territory.
- It is an integrated industrial area. International level infrastructure is made available to the investor for production here.
- There is tax exemption in the production made in this, provided that 100 % of the production made is exported.
- If the product made is sold in the domestic market, it will be treated as import & will attract customs duty.

  Note:- India Adopted SEZ concept from China.(In 2000)

- **Objective Of SEZ : -**
  1. To Promote Export.
  2. to attract investment (Foreign & Domestic both)
  3. to encourage employment.
  4. To encourage economic Activities.
  5. To Strengthen Infrastructure.

- **Benefits of SEZ : -**
  1. **100** % exemption in Indirect tax (GST,VAT,custom duty)
  2. In Direct taxes 100 % for 5 years & 50 % for next 5 Years.
  3. 100% FDI allowed (Foreign Direct Investment)
  4. Land Acquisition by govt.
  5. Liberal Labour laws.

- **SEZ In Rajasthan :-**
  1. Mahindra World City Limited, Jaipur.
  2. Genpact Infrastructure Private Limited, Jaipur/Sitapura SEZ
  3. Vatika Jaipur SEZ Developer Limited, Jaipur.
  4. Somani Worsted Limited, Khushkeda,Bhiwadi, Tapukada SEZ.
  5. Mansarovar Industrial Development Corporation, Jodhpur.
  6. RNB Infrastructure Private Limited, Bikaner.

❖ Industrial Policies :-

- The main industrial policies of the country are as follows:
  1. First Industrial Policy,1948 'Shayama Parshad Mukherjee Model'
  2. Second Industrial Policy, 1956 'Nehru-Mahalanobis Model'
  3. Third Industrial Policy, 1991 'Rao- Manmohan Model'
- **First Industrial Policy : -**
  - This Policy is issued on '6 April 1948'.
  - It is released/introduced by 'Shyama Parshad Mukherjee'.
  - A mixed model of economy was adopted in India.
  - In this Policy industries were divided into 4 Categories :-
    1. Industries of **'First Category'** :
    - **3** Industries were kept in this which was monopolized by the govt.
    - These were industries of Strategic importance such as defence equipment & cammunications, nuclear energy & Railways.
    2. Industries of **'Second Category' :**
    - In this 6 industries of infrastructure sector was kept.
    - No fresh private can be made only by the govt.
    - But already runing private industries were allowed to operate.
    - If the govt. wanted, It could nationalised in 10 years.
    - eg. Coal, Iron, Steel, Aircraft making, Ship building, Mineral oil, Telephone,& Wireless Instrument making.
    3. Industries of **'Third Category' :**
    - 18 Industries were included in this.
    - These were run by Private sector but controlled by the govt.
    - **Such as :** Machine tools, sugar, paper, cement, Cotton Textiles, Chemical etc.
    4. Industries of **'Fourth Category' : -**
    - All other industries were kept under this category.
    - This categry were opened to Private Sector investment. that is, the govt. had no control over them.
    - Generally, these were industries related to consumer goods.
    - The Private sector used to produce them as per their wish.
- **Second Industrial Policy – 1956**
  - It is also known as 'Nehru Mahalanobis Model'.
  - Launched – In 1956
  - Under this policy, for the First time in the country, detailed guidelines were made for the industries,which were in themselves comprehensive reforms for the first time.
  - That is why, it is also known as the "Magna Carta of Industrial Policies" or the "Economic Constitution" of India.
  - In this Industrial Policy India's economy was mixed economy but it is 'Pro-Socialist Economy".

- Industries were divided into 3 Categories in this Policies:-
  1. **Industries of 'First Category':-**
  - There were total "17 Industries', Which were completely under the control of the govt.
  - Mainly these were industries related to secutiry, Mining,Research, Infrastructure, Nuclear energy which were monopolized by the govt.
  - They were known as " Public Sector Enterprises or Undertakings".
  2. **Industries of the 'Second Category':**
  - It included '12 Industries'.
  - These were industries on which the govt. would initate, would also be developed with the participation of the private sector if possible.
  - eg.- Medicine, Chemical, Fertilizer etc.
  3. **Industries of the 'Third category': -**
  - All the remaining industries were kept under this category.
  - Only Private sector worked in this, but they were under the control of govt.
  - Licence & permit had to be taken from the govt. for establishment & quota was fixed in these & inspection was started by the govt. inspectors.
  - It is objetive was to ensure socio economic justice.
  - Major Industries & their Partner coutries in establishment.

