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Economy

A Detailed Coverage of Bihar Civil Services Exam Syllabus

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INDIAN ECONOMY

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MPSC Wallah

Email: support@pw.live

PREFACE

A highly skilled professional team of PW ONLY IAS works arduously to ensure that the students receive the best content for the BPSC exams.

A plethora of BPSC Study Material is available in the market but PW ONLY IAS professionals are continuously working to provide supreme quality study material for our BPSC students.

From the beginning, the whole content team comprising Content Creators, Reviewers, DTP operators, Proofreaders and others is involved in shaping the material to their best knowledge and experience to produce effective content for the students.

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This book adopts a multi-faceted approach to mastering and understanding the concepts by having a rich diversity of questions asked in the examination and equipping the students with the knowledge for this competitive exam.

The main objective of the study material is to provide short, crisp, concise, and high-quality content to our students.

BOOK FEATURES

- Holistic discussion of topics, strictly as per exam syllabus
- One-stop solution for subject-wise coverage
- Diagrams, Flowcharts and Timelines for quick understanding and revision
- Integrated Preparation of Prelims and Mains stages of this exam

CONTENTS

1 Introduction to Economics and Economic Growth

1.1 ECONOMICS

- It is a social science that studies the production, distribution, and consumption of goods and services. It is generally divided into Macroeconomics & Microeconomics.

Macroeconomics	Microeconomics
• It concentrates on the behaviour of the economy as a whole. • **Example:** Employment, national income, poverty, etc.	• It focuses on the individual people and businesses. • **Example:** Particular companies, workers or households.

1.2 ECONOMY

- It is a **geographical area where different** activities such as production, consumption, distribution, and trade of goods **take place.** Hence, it is a region where economics is at play.

1.3 TYPES OF ECONOMIES

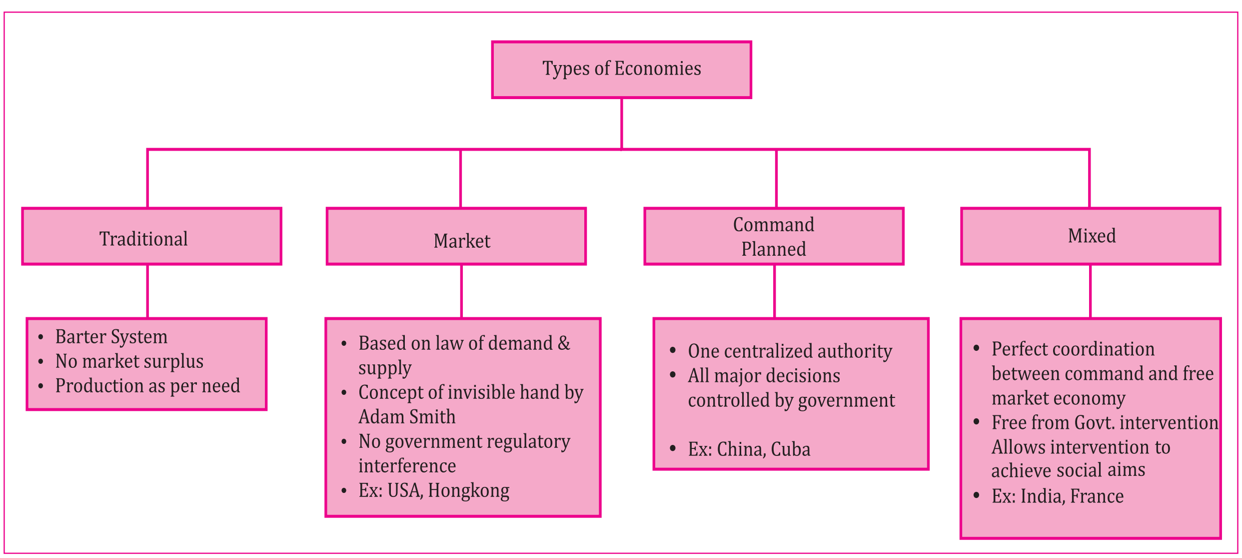


Figure 1.1: Types of Economies

1.4 SECTORS OF ECONOMY

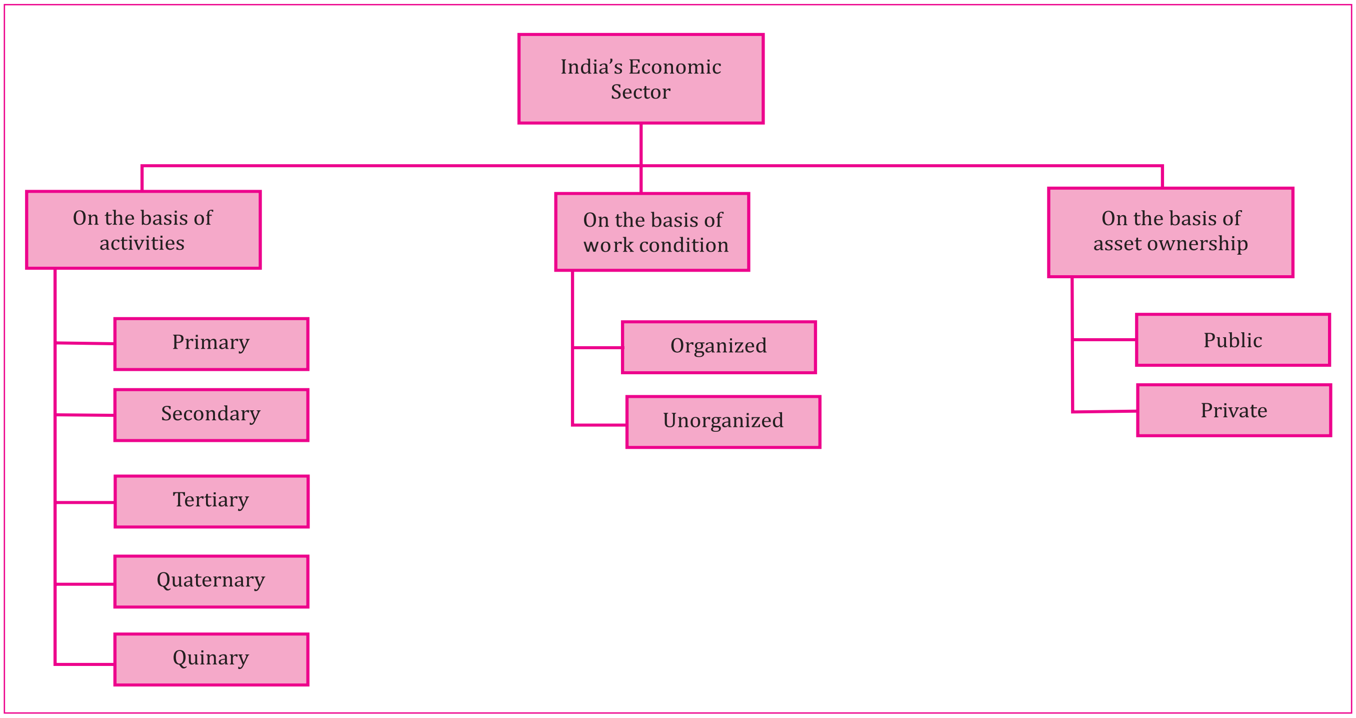


Figure 1.2: Sectors of Indian Economy

A. On the Basis of Activities

- **Primary Sector (Agriculture):**
  - It includes all the industries that are engaged in the **extraction of natural resources** or the **production of raw materials.**
  - Example: **farming, fishing, mining, extraction of oil and gas, etc.**
  - People engaged in this sector are **Red-collar workers** (due the outdoor nature of their work).
- **Secondary Sector (Manufacturing):**
  - Industries that are concerned with the **manufacturing** of **usable** products or **finished** goods.
  - Uses the produce of the primary sector as its **raw materials.**
  - **Further Divided into:**
    - Heavy industry (steel, chemical, automotive)
    - Light industry (food, apparel, cosmetics).
  - People engaged in these sectors are **Blue collar workers.**
- **Tertiary (Services):**
  - It describes all industries that **provide services to other businesses** (Primary + Secondary Sector) or final consumers.
  - Example: Retail sector, Tourism, Banking, medical and healthcare services, etc.
  - People engaged in these sectors are **white collar workers.**

Do you know?

Pink-collar jobs are traditionally considered to be **women's work. Example:** babysitter, florist, day care worker, nurses etc.

- **Quaternary Sector (Knowledge Sector):**
  - It deals with **knowledge or intellectual** pursuits including research and development (R&D), business, consulting services, and education.
  - It enables entrepreneurs to **innovate** and **improve the quality of services** offered in the economy.
- **Quinary Activities (Top Decision-Makers):**
  - This sector focuses on the **creation, re-arrangement** and **interpretation** of new and existing ideas, data interpretation and the use and evaluation of new technologies.
  - Example: Highly paid skills of senior business executives, government officials, etc.
  - Referred to as **gold collar professions.**

B. On the Basis of Work Condition

- **Organised Sector:**
  - In this sector terms and conditions of employment are regular and **as per rules and regulations** passed by the Government (assured work, fixed hours and social security).
  - Example: Hospitals, schools, etc.

- **Unorganised Sector:**
  - These sectors are generally **not governed by the rules and regulations** that are laid down by the Government regarding the condition of employment.
  - It is characterised by **small** and **fragmented** units which are mostly outside the control of the government.
  - Sector is marked by **low wages, no provision for overtime, paid leave, holidays, leave due to sickness, no job security,** etc.
  - The unorganised sector is **mainly labour intensive** and **uses indigenous technology.**

C. On the Basis of Asset Ownership

- **Public Sector:**
  - The **government owns most of the assets** and is concerned with providing various governmental services.
  - Governments raise money through taxes, cess, etc. to meet the expenses on the services rendered by it.
- **Private Sector:**
  - The **ownership of assets and delivery of services** is in the **hands of private individuals or companies.**
  - Activities are guided by the **motive to earn profits.** Consumers need to pay for the services.
- **PPP (Public Private Partnership):**
  - PPP involves **collaboration** between a **government agency** and a **private-sector company** to finance, build, and operate projects, such as public transportation networks, parks, convention centres, national highways, etc.

1.5 ECONOMIC GROWTH VS ECONOMIC DEVELOPMENT

Economic Growth	Economic Development
• It is the **increase in the production of goods** and **services.**	• It is the Economic Growth that leads to **improvement in the general welfare** of people.
• **Quantitative** in nature	• Qualitative in nature
• May or may not accompany development	• Cannot happen without Economic Growth.
• **Uni-dimensional** in nature	• **Multi-dimensional** in nature.
• **Indicators:** Real GDP, Per Capita Income, etc.	• **Indicators:** Human Development Index, Physical Quality of Life Index, etc.

1.6 MEASURES OF ECONOMIC GROWTH

National Income	• The **aggregate monetary value** of all incomes earned by individuals and enterprises.
Gross Investment	• Part of the **final output** that comprises **capital goods.**
Net Investment	• Reduction from gross investment to accommodate wear and tear of capital.
Depreciation	• Gross investment – Depreciation
GDP (Gross Domestic Product)	• Total monetary/market value of **all the finished goods and services** produced within a country's territory in a **specific time period.**
Accounting Year	• 1st of April to 31st of March (next year) • The present base year for GDP is **2011-12.**
Nominal GDP	• Measures a country's GDP using **current prices**, without adjusting for inflation.
Real GDP	• The calculation of Production of final goods and services valued at the **base year prices** (exclusive of inflation).
GDP at Market Prices	• Calculation of **GDP at the actually transacted prices.** • Includes the indirect taxes levied, subsidies provided.
GDP at Factor Cost	• Calculation of **GDP at the actual cost of production** of goods and services and not the sale • **Doesn't include indirect taxes.** • **Includes subsidies** provided for the production.

Gross Value Added (GVA)	• **Economic productivity** metric that measures the contribution of a corporate subsidiary, company or municipality to an economy, producer, sector or region. • **GVA** = GDP + subsidies on products - taxes on products
Gross Capital Formation (GCF)	• Percentage of the investment made each year out of the total GDP is called **GCF.** • **High GCF:** Higher rate of savings in the economy. It requires a high rate of production, capital formation, and changes in production techniques. • **GCF:** Capital formation in the public sector + private sector + household sector.
Net Factor Income	• **Domestic factor income:** Sum of **factor incomes (rent + wages + interest + profits)** generated within the domestic country. It includes incomes earned by residents as well as non-residents/foreigners working in India. • **Income from Abroad:** Indians go abroad to work and earn wages, salaries, profits, and rents.
Per Capita Income (PCI)	• PCI measures the average income earned per person in a given area, in a specified year. • **Calculated:** By dividing the area's total income by its total population.

1.7 METHODS OF GDP CALCULATIONS

A. Expenditure Method

- GDP is calculated by the sum of **consumer spending + investment + government purchases + net exports (Export-Import).**

$$\boxed{C + G + I + X - M}$$

B. Income Method

- GDP is calculated by the sum of income of all the factors of production i.e., wages, interest earned, profit earned, etc.
- **Income approach:** All **economic expenditures** should equal the total income generated by the production of all economic goods and services.

C. Production (Value Added) Method

- Estimated by adding the **value added by all the firms.**
- GVA + picture of economy from the **producers' side or supply side**
- GDP + picture from the **consumers/demand side perspective.**
- **New GDP Series 2011-12:**
  - Base Year Change: **2004-05 + 2011-12**
  - Change in GDP calculation + **using market prices** rather than factor costs.
  - Adopted the international practice of valuing industry-wise estimates as Gross Value Added (GVA) at basic prices.

1.8 DIFFERENCE BETWEEN GROSS DOMESTIC PRODUCT (GDP) AND GROSS NATIONAL PRODUCT (GNP)

Basis	GDP	GNP
Meaning	• Value of all **final goods and services** produced in the **domestic territory** in a **specific time period.** • **Note:** From April 2018, RBI decided to use GDP instead of GVA to measure the economic activities.	• Value of all finished goods and services **owned by a country's residents** over a period of time
Method of Calculation	• Consumer spending + Government spending + Investments + Net exports.	• GDP + NR (Net receipts from abroad or inflows from abroad) – NP (Net payment outflow to foreign assets)
Produced By Whom?	• Produced in India by an Indian or foreign national	• Only those goods and services produced by Indians whether in India or abroad.
Net Factor Income from Abroad	• Exclusion of Net Factor Income Abroad	• GNP includes Net Factor Income Abroad
Intermediate Goods	• Intermediate goods and services are not included to avoid double counting.	• No intermediate goods and services should be included in GNP
Application	• To see the strength of country's local economy	• To see how the nationals of a country are doing economically

1.9 DIFFERENCE BETWEEN GDP (GROSS DOMESTIC PRODUCT) AND GVA (GROSS VALUE ADDED)

- **GDP** is the sum of private consumption, gross investment in the economy, government investment, government spending and net foreign trade (difference b/w exports and imports).
- While **GVA** provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services.

1.10 PURCHASING POWER PARITY

- The Economic size of the countries across the world can be compared either in terms of **Nominal GDP or Purchasing Power Parity (PPP).**
- **Comparison using Nominal GDP:** The Countries across the world measure their GDP size in terms of their own currencies. This makes cross country comparison difficult.
- Hence, to compare the GDP size of the countries, we need a **common currency.**
- Therefore, the GDP size of the countries are converted into **dollars** using the average exchange rates.

1.11 GROSS NATIONAL HAPPINESS (GNH)

- **Bhutan** developed a new concept of **Gross National Happiness** for assessing development in the early **1970s.**
- Without rejecting the idea of human development propounded by UNDP, Bhutan has been officially following the targets set by the GNH since 1972.
- **Parameters included in GNI are:**
  - Higher real per capita income
  - Good governance
  - Environmental protection
  - Cultural promotion

1.12 TYPES OF INCOME

A. National Income (NI)

- The Net National Product at factor cost is
  - **NI =** NNP at market prices - (Indirect taxes – Subsidies)
    Or
  - **NI at Factor Cost =** NNP at Market Cost – Indirect Taxes + Subsidies

B. National Disposable Income (NDI)

- Gives an idea about the **maximum amount of goods and services** the domestic economy has at its disposal.
- **NDI =** NNP + Other Current Transfers from rest of the world (remittances, gift, donations etc.)

C. Personal Income (PI)

- Individual's/households total earnings (wages + investment enterprises + other ventures)
- ***PI =*** NI – Undistributed profits – Net interest payments made by households – Corporate tax + Transfer payments to the households from the government and firms (old- age pensions, unemployment compensation)

D. Personal Disposable Income (PDI)

- After deducting the usual spending, the income that is available to the households that they can spend as they wish.

E. Real Income (RI)

- Income of individuals or nations **after adjusting for inflation.**
- Calculated by dividing nominal income by the price level.
- More useful indicator of well-being since it measures the amount of goods and services that can be purchased with the income.

F. Nominal Income (NI)

- One's income in actual currency terms is unadjusted for inflation.
- Inflation is calculated as the change in the **CPI year-on-year.**
- **Nominal income will always be more than real income.**

1.13 SUBSIDIES

- A **Government incentive** in the form of **financial aid or support** extended to an economic sector (business, or individual) generally with the aim of **promoting economic and social policy.**
- It can either be **Direct** (cash grants, interest-free loans) and **indirect** (tax breaks, insurance, low-interest loans, accelerated depreciation, rent rebates).
- **Types of subsides:**
  - **Production subsidy:** It **encourages suppliers** to increase the output of a particular product by partially offsetting the production costs or losses.
  - **Export subsidy:** It is in the form of **support from the government** for products that are exported, as a means of assisting the country's Balance of Payments.
  - **Import subsidy:** It is in the form of support for products that are imported. An import subsidy further reduces the price to consumers for imported goods.

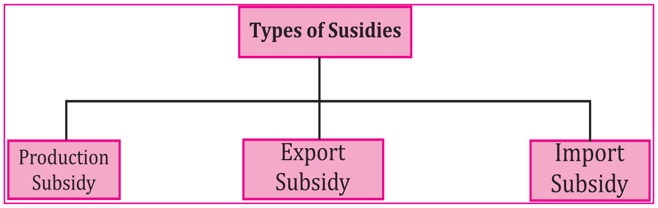


Figure 1.3: Types of Subsidies

1.14 GROWTH RATE

$$\text{Growth Rate (\%)} = \frac{\textit{GDP (Present year-Last year)}}{\textit{GDP (Last year)}} \times 100$$

- The growth rate may be appearing high, because of inflation in the prices and quantitatively the production may not have improved.
- To remove the impact of inflation on growth rate, **a base year** is selected, and the current prices are converted to constant prices.

1.15 REAL vs NOMINAL GDP

Real GDP	Nominal GDP
• It is the current year production of goods and services valued at base year prices. • Real GDP is **corrected for inflation.**	• It is the current year production of final goods and services. • It is **not corrected for inflation.**

1.16 BUSINESS CYCLE

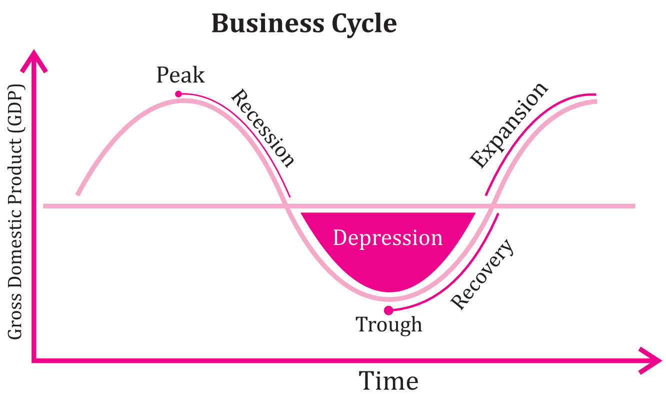


Figure 1.4: Business Cycle

- The business cycle describes the **rise and fall in production/output** of goods and services in an economy (in real GDP or GDP adjusted for inflation).

A. Recovery

- Upturn in aggregate demand in turn leads to an increase in production level and new investment.
- **Inflation increases** and **Unemployment decreases** (Phillips Curve)

B. Boom

- Accelerated and prolonged increase in the demand exceeds sustainable production, faces structural problems, demand, and supply Disequilibrium.

C. Economic recession

- Period of general **economic decline.** It registers a drop in the stock market + increase in unemployment + decline in the housing market, etc.

D. Depression

- A severe and **prolonged downturn** in economic activity. An extreme recession that lasts 3+years or leads to a decline in real GDP of at least 10%.
- Example: The Great Depression of 1930.

E. Double-Dip-Economic Slowdown

- A recession followed by a short-lived Recovery and followed by another recession.
- A situation in which GDP growth slows but does not decline.

1.17 TERMINOLOGIES WITH RESPECT TO RECESSION

A. Expansionary Phase

- When the overall output of goods and services typically measured by the GDP **increases** from one quarter (or month) to another.

B. Recessionary Phase

- When the overall output of goods and services typically measured by the GDP **decreases** from one quarter (or month) to another.

C. Recovery Measures

- Tax breaks, interest cuts, an increase in the salaries etc.

D. Business Cycle

- Expansionary phase + Recessionary phase

E. Technical Recession

- When real GDP has declined for at least two consecutive quarters to get around the empirical technicalities associated with the recession. India has entered a Technical Recession in the first half of 2020-21 for the first time in its history (RBI Nowcasts bulletin, Nov 2020).

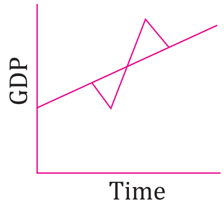
Do you know?

Nowcasts by RBI: Nowcast in economics means the prediction of the present or the very near future of the state of the economy. Began with the first issue of the Bulletin in January 1947. RBI, in its latest monthly bulletin, has dedicated a chapter on the State of the economy. The idea is to provide a monthly snapshot of some of the key indicators of India's economic health.

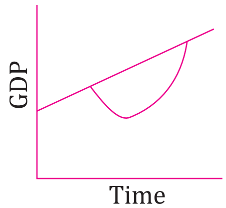
1.18 TYPES OF ECONOMIC RECOVERIES

Types of Economic Recoveries

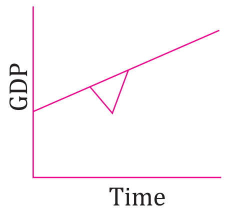
Z-Shaped
- Economy quickly rises after crash
- Lasts for a small period



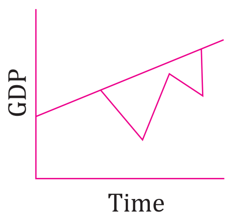
U-Shaped
- Economy struggles around low growth for some time after falling
- Several jobs are lost



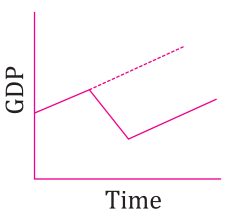
V-Shaped
- Economy quickly recoupes
- Income & Jobs are not lost permanently
- Economics growth recovers sharply



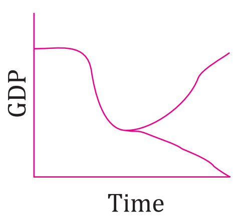
W-Shaped
- Growth falls-rises-falls again before recovering
- Middle part of 'W' represents bear market



L-Shaped
- Growth stagnates at low levels
- Doesn't recover for a long time



K-Shaped
- Somewhere between 'V' and 'L'
- Allows top class to prosper
- Workers further into debt



J-Shaped
- Unrealistic
- Growth rises sharply from low
- Higher than trend line

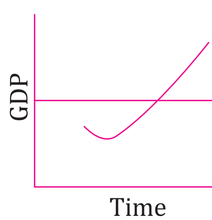


Figure 1.5: Types of Economic Recoveries

1.19 REPORTS & INDICES

Report	Publisher	Key Points
Global Economic Prospects Report	World Bank	• Published twice a year – January and June. • The 2021 forecasted India's economic growth to be **8.3%** for Fiscal Year **2021-22, 7.5%** for **2022-23** and **6.5%** for **2023-24.**
World Development Report	World Bank	• The latest report examines the key role played by finance in the post-pandemic economic recovery. • Theme: ***Finance for an Equitable Recovery.***
World Economic Outlook Report	IMF	• Published twice a year in the months of **April** and **October.** • The latest report has cut its forecast for India's **Gross Domestic Product (GDP)** growth in FY 2022-23 to 8.2%, making it the **fastest-growing major economy in the world, almost twice faster than China's 4.4 %.**
Global Financial Stability Report	IMF	• Published twice in a year **-** **April** and **October**. • **Global:** As per Global Consumer Survey in **2020, 99 %** of its respondents responded that they did trade in cryptocurrencies.
Financial Stability Report	RBI	• Published **twice** in a year. • This year's report primarily comprises an overview of **foreign regulatory** and **supervisory procedures**. • Highlights improvement in the asset quality of the banks, with the GNPA ratio falling from 7.4% in March 2021 to a **six-year low of 5.9% in March 2022.**
World Investment Report	UNCTAD	• India is ranked **seventh** despite a 30% decline in foreign direct investment (FDI) into the country. • The US is the top recipient of FDI. The outward FDI from India rose by 43 percent to 15.5 Billion US dollars in 2021.
Trade and Development Report	UNCTAD	• India's economic growth is expected to decline to **5.7 per cent this year** from 8.2 per cent in 2021. • India experienced an expansion of **8.2 per cent in 2021,** the **strongest among G20 countries.**

❖ ❖ ❖

2 Planning in India

2.1 MEANING OF PLANNING

- Planning is a method of achieving **faster economic progress.** It has been tried by different countries at different times and at different levels.