Steel Plant	Partner Countries	Establishment Year
Bhilai Steel Plant - Chhatisgarh	USSR	1955
Rourkela Steel Plant- Odisa	Germany	1959
Durgapur Steel Plant-W.B.	UK	1959
Bokaro Steel Plant- Jharkhand	USSR	1964

❖ Third Industrial Policy : - 1991

- This Policy was ussued on '24 July 1991'.
- It is also called "Rao- Manmohan Model" & New Industrial Policy of India.
- In it licence, Quata, Permit Raj & Inspector Raj were abolished.
- LPG reforms were started by this policy in India.
- Model of economy was 'Mixed Economy but Pro- Capitalist'.
- In this industries were divided into 3 category : -

1. First Category:-

- '3 Industries' were included in it which are monopolised by govt.
  1. Nuclear Energy
  2. Nuclear Energy research & Product.
  3. Railways.

2. Second Category : -

- It includes 5 industries, where production can be done by anyone. but it is mandatory to get a licence for this.
- These are : -
  1. Manufactoring of Alcholic beverages & liquor.
  2. Cigarettes, tobacco & products made from tobacco.
  3. Electronics, Defence Equipment & Aerospace.
  4. Gunpowder, matches, industrial explosives & explosives fuse industries.
  5. Hazardous Chemicals.

3. Third Category : -

- All the remaining industries were kept in this category for which no license is required for production.
- Thus Liberalization, Privatization & Globalization were promoted in this policy.

Note :-

1. Contribution of Industrial Sector to GDP.
2. It was 28.2% in the financial year 2021-22 which has increased to 28.48% in 2022-2023 .
3. **Growth Rate** in the Industrial Sector:-
   - In the financial year 2020-21 due to the lockdown, the growth rate declined to -7%.
   - In the financial year 2022-23 it has increased to 4.1 %
   - Where as in the financial Year 2023-24 it has decreased to 12.43%.

Agriculture

- The whole process from production to marketing of produce is called Agriculture.
- Ager - 'Field'
- Cultura - 'Growing'
- Agriculture is basically growing things in the field.
- Sectoral composition for the Year 2023-24.(Based on Current Price)

Sector	India(%)	Rajasthan(%)
Agriculture	17.66	26.72
Industrial	27.62	28.21
Service	54.72	45.07

❖ **Importance of Agriculture in Economy : -**

1. For Food Security.
2. Employment
3. Export Importance.
4. Raw material for various Industries.(Sugar,Textile, Liqour Industry)
5. It is a big market for Industries & Service Sector eg. Tractor, Thresher, Sprinkler system, Drip Irrigation, Seeds, Fertilizers Cold storage, Banks & Insurance company.
6. Big share in GDP(GVA) 17.66%
7. Fodder for live stock.
8. Agriculture is back bone of rural cultural.
9. Bio Fuel (20%)

Hence 'Mhatma Gandhi' called "Agriculture backbone & Soul of Indian Economy".

❖ **Various Types of Agricultural Revolution :-**

Agricultural Revolutions in India		
S.No.	**Types of Revolution**	**Crop Name**
1.	Green Revolution	- Cereal Production - Wheat, Rice (Paddy), Maize , Millets, Jawar, Ragi. - Father of Green Revolution in world "**Norman Ernest Borlaug".** - Father of Green Revolution in India **"M.S. Swaminathan".** - This term was first used in 1968 by U.S. Scientist "Dr. William Gaud". - "G.B. Panth Agriculture University Ist where

		Revolution Started. - Started in '3rd Five year Plan' 1966. - Ist from 'Kharif Crop'.
2.	Yellow Revolution	- Oil Seeds production. (Especially Mustard & Sunflower)
3.	Black Revolution	- Petroleum Products - Ethenol = 20%
4.	Blue Revolution	- Fish production
5.	Brown Revolution	- Leather / Cocoa/ Non-Conventional Products.
6.	Golden Fiber Revolution	- Jute production.
7.	Golden Revolution	- Horticulture (Prominent – Apple & Honey)
8.	Silver Fiber Revolution	- Cotton Production
9.	Silver Revolution	- Egg & Poultry Production
10.	Grey Revolution	- Fertilizers
11.	Pink Revolution	- Onion Production / Pharmaceuticals/ Prawn Production
12.	Red Revolution	- Tomato & Meat Production
13.	Round Revolution	- Potato Production
14.	White Revolution (Operation Flood)	- Milk Production
15.	Almond Revolution	- Spice Production
16.	Sweet Revolution	- honey & (Bee Keeping) Apiculture
17.	Saffron Revolution	- Saffron Production
18.	Rainbow Revolution	- All Revolution Together

❖ Names of different types of Farming :-

1. Hydroponics - growing plants in water (soilless agriculture)

2. Aeroponics - growing plants in the air

3. Apiculture - Bee keeping

4. Horticulture - Gardening

5. Floriculture - production of flowers

6. Olericulture - Production of vegetables

7. Pomiculture - Production of fruits

8. Viticulture - Grape farming

9. Vermiculture - Earthworm rearing

10. Pisciculture - Fish farming

11. Sericulture - silkworm rearing

12. Moriculture - Growing mulberry for silkworm

The main challenges of agriculture sector at present-

1. Small size of Agricultural Land holdings.
2. Problem of Agricultural Marketing.
3. Lack of high quality seeds.
4. Lack of irrigation resources.
5. Fertilizers' problem.
6. Lack of modern machines.
7. Problem of Agricultural Finance/Loan.
8. Lack of Agricultural Insurance to mitigate the risk.
9. Ambiguous land graph.
10. Low income of farmers.
11. Inadequate storage facilities and transportation
12. Inconvenience.

❖ Size of agricultural land-

1.	Marginal farmers -	less than 1 hectare of land holdings
2.	Small farmers-	1 to 2 hectares of land
3.	Small medium farmers-	2 to 4 hectares of land
4.	Medium farmers-	4 to 10 hectares of land
5.	Large farmers-	more than 10 hectares of land

Reforms : -

1. Contract Farming

- Under this, any organization or company does agricultural work by contracting with one or more farmers.

- In contract-based agriculture, the farmer does agriculture neither for himself nor of his own will, but according to the terms of the contract, he does agricultural work according to the instructions of the company.
- Company Farmer
  Land+Labour Rent+wages

2. Co-operative Agriculture

- When many small farmers do agriculture by joining their small-holdings together, then it is called cooperative farming.

3. E- NAM:- Electronic National Agricultural Market.

- Launched : 14 April, 2016
- Ministry : 'Ministry of Agriculture & Farmer's welfare'
- Objectives : To Provide remunative prices to farmers for their produce.
- Tag Line : " उत्तम फसल उत्तम ईनाम "
- Benefit : -
  1. Farmer get competative prices for their produce.
  2. It Eleminates cartilization.
  3. Increase in income of Farmers.
- It is a Pan-India electronic trading portal through which 1389 Agricultural mandis of the country have been connected with electronic network.
- Although it is a virtual market but it to buy & sell '209' Agricultural products in any agricultural market in the country **(APMCs- Agriculture Produce market committee)**.

4. MSP : Minimum Support Price

- The Minimum price at which the govt. is ready to buy the production of certian crops of the farmers is called MSP.

It is declared twice a year -

1. In June, before Kharif sowing.
2. In October, before Rabi sowing.

Objectives of MSP:-

- To encourage farmers to produce.

- To provide protection to the farmers from price volatility and to provide them remunerative prices for their crops.
- Protecting the interests of farmers by preventing prices from falling in the event of overproduction.