Regional Planning	National Planning
• **USA** started the first regional planning after the **Tennessee Valley Authority (TVA)** was set up in **1916** for a large-scale rehabilitation in south-eastern USA covering parts of seven states. • The US experience of regional planning emerged as a **role model** and an object of inspiration for the development of the **Damodar Valley Corporation (DVC)** in India (1948) and **Volta River Project** in Ghana (1966), etc.	• The official experiment in national planning is rooted in the **Bolshevik Revolution of Russia (1917), Soviet Union.** • The nature and scope of Soviet planning (called the Gosplan) had a direct or indirect bearing on all those countries which went for economic planning, be it **state or capitalist or mixed economies.** • **India's** planning process was largely influenced by the Soviet Union's planning model.

2.2 TYPES OF PLANNING

Indicative Planning	• It puts forward **some broad principles** and **guidelines** to achieve some goals. • Indicative planning is peculiar to the **mixed economy of France.** • But this is quite different from the type of planning which exists in other mixed economies. • It was adopted by India from 8th **FYP (1992-97)**
Comprehensive/ Imperative Planning	• It refers to **centralised planning** and **implementation** with the allocation of resources. • It is used by socialist countries where each and every aspect of planning is **controlled by the state.**
Structural Planning	• It aims to **change** the existing structures. • In this type of planning the present social and economic structure is changed and a new structure emerges. • In **developing countries,** there is structured planning.
Functional Planning	• Under functional planning, there is **no need to build up a new structure**, rather the existing structure is 18 corrected and modified. • Functional planning brings **no change** in the economic and social set up.
Centralised Planning	• The framing, adopting, executing, supervising, and controlling of the plan is done by central planning authority. • Planning authority determines targets and priorities. • It is the duty of the planning authority to bring harmony in the planning process. • This type of planning comes from the **top to the bottom.**
Decentralised Planning	• It is **multi-level planning** in which more than one institution works for the implementation of the plan. • Under this planning, the responsibility lies with local and regional officials who make economic decisions about the plan. • This type of planning is from **bottom to top.**

Prospective Planning	• It refers to the **long-term planning** of 15-20-25 years. • It is implemented by breaking the plan period into smaller plans such as 5 year plans. • But a prospective plan cannot mean one plan for the complete period.

2.3 EARLY PHASE OF PLANNING IN INDIA

A. Visvesvaraya Plan (1934)

- Credit for proposing the first blueprint of Indian planning is given to the popular civil engineer and the ex-Dewan of the Mysore state, **M. Visvesvaraya**.
- In 1934, Sir M. Visvesvaraya had published a book titled ***"Planned Economy in India"*** which presented a constructive draft of the development of India for the next ten years.
- His ideas of state planning were an exercise in democratic capitalism (similar to the USA) with emphasis on industrialization, a shift of labour from agricultural to industries, targeting to **double the national income** in one decade.
- Though there was no follow up by the British government on this plan, it aroused an urge for national planning among the educated citizens of the country.

B. The FICCI Proposal (1934)

- In 1934, a serious need for national planning was recommended by the **Federation of Indian Chambers of Commerce and Industry (FICCI),** the leading organisation of Indian capitalists.
- Its President **N.R. Sarkar** proclaimed that the days of undiluted laissez-faire were gone forever and for a backward country like India, a comprehensive plan for economic development covering the whole gamut of economic activities was a necessity.

C. National Planning Committee (1938)

- Committee was formed by the **Indian National Congress.**
- First initiated by **Netaji Subhash Chandra Bose** (President of INC, Haripura Session, 1938).
- Later on, **Jawaharlal Nehru** was made head of the National Planning Committee.
- It aimed to release a **detailed blueprint** of an economic plan for independent India.

D. Bombay Plan (1944)

- Bombay Plan was the popular title of ***'A Plan of Economic Development for India'***, which was prepared by a cross- section of India's **leading capitalists** - Mr. JRD Tata, GD Birla, Purshottamdas Thakurdas, Lala Shriram, Kasturbhai Lalbhai, AD Shroff, Ardeshir Dalal, & John Mathai prepared this plan.
- It was neglected by both political parties and the business class.

E. Gandhian Plan (1944)

- Propounded by **Shriman Narayan** (principal of **Wardha Commercial College)**
- Emphasised economic decentralisation and laid more emphasis on agriculture.
- It focussed on rural development by developing cottage industries.

F. People's Plan (1945)

- Given by **M N Roy** (Chairman of the Post-War Reconstruction Committee of Indian Trade Union)
- It accorded the greatest priority to **Agriculture** and recommended the **nationalisation** of agriculture and production.
- Plan was based on **Marxist socialism**.
- Plan was for **ten years.**

G. Sarvodaya Plan (1950)

- Given by **Jaiprakash Narayan.**
- Inspired by the **Gandhian plan** and the **Sarvodaya Idea of Vinoba Bhave.**
- Emphasised on **small & cottage** industries along with **agriculture**.
- It stressed upon **land reforms** and **decentralised participatory planning.**

H. Planning Commission, 1950

- Immediately after independence in 1947, the **Economic Programme Committee (EPC)** was formed by the **All-India Congress Committee (AICC)** with **PM Jawaharlal Nehru** as its chairman.
- A formal body to formulate and implement Five-Year Plans was established on **15th March 1950** with the PM as the head by an **executive resolution.**
- In 2014, PM Narendra Modi dissolved the planning commission to replace it with the **NITI Aayog** which acts as a **think tank** for development of the nation.

I. National Development Council, 1952

- All the plans made by the Planning Commission first need to be approved by the **National Development Council** which is an **extra-constitutional body.**
- It was set up on **6th August 1952**.

2.4 ECONOMIC PLANNING IN INDIA

- Post-independence India adopted **planned and a mixed economy** with the state having an active and dominant role in the economy.
- India adopted a system of **five yearly planning** to address its various socio-economic problems.

- **Idea:** To make a list of important problems to be solved keeping in view the given resources and the capacity to arrange the resources and review after five years.
- **Architects of Indian planning:** Jawaharlal Nehru, P.C Mahalanobis, V.R Gadgil, V.K.R.V Rao.
- **Objectives:** Economic growth; Increase in employment; Reduction in inequality of income; Reduction in poverty; Modernization of the economy; Ensuring social justice and equality.
- **For the first Eight Plans,** the emphasis was on a growing public sector with massive investments in basic and heavy industries.
- **Ninth Plan (1997) and onwards,** the emphasis on the public sector had become less pronounced and the current thinking on planning in the country, in general, is that it should increasingly be of an **indicative nature.**

FY PLAN	DESCRIPTION
First Plan (1951 - 56) Target Growth: 2.1 % Actual Growth 3.6 %	• It was based on the **Harrod-Domar Model.** • Influx of refugees, severe food shortage & mounting inflation confronted the country at the onset of the first five year Plan. The Plan Focussed on agriculture, price stability, power and transport. • It was a successful plan primarily because of good harvests in the last two years of the plan. Objectives of rehabilitation of refugees, food self sufficiency & control of prices were more or less achieved.
Second Plan (1956 - 61) Target Growth: 4.5% Actual Growth: 4.3%	• The aggressive Harrod Domar Growth model was again used for overall projections and the strategy for resource allocation to the various sectors was prepared by Prof. PC Mahalanobis. (Plan is also called **Mahalanobis Plan**). Second plan was conceived in an atmosphere of economic stability. It was felt agriculture could be accorded lower priority. • The Plan focussed on rapid industrialization- heavy & basic industries. Advocated huge imports through foreign loans. The Industrial Policy 1956 was based on the establishment of a socialistic pattern of society as the goal of economic policy. Acute shortage of forex led to pruning of development targets, price rise was also seen (about 30%) vis-a-vis decline in the earlier Plan & the 2nd FYP was only moderately successful.
Third Plan (1961 - 66) Target Growth: 5.6% Actual Growth: 2.8	• At its conception, it was felt that the Indian economy had entered a “take-off stage”. Therefore, its aim was to make India a 'self-reliant' and 'self generating' economy. • Based on the experience of the first two plans, agriculture was given top priority to support exports and industry. • The Plan was a thorough failure in reaching the targets due to unforeseen events - Chinese aggression (1962), Indo-Pak war (1965), severe drought 1965-66. Due to conflicts the approach during the later phase was shifted from development to defence & development.
Three Annual Plans (1966-69) euphemistically described as Plan holiday.	• Failure of Third Plan that led to the **devaluation of rupee** (to boost exports) along with inflationary recession led to postponement of Fourth FYP. Three Annual Plans were introduced instead. • Prevailing crisis in agriculture and serious food shortage necessitated the emphasis on agriculture during the Annual Plans. • During these plans a whole new agricultural strategy was implemented. It involves wide-spread distribution of high-yielding varieties of seeds, extensive use of fertilisers, exploitation of irrigation potential and soil conservation.
Fourth Plan (1969 - 74) Target Growth: 5.7% Actual Growth: 3.3%	• Refusal of supply of essential equipment and raw materials from the allies during the Indo Pak war resulted in twin objectives of “growth with stability“ and “progressive achievement of self-reliance“ for the Fourth Plan. • Main emphasis was on the growth rate of agriculture to enable other sectors to move forward. The plan was considered a failure.
Fifth Plan (1974-79) Target Growth: 4.4% Actual Growth: 4.8%	• The final Draft of the fifth plan was prepared and launched by D.P. Dhar in the backdrop of economic crisis arising out of run-away inflation fuelled by hike in oil prices and failure of the Govt. takeover of the wholesale trade in wheat. It proposed to achieve two main objectives: 'removal of poverty' **(Garibi Hatao)** and **'attainment of self reliance'** . Promotion of a high rate of growth, better distribution of income and significant growth in the domestic rate of savings were seen as key instruments.

Rolling Plan (1978 - 80)	• There were 2 Sixth Plans. Janta Govt. put forward a plan for 1978- 1983 emphasising on employment, in contrast to the Nehru Model which the Govt criticised for concentration of power, widening inequality & for mounting poverty. However, the Govt. lasted only for two years.
Sixth Plan (1980 - 85) Target Growth: 5.2% Actual Growth: 5.7%	• The Plan focussed on **Increase in national income,** modernization of technology, ensuring continuous decrease in poverty and unemployment.
Seventh Plan (1985 - 90) Target Growth: 5.0% Actual Growth: 6.0%	• The Plan aimed at accelerating food grain production, increasing employment opportunities & raising productivity with focus on 'food, work & productivity'. The plan was very successful.
Eighth Plan (1992 - 97) Target Growth: 5.6 % Actual Growth: 6.8%	• The eighth plan was postponed by two years because of political uncertainty at the Centre Worsening Balance of Payment position, rising debt burden, widening budget deficits, recession in industry and inflation were the key issues during the launch of the plan. • The plan undertook drastic policy measures to combat the bad economic situation and to undertake an annual growth of 5.6% through introduction of fiscal & economic reforms including liberalisation under the Prime Minister Shri P V Narasimha Rao.
Ninth Plan (1997- 2002) Target Growth: 6.5% Actual Growth: 5.4%	• The Plan prepared under the United Front Government focussed on **"Growth with Social Justice & Equality".** Ninth Plan aimed to depend predominantly on the private sector – Indian as well as foreign (FDI) & State was envisaged to increasingly play the role of facilitator & increasingly involve itself with social sector viz education, health etc and infrastructure where private sector participation was likely to be limited.
Tenth Plan (2002 - 2007) Target Growth: 8 % Actual Growth: 7.6 %	• Recognising that economic growth can't be the only objective of the national plan, the Tenth Plan had set 'monitorable targets' for few key indicators (11) of development besides 8 % growth target. • The targets included reduction in gender gaps in literacy and wage rate, reduction in Infant & maternal mortality rates, improvement in literacy, access to potable drinking water, cleaning of major polluted rivers, etc. • Governance was considered as a factor of development & agriculture was declared as the prime moving force of the economy.
Eleventh Plan (2007 - 2012) Target Growth 9 % Actual Growth 8%	• The Eleventh Plan was aimed **"Towards Faster & More Inclusive Growth"** India had emerged as one of the fastest growing economies by the end of the Tenth Plan. The savings and investment rates had increased, the industrial sector had responded well to face competition in the global economy and foreign investors were keen to invest in India. • But the growth was not perceived as sufficiently inclusive for many groups, specially SCs, STs & minorities as borne out by data on several dimensions like poverty, malnutrition, mortality, current daily employment etc.
Twelfth Plan (2012 - 2017) Target Growth 8% Actual Growth 6.5%	• The broad vision and aspirations which the Twelfth Plan sought to fulfil were reflected in the subtitle: **'Faster, Sustainable, and More Inclusive Growth'.** • Inclusiveness is to be achieved through poverty reduction, promoting group equality and regional balance, reducing inequality, empowering people etc whereas sustainability includes ensuring environmental sustainability, development of human capital through improved health, education, skill development, nutrition, information technology etc and development of institutional capabilities , infrastructure like power telecommunication, roads, transport etc.

2.5 INTERMEDIATE EVENTS DURING FYPS

- **Major Events during second plan period: Two wars:** One with China in 1961–62 and the other with Pakistan in 1965–66 along the Gujarat border. **Severe drought-led famine** in 1965–66 had to be faced.
- **Major Event during fourth plan period: Droughts** and the **Indo-Pak War** of 1971–72.
- **Major Event during fifth plan period:** The plan period was badly disturbed by the **draconian emergency** and a **change of the government** at the Centre.
- **Two Annual Plans (1990-91 & 1991-92):** Eighth Plan (1990–95) could not take off due to the political situation of the country, the **Fiscal imbalances** and the **BOP crisis.**
- **Major Events during ninth plan period: Slowdown** in the economy led by the **South East Asian Financial Crisis (1996–97). Kargil War** between India and Pakistan.

2.6 MEMBER OF PARLIAMENT LOCAL AREA DEVELOPMENT SCHEME (MPLADS)

- MPLADS is the **last of the Central Plans** and the **latest to have been launched.**
- The scheme was launched on December 23, 1993, with only Rs. 5 lakhs given to each MPs.
- In April 2011 the corpus was enhanced to Rs. 5 crores while announcing the new guidelines for the scheme.
- Funds under MPLADS are **non-lapsable**.
- **Objective:** The scheme was launched so that the fruits of development could directly reach the masses via their representatives.

A. Revised Guidelines of MPLADS (May 2014)

- It provides not only the **list of prohibited items** under the scheme, but also that of permissible items.
- In order to encourage trusts and societies to work for the betterment of tribal people, the **ceiling of Rs.50 lakh,** stipulated for building assets by trusts and societies in areas occupied by tribals, has been **enhanced to Rs.75 lakh.**
- To promote cooperative movement and rural development, the **Cooperative Societies** have also been made eligible under the MPLAD Scheme.
- The **abandoned** or **suspended** MPLAD work to be completed by the states.
- Funds are also allocated under natural and **man-made calamities.**
- Now, the funds can be allocated by Members of Parliament **outside of Constituency/State/UTs,** too.
- It can **converge** with the other approved Central (MGNREGA) and State Government schemes.
- Funds from **local bodies** can be pooled with MPLADS works.
- **Public** and **community contribution** is made permissible in the scheme.
- **One MP–One Idea,** an annual competition for best innovation in solving local problems.
- A proper mechanism for its implementation and auditing have also been put in place.

B. Recent Developments

- In April 2020, the scheme was **suspended for two financial years (2020-21 and 2021-22).**
- The MPLADS funds for these two-years were placed at the disposal of the **Ministry of Finance** to meet the emergent needs of people.
- The funds saved from the MPLAD Scheme have been utilised to enhance the allocation of funds for improving health infrastructure, provide free ration under **PM Garib Kalyan Yojana**, and **free vaccination** for the people.
- Recently, the Union Cabinet has approved the restoration of MPLADS funds for the remaining part of Financial Year 2021-22 till 2025-26. However, the **MPs will get Rs. 2 crore** instead of the annual approved **Rs. 5 crore.**

C. Recommendation of Work under MPLADs

- The **Lok Sabha Members** can recommend works in their respective constituencies.
- The **elected members of the Rajya Sabha** can recommend works anywhere in the state from which they are elected.
- **Nominated members of the Lok Sabha and Rajya Sabha** can recommend works for implementation anywhere in the country.

2.7 MULTI-LEVEL PLANNING

- In the late 1950s and early 1960s, the states demanded the right to plan at the state level.
- By the mid-1960s, the states were given the power to plan by the Centre, advising them that they should promote planning at the lower levels of the administrative strata.
- **District level planning:** Through the municipalities and corporations in the urban areas
- **Block level planning:** Through panchayats and the tribal boards.
- By early 1980s, India was a country of multilevel planning (MLP).

A. First Strata: Centre-Level Planning

- At this level three types of **Central Plans** had evolved over the years → **the Five Year Plans, the Twenty-Point Programme** and the **MPLADS**.

B. Second Strata: State-Level Planning

- By the 1960s, the states were planning at the state level with their respective planning bodies, the **state Planning Boards** with the respective CMs being their de-facto Chairman.

C. Third Strata: District-Level Planning

- By the late 1960s all the districts of the states were having their own plans with their respective **District Planning Boards** with the respective District Magistrate being the de-facto chairman.

D. Fourth Strata: Block-Level Planning

- As a part of the district-level planning the block level planning came up which had the District Planning Boards as their nodal body.

E. Fifth Strata: Local Level Planning

- By the early 1980s, plans were being implemented at the **local level** via the blocks and had the District Planning Boards (DPBs) as the nodal agency.
- Due to socio-economic differentiations among the population, local-level planning in India developed with its three variants: **Village-Level Planning; Hill Area Planning; Tribal Area Planning.**

2.8 CENTRAL SECTOR AND CENTRALLY SPONSORED SCHEMES

A. Central Sector Schemes

- **100 percent** funded by the Union Government with states functioning as implementing agencies.
- These schemes are mainly formulated on subjects from the **Union List.**
- In addition, the Central ministries also implement some schemes directly in the states/UTs, which are called **Central Sector Schemes,** but resources under these schemes are not generally transferred to states.

B. Centrally Sponsored Schemes

- A **certain percentage of the funding** is borne by the **Centre** and the **states** in fixed ratios and the implementation is done by the state governments.
- CSSs are formulated in subjects from the **State List** to encourage states to prioritise in areas that require more attention.

C. Central Plan Assistance

- Financial assistance provided by the GoI to support State's Five-Year Plans is called **Central Plan Assistance (CPA)** or Central Assistance (CA). It consists of:

Normal Central Assistance (NCA)	Additional Central Assistance (ACA)	Special Central Assistance (SCA)
• The distribution of the NCA is formula based **(Gadgil-Mukherjee Formula)** and is untied.	• This is provided for implementation of **externally aided projects (EAPs)**, and for which presently there is no ceiling.	• This is provided for s**pecial projects and programmes**, e.g., Western Ghats Development Programme, Border Areas Development Programme, etc.

2.9 NITI AAYOG (NATIONAL INSTITUTION FOR TRANSFORMING INDIA)

A. Origin

- Government scrapped the **Planning commission** and in its place it has introduced **NITI Aayog in 2015.**
- **Extra constitutional Body** formed via a resolution of the Union Cabinet.
- Premier policy **Think Tank** of Government of India.
- Fosters spirit of **Cooperative and competitive federalism.**
- **Bottom-Up** approach
- It is based on the **seven pillars of governance.**

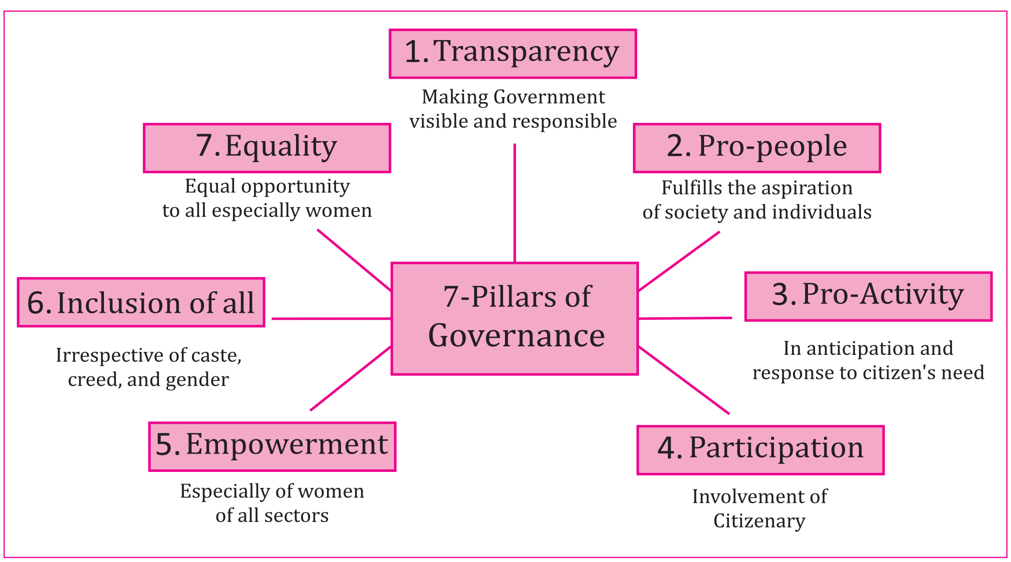


Figure. 2.1: Pillars of Governance

B. Aim

- To **achieve SDG** and to enhance **cooperative federalism** by fostering the involvement of State Governments of India in the economic policy-making process using a **bottom-up approach.**

C. Objectives of NITI Aayog

- To faster **cooperative federalism.**
- To develop mechanisms to **formulate credible plans** at the village level.
- To ensure that the interests of national security are incorporated in economic strategy and policy.
- To pay **special attention** to the sections of our society that may be at risk of not benefitting adequately from economic progress.
- To **actively monitor** and **evaluate** the implementation of programmes.
- To focus on **technology upgradation** and **capacity building.**
- To provide **advice** and **encourage partnerships** between key stakeholders.
- To create a **knowledge, innovation and entrepreneurial** support system.
- To offer a platform for **resolution** of inter-sectoral and inter- departmental issues.
- To undertake other activities as may be necessary in order to further the execution of the national development agenda.

D. Composition

- **Chairperson: Prime Minister of India** as the Chairperson.
- **Governing Council** comprising the Chief Ministers of all the States and Lt. Governors of Union Territories.
- **Regional Councils:**
  - Formed to **address specific issues** and contingencies impacting more than one state or a region.
  - Chaired by the **Chairperson of the NITI Aayog** or **his nominee.**
  - Formed for a **specified tenure.**
  - Convened by the Prime Minister and will comprise the Chief Ministers of States and Lt. Governors of UTs in the region.
- **Experts, specialists** and **practitioners** with relevant domain knowledge as special invitees nominated by the Prime Minister.

E. NITI Aayog Hubs

- **Team India Hub** → acts as an interface between States and Centre.
- **Knowledge and Innovation Hub** → builds the think-tank acumen of NITI Aayog.

F. Initiatives by NITI Aayog

- **15-year road map**
- **7-year vision,** strategy and action plan
- **Digital India** and **Atal Innovation Mission** etc.