Who announces the MSP?

- MSP is announced by the Government of India.
- The government determines the MSPs on the recommendation of the 'Commission for Agricultural Costs and Prices' (CACP).
- • It is worth mentioning that in 1965, the Agricultural Price Commission (APC) was constituted. In 1985 its name was changed to Commission for Agricultural Prices and Costs (CACP).
- • The 'Minimum Support Price' (MSP) for 23 crops MSP of Toria is equal to mustard and MSP of Dehusked coconut is equal to Coconut.

MSP for 23 crops

7 Cereals	5 Pulses	8 Oil Seeds	3 Commercial Seeds
Paddy	Gram	Groundnut	Raw Cotton
Wheat	Arhar/Tur	Mustard	Raw Jute
Barley	Moong	Toria/Lahi/ Rapeseed	Coconut Copra/Dehusked **Coconut***
Jowar	Urad	Soyabean	
Bajra	Lentil. Masoor	Sunflower	
Maize		Sesamum	
Ragi Millet		Safflower	
		Niger seed/ Ram Til	

Sugarcane:-

- FRP for Sugarcane : Fair & Renunerative Price
- Announcement : Government of India.
- FRP is the price bound to pay to farmers for the cane procured from them.
- The Payment of FRP across the country is governed by the :'Sugarcane control order,1996'.

How is MSP determined?

- There are following three methods for its determination-

(1) A2 method

(2) A2+FL method

(3) C2 method

First method:-

- A2 Method
- A2 = Amount actually spent by farmers
- It covers the entire cost, which is paid by the farmers (**For example:-** Soil preparation + seed + fertilizer + pesticides + irrigation and labor cost etc.)
- That is why it is known as 'Explicit Costs'.

Second method:-

- Second method = A2+FL (Family Labour Cost)
- Note: A2 includes all labor costs for which payment is made, where as FL generally has unpaid workers. But the entire family of the farmer is engaged in this as a laborer. Therefore, their wages are also paid.
- A2+FL=Cost of soil preparation + Seeds + Fertilizer + Pesticides + Irrigation + Labour + Cost of family labour
- Explicit Costs + Implicit costs=C2

Method 3 = C2 (Comprehensive Cost)

- C2 = A2 + FL + Rent on land owned + Interest on owned capital
- It yields the most accurate cost of agricultural production.
- At present, A2 + FL + Profit is the basis for MSP, whereas Swaminathan Commission has recommended that MSP should be given on the basis of C2 + 50%.

Note:

- Both 'A2 + FL' and 'C2' costs are considered by the CACP while recommending the Minimum Support Price (MSP).

Other Important Schemes : -

1. **Krishi Udan Yojana : -**

- Announcement : 2020
- **Ministry :** " Ministry of Civil Aviation"
- **Objective** : - To increase price realization by speeding up the transportation of perishable agricultural products.
- A total of 53 airports in the country were selected.

2. **Shri Anna Yojana : -**

- Announcement : 2023-24

- Objective : To provide food & nutritional security by promoting the production of coarse grains (Shri Anna).
- List of Millets: -
  1. Sorghum Millet (Jowar)
  2. Pearl Millet (Bajara)
  3. Finger Millet (Ragi)
  4. Little Millet (Kutki/Moraiyo)
  5. Kodo Millet
  6. Barnyard Millet
  7. Prasso Millet
  8. Buckwheat Millet
  9. Browntop Millet
  10. Foxtail Millet
  11. Amarnth Millet

3. Atamnirbhar Oil seeds Abhiyan

- Announcement: Budget-2024-25
- Objective : To achieve self-sufficiency in oil seed production.
- For this, focus will be on increasing the production of mustard, groundnut, soyabean, sesame & sunflower.
- for this high quality seeds will provided to the farmers.