G. Relevance of NITI Aayog

- Cooperative federalism; Competitive Federalism; Greater Accountability; Think tank of innovative ideas; Convergence for resolution.
- NITI Aayog is the **nodal Institution for the implementation of SDG in India.**

H. Guiding Principles of NITI Aayog

Guiding principles of NITI Aayog

Antyodaya | Inclusion | Village | Demographic Dividend | People's Participation | Governance | Sustainability

Figure 2.2: Guiding Principles of NITI Aayog

- **Antyodaya**
  - Prioritise service and uplift of the poor, marginalised and downtrodden, as enunciated in **Pandit Dindayal Upadhyay's** idea of **Antyodaya.**
  - Development is incomplete and meaningless, if it does not reach the farthest individual.
- **Inclusion**
  - Empower vulnerable and marginalised sections, redressing identity-based inequalities of all kinds gender, region, religion, caste or class.
- **Village**
  - Integrate our villages into the development process.
- **Demographic Dividend**
  - Harness our greatest asset, the people of India by focusing on their development, through education and skilling, and their empowerment, through productive livelihood opportunities.
- **People's Participation**
  - Transform the developmental process into a **people-driven one,** making an awakened and participative

citizenry (including the NRI community) the driver of good governance.

- **Governance**
  - Nurture an **open, transparent, accountable, pro-active** and **purposeful style** of governance, transitioning focus from Outcome.
- **Sustainability**
  - Maintain sustainability at the core of our planning and development process, building on our ancient tradition of respect for the environment.

I. Indexes/Reports/Programmes by NITI Aayog

- SDG India Index
- Composite Water Management Index
- Atal Innovation Mission
- SATH programme
- Aspirational District Programme
- School Education Quality Index
- District Hospital Index
- Health Index 2019 **-** (Healthy states, progressive India)

J. NITI Aayog Vs Planning Commission

NITI AAYOG	PLANNING COMMISSION
• It serves as an **advisory think tank.**	• It served as an **extra-constitutional body.**
• It draws membership from a **wider expertise.**	• It had **limited expertise.**
• It serves in the **spirit of Cooperative Federalism** as states are equal partners.	• States participated as **spectators in annual plan meetings.**
• Secretaries to be known as CEO are **appointed by the Prime Minister.**	• Secretaries were appointed through the **usual process.**
• It adopts the **Bottom-Up** approach to planning.	• It adopted the **top-down approach.**
• It does not possess the mandate to impose policies.	• It imposed policies and tied allocation of funds to the projects approved by it.
• It does not have powers to allocate funds, which are vested in the finance minister.	• It had powers to allocate funds to ministries and state governments.

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3 Public Finance

3.1 INTRODUCTION

- Public finance is the management of a **country's revenue, expenditures, and debt** through various **Government, quasi-government institutions, policies,** and **tools.**
- The various components of Public Finance are:
  - Public expenditure
  - Public revenue
  - Financial scrutiny
  - Fiscal Policy
  - Financial administration
  - Public Borrowing
- **Objectives of Public Finance:** Reallocating the resources across the nation; Bringing down inequalities; Paving way for economic stability; Managing Public enterprises; Contributing to economic growth; Addressing the regional disparities.

3.2 ANNUAL FINANCIAL STATEMENT (BUDGET) ARTICLE 112

- The term **Budget** is not mentioned in the Constitution.
- It is referred to as the **Annual Financial Statement (AFS)** in the Constitution under **Article 112**.
- Budget is a statement of the Government's estimated receipts and expenditure in a FY starting from April 1 and ending on 31 March.
- AFS Contains **Appropriation Bill (Expenditure Side)** and **Finance Bill (Receipts)**.
- **Revenue Account:** Receipts and expenditures that relate to the current financial year only (revenue budget).
- **Capital Account:** Concerned with the assets and liabilities of the government (capital budget).
- The Railway Budget was separated from the General Budget on the recommendations of the **Acworth Committee in 1924**. However, it was **merged again in 2017.**

Some Recent Reforms Related to Budget

- Budget presentation is **preponed to 1st Feb.**
- Railway budget **merged** with general budget.
- **Separation** of Plan and non-plan expenditure removed.

3.3 COMPONENTS OF BUDGET

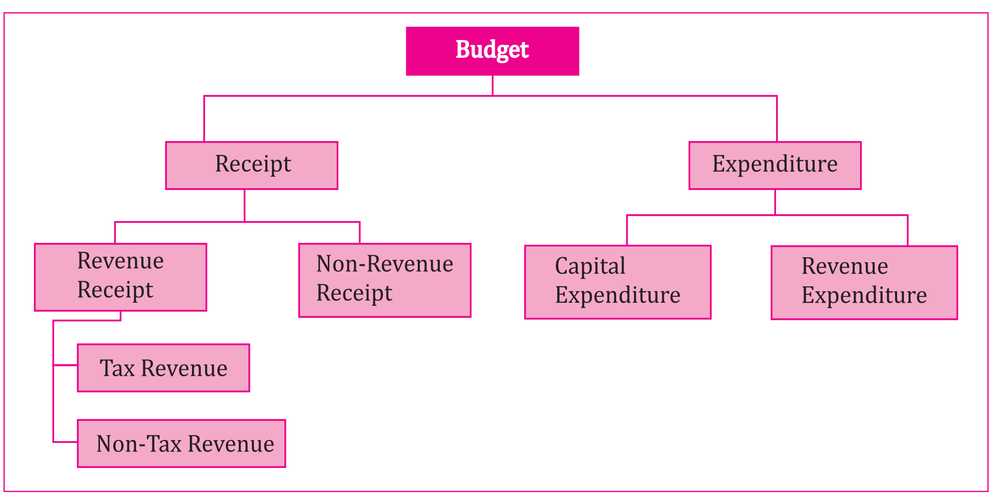


Figure 3.1: Components of Budget

A. Receipts

- **Revenue Receipts:**
  - **Tax Revenue:** Tax is collected by the government in the form of **direct** and **indirect tax.**
  - **Non-Tax Revenue:** Profits and dividends from PSU's, grants received by government, fiscal and general services, interest on loan forwarded by government, fees, penalties, fines etc.

B. Non- Revenue/Capital Account Receipts

- They are **loans taken by the government** which possesses **financial liability** on the government.

C. Expenditure

- **Revenue Expenditure:** Broadly, any expenditure which does not lead to **creation of any assets** or **reduction in liability** is treated as revenue expenditure.
  - E.g. salaries of government employees, interest payment on loans taken by the government, pensions, subsidies, grants, rural development, education and health services, etc.
  - The purpose of this expenditure is not to build up any capital asset, but to ensure **normal functioning** of government machinery. It is **recurring** in nature and incurred regularly.
- **Capital Expenditure:** An expenditure which **either creates an asset** (e.g. school building) or **reduces liability** (e.g. repayment of loan) is called capital expenditure.
- Repayment of loan is also capital expenditure because it reduces liability. It is **non-recurring** in nature.

3.4 TYPES OF DEFICITS

A. Deficit

- A deficit occurs when **expenses exceed revenues, imports exceed exports,** or **liabilities exceed assets.**

B. Revenue Deficit

- It is the difference between the **Revenue Receipts (RR)** and the **Revenue Expenditure (RE).**

Revenue Deficit (RD)=RR-RE

- **Union Budget 2021-22:** Revenue deficit is targeted at 4.1% of GDP in 2022-23.
- **Union Budget 2023-24:** Revenue deficit in 2023-24 is targeted at 2.9% of GDP.

C. Effective Revenue Deficit (ERD)

- Signifies that amount of **capital receipts** that are being used for actual consumption expenditure of the Government.
- The concept of **effective revenue deficit** has been suggested by the **Rangarajan Committee on Public Expenditure.**

ERD = Revenue Deficit - Grants for creation of capital assets

D. Fiscal Deficit

- Difference between **total revenue** and **total expenditure** of the government is termed as fiscal deficit. It is an indication of the **total borrowings** needed by the government. While calculating total revenue, borrowings are not included

Fiscal Deficit (FD) = Budget deficit + Borrowings

- **Union Budget 2022-23:** Fiscal deficit in 2022-23 estimated at 6.4% of GDP.
- **Union Budget 2023-24:** Fiscal deficit in 2022-23 estimated at 5.9% of GDP.

E. Primary Deficit

- Primary Deficit indicates the **borrowing requirements** of the government, excluding interest.
- It is the amount by which the total expenditure of a government **exceeds** the total income.
- Note that the primary deficit does not include the interest payments made.

Primary Deficit = Fiscal Deficit (Total expenditure – Total income of the government) – Interest payments (of previous borrowings)

F. Off Budget Financing

- Expenditure that is not funded through the budget.

G. Budget Deficit

- A budget deficit occurs when **expenses exceed revenue** and indicate the **financial health** of a country.
- The government generally uses the term budget deficit when referring to spending rather than businesses or individuals. Accrued deficits form national debt.

H. Zero Primary Deficit

- When the primary deficit is zero, the fiscal deficit becomes equal to the interest payment.
- This means that the government has resorted to borrowings just to pay off the interest payments. Further, nothing is added to the existing loan.

I. Monetized Deficit

- Monetized Deficit is the extent to which the **RBI** helps the central government in its borrowing programme.
- In other words, a monetized deficit means the **increase in the net RBI credit to the central government,** such that the monetary needs of the government could be met easily.

3.5 TYPES OF BUDGETS

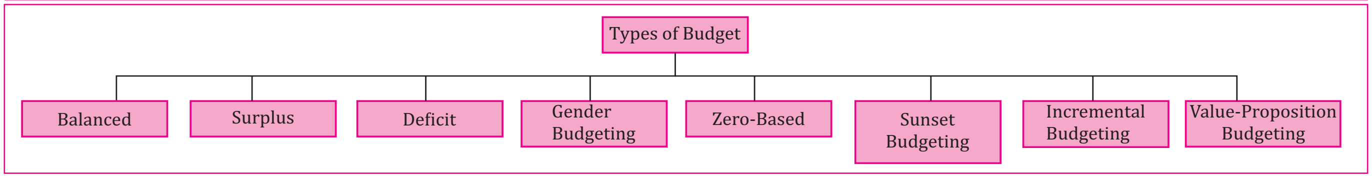


Figure 3.2: Types of Budgets

A. Balanced Budget

- The government may spend an amount **equal** to the revenue it collects.

B. Surplus Budget

- If the expected government **revenues exceed** the estimated government expenditure in a particular financial year.

C. Deficit Budget

- If the estimated government **expenditure exceeds** the expected government revenue in a particular financial year.

D. Outcome Budget

- It is a budget that **converts outlays into outcomes** by planning the expenditure, fixing appropriate targets, quantifying deliverables in each scheme and bringing to the knowledge of all, the outcomes for each scheme/ programme under various ministries.

E. Gender Budgeting

- It is **not an accounting exercise** but an ongoing process of keeping a **gender perspective** in policy/ programme formulation, its implementation and review.

F. Zero Based Budgeting

- All expenses are evaluated each time a budget is made, and expenses must be justified for each new period

G. Sunset Budgeting

- Schemes are announced with a deadline, designed to **self- destruct** within a prescribed time.

H. Incremental Budgeting

- It takes last year's **actual figures** and adds or subtracts a percentage to obtain the current year's budget.

I. Value Proposition Budgeting

- Value proposition budgeting is really a mindset about making sure that everything that is included in the budget delivers value for the business.

3.6 FISCAL POLICY

- It is that part of government policy concerned with raising revenue through taxation and spending for socio economic development.
- **Objectives:** Growth, Equity, Holistic development of all sectors of economy, Employment, Export promotion, Labour intensive growth, Sustainability.

A. Monetary Policy Vs Fiscal Policy

Parameters	Monetary Policy	Fiscal Policy
Definition	• It is a financial tool that is used by the **central banks** in regulating the flow of money and interest rates in an economy	• It is a financial tool that is used by the **Central government** in managing tax revenues and policies related to expenditure for the benefit of the economy.
Managed By	• **Central Bank**	• **Ministry of Finance**
Measures	• It measures the **interest rates** applicable for lending money in the economy.	• It measures the **capital expenditures** and **taxes** of an economy.
Focus Area	• **Stability** of an economy	• **Growth** of an economy
Impact on Exchange rates.	• Exchange rates improve when there are higher interest rates.	• It has no impact on exchange rates
Targets	• Monetary Policy **targets inflation** in an economy	• Fiscal policy **does not have any specific target.**
Impact	• Monetary policy has an impact on the borrowing in an economy.	• Fiscal policy has an impact on the budget deficit.

B. Types of Fiscal Policy

Expansionary Fiscal Policy	Contractionary Fiscal Policy	Neutral Fiscal Policy
• It seeks to **increase economic activity** by putting more money into the market.	• It seeks to **decrease economic activity** by taking out money from the market.	
• Adopted in **response to contractions** in the business cycle and prevent economic recessions.	• It is designed to **combat rising inflation.**	• Government spending is **equal** to the Tax revenue.
• **Measures:** Lowering of taxes and increased government spending are the components of expansionary fiscal policy.	• **Measures:** reduction in government spending or a reduction in the rate of monetary expansion by a central bank or raising taxes by the government.	

3.7 DEFICIT FINANCING

- It refers to **generation of funds** to finance the deficit which results from excess expenditure over revenue.
- **Sources of Deficit financing:** External Aids, External Grants, External and Internal Borrowings, Printing of currency.

A. Monetization of Deficit

- When RBI buys government securities directly from the primary market to fund government's expenses.
- In Simple terms, monetization of the deficit means **printing more money.**
- This is resorted to only when the government cannot borrow from the market (Banks and other Financial Institutions like LIC).
- The money printed by the RBI is called **high powered money** or **reserve money** or **monetary base.**

Printing New Currency by RBI → Increased Money Supply → Inflationary Pressure → Rise in prices of goods and services

Figure 3.3: Effect of Monetization of Deficit

B. Direct Monetization

- RBI directly funds the Central government's deficit against **government bonds or securities.**
- This allowed the government to technically **print equivalent amounts of currency** to meet its budget deficit.
- However, this practice was stopped over its **inflationary impact** and in favor of **fiscal prudence.**
- SBI has recommended **direct monetisation** as a possible way of funding the Centre's deficit at lower rates, without increasing inflation and affecting debt sustainability.

C. Indirect Monetization

- It is done by RBI when it conducts the **Open Market Operations (OMOs)** and/ or purchases bonds in the secondary market.

D. Ways and Means Advances (WMA)

- WMA are **temporary loan facilities** provided by RBI to the governments of both Centre and States to enable it to meet **temporary mismatches** between revenue and expenditure.
- The rate of interest is the same as the **repo rate.**
- The tenure is of **3 months.**

3.8 FISCAL RESPONSIBILITY AND BUDGET MANAGEMENT (FRBM) ACT, 2003

- The **Fiscal Responsibility and Budget Management (FRBM) Act, 2003** passed to establish **financial discipline** in the economy, improve the management of public funds and reduce fiscal deficit.

A. Objectives of FRBM

- To introduce **transparent fiscal management systems** in the country.
- To introduce a **more equitable and manageable distribution** of the country's debts over the years.
- To aim for **financial stability** for India in the long run.
- The act was expected to give necessary **flexibility to the RBI for managing inflation** in India

- The Act made it mandatory for the government to place the following along with the Union Budget documents in Parliament annually:
  1. ***Medium Term Fiscal Policy Statement***
  2. ***Macroeconomic Framework Statement***
  3. ***Fiscal Policy Strategy Statement.***
- The FRBM rules mandate **four fiscal indicators** to be projected in the medium-term fiscal policy statement:
  1. ***Revenue deficit as a percentage of GDP***
  2. ***Fiscal deficit as a percentage of GDP.***
  3. ***Tax revenue as a percentage of GDP.***
  4. ***Total outstanding liabilities as a percentage of GDP.***

B. Latest provisions of the FRBM Act

- To limit the fiscal deficit to **3% of the GDP** by March 31, 2021, and the debt of the central government to **40% of the GDP** by 2024-25.

C. NK Singh Committee to Review FRBM Act (set up in 2016) Recommendations

- The government should target a fiscal deficit of 3% of the GDP in the years up to March 31, 2020 cut it to 2.8% in 2020-21 and to 2.5% by 2023.
- It proposed to replace the FRBM Act, 2003 with a **Debt Management and Fiscal Responsibility Bill, 2017.**
- **Escape Clause** was introduced.

D. Escape Clause

- It refers to the situation under which the central government can **deviate** from the fiscal deficit target-for up to **0.5 % GDP,** from the stipulated fiscal deficit target during special circumstances.
- GOI used the escape clause when COVID 19 was declared a national calamity.
- **Under Section 4(2) of the FRBM Act,** the Centre can exceed the annual fiscal deficit target citing certain grounds: National security, war, National Calamity, Collapse of Agriculture, Structural Reforms, Decline in real output growth of a quarter by at least three percentage points below the average of the previous four quarters.

3.9 GOVERNMENT DEBT

- Broadly classified as **debt contracted against the Consolidated Fund of India** (defined as Public Debt) and liabilities in the Public Account, called Other Liabilities.
- Government debt as a percent of GDP is used by investors to measure a country's ability to make future payments on its debt. It **affects borrowing cost and government bond yields.**
- **Debt To GDP Ratio:** Debt-GDP ratio is an important indicator of medium and long-term sustainability of any country. It indicates how likely the country can pay off its debt. India's debt to GDP ratio currently stands at **84%.**

A. Public Debt

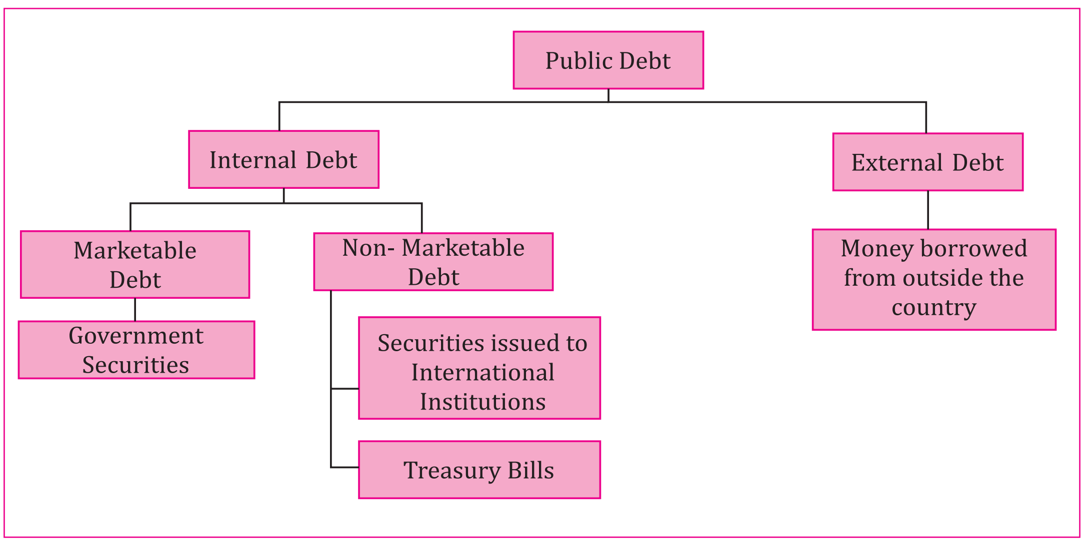


Figure 3.4: Public Debt

- Debt contracted against the **Consolidated Fund of India.**
- **Public debt is further classified into internal and external debt:**
  - **Internal debt:** debt taken from sources within the country by selling of Treasury bills, loan from market.
  - **External debt:** Loan from foreign countries, international financial institutions, external commercial borrowings (largest borrowing), NRI deposits, bilateral and multilateral debt, Trade credit.
  - **Rupee Debt:** Refers to that part of India's total external debt **denominated in Rupees.**

- **Other Liabilities:** Include liabilities on account of Provident Funds, Reserve Funds Deposits, Other Accounts, etc.

B. Crowding Out Effect

- When governments borrow, they compete with everybody else in the economy who wants to borrow the limited amount of savings available.
- It causes a decrease in the quantity of funds that is available to meet the investment needs of the private sector.
- As a result of this competition, the real interest rate increases, and private investment decreases. This phenomenon is called crowding out.

3.10 IMPORTANT TERMINOLOGIES

Fiscal Drag	• Situation where **inflation pushes income into a higher tax bracket.** The result is an increase in income taxes but no increase in real purchasing power.
Fiscal Neutrality	• When the net effect of taxation and public spending is **neutral**
Off-Budget Financing	• Expenditure that is not funded through the budget.
Sovereign Debt Crisis	• It describes the difficulties that a nation faces in **servicing the loans** it takes from the foreign sources in foreign currency.
Pump-Priming	• It is done generally, during a recessionary period to revive the economy. It includes increasing government spending and lowering interest rate and tax reductions.
Twin Deficit	• Worsening of both **Current Account deficit** and **Fiscal deficit** simultaneously in the economy.
Fiscal Cliff	• The fiscal cliff refers to a combination of **expiring tax cuts** and across-the-board **government spending cuts.**
Economic Stimulus	• Government measures to **encourage private sector economic activity** by engaging in targeted, expansionary monetary or fiscal policy based on **Keynesian economics.**
Fiscal Stimulus	• When the government takes certain measures for **lowering taxes** or **increases its spending** in a bid to revive the economy.
Monetary Stimulus	• It involves **cutting interest rates** to stimulate the economy. Lower interest rate will reduce the cost of borrowing, hence more borrowing will take place.

3.11 ECONOMIC SURVEY

- The **first Economic Survey** in India was presented in the year **1950-51.**
- Recently, the Economic Survey 2021-22 was tabled in Parliament by the Finance Minister soon after the President's address to both Houses of Parliament.
- It is a report that the government presents on the state of the economy in the past one year, the key challenges it anticipates, and their possible solutions.
- It is usually **presented a day before the Union Budget** is presented in the Parliament.
- Up to 1964, it was presented along with the Union Budget.
- 1964 onwards, it has been delinked from the Budget.
- Prepared by: Economics Division of the Department of **Economic Affairs (DEA)** under the guidance of the **Chief Economic Advisor (CEA),** the present CEA is Dr. V Anantha Nageswaran.

A. Department of Economic Affairs (DEA)

- CEA is a post in the Government of India and is equivalent to the **rank of Secretary to the Government of India.** Until the 1970s almost all CEAs were members of the Indian Economic Service.
- It advises the Government of India on matters related to finance, commerce, trade, economy.
- The CEA heads the Economic Division of the Department of Economic Affairs, Ministry of Finance and reports directly to the Minister of Finance.
- The government constitutes a search committee to select CEA. However, the Appointments Committee headed by the Prime Minister gives the final approval for the appointment of the CEA.
- CEA has **no security of tenure** and its decisions are **not binding** on the government.
- The office of CEA is neither constitutional nor statutory.

B. Roles and Functions of CEA

- The CEA plays a key role in bringing out the Economic Survey, which presents the economic report card of the Govt.
- CEA is the **ex-officio cadre controlling authority of the Indian Economic Service.**

4 Inflation

4.1 INTRODUCTION

- It is the gradual rise in **prices of goods and services** within a particular economy wherein, the **purchasing power of consumers decreases,** and the value of the cash holdings erode.
- Inflation measures the **average price change** in a basket of commodities and services over time.
- The opposite and rare fall in the price index of this basket of items is called deflation.
- In India, the **Ministry of Statistics and Programme Implementation (MoSPI)** measures inflation.
- In India, inflation is primarily measured by two main indices: **WPI (Wholesale Price Index) and CPI (Consumer Price Index).**

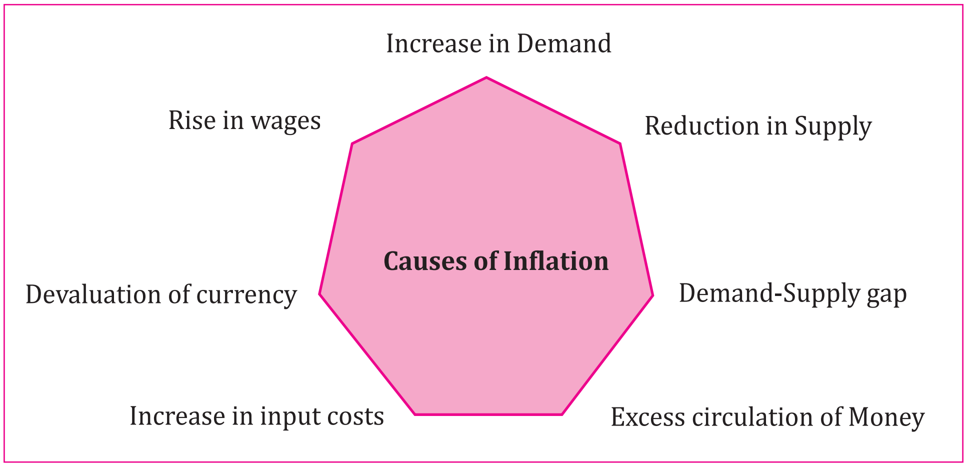


Figure 4.1: Causes of Inflation

4.2 WHOLESALE PRICE INDEX (WPI) vs CONSUMER PRICE INDEX (CPI)

WPI	CPI
• It measures **wholesale price changes.**	• It measures **retail-level price changes.**
• The goods/services sold by businesses to smaller businesses for selling further.	• The difference in the price of commodities/services such as food, medical care, education, electronics, etc. which Indian customers buy for use.
• Weight of items are based on production values.	• Weight is based on average household expenditure taken from consumer expenditure data.
• Weightage of food groups is **24.4%.**	• Weightage of food group is **39.06%**
• It does **not include services.**	• It **includes services.**
• **Weightage of items:** ○ Primary article → 22.62 % ○ Fuel and Power → 13.51 % ○ Manufactured goods → 64.23 %	• **Weightage of items:** ○ Food and Beverages → 45.86% ○ Housing → 10.07% ○ Fuel and Light → 6.84% ○ Pan, tobacco and intoxicants → 2.38% ○ Clothing and Footwear → 6.53% ○ Miscellaneous → 28.32%

4.3 TYPES OF INFLATION

Types of Inflation

Based on Causation

1. Demand Pull Inflation
2. Cost Push Inflation
3. Monetary Inflation
4. Built in Inflation
5. Headline Inflation
6. Profit Induced Inflation
7. Structural Inflation
8. Core Inflation

Based on Speed

1. Creeping Inflation
2. Walking Inflation
3. Running Inflation
4. Galloping Inflation
5. Hyperinflation

Others

1. Skewflation
2. Stagflation

Figure 4.2: Types of Inflation

A. Based on Causes

- **Demand Pull Inflation:**
  - When **aggregate demand** in an economy **outpaces aggregate supply.**
  - Deficit financing by the government and fiscal stimulus.
  - Too much money chasing too few goods
  - Overall output of the economy does not fall in this case.
  - **Causes of demand pull inflation are:**
    - **Depreciation of rupee** and **Increase in Forex reserve.**
    - **Lower interest rates** cause a rise in consumer spending and higher investment.
    - **Rising real wages.** Example: Bargaining by the unions for higher wages.
- **Cost Push Inflation:**
  - When prices increase due to the **rising cost of inputs** like wage increase, high transport price, unavailability of raw materials.
  - With an increase in prices, the **output level of the economy also falls.**
  - It becomes a **vicious cycle** of higher price-higher labour cost- higher price.
- **Monetary Inflation:**
  - RBI printing more and more money (deficit financing) can cause inflation. Monetary inflation is a **sustained increase** in the money supply of a country (or currency area).
- **Built in Inflation:**
  - Firms pass the **higher labour costs** on to their customers as higher prices.
- **Headline Inflation:**
  - Total inflation in the economy includes **inflation in a basket of goods** that includes commodities like **food** and **energy**.
  - Headline inflation may not present an accurate picture of an economy's inflation trend since s**ector-specific inflationary spikes** are unlikely to persist.
- **Core Inflation:**
  - Change in the costs of goods and services but this excludes primary articles, food, etc. because of **volatility/short term fluctuations.**
  - Core Inflation is a **reflection of a Headline inflation** that may not present an accurate picture of an economy's inflation trend since sector-specific inflationary spikes are unlikely to persist.
- **Profit Induced Inflation:**
  - If the producers, due to their monopoly position, tend to mark-up their profit margin, it will lead to profit-induced inflation.
- **Structural Inflation:**
  - Due to the weak structure of the institutions and markets in the economies, mostly the developing and low-income ones experience this kind of inflation.
  - E.g., Artificial shortage of foods/ goods due to hoarding and Poor agriculture produce due to poor monsoons, inadequate irrigation facilities etc.

B. Based on Speed

- **Creeping Inflation (1-4%):**
  - When the rate of inflation **slowly increases over time.**
  - For example, the inflation rate rises from 2% to 3%, to 4% a year.
- **Walking Inflation (2-10%):**
  - When inflation is in single digits – l**ess than 10%.**
  - Central Banks will be increasingly concerned.
- **Running Inflation (10-20%):**
  - When inflation starts to **rise at a significant rate.**
  - It is usually defined as a rate between 10% and 20% a year.
- **Galloping Inflation (20%-100% or 200%):**
  - This is an inflation rate of between 20% up to 1000%.
  - At this rapid rate of price increases, inflation is **a serious problem** and will be challenging to bring under control.
- **Hyperinflation:**
  - Inflation rising at a **very fast rate,** can lead to a total collapse of the currency and economic crisis.
  - E.g. Germany in the 1920s, Zimbabwe in the 2000s, and Venezuela in the 2010s.

C. Key Terms and Terminologies

- **Skewflation:**
  - It is the **skewed rise** in the price of some items while remaining item prices remain the same. E.g. Seasonal rise in the price of onions.
- **Stagflation:**
  - The situation of **rising prices** along with falling growth and employment. Inflation accompanied by an economic recession.
  - A combination of **Inflation** and **unemployment** (usually in the time of Recession).
- **Disinflation:**
  - **Reduction** in the rate of inflation.
  - Example: a fall in the inflation rate from 8% to 6%.
- **Deflation:**
  - Fall in the level of prices of goods and services.
- **Depression:**
  - Economic depression is a **sustained, long-term downturn** in economic activity.
- **Reflation:**
  - Reflation is the act of **stimulating the economy** after a period of economic slowdown or contraction.
- **Inflation Gap:**
  - Excess of government spending above national income.
- **Deflationary Gap:**
  - Shortfall in total spending over national income.
- **Bottleneck Inflation:**
  - Also called **structural inflation,** it occurs when supply falls drastically and the demand remains at the same level.
- **Inflation Tax:**
  - Due to price rise, **wages increase, as wage increases taxes** on this increase, generates more revenue for the government.
- **Inflation Premium:**
  - Bonus brought by inflation to borrowers.
  - Real interest rate (nominal Interest Rates adjusted to inflation) << Nominal interest rate (charged on lending).
- **Inflation Spiral:**
  - **Wage-price spiral** i.e. when wages press prices up and prices pull wages down.
- **Full Employment:**
  - A situation where all the resources in the economy are **fully employed** and operating at the maximum potential.

4.4 EFFECT OF INFLATION ON ECONOMY

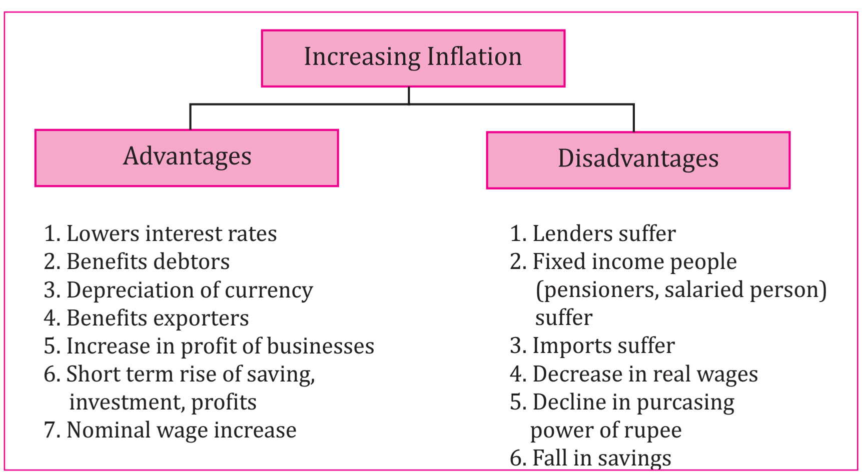


Figure 4.3: Effect of Inflation

4.5 IMPORTANT CONCEPTS

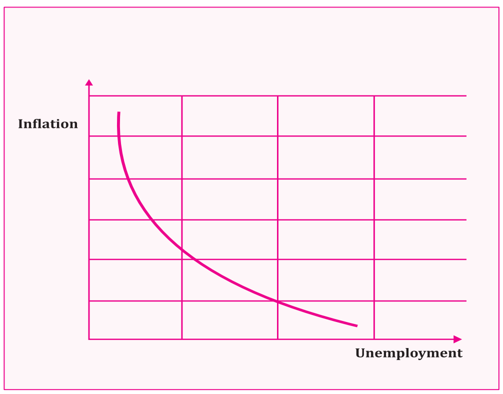
A. GDP Deflator and Implicit Price Deflator

- It is a **comprehensive measure** of inflation.
- It covers the **entire range of goods and services** produced in the economy.
- Reflects the extent to which the **increase in the gross domestic product** has happened on account of higher prices rather than an increase in output.

$$\textbf{GDP Price Deflator} = \frac{(Nominal\ GDP)}{(Real\ GDP)} \times 100$$

B. Phillips Curve

- **Inverse** relationship between **unemployment** and **inflation**.
- Accordingly, as levels of **unemployment decrease, inflation increases.**



C. Producer Price Index (PPI)

- Producer Price Index (PPI) measures the average change in the price of goods and services either as they leave the place of production, called output PPI or as they enter the production process, called input PPI.
- PPI estimates the **change in average prices that a producer receives.**

D. Service Price Index

- Published by the **Office of Economic Advisor** under the **Ministry for Commerce and Industry.**
- Measures separately inflation in services such as Railways, Postal, Banking, Aviation, Insurance, Telecom etc.

E. Food Price Index

- Published by **FAO (Food and Agricultural Organization).**
- FPI tracks the international prices of the most commonly traded food commodities.
- Commodity Covered: Meat, Dairy, Cereals, Vegetable oil and Sugar.

4.6 MEASUREMENT OF INFLATION

A. Base effect and Inflation

- The **base effect** relates to inflation in the **corresponding period of the previous year,** if the **inflation rate** was **too low** in the corresponding period of the previous year, even a smaller rise in the Price Index will give a high rate of inflation.

B. Headline Inflation

- **Headline Inflation** is the measure of **total inflation** within an **economy**. It includes **price rise** in **food**, fuel, and **all other commodities.**

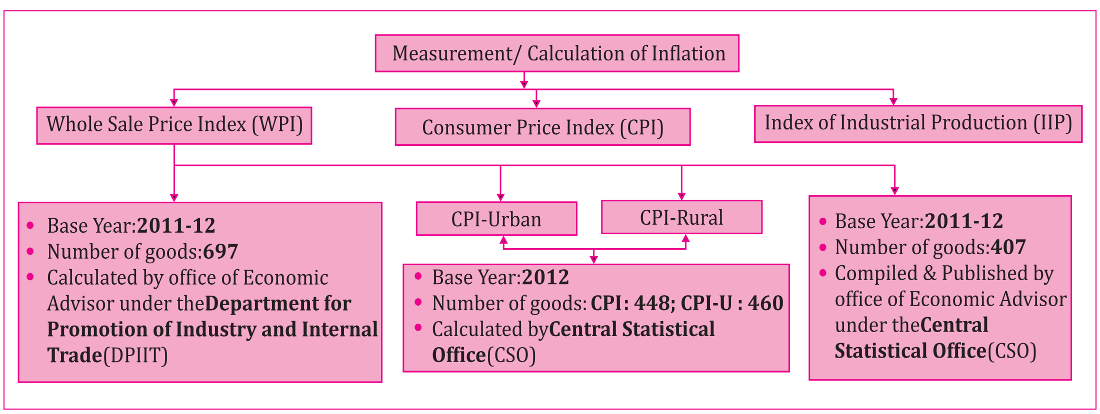


Figure 4.5: Measurement/Calculation of Inflation

- The inflation rate expressed in the **Wholesale Price Index** (WPI) usually denotes the **headline inflation.** Though **Consumer Price Index** (CPI) values are often higher, WPI values traditionally make headlines.

C. Core Inflation

- **Core inflation** is used to denote the **extent of inflation** in an **economy**. However, it does not consider the inflation in **food** and **fuel** items.
- Currently, there is **no index** for **direct measurement** of **core inflation** and now it is measured by **excluding food** and **fuel items** from **Wholesale Price Index** (WPI) or **Consumer Price Index** (CPI).

D. Inflation Targeting

- It is a monetary policy where the **central bank sets a specific inflation rate as its goal** and **adjusts** its monetary policy to achieve that rate.

- The RBI and Government of India signed a **Monetary Policy Framework Agreement in 2015.**
- Inflation targeting indicates the **primacy of price stability** as the key objective of monetary policy.
- **RBI would aim to contain consumer price inflation** within **6%** and within **4%** with a band of (+/-) **2%.**

4.7 MONETARY POLICY COMMITTEE (MPC)

- Created in **2016**, MPC is a **statutory and institutionalised framework** under the **RBI Act, 1934. Urjit Patel Committee first proposed the idea** for the formation of a five-member Monetary Policy Committee.
- **Aim:** maintaining price stability, while keeping in mind the objective of growth.
- **Objective:**
  - To bring **transparency** and **accountability** in deciding monetary policy.
  - Determines the **policy interest rate** required to achieve the inflation target.
- **Committee comprises: Six members** where **RBI Governor acts as an ex-officio chairman + 3 members are from RBI + 3 selected by government.**
- Inflation target is to be **set once every five years** by the Government of India, in consultation with the **RBI.**
- The MPC is **required to meet at least four times in a year.**
- The **quorum** for the meeting of the MPC is **four members.**
- Each member of the MPC has **one vote,** and in the event of an equality of votes, the Governor has a **casting vote.**
- Once every six months, the **Reserve Bank is required to publish a document called the Monetary Policy Report** to explain the sources of inflation and the forecasts of inflation for 6-18 months ahead.
- Current inflation target is pegged at **4% with (+/-) 2% tolerance.**

4.8 MEASURES TO COMBAT INFLATION

Monetary Policy Measures	Fiscal Policy Measures	Other Measures
• Increase in the **Bank rate.** • Making borrowing costly by increasing interest rates. • Increasing **tendency to save.** • **Controlling the credit** creation. • Conducting the **open market operations.** • Increasing the **Repo rate, Bank rate, CRR, SLR,** and other policy rates.	• **Reduces private spending** by increasing taxes. • **Reduces government spending.** • Bringing more people under the **tax coverage.** • Introducing **new taxes** and **cesses.**	• **Price control** by the government as a short-term measure. • **Import controls** imposed by the government. • **Restricting wage increase** by companies.

4.9 CORRELATION BETWEEN INFLATION, FISCAL POLICY, AND MONETARY POLICY

- Inflation is controlled by the **Government through Fiscal policy** and **Reserve Bank of India through Monetary policy.**

A. Monetary Policy

- The mechanism/tool used by the **monetary authority** of a country, generally the **central/federal bank** to control the money supply in the economy in order to **maintain price stability** and achieve **high economic growth.**
- In India, the central monetary authority is the RBI which maintains the price stability in the economy.

B. Fiscal Policy

- Fiscal policy is the **use of government revenue collection** (taxes or tax cuts) and expenditure (spending) to influence a country's economy.
- Changes in the level and composition of taxation and government spending can affect **macroeconomic variables,** including:
  - Aggregate demand and the level of economic activity
  - Saving and investment
  - Income distribution
  - Allocation of resources.

C. Difference between Fiscal and Monetary Policy

- **Fiscal policy** deals with taxation and government spending and is often administered by a government department; while **monetary policy** deals with the money supply, interest rates and is often administered by a country's central bank.
- Both fiscal and monetary policies influence a country's economic performance.

5 Taxation

5.1 INTRODUCTION

- **Taxation** is an **involuntary financial obligation** imposed by an **authority**, mostly a government on its **citizens/ residents/corporations/companie**s etc.
- It is a way of **Income redistribution.**
- **The Swaran Singh Committee** recommended that the **Duty to Pay taxes** should be added in the **Fundamental Duty - Art. 51A.** However, this was not included. **So, Duty to Pay taxes is not a Fundamental Duty.**

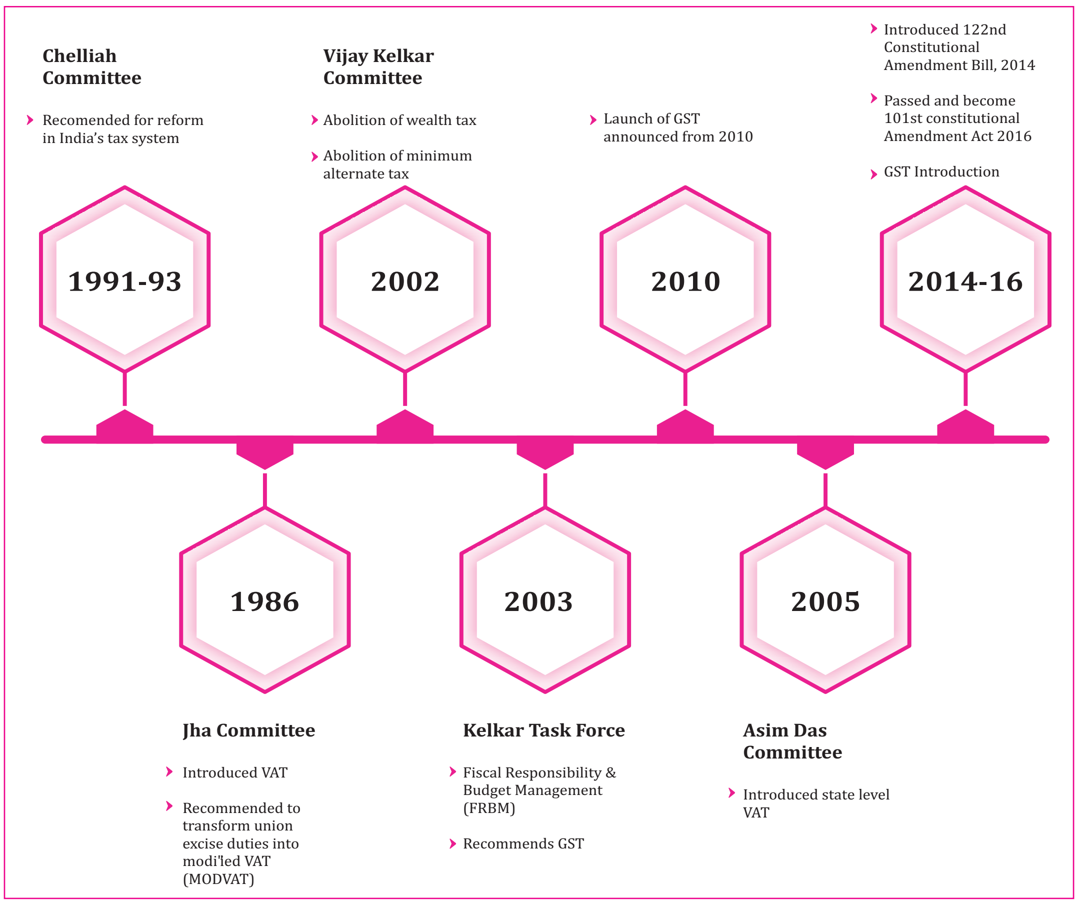


Figure 5.1: sss of Taxation in India

5.2 IMPORTANT CONCEPTS

A. Canons of Taxation by Adam Smith

Canons of Taxation by Adam Smith	
Equality	• Tax should be **equal** and **proportionate to income**
Economy	• Raising taxes while incurring **least amount of expenses.**
Certainty	• Dates, slabs, percentages should be **definite** and told in advance.
Convenience	• In terms of understanding the tax structure, computing, filing, and paying of taxes.

B. Tax to GDP Ratio

- The size of a country's **tax revenue** in relation to its **GDP.**
- **High Tax To GDP:** Financial position of the country is **good.** It reduces a government's dependence on borrowings. Tax buoyancy is strong.
- **Low Tax To GDP: Constrains** the government to spend and puts pressure on the government to meet its fiscal deficit targets.
- India's tax to GDP ratio was **10.2%** for the FY21 and **11.7%** for the FY22.

C. Tax: Incidence, Impact, Shifting, Base

- **Tax Incidence:** It is the one who actually **pays the tax.** True burden of a tax is given by incidence and not impact.
- **Tax Impact:** It is the entity **on whom tax is imposed.** The entity has the legal responsibility to pay taxes.
- **Tax Shifting:** When incidence of a tax differs from the impact of the tax, it is tax shifting.
- **Tax base:** It is the volume of goods and services on which tax is imposed.

D. Features of a Good Taxation System

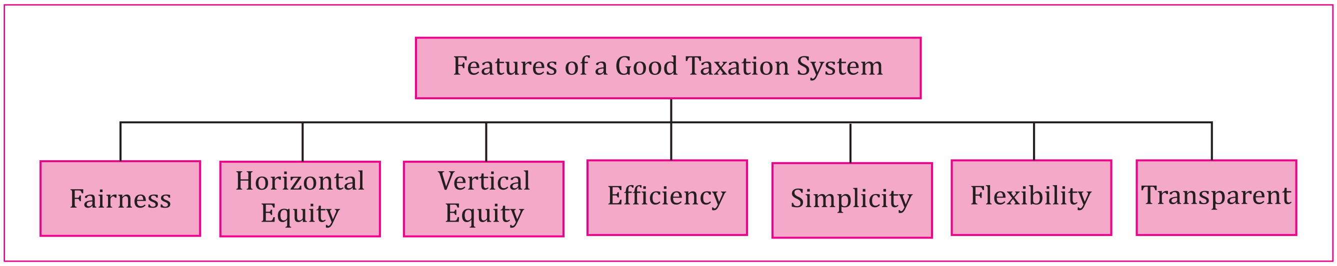


Figure 5.2: Features of a Good Taxation System

Fairness	Both in terms of **Horizontal Equity** and **Vertical Equity.**
Horizontal Equity	When individuals in identical or similar situations pay **identical** or **similar taxes.**
Vertical Equity	When people in **higher income brackets** pay more taxes.
Efficiency	Taxation should be able to **raise resources** with the **least amount of difficulty** to the taxpayers. It should **raise revenue with less cost.**
Simplicity	In terms of understanding the **tax structure, computing, filing** and **paying of taxes.** This will increase **tax compliance** among the masses, in turn increase the revenue resource of the government.
Flexibility	Should be able to change according to the **needs of the time.**
Transparent	**Individual assessment of taxes, total collection, amount spent on public goods** using the tax resource, etc. should be transparent.

5.3 METHODS OF TAXATION

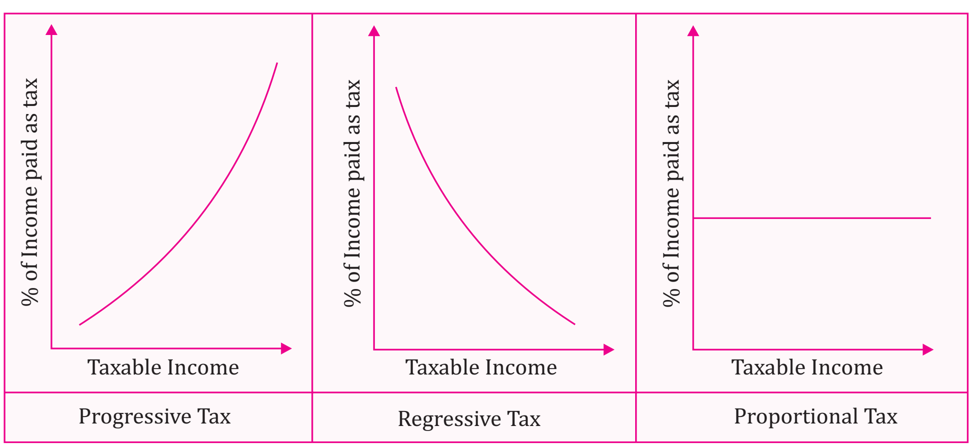


Figure 5.3: Methods of Taxation

A. Progressive Taxation

- Based on the **taxpayer's ability to pay.**
- High income earners will pay more tax than low-income earners.
- Example: **Income Tax.**

B. Regressive Taxation

- A regressive tax is a tax **applied uniformly,** taking a larger percentage of income from low-income earners than from high-income earners.
- It is in **opposition to a progressive tax,** which takes a larger percentage from high-income earners.
- Example: **Sales Tax.**

C. Proportional Taxation

- The **same percentage** tax is levied on everyone **regardless of income.**

D. Retrospective Taxation

- It allows a country to pass a rule on taxing certain products, items or services and deals and charges companies from time after the date on which the law is passed.
- Countries use this route to correct any anomalies in their taxation policies that have, in the past, allowed companies to take advantage of such loopholes.