4. PM Krishi sinchai Yojana :

- Started : 1 July, 2015
- **Objective :-** To reduce the dependence of agriculture on monsoon & to provide water to every farmer.
- **Ministries :**
  1. Ministry of Jal Shakti
  2. Ministry of Agriculture & Farmer's welfare
  3. Ministry of Rural Development
- Financial share of center & states respectvely 60:40 in expenditure.
- There are three main components of this scheme;
  1. **Per Drop More Crop:**
     - Micro irrigation is promoted
     - For this micro irrigation fund of Rs. 10,000 was established.
  2. **Water to every field :**
     - Irrigation facility is provided to every field.

- Under the 'Accelerated Irrigation Benefit Program' medium & major irrigation projects are completed.

3. **Integrated Watershed Management Program :**
    - Under this, conservation & renewal of traditional storage system is done by developing check dams, ponds etc.

5. **Atal Bhu Jal Yojana : (Ground Water Scheme)**
    - Started : 1 April, 2020
    - Objective : For ground water conservation in areas with law ground water level.
    - This Scheme is being implemented by the 'ministry of Jal Shakti'.
    - Total Budget : Rs 6,000 Cr.
    - Share holder in Expenditure :- 50:50 (Central : World Bank)
    - **Focuses on seven states** where groundwater has depleted significantly.
        1. Haryana
        2. Rajasthan(17 districts 22 Blocks included in it)
        3. Uttar Pardesh
        4. Madhya Pardesh
        5. Gujrat
        6. Mharastra
        7. Karnatka

6. **Urea Gold/Sulphur coated Urea: -**
    - Urea gold is created by infusing urea with sulphur.
    - Under this 37% of Nitrogen & 17% sulphur is available.
    - It is developed by 'Rashtriya Chemicals & Fertilizers Limited'.
    - Objective ; To address the sulphur deficiency of soil.

    Note : It was started on 27 July, 2023 From Sikar (Rajasthan)

7. **Nano DAP : Di Ammonium Phosphate.**

- It is developed by the 'IFFCO' : Indian Farmers Fertilizer Co-Operative Limited' in April,2023.
- It is a type of DAP in the form of 'Nanoparticles'
- It is a liquid Fertilizer that provides phosphats (16%) & Nitrogen (8%) to plants as an alternative to conventional DAP.
- **Benifits of NANO-DAP:-**
    1. it reduce imports of Fertilizers
    2. Farmers income will increase
    3. Heigher crop Yield
    4. Reduction in govt's Fertilizer Subsidy
    5. Easily to store & transport & it is cost will reduced
    6. Eco-Friendly
    7. Target Fertlizers(Nurtrients) Dilivery.

8. KCC : Kisan Credit Card Scheme : -

- Started : 15 August,1998
- Objective: -
    - To save farmers from exploitation of money landers.
    - To ensure the access of farmers to institutional credit (Financial inclusion)
- Farmers get loans at very low interest rates.
- Eligibility : Such farmer who eligible for production credit of 5000 or more value will be entitled for kisan credit card.
- Validity : KCC is valid for 5 years & every withdrwal has to be paid within 12 months.
- Mamagement of KCC : 'NABARD'
- Implemented by All Banks.

9. PM Kisan : Pradhan Mantri Samman Nidhi Yojana

- Started : 24 Feb, 2019
- Ministry : " Ministry of Agriculture & Farmer's welfare".
- It is a central scheme that is 100% funded by center govt.
- **Benefit :** Under this Rs. 2000 given to the farmer family in Three instalment of Rs. 6,000 per Year.(In Rajasthan 8,000)
- Total Beneficiary Farmers : 11.8 Cr.

10. PM Fasal Bima Yojana :-

- **Started :** ' 18 Feb. 2016' By govt. of India.
- **Objective :** It's aims at all the risk of crop yield e.g. Sowing, Standing crops & post-harvest crop damage in a period of 14 days is compensated.
- Farmers will be given 100% compensation in lieu of minimum premium amount.
- **Premium Amount : -**
    1. Kharif Sowing : - 2%
    2. Rabi Sowing : - 1.5%
    3. Horticulture/Commercial Crops - 5%

- The remaining amount is borne by government.