5.4 TYPES OF TAXES

Classification of Taxes

- **Direct Taxes**
  - **On Income**
    - **Union Government**
      1. Corporation Tax
      2. Minimum Alternative Tax (MAT)
      3. Dividend Distribution Tax (DDT)
      4. Capital Gains Tax (CGT)
      5. Securities Transaction Tax (STT)
    - **State Government**
      1. Agriculture Tax
      2. Land Revenue
  - **On Assets**
    - **Union Government**
    - **State Government**
      1. Stamp/Registration Duty
      2. Property tax in urban areas
  - **On Expenditure**
    - **Union Government**
      1. Fringe Benefit Tax
      2. Gift Tax
- **Indirect Taxes**
  1. Ad Valorem Tax
  2. Value Added Tax (VAT)
  3. Excise Duty
  4. Customs Duty
  5. Professional Tax
  6. Goods and Services Tax (GST)

Figure 5.4: Classification of Taxes

A. Direct Tax

- **Direct tax** is a type of tax where the incidence and impact of taxation fall on the same entity.
- **Incidence = Impact.**
- Example, **Income tax, Corporation tax**
- **Dividend Distribution Tax (DDT):**
  - DDT is a tax levied on **dividends distributed by companies** out of their profits among their shareholders.
  - Removed in **Union Budget 2020-21.**
  - Instead of companies paying DDT on the dividend they give out, the dividend income will now be added to the taxable income of the recipient and taxed at the applicable rate.
- **Tax on Companies:**
  - **Google Tax/Equalization Levy/ GAFA Tax**
    - It aims to tax Indian revenue of foreign firms with no permanent establishments in India.
    - With the intention of taxing the **digital transactions** -the income accruing to foreign e-commerce companies from India.
    - **GAFA Tax:** France has taxed major companies – **Google, Amazon, Facebook, Apple.**
- **Minimum Alternative Tax (MAT):**
  - To facilitate the taxation of **zero tax companies-** the companies which show zero or negligible income to avoid tax, despite showing hefty book profits.
  - They are liable to pay a **certain percent** of their book profit.
  - All companies in India, whether domestic or foreign, fall under this.
- **Angel Tax:**
  - It is the **income tax payable by start-ups** on capital raised via the issue of shares.
  - To make sure that the money coming in was genuine and to minimise fraud.
- **Dividend Distribution Tax (DDT):**
  - It is a tax levied on **dividends** that a company pays to its shareholders out of its profits.
- **Tax on financial Transactions:**
  - **Securities Transaction Tax (STT)**
    - Tax levied at the time of **purchase** and **sale of securities** listed on stock exchanges.
- **Capital Gains Tax (CGT):**
  - Any profit or gain that arises from the sale of a **capital asset** is a Capital Gain and tax to be paid on that, is called the **Capital Gains Tax.** It can be **short-term** or **long-term.**
- **Commodities Transaction Tax: (CTT)**
  - Applicable for those dealing in **trading of commodities.**
- **Tobin Tax/Robinhood Tax:**
  - Taxing **short term currency market** transactions to combat market volatility.
- **Long Term Capital Gains (LTCG) Tax on Equity:**
  - A **capital gains tax** is a tax levied on capital gains, profits an investor realises when he sells a capital asset for a price that is higher than the purchase price.
  - Capital gains taxes are only triggered when an asset is realised, not while it is held by an investor.
  - Normally , **the rate changes from asset to asset**, if a **real estate asset** is held for less than **24 months**, any gain arising from selling it is treated as a **Short-Term Capital Gain** (STCG) and taxed in your hands.
  - It becomes a **Long-Term Capital Gain** (LTCG) if the real estate asset is held for **24 months** or **more**.
  - In the case of **shares and mutual funds like equity funds**, a holding period of **12 months** or more qualifies as **long-term.**

B. Indirect Tax

- Incidence and impact of taxation does not fall on the same entity.
- Taxes that can be shifted from one individual to another like **sales tax, entertainment tax, excise duty.**
- **Incidence ≠ Impact.**
  - **Ad Valorem Tax**
    - It is based on the **value of the transaction** or the property.
  - **VAT:**
    - It is an **indirect tax** having a **multi-point tax collection.** It is imposed and collected at different points of the value addition chain. It has **no cascading effect.**
  - **Excise Duty**
    - On goods produced or manufactured in the country.
  - **Customs Duty**
    - On goods imported and exported out of the country.
  - **Professional Tax**
    - It is the tax levied and collected by the **state governments** in India. It is an indirect tax.

5.5 GOODS AND SERVICES TAX (GST)

- **Definition:**
  - It is a comprehensive tax levied on the manufacture, sale, and consumption of goods and services.
- **Established:**
  - By the **101st Constitutional Amendment Act**, on the lines of **One Nation One Tax.**
- **Powers:**
  - The Parliament and the state legislatures have **concurrent powers** to implement GST.
- **Features:**
  - Applicable on the supply side.
  - Destination based Taxation
  - **Dual GST** (Centre and the States simultaneously levying tax on a common base.)
  - **GST rates** to be mutually decided (CGST, SGST & IGST)
  - Multiple Rates
- **Merged Taxes:**
  - Central Value Added Tax
  - Additional Customs Duty
  - Special Additional Duty of Customs
  - Central Sales Tax
  - Service Tax
  - State VAT (Sales tax).
- **Tax Slabs:**
  - 5%, 12%, 18% and 28%.
- **3-Tiers GST Architecture:**
  1. **Central GST (CGST)** levied by the Centre
  2. **State GST (SGST)** levied by the States
  3. **Integrated GST (IGST)** levied by the Centre on inter-state transactions.

A. IGST

- When the commodity is produced in one state and is traded to another state (interstate trade).
- In this case, the share of SGST should go to the **consuming state** (as the GST is a destination-based tax).

B. GST Compensation to the states

- Parliament will compensate for any loss faced by the state due to the imposition of GST.
- As per the **GST Act**, states are guaranteed compensation for any revenue shortfall below **14% growth** (base year 2015-16) for the **first five years** ending **2022.**
- GST compensation is paid using funds specifically collected as **compensation cess** which is levied on products considered to be sin or luxury goods.

C. GST Compensation Cess

- It was introduced as **relief for States** for the loss of revenues arising from the implementation of GST.
- As per the GST Act, states are guaranteed compensation for any revenue shortfall below **14% growth** (base year 2015-16) for the first five years ending 2022.
- GST compensation is paid using funds specifically collected as **compensation cess- is** levied **on products considered to be sin or luxury goods.**

D. Input Tax Credit (ITC)

- It is a mechanism to **avoid cascading of taxes.**
- It means at the time of paying tax on output, one can reduce the tax one has already paid on inputs and just pay the balance amount.
- Cross utilisation of input tax credit is available

E. Reverse Charge Mechanism

- The receiver becomes liable to pay the tax, i.e., the chargeability gets reversed.
- Self-invoicing is to be done when you have purchased from an unregistered supplier and such purchase of goods or services falls under reverse charge.

F. E-Way Bill System

- It is an **electronic way** bill for movement of goods which can be generated on the e-Way Bill Portal
- **Objective:**
  - Facilitate **faster movement** of goods.
  - Improve the **turnaround time** of vehicles.
  - It helps track intra-state as well as inter-state movements of goods of value exceeding **Rs 50,000,** for sales beyond **100 km** in the **Goods and Services Tax** (GST) regime.

Commodities outside the purview of GST

- Alcohol for human consumption
- Petroleum products,
- Electricity,
- The supply of goods to the SEZs,
- Supply of goods that come under zero rate
- Fresh vegetables, fresh milk, cereal, meat etc.
- Raw materials.

G. GST Composition Scheme

- It is an option available to a **registered taxpayer.**
- Small taxpayers can get rid of tedious GST formalities and pay GST at a fixed rate of turnover.
- **Limit:** Any taxpayer whose turnover is **less than Rs. 1.5 crore.** In case of North-Eastern states and Himachal Pradesh, the limit is now Rs 75 lakh.

Advantages	Disadvantages
• Lesser compliance (returns, maintaining books of record, issuance of invoices). • Limited tax liability. • High liquidity as taxes are at a lower rate.	• A **limited territory** of business. • **No Input Tax Credit** available to composition dealers. • The taxpayer will not be eligible to supply non-taxable goods under GST such as alcohol and goods through an e- commerce portal.

H. Laws enacted to implement GST

- Central GST Act, 2017
- Integrated GST Act, 2017
- GST (Compensation to States) Act, 2017
- Union Territory GST Act, 2017
- GST 101st Constitutional Amendment Act, 2016

I. Goods and Services Tax Council

- It is a **Constitutional body** under **Article 279A** of the Constitution.
- It was introduced by the **101^{st} Constitutional (Amendment) Act, 2016** through a **Presidential Order.**
- It **functions** are:
  - Makes recommendations to the Union and State Government on issues related to GST
  - Key decision-making body that will take all important decisions (tax rate, tax exemption, the due date of forms, tax laws, and tax deadlines).
- The **Quorum** to conduct its meetings is the **½ of the total members** of the Council.
- Decision in the council is taken by the **majority of the $3/4^{th}$** of the members.
- **Union Representation:**
  - **Chairperson-** Union Finance Minister.
  - Minister of State for Revenue (Central Government) will be a member
  - **$1/3^{rd}$ voting share**
- **State Representation:**
  - The Minister of Finance from each State or Minister nominated by the States will be its member including Delhi and Puducherry.
  - **$2/3^{rd}$ voting share**
  - Members of the Council from the states have to choose 1 amongst themselves to be the Vice chairperson of the council. They can also decide his term.

J. Advantages of GST

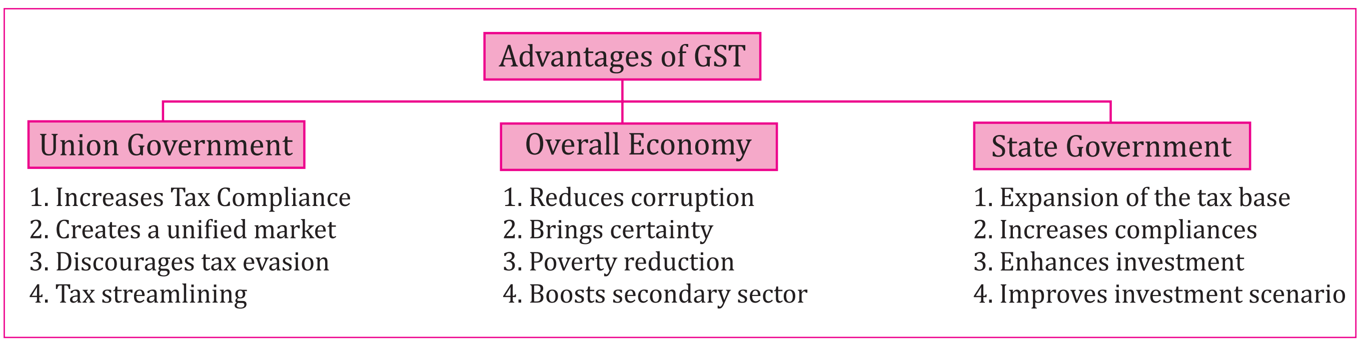


Figure 5.5: Advantages of GST

5.6 FINANCE COMMISSION

- It is a **constitutional body** under **Part XII.**
- It acts as the **balancing wheel of fiscal federalism.**
- **Article 280** of the Constitution deals with the Finance Commission.
- It consists of the **Chairman** and **four members** appointed by the **President.**
- The **Qualifications** of the members are decided by the Parliament
- It has a **tenure of five years** and is constituted by the president of India **every fifth year** or at such earlier time as he considers necessary.
- It is a **quasi-judicial** body.
- It makes recommendations on the distribution of the net proceeds of taxes to be shared
- between the Centre and the states, and the allocation between the states of the respective shares of such proceeds.
- Its recommendations are **advisory** in nature.

A. Fifteenth Finance Commission

- **Chairman:** N.K. Singh
- **Key Recommendations:**
  - **Vertical Devolution**
    - The share of states in the centre's taxes is recommended to be decreased to 41%.
    - 1% less than 14th commission (42%), that 1% is to provide for the newly formed Union Territories of J&K and Ladakh from the resources of the central government.
  - **Horizontal Devolution:** The criteria and the weights assigned for horizontal devolution are:
    - Population – **15%**
    - Area – **15%**
    - Forest & Ecology – **10%**
    - Income Distance – **45%**
    - Tax and Fiscal Efforts – **2.5%**
    - Demographic Performance – **12.5%**
  - Recommendation to create a **non-lapsable pool** for the defence and internal security sector under the **Public Accounts of India.**

B. 14th Finance Commission (FC) Vs 15th Finance Commission (FC)

Criteria	14th FC (%)	15th FC (%)
Income Distance	50	45
Population, 1971	17.5	-
Population, 2011	10	15
Area	15	15
Forest Cover	7.5	-
Forest and Ecology	-	10
Demographic Performance	-	12.5
Tax Effort	-	2.5
Total	100	100

- **Income Distance:**
  - It is the distance of the state's income from the state with the highest income.
  - States with a lower per capita income would be given a higher share to **maintain equity** among states.
- **Tax Effort:**
  - This criterion has been used to reward states with **higher tax collection efficiency**.
  - It has been computed as the ratio of the average per capita own tax revenue and the average per capita state GDP during the **3 year** period between **2016-17** and **2018-19**.
- **Demographic Performance:**
  - **Population data of 2011**, to reward efforts made by states in controlling their population.
  - States with a lower fertility ratio will be scored higher on this criterion.

5.7 TAXATION RELATED TERMS AND TERMINOLOGIES

Cascading Effect	• It is a **tax on tax.** It makes the tax rate much higher than the original rate.
Tax Buoyancy	• It measures the **responsiveness** of tax mobilisation to economic growth/GDP.
Tax Elasticity	• Percentage change in tax revenue with respect to change in tax rate and extension of coverage.
Tax Expenditure/ Revenue Foregone	• It is the opportunity cost of taxing at concessional rates like giving exemptions, deductions, rebates, etc. to the taxpayers
Pigouvian Tax	• It is the tax on companies that create **negative externalities** and adverse effects on the society. e.g.- carbon emissions tax or a tax on plastic bags.
Tax Mitigation/ Tax Planning	• It refers to **financial planning** for tax efficiency. It is not illegal or unethical. It is Financial Prudence.

Tax Avoidance	• It is the **use of legal methods** to minimise the amount of income tax owed by an individual or a business by claiming as many deductions and credits as are allowable.
Tax Evasion	• It is an **illegal activity** in which a person/entity deliberately avoids paying a true tax liability.
Tax Inversion	• Form of tax avoidance where a firm bases its headquarters in a low tax country while keeping its material operations in the high tax countries.
Black Money	• Funds earned through **illegal activity**, or the income concealed from the tax authorities.
Money Laundering	• It is an illegal process of making large amounts of money generated by a criminal activity, such as drug trafficking or terrorist funding, appear to have come from a **legitimate source.**
Tax Haven	• It is an offshore country that offers little or no tax liability. Eg- Cayman-islands, Panama, islands, Singapore etc.
Hawala	• It is an informal way of money transfer. Money transfer without money movement.
Tax Terrorism	• **Undue exercise of power** by tax authorities to levy taxes using legal or extralegal means.
Transfer Pricing	• It is the setting of the price for goods and services sold between controlled/ related legal entities to be situated in different countries within an enterprise.
Project Saksham	• It is a New Indirect Tax Network of the **Central Board of Indirect tax and Customs** (CBIC). It **helps in the** Implementation of Goods and Services Tax. • Extension of the Indian Customs Single Window Interface for Facilitating Trade (SWIFT).
Round Tripping	• Money that leaves the country through various channels and makes its way back into the country often as foreign investment. • This mostly involves black money and is allegedly often used for stock price manipulation.
Shell companies	• These are typically corporate entities which **do not have any active business operations** or significant assets in their possession. The government views them with suspicion as some of them could be used for money laundering, tax evasion and other illegal activities.
Advanced Pricing Agreement	• It is an agreement between the **tax authority** and **MNC** on the appropriate transfer pricing methodology for a certain period of time. • Under this, the transfer price is fixed based on the **Arm's length principle**. • This principle states that the transfer price must be closer to the price at which goods and services are transacted between two unrelated entities.
Tax Compliance	• Tax compliance is the degree to which a taxpayer complies (or fails to comply) with the tax rules of his or her country, for example by declaring income, filing a return, and paying the tax due in a timely manner.
Grandfather Clause	• A grandfather clause (or grandfather policy or grandfathering) is a provision in which an **old rule continues to apply** to some existing situations while a new rule will apply to all future cases. • Those exempt from the new rule are said to have grandfather rights or acquired rights, or to have been grandfathered in.
Fiscal Drag	• Fiscal drag is a concept where i**nflation and earnings growth** may push more taxpayers into higher tax brackets. Therefore, fiscal drag has the effect of raising government tax revenue without explicitly raising tax rates.
Fiscal Cliff	• The point at which tax cuts would expire, and spending cuts would be triggered.

6 Banking System

6.1 INTRODUCTION

- Banks are **financial intermediaries** between borrowers and lenders. It accepts deposits from the public and lends money to businesses and consumers
- **Its primary liabilities are deposits and primary assets are loans and bonds.**
- India has **12 Public sector banks**, **21 private banks**, **45 Foreign Banks** (as of 2022), and **RBI is the central authority** that manages all of India's banking operations.

6.2 MONEY

- Money is any object that is generally accepted as **payment for goods and services** and **repayment of debts.**

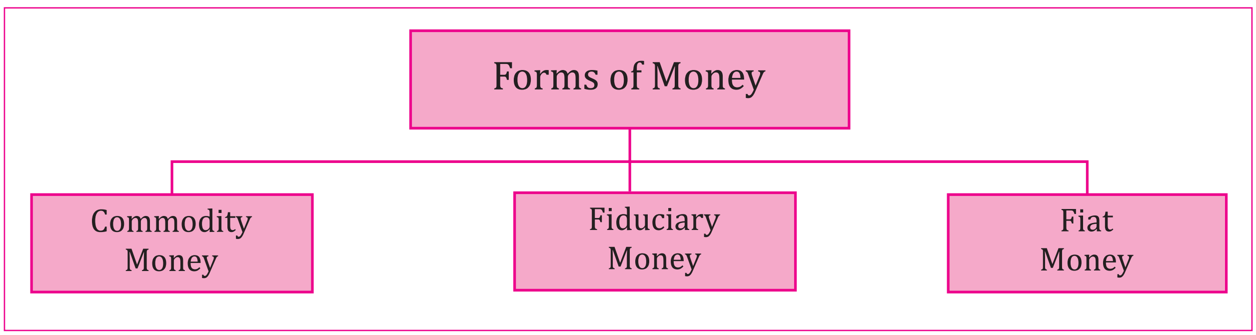


Figure 6.1: Forms of Money

A. Functions of Money

Primary Function	Secondary Function	Contingency Function
• It is a **measure of Value.** • It is a **Medium of Exchange.** • It is a **unit of account.**	• **Store** of Value • **Transfer** of Value • It can help in making **deferred payments.**	• Basis of **credit system.** • Distribution of **national income.** • **Liquidity** of Money

B. Types of Money

- **Commodity Money:**
  - **Naturally scarce precious metals**, conch shells, barley beads, etc.
  - Derives its value from the **intrinsic value** of the commodity.
- **Fiduciary Money:**
  - Money which gets accepted due to mutual trust between the parties.
  - **Examples:** Demand drafts and Cheques.
- **Fiat Money:**
  - Money which **does not have any intrinsic value** of its own (Currency and Coins).
  - Generally declared as Legal tender for all transactions within a country.

Additional Information	
Currency Printing Presses in India	
Security Printing and Minting Corporation of India Ltd. (SP-MCIL)	Nasik and Dewas
Bharatiya Reserve Bank Note Mudran Private Ltd. (BRBN-MPL)	Mysuru and Salboni

C. Legal Tender

- Legal Tender is a coin or a banknote that is **legally tenderable** for **discharge of debt or obligation.**
- The coins issued by **Government of India** under **Section 6** of **The Coinage Act, 2011**, shall be legal tender in payment. Coins of Rs 1 and above can be used as legal tender for dues up to Rs 1000 as per **Coinage Act, 2011**.
- **Every bank note** issued by **Reserve Bank of India** unless withdrawn from circulation, shall be legal tender at any place in India in payment or on account for the amount expressed therein.
- **Cannot be refused** by any citizen of the country for settlement of any kind of transaction.
- Legal tender can be either **limited** or **unlimited.**
- In India, while the coins are **limited legal tender**, the currency notes are **unlimited legal tender.**

D. Reserve Bank of India

- Only authority to print **Currency Notes** under **RBI Act, 1934**.
- Can print notes of different denominations from **Rs 2** to up to **Rs 10,000**.
- All banknotes issued by RBI are backed by assets such as gold, Government Securities and Foreign Currency Assets, as defined in **Section 33 of RBI Act, 1934**.
- **Government** Issues **One-Rupee Notes** and **Coins**.
- Coins can be issued up to the denomination of **Rs 1000** under **The Coinage Act, 2011**.

E. Demand and Supply of Money

- **Demand:**
  - People desire to hold money for 3 motives **(Liquidity Preference Theory of Keynes)**
    1. **Transaction Motive:** to carry out transactions.
    2. **Speculative Motive:** when holding money is perceived to be less risky than lending the money or investing.
    3. **Precautionary Motive:** to meet the unforeseen circumstances in future. **E.g.** a car accident, home repairs etc.
- **Supply:**
  - It refers to the **amount of money in circulation** at a given point in the economy.
  - The measures of money supply in India are classified into four categories M1, M2, M3 and M4 along with M0.
  - **Reserve Money (M0):** Currency in circulation + Bankers Deposits with the RBI + Other deposits with the RBI.
  - **High - Powered Money**: The **total liability** of the monetary authority of the country, RBI, is called the **monetary base** or **high-powered money.**
  - **Narrow Money: M1** is called narrow money as it is highly liquid and banks cannot run their lending programmes with this money.
  - **M1 =** Currency with the Public + Demand Deposits with the Banking System + 'Other' deposits with the RBI.
  - **M2 =** M1 + Savings deposits of post office savings banks
  - **Broad Money (M3) =** M1 + Time deposits with the banking system. It is also known as **Aggregate Monetary Resources.** It is the stock of total money.
  - **M4 =** M3 + All deposits with post office savings banks.
  - The liquidity in descending order is - **M1>M2>M3>M4**

F. Creation of Money

- **Fractional Banking System:**
  - Only a fraction of bank deposits is backed by actual cash on hand and available for withdrawal while the rest can be used to advance new loans.
- **Money Multiplier:**

$$\text{Money Multiplier}=\frac{\text{Broad Money (M3)}}{\text{Reserve Money (M0)}}$$

  - It measures the amount of money the banks are able to create in the form of deposits with every unit of money it keeps as reserves.
  - When Reserve money increases, Broad money will also increase.
  - **Example:** If the **money multiplier is 6**, it means that It signifies that **for every unit of money kept as cash reserves**, **banks are able to create 6 units of money**
- **Velocity of Money Circulation:**
  - It is a measurement of the **average rate** at which money is exchanged in an economy during a given time period.
  - It will usually rise with **GDP** and **inflation.**
  - The velocity of Money is high in the following cases:
    - *In Developing countries,*
    - *Low Income people,*
    - *High Financial Inclusion,*
    - *During Boom or Growth period.*

$$\text{Velocity of Money}=\frac{\text{GDP}}{\text{Money Supply}}$$

6.3 IMPORTANT TERMINOLOGIES

Currency Deposit Ratio (cdr)	• It is the ratio of money held by the public in currency to that they hold in bank deposits. • $cdr = \frac{CU}{DD}$

Reserve Deposit Ratio (rdr)	• **Reserve Deposit Ratio (RDR)** is the proportion of the total deposits commercial banks keep as reserves.
	• Reserve money consists of two things:
	  ○ **Vault cash in banks,**
	  ○ **Deposits of commercial banks** with RBI.
	• It includes the **SLR** and **CRR.**
	• Banks use this reserve to meet the demand for cash by account holders.

Liquidity Coverage Ratio (LCR)	• It is the requirement whereby banks must hold an amount of **high-quality liquid assets**, enough to fund cash outflows for **30 days.**
Liquidity Trap	• When an **expansionary monetary policy becomes ineffective.** • Due to prevailing depressed demand and production levels, individuals prefer storing their money instead of spending
Paradox of Thrift	• When individuals try to save more during an economic recession, which essentially leads to a **fall in aggregate demand** and hence in economic growth. • It was popularised by **John Maynard Keynes.**
Monetary Policy Corridor	• The **MSF rate** and **reverse repo rate** determine the corridor for the daily movement in the weighted average call money rate.

6.4 MONETARY POLICY

- It is the policy under which RBI uses monetary instruments (interest rate and other instruments) under the **RBI Act, 1934**, to influence money supply in the economy to achieve certain **macroeconomic goals.**
- **Objectives:**
  - Accelerating economic growth.
  - Price stability
  - Exchange rate stabilisation
  - Balancing savings and investment.
  - Employment generation.

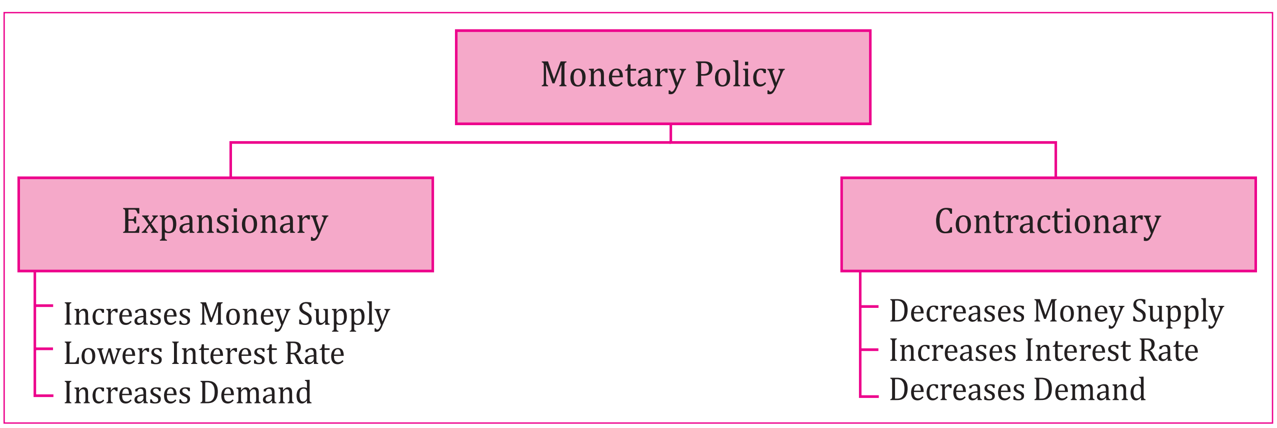


Figure 6.2: Expansionary/Contractionary Monetary Policy

- **Urjit Patel Committee (2014) had recommended following on Inflation targeting:**
  - **Inflation target: 4% +/- 2%**
  - Nominal anchors should be defined in terms of **headline inflation.**
  - Setting up a **Monetary Policy Committee** (covered in Inflation).
- The **Monetary Policy** can be either **expansionary** or **contractionary.**

A. Monetary Policy Tools

Monetary Policy Tools

Quantitative Tools

1. Bank Rate
2. Repo Rate
3. Reverse Repo Rate-
4. Cash Reserve Ratio (CRR)
5. Statutory Liquidity Ratio (SLR)
6. Marginal Standing Facility (MSF)
7. Open Market Operations (OMO)
8. Long Term Repo Operations (LTRO)

(Repo Rate and Reverse Repo Rate: Liquidity Adjustment Facility (LAF))

Qualitative Tools

1. Margin Requirements
2. Credit Rationing
3. Moral Suasion
4. Direct Action

Figure 6.3: Monetary Policy Tools

- **Quantitative Tools / General tools:**
  - **Bank Rate:** Minimum rate at which the **RBI provides loan** to commercial banks.
  - **Repo Rate:** Rate at which the **RBI lends** to the commercial banks to manage **short term needs** of liquidity with an agreement to repurchase the same government securities at a predetermined date. This rate is called **Repo Rate**.
  - **Reverse Repo Rate:** Interest rate at which the **Reserve Bank absorbs liquidity**, on an **overnight basis**, from banks against the **collateral of eligible government securities** under the LAF. It is lower than the repo rate.
  - **Long Term Repo Operations (LTRO):** It is a tool under which the RBI provides **1–3-year** money to banks at the prevailing repo rate, accepting government securities with matching or higher tenure as the collateral. LTRO scheme will be in addition to the existing **Liquidity Adjustment Facility** (LAF) and the **Marginal Standing Facility** (MSF) operations.
  - **Cash Reserve Ratio (CRR):** CRR is decided by RBI's Monetary Policy Committee. Banks are required to maintain with the Reserve Bank a certain percent of its **Net Demand and Time Liabilities** (NDTL) as specified by RBI. Banks **do not get any interest on the money** that is with the RBI under the CRR requirements.
  - **Liquidity Adjustment Facility (LAF):** LAF allows commercial banks and primary dealers to borrow money through repurchasing agreements or repos/ reverse repos.It is used to **aid banks** in adjusting the **daily fluctuations in liquidity**. It allows banks to park their excess money with the RBI in case of excess liquidity or to avail liquidity from the RBI at the time of deficit on an overnight basis against the collateral of government securities.
  - **Open Market Operations (OMO):** It is the purchase and sale of securities by the RBI.
  - **Marginal Standing Facility (MSF):** It is a **penal rate** at which scheduled banks can borrow money from the RBI over and above what they can borrow from the RBI under the LAF window. It is always fixed at a higher rate than the Repo rate. It aims to reduce volatility in the overnight lending rates in the interbank market.
  - **Statutory Liquidity Ratio (SLR):** SLR is that % of the deposits which the banks have to hold with themselves in **highly liquid government securities**. To ensure that banks don't lend away all their funds and always have enough liquidity.

Current Monetary Policy Rates (Source: RBI, as on December 2022)	
Repo rate	6.25%
Reverse repo rate	3.35%
Bank rate	6.50%
Marginal Standing Facility	6.50%

- **Difference between Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR)**

CRR	SLR
• Banks are required to **maintain with the Reserve Bank** a certain percent of its Total Demand and Time liabilities. • CRR is maintained **only in cash form**. • **No interest** is earned on the CRR. • Helps regulate the liquidity in the economy. • It is calculated on the bank's Total Demand and Time liabilities. • The range of permissible CRR is between **3 and 15 per cent.**	• SLR is that percentage of the deposits which the banks have to **hold with themselves.** • SLR can be maintained in the form of **Gold, Cash and other securities approved by RBI.** • **Interest is earned** on SLR. • Helps regulate the Credit facility in the economy. • It is calculated on banks Net Demand and Time Liabilities. • SLR has an **upper limit of 40% and a lower limit of 23%**

Monetary Policy	RBI's Action	Effect on Economy
Expansionary	• Buys government securities	• Increases liquidity
Contractionary	• Sells government securities	• Decreases liquidity

B. Other Associated Terms

Market Stabilization Scheme (MSS)	• **MSS securities** are issued to suck out excess liquidity from the market through issue of securities like **treasury bills**, **dated securities** etc. on behalf of the government. • The amount raised under the MSS is **maintained with the RBI.**

Base Rate	• It is the **minimum rate** set by the Reserve Bank of India below which banks are not allowed to lend to its customers.
	• The main components of base rate system are:
	  ○ Cost of funds (interest rates offered by banks on deposits)
	  ○ Cost of maintaining CRR.
	  ○ Profit margin.
	  ○ Operating expenses to run the bank.
	  ○ It does not consider **repo rate** in their calculations.

Marginal Cost of Funds Based Lending Rates (MCLR)	• It **replaced Base rate** to determine the lending rates for commercial banks.
	• It is the **minimum interest rate** that a bank can lend at.
	• It is a **tenor - linked internal benchmark**, meaning the rate is determined internally by the bank depending on the period left for the repayment of a loan.
	• MCLR is closely linked to the actual deposit rates and is calculated based on **four components**:
	  1. Marginal cost of funds
	  2. Tenor premium
	  3. Operating costs
	  4. Negative carry on account of cash reserve ratio

Net Demand and Time Liabilities (NDTL)	• It is the difference between the sum of demand and time **liabilities** (deposits) of a **bank** (with the public or the other bank) and the deposits in the form of assets held by the other banks.

Government Securities (G-Sec)	• It is a **tradable instrument** issued by the central government or state governments. • **Short term G-secs** (with original maturities of less than one year) are called **Treasury Bills**. • **Long term G-secs** (with original maturities of more than one year) or long term are called **Government Bonds** or **Dated Securities**. • Treasury Bills are **not issued by State Governments** while Government Bonds or Dated securities are issued both by **State** and **Central Governments**.
Gross capital formation	• It refers to the aggregate of **gross additions to fixed assets** (that is fixed capital formation) **plus change in stocks** during the counting period.
Cheque Truncation System (CTS)	• It is an **online image-based cheque clearing system** undertaken by the RBI for faster clearing of cheque. • It eliminates the associated cost of movement of physical cheque.
Hawkish	• When a central bank wants to guard against excessive inflation, thereby **increasing interest rates.**
Dovish	• It is the opposite of hawkish, **interest rates are reduced** to fuel growth.
Benchmark Prime Lending Rate (BPLR)	• The rate at which commercial banks can lend to customers who are most credit worthy.
Inflation targeting	• The central bank has an explicit target inflation rate range. Government and RBI agree on convergence between fiscal and monetary policies.
Operation Twist	• It is the special **Open Market Operations** (OMOs) carried out by the RBI. • Under this RBI carries out **simultaneous sale and purchase of G-Secs** to influence the yield rates on the G-Secs. • The RBI sells short-term G-Secs to the Banks and financial institutions and collects money. • The same money would then be used by the RBI to buy long term G-Secs.

6.5 RESERVE BANK OF INDIA

- Before the establishment of RBI, the functions of a central bank were virtually done by the **Imperial Bank of India.**
- RBI was established via the **RBI act 1934**, and started its operations from **April 1, 1935.** Hence, it is a **statutory body.**
- Similarly, SBI is also a statutory body deriving its legality from **SBI Act 1955**.
- RBI did not start as a Government owned bank but as a privately held bank.
- **Post-independence:** the government passed **Reserve Bank** (Transfer to Public Ownership) **Act, 1948** and took over RBI from private shareholders after paying appropriate compensation.
- Nationalisation of RBI took place in **1949** and from **January 1, 1949**, RBI started working as a government owned bank.
- It is the **supreme monetary and banking authority** in the country and controls the banking system in India.
- It is called the **Reserve Bank** as it keeps the reserves of all commercial banks.
- **Minimum Reserve System of RBI:**
  - With a minimum value of government-held gold of **Rs.200 crores** (Rs.115 cr rupee should be in the form of Gold or gold bullion and rest Rs.85 cr should be in the form of foreign currencies) and the remaining is backed by the government securities issued and held by RBI.

A. Governor of RBI

- **Appointment:** Appointed after the proposal made by the **Financial Sector Regulatory Appointments Search Committee** (FSRASC), headed by the Cabinet Secretary.
- **Term:** According to **Section 8 (4)** of the **RBI Act,** the Governor and Deputy Governors shall hold office for such term not exceeding **3 years** as the Central Government may fix when appointing them.
- **Re-Appointment:** They are eligible for re-appointment
- **Qualification:** The RBI Act does not provide for any specific qualification for the governor.
- **Removal:** The governor can be removed by the central government.

B. Income and Expenditure of RBI

Income	Expenditure
• Returns from **foreign currency assets** • Interest on **rupee-denominated government bonds** • **Interest** on **overnight lending** to commercial • **Management commission** on handling the borrowings of banks, central and state governments.	• **Printing** of currency • **Staff expenditure** • **Commission** given to commercial banks • Commission to primary dealers

C. Assets and Liabilities of RBI

Assets	Liabilities
• Foreign Currency assets • Bill purchases and discounts • Collaterals by commercial banks • Loan and advances • Rupee securities • Gold coin bullion	• Currency held by public • Vault cash held by commercial banks • Government securities • Other liabilities

D. Functions of RBI

- **Monetary Authority:**
  - Formulates, implements and monitors the **monetary policy.**
  - **Maintaining price stability** while keeping in mind the objective of growth.
- **Regulator and Supervisor of the Financial System:**
  - Prescribes **broad parameters of banking operations** within which the country's banking and financial system functions.
  - Regulation and supervision of banks under **Banking Regulation Act 1949**.
  - Regulation and supervision of **non-banking financial companies.**
  - **Protecting depositors' interest**
- **Manager of Foreign Exchanges:**
  - Manages the Foreign Exchange Management Act, 1999.
  - It facilitates external trade and payment
  - Promote development and maintenance of foreign exchange market in India.
- **Issuer of currency:**
  - RBI has the **sole right to issue currency notes** in India.
  - Besides exchanges, it also destroys currency and coins not fit for circulation.
  - To give the public an **adequate quantity of supplies** of currency notes and coins and in good quality.
- **Developmental Role:**
  - Performs a wide range of promotional functions to support national objectives such as making institutional arrangements for rural or agricultural finance.
- **Financial Inclusion:**
  - The Reserve Bank has selected a bank led model for financial inclusion in India.
  - RBI has undertaken a series of policy measures. **Eg. Basic Savings Bank Deposit Account (BSBDA), JAM Trinity, etc.**
- **Use of Technology:**
  - Devices such as ATMs, hand held devices to identify user accounts through a card and biometric identifier
  - Deposit taking machines and Internet banking and Mobile banking facility to provide the banking services to all sections of society with more ease.
- **Banker to banks:**
  - It maintains **banking accounts** of all scheduled banks. It also acts as a **lender of last resort by** providing funds to banks.
- **Banker to Government:**
  - It performs **merchant banking functions** for the central and the state governments.
  - It is entrusted to the central government's money, remittances, exchange and manages its public debt as well.

E. Recent RBI initiatives

- **RBI Retail Direct Scheme:**
  - The Scheme is aimed at **enhancing access to the government securities** market for **retail investors.**

- It offers them a new avenue for directly investing in the securities issued by the Centre and the state governments.
- Investors will be able to easily open and maintain their government securities account online with the RBI, free of cost.
- The scheme offers a portal avenue to invest in central government securities, treasury bills, state development loans and **Sovereign Gold Bonds** (SGBs).
- The scheme places India in a list of select few countries offering such a facility.

- **Integrated Ombudsman Scheme:**
  - It is aimed at further **improving the grievance redress mechanism** for resolving customer complaints against entities regulated by the central bank.
  - The central theme of the scheme is based on **One Nation- One Ombudsman** with one portal, one email and one address for the customers to lodge their complaints.
  - The RBI has decided to integrate the three ombudsman schemes into one and also simplified the scheme by covering all complaints involving deficiency in service by centralising the receipt and initial processing of complaints to enhance process efficiency.
  - RB-IOS will do away with the jurisdictional limitations as well as limited grounds for complaints.
  - RBI will provide a **single reference point** for the customers to submit documents, track status of complaints filed and provide feedback.
  - The central bank's **alternate grievance redress mechanism** currently comprises three ombudsman schemes:
    - The **Banking Ombudsman Scheme** (BOS), launched in **1995**,
    - The **Ombudsman Scheme for Non-Banking Financial Companies** (OS-NBFC), **2018**.
    - The **Ombudsman Scheme for Digital Transactions** (OSDT), **2019**.

F. Publications by RBI

- Report on Trend and Progress of Banking in India-Annually
- Financial stability report- Half yearly
- Monetary policy report- Half yearly
- Report on foreign exchange reserves- Half yearly
- Bi-monthly Policy Statement
- Industrial Outlook Survey of the Manufacturing Sector -Quarterly
- Consumer Confidence Survey-Quarterly
- Report on Financial Review

Banking Service Index
- Released by **RBI**
- Base year is **2011.**
- It measures the inflation in the fees charged by the banks for NEFT/ RTGS/ card transactions/ mobile banking etc.

G. Transfer of Funds by RBI to Central Government

- **Reason for paying dividend: Section 47** of the **RBI Act** states that profits made by the RBI from its operations has to be given to the Centre in the form of **Dividend**.
- **Recent Development:** It is argued that RBI has become the most capitalised central bank in the world and has been stocking surplus capital over what is actually required to face contingency situations.
  - **Example:** Central banks across the world have a surplus capital to the tune of **10- 14%** of their total assets, RBI **26.8%** of its total assets as reserves.

- **Various Committee Recommendations:**

Usha Thorat committee 2004)	• RBI should maintain **18% of its total asset**s as reserves.
Malegam Committee (2014)	• RBI should **transfer all entire net profits** annually to the Government.
Bimal Jalan Committee (2019)	• **Economic Capital:** Capital that the RBI requires to hold as a counter against unforeseen risks or events or losses in the future is called the Economic Capital and is defined under the **Economic Capital Framework.** • **Transfer Policy:** The Committee has stated that the **surplus distribution policy** must take into the account the **total realised equity**. Only if realised equity is above its requirement (6.5 per cent to 5.5 per cent), the entire net income should be transferable to the Government.

6.6 TYPES OF BANKS

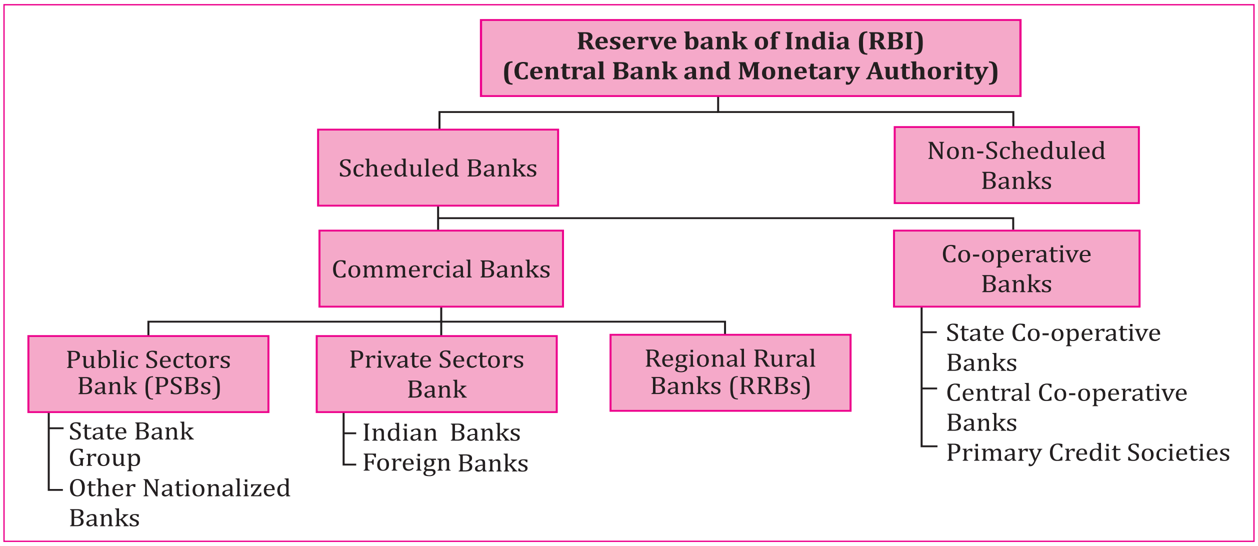


Figure 6.4: Classification of Banks

A. Scheduled Bank

- Listed in the **2nd schedule** of the **Reserve Bank of India Act, 1934.** E.g., Canara Bank.
- SBs are eligible for loans from the Reserve Bank of India at bank rate.
- Required to **deposit CRR** with RBI.
- Types:
  - **Commercial Banks**
  - **Cooperative Banks**

B. Non – Scheduled Bank

- **Not listed** in the 2nd schedule of the RBI act, 1934.
- Depends on RBI discretion about extending loans to them.
- **Can maintain CRR with themselves**, not with RBI.

C. Commercial Banks

- **Public Sector Banks- more than 50%** is held by the government
- **Private Sector Banks-**most of the capital is in private hands.
- **Foreign Banks**

D. Regional Rural Banks (RRB)

- RRBs are financial institutions which ensure **adequate credit** for agriculture and other rural sectors.
- It was set up on the basis of the recommendations of the **Narasimham Working Group (1975),** and after the legislations of the **Regional Rural Banks Act, 1975** the statutory backup was given.
- **Ownership of Regional Rural Banks is as follows:**
  - **Central Government- 50%**
  - **State Government- 15%**
  - **Sponsor bank- 35%**

E. Co-operative Banks

- A Co-operative bank belongs to its **members**, who are at the same time the owners and the customers of their bank.
- Under **dual control** of the **Registrar of Cooperative Societies** and **RBI.**
- The board of members are elected with each member having **one vote.**
- Cooperative banks are the **primary financiers of agricultural activities**, some **small- scale industries** and **self-employed workers**.
- These banks are **cooperative credit institutions** that are registered under the **Cooperative Societies Act, 1912.** These banks work according to the cooperative principles of mutual assistance.
- **Co-operative banks have a three-tier structure:**

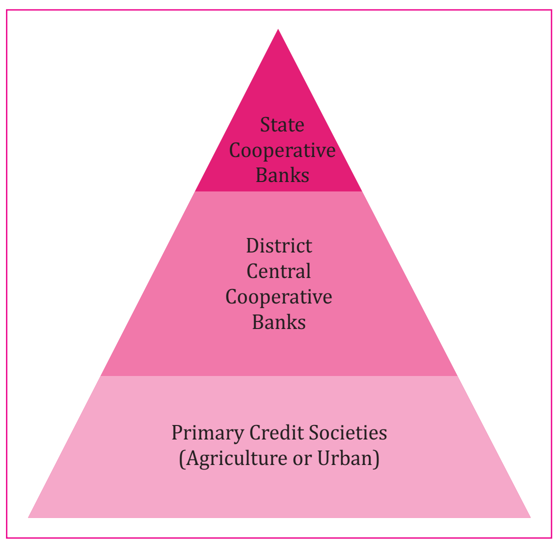


Figure 6.5: Three tier structure of Cooperative Banks

F. Difference between Cooperative Banks and Commercial Banks

Cooperative Banks	Commercial banks
• Cooperative Societies governed by the **Multi State Cooperative Societies Rules, 2002.**	• Commercial banks are **joint stock companies** that are governed by the **Banking Regulation Act, 1949.**
• Generally, provide short, medium- and long-term finance to **agriculture and allied sectors.**	• Generally, provide short medium- and long-term finance, to **trade, commerce and industry.**
• Lend finance to their **members only,** shareholders borrow from a co-operative bank.	• Lend to anyone who is **willing to borrow** and satisfies the conditions of the bank.
• Operate on a relatively **small scale.**	• Operate on a **large scale.**
• Scope of activities of a corporate bank is **limited** to providing different types of loans to their members.	• Commercial banks offer a **wide range of financial assistance** and **financial services**.
• Cooperative banks operate as a **federal structure in India**	• Commercial banks have the structure of a **joint stock company.**
• Co-operative Barks are subject to the supervision of the **state governments, NABARD** and the **RBI.**	• Commercial Banks come directly under the Supervision of the **Reserve Bank of India.**

G. Differentiated Banks

Payments Bank	Small Finance Bank
• Payments Bank is based on **Nachiket Mor Committee recommendations.** • Can accept deposits, but only up to **Rs. 1 lakh** per individual customer • **Cannot lend** in any form. • Can open a **small savings account.** • Can provide **remittance services.** • Allowed to **issue ATM/debit cards.** • **Not allowed** to issue credit cards. • Can distribute products like **mutual funds, insurance, third party loans** • Payments banks can apply for conversion into small finance banks (SFBs) after **five years** of operation	• Small Finance Banks are established on recommendations of the **Nachiket Mor Committee.** • Allowed to **take deposits** of any amount. • Can lend but the focus will be on **small lending.** • Can finance small business, small and marginal farmers, MSME, unorganised sector entities. • Can **provide remittances** as well as **credit cards.** • Allowed to issue **ATM or debit cards.** • Has to ensure that 50% of the loan portfolio constitutes advances of up to Rs. 25 lakhs. • Can distribute financial products like **mutual funds, insurance, pension** etc.