PDS: Public Distribution System

- Food management in India is done through the Public Distribution System.
- **Means:** The system providing essential consumption goods at subsidized prices is called Public Distribution System.
- It is a system through which the shortage of food grains is managed.
- Food grains are procured from areas of high production and distributed to the places of scarcity.

  Objectives :
  - To ensures food security.
  - PDS involves the participation of both the central and state governments.

➢ **Responsibility of the Central Government –**

1. Declaration of MSP
2. Procurement of food grains
3. Storage
4. Transportation
5. Allotment to States

➢ **Responsibilities of the State Governments-**

1. Distribution in the State
2. Regulation of Fair Price Shops
3. Identification of Beneficiaries
4. Providing Ration Cards to the beneficiaries.

Development of PDS: -

1. Started a piolet project by pandit Jawahrlal Nehru from Beawar (Ajmer) on 2nd October,1950.
2. In 1992, it was Ranamed " Revamped Public Distribution System"(RPDS)
3. In 1997, It is name has been changed RPDS to "Targeted Public Distribution System"(TDPS)

Targeted Public Distribution System (TPDS):-

➢ In this system SC,ST & BPL persons were considered as targeted category.
➢ The people of the country divided into 2 categories BPL & APL.
➢ These BPL sections are provided food grains at a price less than the normal Price.
➢ While made available to APL at normal cost.
➢ Under this system, two colour ration card came into existence.

Challenges of PDS : -

1. Inadequate identification of BPL causing the problem of subsidy leakage.
2. Fake BPL Ration cards.

3. Black marketing of food grains of the poor.
4. Food grains of substandard quality are distributed.
5. Administrative Corruption.
6. Inadequate storage capacity of FCI Storehouse.
7. Large scale theft/leakage problem during transportation.
8. Corruption at fair price shops.

Scheme related to PDS: -

1. **Antyodaya Anna Yojana : -**
   Started : 25 Dec., 2000
   Under this scheme 35 Kg. grains are provided to the poorest among the poor.
   Rates : Wheat : Rs. 2 per Kg.
   Rice : Rs. 3 per Kg.

2. **National Food Security Act 2013**

- It was implemented on 5th July 2013.
- By this law, two-thirds of the country's population (67%) has been given the legal right to food.
- This law covers 75% of rural population and 50% of urban population under PDS system.
- Under this act, a provision has been made to provide 5 kg of food grains per month (rice, wheat and coarse grains at the rate of Rs 3, 2 and
- 1 per kg respectively) to the eligible people.
- In case of non-supply of food grains, the eligible person will be entitled to receive Food Security Allowance.
- Provision has been made on the ration card to nominate women of 18 years of age or more as head and if there is no adult woman in the family, the eldest member of the family as head.
- This Act also covers very poor families of Antyodaya Anna Yojana. They will continue to be given 35 kg of food grains per family per month as before.

3. **PM Garib Kalyan Anna Yojana : -**

- Started : 2020 To 2029
- **Objective :** To provide free food to the poor & maintain the nutritional level.
- **Provision :** Providing additional 5 Kg of food grains free of cost to 81 Cr. people eligible under the NFSA Act.

4. **One Nation – One Ration Card Scheme: -**

- In Budget 2020-21, it was implemented in whole country.
- Under this scheme only one ration card is issued for the whole of India.
- The beneficiaries can get the benefit anywhere across India.
- Beneficiaries can avail this facility after Aadhaar Authentication at ' Electronic Point of Sale' at PDC.
- However, for this it is necessary to link the beneficiary's ration card with Aadhar .

- The main benefit of this scheme has been to the migrant laboures.

5. **Food Corporation of India- FCI**

- HQ – Delhi
- It is a statutory body
- It was formed in 1965 under 'food corporation of India Act- 1964.
- **Purpose:** To operate PDS.
- It is purpose is to trade food grains & other food items & to look after allied activities.

"Shanta Kumar Committee" – 2014

- Related to reforms in FCI & PDS.
- Formed – 2014
- Report : - 2015