H. Development Banks

- **Industrial Finance Corporation of India (IFCI):**
  - IFCI was the first **specialised financial institution** set up in **1948** to provide term finance to large industries in India, under the **Industrial Finance Corporation Act of 1948.**
- **National Bank for Agriculture & Rural Development (NABARD):**
  - NABARD is an **apex development financial institution** in India to provide **finance for agriculture** and **rural development.**
  - Established in **1982** on the recommendations of **B. Sivaraman Committee.**
  - Statutory body under Parliamentary act - **NABARD Act, 1981.**
  - Headquarter is located in **Mumbai.**
  - NABARD is **fully owned** by the Government of India. The authorised share capital is about **Rs.30,000 crore.**
  - Responsible for the development of the **small industries, cottage industries,** and any other such **village** or **rural projects.**
  - NABARD operates **Rural Infrastructure Development fund (RIDF)** from Priority Sector Lending shortfalls from Scheduled Commercial Banks.

- NABARD is also known for its **SHG (Self Help Group) Bank Linkage Programme (1992)** which encourages India's banks to lend to SHGs.
- **Functions:**
  - Undertakes **monitoring and evaluation** of projects refinanced by it.
  - **Regulates** the cooperative banks and the RRBs.
  - **Refinances** the financial institutions which finance the rural sector.
  - Provides **training facilities** to the institutions working in the field of rural upliftment.
  - **Refinance Facility** by NABARD is available to:
    - State co-operative agriculture and rural development banks (SCARDBs),
    - State co-operative banks (SCBs),
    - Regional rural banks (RRBs),
    - Commercial banks (CBs) and
    - Other financial institutions approved by RBI.

- **Small Industries Development Bank of India (SIDBI):**
  - SIDBI is a **statutory body** set up on **2nd April 1990** under an Act of Indian Parliament.
  - It acts as the **Principal Financial Institution** for Promotion, Financing and Development of the Micro, Small and Medium Enterprise (MSME) sector as well as for coordination of functions of institutions engaged in similar activities.
  - Schemes like **Pradhan Mantri MUDRA Yojana, credit linked capital subsidy** scheme are implemented by it.
- **Export-Import Bank of India (EXIM Bank):**
  - It is a **wholly owned Government of India** entity **established in 1982.**
  - Aim- **financing, facilitating** and **promoting foreign trade** of India
- **National Housing Bank (NHB):**
  - Created in **1988** under **National Housing Bank Act (1987).**
  - It **regulates** and **re-finances** social housing programs and other activities like research etc.
- **Local Area Banks:**
  - Introduced in India in the year **1996** based on **Budget-1996** by the then Finance Minister, Dr. Manmohan Singh.
  - Unlike Regional Rural Banks (RRBs), they are not set up by Union or State governments or by any special act of the parliament, but **by private entities,** simply applying to RBI under Banking Regulation Act.
  - Each Local Area bank is registered as a public limited company under the **Companies Act, 1956.** However, they are **licensed under the Banking Regulation Act, 1949.**
  - Earning profit is the main objective of Local Area Banks
  - They are Non-Scheduled Banks **- CRR, SLR, PSL applicable**.

I. Important Terminologies

Provision Coverage Ratio	• It is the key ratio in **analysing asset quality** of the bank between the **total provision balances** of the bank on a particular date to gross **Non Performing Assets (NPAs).** • It is a measure that indicates the extent to which the bank has provided for the weaker part of its loan portfolio. • A high ratio suggests that further provisions to be made by the bank in the coming years would be relatively low as the provision coverage is high (if gross non-performing assets do not rise at a faster rate). • **Net Non-Performing Assets = Gross NPAs – Provisions.**
Liquidity Coverage Ratio (LCR)	• Liquidity coverage ratio (LCR) is a **clause of Basel III norms** (of the Basel based Bank for International Settlement) which aims at **prudential regulation** of the banking sector. • Under it, banks are supposed to **maintain enough short- term liquidity** (their needs for the next 30 days) so that they can survive acute financial stress if such situations arise in the economy.
Currency Deposit Ratio	• It is the ratio of money held by the **public in currency** to that of money held in **bank deposits.**

Intercreditor Agreement	• The agreement is part of the **proposed Project Sashakt.** • The Sashakt plan is approved by the government to address the **problem of resolving bad loans.** • The objective is to use this **Inter creditor Agreement** for faster facilitation and resolution of stressed assets. • It is aimed at the resolution of loan accounts with a size of **Rs. 50 crore** and above that are under the control of a group of lenders.

6.7 NON-BANKING FINANCIAL INSTITUTIONS

Meaning

- A **Non-Banking Financial Company** (NBFC) is a company registered under the **Companies Act, 1956.**
- **Regulators:**
  - **Insurance Companies - IRDA,**
  - **Merchant Banks - SEBI,**
  - **Micro Finance Institutions - State Government, RBI and NABARD**
- **Engages** in Business of loans and advances, acquisition of shares/stocks/bonds/debentures/securities, insurance business, chit business but **does not include any institution** whose principal business is that of agriculture activity, industrial activity etc.
- **Excludes:**
  - Any institution whose principal business is that of: Agriculture Activity, Industrial Activity,
  - Purchase or Sale of any goods (other than securities),
  - Providing any services
  - sale/purchase/construction of Immovable Property.
- **Features:**
  - NBFC **cannot accept demand deposits.**
  - **Cannot issue cheque** drawn on itself.
  - Deposit insurance facility of DICGC is **not available** to depositors of NBFCs.
  - The **Norm of Public Sector Lending** does not apply to **NBFCs.**
  - Cash Reserve Requirement also **does not apply to NBFCs.**
  - Regulated by **multiple regulators.**
- **Comparison between NBFCs and Banks**

NBFCs	BANK
• Provide banking services to people without holding a Bank licence. • Regulated under **Companies Act 2013.** • Cannot accept Demand Deposit. • Foreign investment allowed up to 100%. • Payment and Settlement are not part of the system. • Maintenance of Reserve Ratios not required. • Deposit insurance facility not available. • NBFCs do not create credit. • Transaction services cannot be provided by NBFCs.	• It is a government authorised financial intermediary, providing banking services to the public. • Regulated under **Banking Regulation Act 1949.** • Demand Deposit can be accepted. • Foreign investment allowed up to 74% for private sector banks. • Payment and Settlement are the integral part of the system. • Maintenance of Reserve Ratios are mandatory. • Deposit insurance facility available • Banks create credit.

6.8 BASEL III NORMS

- The Basel Accords are **3 series** of banking regulations (Basel I, II, and III) set by the **Basel Committee on Banking Supervision** (BCBS).
- Presently the Indian banking system **follows Basel II norms.**
- Under Basel III, a bank's tier 1 and tier 2 assets must be at least **10.5%** of its risk - weighted assets.

Tier 1:

- It is the **primary funding source** of the bank.
- Tier 1 capital consists of **shareholders' equit**y and **retained earnings.**

Tier 2:

- Tier 2 capital includes revaluation reserves, hybrid capital instruments and subordinated term debt, general loan - loss reserves, and undisclosed reserves.

- Tier 2 capital is considered **less reliable than Tier 1** capital because it is more difficult to accurately calculate and more difficult to liquidate

6.9 BANKING SECTOR REFORMS

A. Consolidation of the Public Sector Banks

- **Narasimham committee** (1991 and 1998): suggested **merger** of strong banks both in the public sector.
- **Verma committee:** viewed consolidation will lead to pooling of strengths and lead to overall reduction in cost of operations. Financial performance of selected merged banks is analysed and interpreted based on
- **CAMEL PARAMETERS: Capital Adequacy (C) + Asset Quality (A)+ Management Efficiency (M)+ Earning Quality (E)+ Liquidity (L)**
- **Advantages of Consolidation of PSBs:**
  - Increased **efficiency** of banks
  - **Better Monitoring**
  - **Better Capital Adequacy** of the Consolidated Banks.
  - Merger helps **reduce Cost of operation.**
  - Helps **improve the professionalism and competency of banks.**
- **Disadvantages of Consolidation of PSBs:**
  - **Bad Loans** of the Associate bank can drag down the good bank's performance.
  - Larger Banks are **more vulnerable** to economic crisis
  - **Difficult to manage people** and different attitudes
  - Merger destroys the **idea of Decentralization**
  - Many Bank Branches have been closed after mergers **- affects financial inclusion**.

B. Mission Indradhanush

- It is a 7-pronged approach to resolve issues faced by Public Sector Banks and improve their overall performance by **ABCDEFG**.
- **The PJ Nayak Committee** on Banking sector reforms recommended many of the measures.

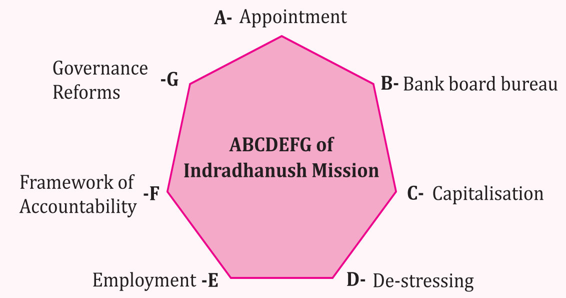


Figure 6.7: ABCDEFG of Mission Indradhanush

Appointment	• In order to check the **excessive concentration of power** and **smooth functioning** of the banks, induction of talent from the Private Sector into the public banks, **separation of the posts of Chief Executive Officer and the Managing Director.**
Bank Board Bureau	• The appointments Board of the Public Sector Banks would be replaced by the **Bank Boards Bureau (BBB).** • The BBB **separates the functioning of the PSBs** from the government by acting as a middleman.
Capitalisation	• Due to the high NPAs and the need to meet the provisions of the **Basel III norms**, capitalization of banks by inducing **Rs. 70000 crores** were planned.
De - Stressing	• De-stressing of the PSBs and strengthening risk control measures and NPAs disclosure.
Employment	• Providing **greater flexibility** and **autonomy** to PSBs in hiring manpower.
Framework of Accountability	• Assessment of the banks through measuring the **key performance indicators (KPI).**
Governance Reforms	• **Gyan Sangam**, a conclave of PSBs and financial institutions. • **Bank Board Bureau** for transparent and meritorious appointments in PSBs.

C. Insolvency and Bankruptcy Code (IBC)

- Introduced to tackle the **Chakravyuh Challenge** (Economic Survey 2015- 16) - the exit problem in India.
- For reorganisation and insolvency resolution of corporate persons, partnership firms and individuals .
- **Minimum default of Rs 1 crore** is needed to trigger IBC. (In March this year, the government raised the threshold for invoking insolvency under the IBC to Rs 1 crore from Rs 1 lakh).
- **Time bound process - 180 days,** some cases **270 days maximum.**
- **No Deadlock -** if resolution is not done, assets are to be sold to debtors.
- It is **not applicable** for **Willful Defaulters**.
- IBC proposes a new institutional set - up comprising following four critical pillars:
  1. **The National Company Law Tribunal** (NCLT) as the adjudicating authority.
  2. **Insolvency professionals** (IPs) to manage the insolvency and bankruptcy cases.
  3. **Information utilities** (IUs) to reduce information asymmetries.
  4. **Insolvency and Bankruptcy Board of India** (IBBI), a regulator.
- **Insolvency:**
  - Insolvency is a state where the **liabilities of an individual** or an **organisation** exceeds its asset and that entity is unable to raise enough cash to meet its obligations or debts as they become due for payment.
- **Bankruptcy:**
  - When an **individual is unable to pay off his liabilities and debts,** then he generally files for bankruptcy. Here he/she asks for help from the government to pay off his debts to his creditors.
- **Types:** reorganisation bankruptcy and liquidation bankruptcy.
  - **Reorganisation Bankruptcy:** Usually people tend to restructure the repayment plans to pay them easily under **reorganisation bankruptcy.**
  - **Liquidation Bankruptcy:** the debtor tends to sell off certain part of their assets to pay off their debts for their creditors.

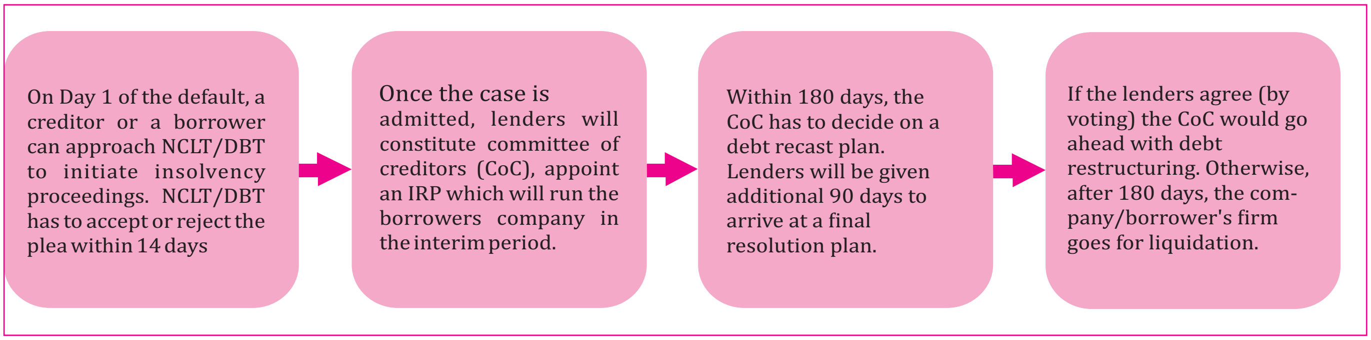


Figure 6.8: Sequence of Steps under IBC

6.10 NON-PERFORMING ASSETS (NPA)

- NPA is a loan/advance for which the principal or interest payment remained overdue for a period of **90 days.**
- For Agriculture Loans the NPA is if the loan instalment/ interest is not paid for:
  - **Short duration crop loan:** 2 crop seasons
  - **Long Duration Crops:** 1 Crop season from the due date.

A. Special Mention Accounts (SMA)-2014

- SMA are those accounts that show symptoms of **bad asset quality** in the first **90 days** itself.
- The identification is an effort for early stress discovery of bank loans.
- The Special Mention Accounts are usually categorised in terms of duration as follows:

SMA Classification	Basis for classification
Standard Accounts	• Loan where principal and interest payment are paid timely
SMA - NF	• Non - Financial (NF) signs of stress.
SMA 0	• Loan principal or interest is unpaid for **0 - 30 days** from its due date.
SMA 1	• Loan principal or interest is unpaid for **31 - 60 days**
SMA 2	• Unpaid for **61–90 days**
NPA	• Unpaid for more than **90 days.**

B. Other Classification of Loan Accounts

Classification	Basis for Classification
Substandard Asset	Account remains as an NPA for **12** or **more months**.
Doubtful Asset	Account remains as a substandard asset for **12 months** or **more**.
Loss Asset	Loan loss has been identified by the bank or RBI, but the **amount has not been written off** wholly.
Loan Write Off	Loan is written off from the asset side of the bank balance sheet. Just an accounting exercise.
Restructured Loan	When the principal or interest or tenure terms are **modified** to enable the borrower to pay the loan.
Stressed Asset	**NPA + loans written off + restructured loans = stressed assets.**

C. Twin Balance Sheet (TBS) Problem

- The **Economic Survey of 2015-16** recognised a key issue called **'the twin balance sheet'** problem.
- The **balance sheets** of both **public sector banks** (PSBs) and **some corporate houses/ private entities** are in bad condition i.e. **overleveraged and distressed private companies** and the **rising NPAs in Public Sector Bank balance sheets.**
- India has been fighting with its twin balance sheet (TBS) problem since the global financial crisis.
- It is important because it is discouraging private investment in the country and hence growth in all sectors.

Additional Information:	
Overleveraged companies	**Bad-loan-encumbered-banks**
• Debt accumulation on companies is very high and thus they are **unable** to pay interest payments on loans.	• Non-Performing Assets (NPA) of the banks is **9%** for the total banking system of India. • It is as high as **12.1%** for Public Sector Banks. • As companies fail to pay back principal or interest, banks are also in trouble.

Important Terms Related to NPAs

Sustainable Structuring of Stressed Assets (S4A)

- It is an **optional framework** for the resolution of largely stressed accounts and a tool for **financial restructuring.**
- **Process:** Bank hires an **independent agency** to evaluate how much of the **stressed asset is sustainable** and how much is **unsustainable** → it will convert the unsustainable debt into equity → no change of ownership of the company, unlike in strategic debt restructuring → helps in financial restructuring.

Bad Banks

- A bad bank is a set up to **buy the bad loans** and other illiquid holdings of another financial institution and do the loan restructuring and absorb losses.
- **Economic Survey 2016-17** suggested **Public Sector Asset Rehabilitation Agency (PARA)** to resolve the twin problems of 'balance sheet syndrome' (of the banks as well as the corporate sector),
- PARA is a **proposed Bad Bank** that will buy bad loans from public sector banks.

Prompt Corrective Action (PCA)

- The PCA framework considers banks as risky if they fall below certain norms on three parameters i.e. **capital ratios**, **asset quality** and **profitability**.
- Certain restrictions such as halting branch expansion and stopping dividend payment, restrictions in branch expansion, higher provisions etc are put in place.

Asset Reconstruction Companies (ARC)

- **Narasimham Committee (1998)** recommended setting up an **ARC.**
- It is a **specialised financial institution** that buys the NPAs or bad assets from banks and financial institutions so that the latter can clean up their balance sheets.

SARFAESI (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest) Act, 2002

- It provides the **legal basis** for the setting up ARCs in India to tackle wilful defaulters.

- Under this, a lender can take possession of the property or mortgaged assets after giving the borrower a **60 - day notice.**
- It is **not applicable** to **unsecured creditors.**
- **Not applicable** on **Farm Loans.**

Debt Recovery Tribunal (DRT)

- Lenders can recover their dues by approaching a DRT and get a **recovery certificate.**
- It **allows lenders** to take possession of properties of borrowers anywhere in the country and sell them to recover dues.
- Appeals against orders passed by DRTs lie before **Debts Recovery Appellate Tribunal** (DRAT).
- It can go beyond the **Civil Procedure Code.**

e-Bkray Portal

- It was launched to enable **online auction** by banks of attached assets transparently and cleanly for the improved realisation of value.
- It has **property search features** and contains **navigational links to all PSBs e - auction sites.**
- e-Bkray also contains photographs and videos of the properties uploaded on the platform

Capital Adequacy Ratio

- CAR/Capital to Risk **Weighted Assets Ratio** (CRAR) is the ratio of a bank's capital to its risk.
- The higher the CRAR of a bank the better capitalised it is.

Nidhi, Chit Funds, and Ponzi Schemes

- **Nidhi:**
  - Nidhis are included in the **definition of NBFCs.**
  - They are companies registered under the **Companies Act, 1956** and are regulated by the **Ministry of Corporate Affairs.**
  - Created for cultivating the habit of thrift and savings amongst its members.
  - It receives deposits from, and lends to its members only, for their mutual benefit.
  - It works on the principle of mutual benefits that are regulated by the **Ministry of Corporate Affairs.**
- **Chit Funds:**
  - It is a type of **savings scheme** where a specified number of subscribers contribute payments in **instalments over a defined period.**
  - It is covered in the **Concurrent List**
  - RBI does not regulate the chit fund business and SEBI Act specifically excludes chit funds.
  - Chit fund business is regulated under the **Central Chit Funds Act, 1982** and the rules are framed under this Act by the various state governments for this purpose.
- **Ponzi Schemes**
  - These schemes **promise high returns** with little or no risk.
  - The Ponzi scheme generates returns for older investors by acquiring new investors. example - Saradha Scam.

6.11 DIGITAL PAYMENTS

A. Ratan Watal Committee recommendations for Digital Payments

- Greater **use of Aadhaar** and **mobile numbers** for making digital payments as easy as cash.
- Inter-operable payments between bank and non - banks as well as **within non - banks.**
- Proposed to make **digital payment regulation independent** from the RBI.

B. NPCI - National Payment Corporation of India

- NPCI, an umbrella organisation for **operating retail payments** and **settlement systems** in India.
- Initiative of RBI and **Indian Banks' Association** (IBA) under the provisions of the **Payment and Settlement Systems Act, 2007**, for creating a robust Payment & Settlement Infrastructure in India.
- **Not for Profit** Company under the provisions of **Section 25 of Companies Act 1956** (now Section 8 of Companies Act, 2013).

C. NPCI Operated Systems

- **BHIM-UPI:**
  - BHIM is based on **Unified Payment Interface** (UPI) to **facilitate e-payments directly** through banks.
  - It is **interoperable with other UPI applications,** and bank accounts.
  - Also caters to the **Peer to Peer** collect request which can be scheduled and paid as per requirement and convenience.
- **Aadhaar enabled Payment System (AePS):**
  - It allows people to carry out financial transactions on a Micro-ATM by furnishing just their Aadhaar number and verifying it with the help of their fingerprint/iris scan.
- **National Electronic Toll Collection (NETC):**
  - It helps in **electronic toll collection** at toll plazas using **FASTag.**
- **National Automated Clearing House (NACH):**
  - It is a service offered by NPCI to banks which aims at facilitating interbank high volume, low value

debit/credit transactions, which are repetitive and electronic in nature.

- **Immediate Payment Service (IMPS)**
  - It offers an **instant 24×7 interbank electronic fund transfer service** through mobile phones.
- **Bharat Bill Payment System (BBPS)**
  - Function as entities facilitating collection of repetitive payments for everyday utility services, such as, **electricity**, **water**, **gas**, **telephone** and **Direct-to-Home** (DTH).
- **Rupay**
  - The name, derived from the words **Rupee** and **Payment**, emphasises that it is India's very own initiative for Card payments.
  - It is an **indigenously developed Payment System**.
  - It supports the issuance of debit, credit and prepaid cards by banks in India

6.12 CRYPTO-CURRENCY IN INDIA

- **Meaning/Definition:**
  - A **cryptocurrency** is a digital asset designed to work as a medium of exchange wherein individual coin ownership records are **stored in a ledger** existing in a form of a computerised database.
  - Example: **Bitcoin, Etherium, Ripple, Litecoin,** etc.
- **Function:**
  - They run on a distributed public ledger called **Blockchain**
  - It uses strong cryptography to secure transaction records, to control the creation of additional coins, and to verify the transfer of coin ownership.
  - It typically **does not exist in physical form** (like paper money) and is typically not issued by a central authority.
  - Cryptocurrencies typically use decentralised control as opposed to centralised digital currency and central banking systems.
- **Demand for Cryptocurrencies:**
  - Funds transfer between two parties will be easy **without the need of a third party** like credit/debit cards or banks.
  - It is a **cheaper alternativ**e compared to other online transactions.
  - Payments are **safe and secured** and offer an unprecedented level of **anonymity.**
  - Modern cryptocurrency systems come with a user **wallet** or account address which is accessible only by a public key and pirate key.
  - The private key is only known to the owner of the wallet.
  - Funds transfers are completed with **minimal processing fees.**
  - **Dinesh Sharma Committee** had recommended **total ban on cryptocurrencies**
- **Significance of Cryptocurrencies:**
  - **Checks Corruption:** As blocks run on a peer-to-peer network, it helps keep corruption in check by tracking the flow of funds and transactions.
  - **Time Effective:** Cryptocurrencies can help save money and substantial time for the remitter and the receiver, as it is conducted entirely on the Internet, runs on a mechanism that involves very less transaction fees and is almost instantaneous.
  - **Cost Effective:** Intermediaries such as banks, credit cards and payment gateways draw almost **3%** from the total global economic output of over **$100 trillion**, as fees for their services. Integrating blockchain into these sectors could result in hundreds of billions of dollars in savings.
- **Concerns Over Cryptocurrencies:**
  - **No Sovereign guarantee:** Cryptocurrencies pose risks to consumers. They do not have any sovereign guarantee and hence are not legal tender.
  - **Market volatility:** Their speculative nature also makes them highly volatile. For instance, the value of Bitcoin fell from **USD 20,000** in **December 2017** to **USD 3,800** in **November 2018**.
  - **Risk in security:** A user loses access to their cryptocurrency if they lose their private key (unlike traditional digital banking accounts, this password cannot be reset).
  - **Malware threats:** In some cases, these private keys are stored by technical service providers (cryptocurrency exchanges or wallets), which are prone to malware or hacking.
  - **Money laundering:** Cryptocurrencies are more vulnerable to criminal activity and money laundering. They provide greater anonymity than other payment methods since the public keys engaging in a transaction cannot be directly linked to an individual.
  - **Regulatory bypass:** A central bank cannot regulate the supply of cryptocurrencies in the economy. This could pose a **risk to the financial stability** of the country if their use becomes widespread.

- **India and Cryptocurrency**

2009	• First cryptocurrency, Bitcoin launched in **2009** by **Satoshi Nakamoto.**
2018	• RBI banned banks and other regulated entities from supporting crypto transactions.
2019	• **Inter-ministerial committee** recommended banning all private cryptocurrencies.
2020	• SC struck down the ban on the trading of cryptocurrency as **unconstitutional.**
2021	• **Cryptocurrency and Regulation of Official Digital Currency Bill, 2021** introduced. • Under this, a plan to ban private digital currencies favours RBI backed currency. • A **3 to 6 month** exit period prior to banning the trading, mining and issuing of cryptos.

6.13 RBI AND DIGITAL CURRENCY

- RBI is exploring **DLT (Distributed Ledger Technology)** based Central Bank Digital Currency.
- Under DLT, details are recorded in multiple places at the same time. Example: Blockchain is a kind of distributed ledger.
- **Central Bank Digital Currency** (CBDC) would be a **legal tender.**
- Can be **converted/exchanged** at par with similarly denominated cash.
- **Union Budget 2022:** Introduction of Digital Rupee (CBDC) by the Reserve Bank of India starting 2022-23.
- **Recent Development:**
  - The Union Government is said to be considering a proposal to **tax cryptocurrency transactions** in the country.
  - The move would bring cryptocurrency trading, which has till date happened outside the ambit of the law, into the formal economy
- **Taxation of Virtual Digital Assets (Union Budget 2022):**
  - Specific tax regime for virtual digital assets introduced.
  - Any income from transfer of any virtual digital asset to be taxed at the rate of **30 per cent**.
  - No deduction in respect of any expenditure or allowance to be allowed while computing such income except **cost of acquisition**.
  - Loss from transfer of virtual digital assets cannot be set off against any other income.
  - To capture the transaction details, TDS to be provided on payment made in relation to transfer of virtual digital assets at the rate of **1 percent** of such consideration above a monetary threshold.
  - Gift of virtual digital assets also to be taxed in the hands of the recipient.

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PSC WALLAH

EXAM : BPSC 2023-24 (PRE+MAINS)

LANGUAGE : HINGLISH

START DATE : 22ND MARCH 2023

SCHEDULE : 2 LECTURES/DAY

SUBSCRIPTION END DATE : 30TH DECEMBER 2024

SCHEDULE : MON-SAT

TIMINGS

MORNING : 8:00 AM - 10:00 AM

EVENING : 8:00 PM - 10:00 PM

7 External Sector of India

7.1 INTRODUCTION

- All economic activities of an economy which take place in foreign currency fall in the external sector such as balance of payment, export, import, foreign investment, external debt, current account, capital account, exchange rates etc.

7.2 FOREX RESERVES

- Foreign exchange reserves are **assets denominated in a foreign currency that are held on reserve by the central bank.**
- These may include **foreign currencies, bonds, treasury bills** and **other government securities.**
- **India is fifth largest** in the world in foreign exchange reserves as per IMF.
- **Composition of Forex Reserves:**
  - Gold
  - Special Drawing Rights (SDRs)
  - Foreign Currency Assets (FCA)
- **Foreign Exchange Reserves as on December 16, 2022 (by RBI):**
  - **Total Reserves** = $563499 Million
  - **FCA** = $499624 Million
  - **Gold** = $40579 Million
  - **RTP(IMF)** = $5114 Million
  - **SDRs** = $18181 Million

7.3 NET INTERNATIONAL INVESTMENT POSITION (NIIP)

- **Meaning:** NIIP measures the total stock of external financial assets and liabilities. **Assets owned by residents in other countries - Assets owned by non-residents within India.**
- Expressed both in absolute value as well as % of GDP. The higher the ratio of NIIP to GDP, the more vulnerable an economy becomes to the developments in international markets
- **Assets for Indian Economy:** Residents from India owning assets in other countries
- **Liabilities for Indian Economy:** Residents from other countries owning assets in India
- **Positive NIIP:** Indian residents own more assets abroad as compared to assets owned by non-residents.
- **Negative NIIP:** Indian residents own less assets abroad as compared to assets owned by non-residents.

7.4 SDR (SPECIAL DRAWING RIGHTS)

- SDR is an **international reserve asset**, created by the **IMF (International Monetary Fund)** in **1969**.
- Value of the SDR is based on a basket of **five currencies**: **Dollar**, **Euro**, **Renminbi**, **Yen** and **Pound Sterling**.
- It is **neither a currency nor a claim** on the IMF. Rather, it is a potential claim on the freely usable currencies of IMF members.

7.5 REMITTANCES INTO INDIA

- **Migration and Development Brief (World Bank) :** India has become the world's largest recipient of Remittances, receiving **USD 87 billion** (a gain of 4.6 % from previous year) in 2021.
- **India is followed by China,** Mexico, the Philippines, and Egypt.
- **The United States being the biggest source,** accounting for over **20%** of all Remittances.
- **Projection for 2022:** Projected to grow **3%** in **2022** to **USD 89.6 billion**, because of a drop in overall migrant stock, as a large proportion of returnees from the Arab countries await return.

7.6 EXCHANGE RATE

- Exchange rate is **Price at which one currency is converted into or exchanged for another currency.**

A. Various Exchange Rates Mechanism

Fixed Exchange Rate	• Complete **intervention** of Authority (government or central bank) in determination of the currency exchange rate.
Floating Exchange Rate	• **Market forces** (demand and supply) determine the value of currency • No role of authority
Managed Floating Rate	• Exchange rate is largely determined by market forces. • In crisis, central banks may intervene to stabilise the exchange rate
Pegged Float Exchange Rate	• A currency is pegged to international hard currency.

B. Nominal Effective Exchange Rate (NEER) VS Real Effective Exchange Rate (REER)

NEER	REER
• Weighted average of bilateral nominal exchange rates of the home currency in terms of foreign currencies. • It is the exchange rate of one currency against a basket of currencies, weighted according to trade with each country **(not adjusted for inflation).**	• Weighted average of nominal exchange rates, **adjusted for inflation**. • It is calculated on the basis of NEER. • Captures inflation differentials between a country and its major trading partners and reflects the degree of external competitiveness.

C. Extended Fund Facility (EFF)

- It is a **service provided by the IMF to its member countries** which authorises them to raise any amount of foreign exchange from the IMF to fulfil their BoP crisis
- **Conditions:** structural reforms in the economy.
- It is the **first agreement of its kind.**
- **India** had signed this agreement with the **IMF** in the financial year **1981-82.**

7.7 CURRENCY CONVERTIBILITY

- Currency convertibility is the ease with which the currency of a country can be freely converted into any other **foreign currency** or **gold** at market determined exchange rate.

A. Partial Convertibility

- Portion allowed by the government which can be converted into foreign currency with least restrictions. Also known as **Dual exchange system**.
- **Union Budget for 1992-93,** introduced it on **current account** under the Liberalised **Exchange Rate Management System (LERMS).**
- India has **adopted partial Rupee convertibility on Capital Account,** which is still operational presently.
- **Restrictions on FDI:** Prohibited sectors; Sectoral Cap; Government's Approval in certain sectors.
- **Restrictions on FPI:** Individual and Aggregate FPI Limit, FPI Limit in G-Secs and Corporate Bonds etc.
- **External Commercial Borrowings:** RBI sets annual limits.

B. Full Convertibility

- **Freedom to convert domestic currency into any foreign currency and vice-versa** without any regulatory intervention.
- Dual exchange rate system got automatically abolished and LERMS was now based upon the open market exchange.
- In 1994, the **GOI declared full convertibility of Rupee on Current account.**
- **Current Account transactions:** Imports, Exports, Remittances, Gifts, Donations, etc.

C. Tarapore Committee I (1997) and II (2006)

- **Constituted by the RBI** for suggesting a **roadmap on full convertibility of Rupee on Capital Account.**
- **Committee defined Capital Account Convertibility:** as the freedom to convert local financial assets with foreign financial assets and vice-versa at market determined rates of exchange and mentioned the following as its benefits:
  - Availability of large funds to supplement domestic resources and thereby promote **economic growth**
  - Improved access to **international financial markets** and reduction in cost of capital.
  - Incentive for Indians to acquire and hold **international securities** and **assets.**
  - Improvement of the financial system in the context of global competition

D. Liberalised Exchange Rate Management System (LERMS)

- Operationalized since **1993**.
- India delinked its currency from the fixed currency system and moved into the era of floating exchange-rate system under it.

E. Advantages and Disadvantages of Capital Account Convertibility

Advantages	Disadvantages
• Availability of large funds → improved **access** to international financial markets • Reduction in **cost of capital.** • Incentive for Indians to acquire and hold international securities and assets. • Greater **financial competitiveness.** • Helps Indian corporates to use External commercial borrowing routes without RBI or Govt approval. • Indian residents can hold and transact foreign currency denominated deposits with Indian banks. • Increase in **FII/FPI flow.**	• Market determined exchange rates being higher than officially fixed exchange rates → **raise import prices** and cause **cost-push inflation.** • Improper management of CAC can lead to **currency depreciation** and affect trade and capital flows. • Advantages are **short lived** as per studies, also International financial institutions are sceptical about CAC post-2008 crisis. • Speculative activity can lead to capital flight from the country. E.g. South East Asian economies during 1997-98. • Imposing control would become difficult in a globalised environment once CAC is introduced.

7.8 BALANCE OF PAYMENT (BOP)

- A systematic record of all **economic transactions** between the residents of one country with the residents of the other country in a **financial year.**
- It consists of **balance of trade, balance of current account** and **capital account.**
- **Positive Balance/Trade Surplus:** When a country exports more than its imports.
- **Negative Balance/Trade Deficit:** When imports are greater than its export.
- **Balance of trade:** Difference between the monetary value of a nation's exports and imports over a certain time period.
- **BoP divides transactions in two accounts**: **(1) Current account** and **(2) Capital account.**

A. Difference between Current Account and Capital Account

Parameter	Current Account	Capital Account
Meaning	• Records imports and exports of visible and invisibles • **Short term** implication transactions • Covers only earnings and spending. • Excludes any borrowings and lending.	• Shows capital expenditure and income for country • **Long term** implication transactions • Only includes borrowings and lending by a country
Components	• **Visible trade** (Export and Import of goods-Merchandise transactions) • **Invisible trade** (Export and Import of services) • Unilateral transactions	• Foreign Direct Investment (FDI) • Foreign Portfolio Investment (FPI) • Loans / External Commercial Borrowing (ECB) • Non-resident investment in Bank, Insurance, Pension schemes. • RBI's foreign exchange reserve
Deficit	• If the value of the goods and services imported exceeds the value of those exported. • **Current Account deficit** = Trade gap (export – import) + Net current transfers (foreign aid) + Net factor income (Interest, Dividend)	• When more money is flowing out of a country to acquire assets and rights abroad
Surplus	• If the value of the goods and services exported exceeds the value of those imported.	• Money is flowing into the country, but these inflows reflect changes in the ownership of national assets by way of sale or borrowing.
Convertibility	• Current account convertibility relates to the removal of restrictions on payments relating to the international exchange of goods, services and factor incomes.	• Capital account convertibility refers to liberalisation of a country's capital transactions such as loans and investment.
Current status	• Allowed **Full** convertibility	• Only **Partial** convertibility

B. Factors Influencing Current Account Deficit (CAD)

- Exchange rate (overvalued exchange rate would cause a large deficit).
- Level of consumer spending (economic growth) and hence import spending.
- Capital flows to finance the deficit in the long term.
- **Saving rates:** influencing level of import spending.

7.9 TRADE BALANCE

- **Monetary difference** of the total **export** and **import** of an economy in one financial year is called **trade balance**.
- **TOP EXPORTS FROM INDIA-** USA> UAE> CHINA> HONG KONG> SINGAPORE
- **TOP IMPORTS TO INDIA-** CHINA> USA> UAE> SAUDI ARABIA

Top Exported Products	Top Imported Products
• Petroleum products • Pearls, precious and semi-Precious stones • Drug formulations, biological • Gold and other precious metal jewellery • Iron and steel	• Petroleum products • Mineral fuels including oil • Gems, precious metals • Machinery including computers, Organic, Electrical machinery • Pharmaceuticals products.

7.10 EXTERNAL DEBT

- **Part of a country's debt which has been borrowed from foreign creditors** which includes private commercial banks, international financial institutions such as the **World Bank**, **International Monetary Fund** (IMF), and **sovereign governments**.

Types of External Debt	
Short term debt	• Maturity period **1 year or less**
Long term debt	• Maturity period **more than 1 year**
Sovereign debt	• Bonds issued by the **national government** in any foreign currency to generate funds to meet its financial expenses

- At end-**June 2022**, RBI put India's external debt at **US$ 617.1 billion**.

7.11 IMPORTANT TERMINOLOGY

Hard Currency	• Any globally traded currency which has **global demand, high liquidity** (adequate supply) and **stable** (does not fluctuate). Example: Dollar, Euro
Soft Currency	• It is just the opposite of Hard currency. **E.g.,** Indian Rupee is the Soft currency in the Indian Forex market.
Hot Currency	• It is the term for the Forex market and is the temporary name for any Hard currency. • If any Hard currency is exiting any economy at a fast pace for the time, the Hard currency is said to be hot currency.
Heated Currency	• Domestic currency which is under pressure (heat) of depreciation due to any hard currency's high tendency of exiting the economy. Also known as currency under **Heat** or under **Hammering.** • **E.g.** In the case of the South East Asian crisis (1997), the US Dollar became hot.
Cheap Currency	• When a government starts re-purchasing its bonds before their maturities and at full maturity prices, there is an increase in supply of money which is called cheap money.
Dear Currency	• It is just the opposite of cheap money. • Government issues bonds, the flow of money increases from public to the government hence supply of money in the market decreases, which is dear currency.

Beggar Thy Neighbour Policy	• Term used for a set of policies that a country enacts to address its economic woes that, in turn, actually worsen the economic problems of other countries. • The term comes from the policy's impact, as it makes a **beggar** out of neighbouring countries.
Weak Currency	• Cheapens the rate of a country's export, making them more attractive to international buyers.
Currency War	• Takes place when countries seek to devalue their currency to gain a competitive advantage.
Currency Manipulator	• This is a label given by the US government to countries it feels are engaging in **unfair currency practices** by deliberately devaluing their currency against the dollar. • Recently, the **United States** placed **11 countries**, including India in the **Currency Practices Monitoring List** (Currency Manipulators Watch List).

7.12 TRADE AGREEMENT

- A trade agreement is a **contract/agreement/pact** between two or more nations that outlines how they will work together to ensure mutual benefit in the field of trade and investment.
- **Preferential Trade Agreement (PTA):**
  - It is a **trading bloc that gives preferential access to certain products from the participating countries.**
  - **Done by reducing tariffs but not by abolishing them completely.**
  - It requires the lowest level of commitment to reducing trade barriers.
  - Example: Mercosur preferential trade agreement, Asia pacific trade agreement
- **Generalised System of Preferences (GSP):**
  - GSP is a **preferential scheme granted by industrialised nations to developing countries.**
  - It involves reduced **Most Favoured Nations** (MFN) Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of donor countries.
  - Recently the **US government** has withdrawn its GSP benefits to India.
- **Free Trade Agreement (FTA):**
  - It is a trade bloc which **eliminates tariffs, import quotas, and preferences on most (if not all) goods and services traded between member countries. E.g.,** SAFTA (South Asian PTA to FTA), ASEAN FTA
- **Comprehensive Economic Cooperation Agreement (CECA)/Comprehensive Economic Partnership Agreement (CEPA):**
  - When the **countries go beyond FTA and agree for a greater degree of economic integration** which extends to capital and human resources, and to expand trade and investment, it would result in CECA or CEPA.
  - CEPA has a **bit wider scope than CECA.** While CECA comes first with elimination of tariffs, CEPA comes later including trade in services and investments.
  - **E.g., India** has CEPA with Japan and CECA with Singapore.
- **Economic Union:**
  - It is a type of a trade block which is **composed of a common market with a customs union.**
  - Members eliminate trade barriers among themselves, adopt common external barriers, allow free import and export of resources, adopt a set of economic policies, and use one currency. E.g., European Union

Tax Haven

- Tax havens are the countries that have **lower tax rates**, provide **secrecy** and **anonymity** to the account holders and do not share tax information with other countries.

7.13 GOVERNMENT INITIATIVES TO PROMOTE TRADE

- **Nirvik (Niryat Rin Vikas Yojana) Scheme:**
  - Introduced by **Credit Guarantee Corporation of India**
  - It is an **Export Credit Insurance Scheme** (ECIS).
  - To enhance loan availability and ease the lending process.
- **Services Exports from India Scheme (SEIS):**
  - To promote exports in services
  - Rewards (duty credit scrips) to exports of services.
  - Scraps are transferable and can be used to pay certain central duties & taxes.
- **Special Economic Zone (SEZ):**
  - Created by **SEZ Act 2005**
  - **Aim:** To develop expert hubs to promote growth and development.

- Can be set up by either central or state government or even by private sector
- India had set up **Asia's first 'Export Processing Zone' (EPZ)** in **Kandla** in **1965** itself.
- Recent steps taken by the Government to strengthen SEZs in the country are:
  - **Minimum Land Area requirement** reduced to 50 per cent for multi-product and sector-specific SEZs.
  - A new **agro-based food processing** sector has been introduced.
  - **Dual use of facilities** like Social and Commercial infrastructure by SEZs and non-SEZs entities has been allowed in order to make SEZ operations more viable.
  - Sectoral broad-banding has been introduced to encompass similar and related areas under the same sector.
  - **'SEZ India' mobile app** launched to help the SEZs to track their transactions.
  - **Baba Kalyani Committee** was also formed to look into existing SEZs of India.
- **Trade Infrastructure for Export Scheme:**
  - **Objective:** To address the export infrastructure gaps in the country.
  - Provides financial assistance in the form of grant-in-aid to Central/State Government owned agencies for setting up or for up-gradation of export infrastructure.
- **Agriculture Export Policy 2018:**
  - To **double agricultural exports from present US$ 30 Billion to US$ 60 Billion by 2022.**
  - Strive to double India's share in world Agri exports.
  - Scheme focus is on agriculture export-oriented production, export promotion, better farmer income realisation.
- **Export Credit Guarantee Corporation of India (1957):**
  - **Objective:** To promote exports from the country by providing credit risk insurance and related services for exports.
  - Wholly owned by the **Ministry of Commerce and Industry**
- **Duty-Free Import Authorization (DFIA):**
  - Duty-free import of inputs, fuel, oil, energy sources, a catalyst which is required for the production of export goods is allowed.
  - The importer is required to meet certain export obligations w.r.t. the finished goods.
  - The minimum value addition of **20%** is mandatory to be required to be achieved.
  - This scheme is mainly used for imports of raw sugar to be used in producing an export product.
- **Export Promotion Capital Goods (EPCG):**
  - **Objective:** Facilitate the import of capital goods for producing quality goods and services and enhance India's competitiveness.
  - **Criteria:** To apply for an EPCG scheme, an IEC is required
  - EPCG manufacturing Scheme allows import of capital goods for pre-production, production and post-production at Zero customs duty.
- **Electronic Import Exporter Code (IEC):**
  - Import exporter code is an export permit that is mandatory for carrying out exports and imports from/to another country.
  - **DGFT (Director General of Foreign Trade)**has facilitated the online filing of the IEC application.
- **Electronic Bank Certificate (eBRC):**
  - Enables DGFT to capture essential details for the realisation of export proceeds directly from the banks via secured electronic mode.
  - This paves the way for the implementation of various export promotion schemes without any physical interface with the stakeholders.
  - **Training:** Through **Niryat Bandhu Scheme** and many others
- **Niryat Bandhu:**
  - Reach out to the new and potential exporters and mentor them.

Other Recent Initiatives
- E-Filing & E-payment
- 24×7 customs clearance
- Paperless environment
- Single window for customs
- Angel tax reforms

8 Poverty and Unemployment

8.1 POVERTY

- Poverty is a **social phenomenon in which there is deprivation of basic human needs.**
- **According to the United Nations (UN):** Poverty entails more than the lack of income and productive resources to ensure sustainable livelihoods. It includes hunger and malnutrition, limited access to education and other basic services, etc.

A. Constitutional/Other Provisions to Tackle Poverty

- **Fundamental Rights:** Article 16; Article 17; Article 21 and Article 24.
- **DPSP:** Article 39; Article 39 (a); Article 41; Article 42 and Article 45.
- **SDG:** Goal 1 i.e. to end poverty in all its forms, everywhere.

B. Poverty Line

- The conventional approach to measuring poverty is to specify a minimum expenditure (or income) required to purchase a basket of goods and services necessary to satisfy basic human needs and this minimum expenditure is called the **poverty line.**
- **According to the World Bank:**
  - A person is extremely poor if he/she is living on **less than 1.90 international dollars a day, (updated in 2015)** which are adjusted for inflation as well as price differences between countries.

C. Poverty Statistics according to Census, 2011

- The proportion of people living **Below Poverty Line** (BPL) has come down from **37.2 per cent** in **2004-05** to **21.9 per cent** in **2011-12** — a decline of **15.3 percentage** points.
- In urban areas, the poverty rate fell **9.8 percentage** points to **13.7 percent** from **37.2 per cent**, while in rural areas **16.3 percentage** points to **25.7 percent** from **42 percent**.

D. Committees on Poverty

- **Alagh Committee (1979):**
  - First to come up with an official poverty line, **based on calorie intake.**
  - 2100 calories in Urban areas, 2400 calories in rural areas.
- **Lakdawala Committee (1993):**
  - This committee defined the poverty line **on the basis of household per capita consumption expenditure.**
  - The committee used **CPI-IL** (Consumer Price Index for Industrial Laborers) and **CPI-AL** (Consumer Price Index for Agricultural Laborers) for estimation of the poverty line.
  - Till as recently as 2011, the official poverty lines were based entirely on the recommendations of the Lakdawala Committee of 1993.
- **Recommendations:**
  - Consumption expenditure should be calculated based on calorie consumption as earlier.
  - State specific poverty lines should be constructed and these should be updated using the CPI-IW in urban areas and CPI-AL in rural areas.
  - Discontinuation of scaling of poverty estimates based on National Accounts Statistics.
- **Tendulkar Committee (2009):**
  - Committee headed by **Suresh Tendulkar**.
  - Changed calorie-based estimation to **expenditure based**.
  - **Introduce a new term Poverty Line Basket (PLB)** which is the basket of all goods selected to determine poverty.
  - **Consumption quantity is fixed the same for both** rural and urban people but price differs. Daily per capita expenditure for **Rural- Rs. 27**, Daily per capita expenditure for **Urban- Rs. 33**.
  - Estimated that **21.5%** of the **Indian population** was poor.
- **Rangarajan Committee:**
  - **Adopted the calorie-based approach** which was used in the past
  - Monthly consumption expenditure per person or per household as a tool, Daily per capita expenditure for **Rural- Rs. 33** and Daily per capita expenditure for **Urban- Rs. 47**
  - **Overall poverty:** 29.5 Percent (in the year 2011-12)

- **Rural:** 30.9 Percent (in the year 2011-12)
- **Urban:** 26.4 Percent (in the year 2011-12)

8.2 MULTIDIMENSIONAL POVERTY

- Poverty is often defined by one-dimensional measure usually based on income. But no single indicator can capture the multiple dimensions of poverty.
- **Multidimensional poverty includes:** poor health, lack of education, inadequate living standards, disempowerment, poor quality of work, the threat of violence, and living in areas that are environmentally hazardous, among others.
- **Factors incorporated:** A multidimensional measure of poverty can incorporate a range of indicators that capture the complexity of this phenomena.

A. Global Multidimensional Poverty Index (MPI), 2022

- It is released by the **United Nations Development Programme (UNDP) and the Oxford Poverty & Human Development Initiative (OPHI).**

B. Dimensions

- **MPI uses three dimensions and ten indicators which are:**
  - **Education:** Years of schooling and child enrollment (1/ 6 weightage each, total 2/6);
  - **Health:** Child mortality and nutrition (1/6 weightage each, total 2/6);
  - **Standard of living:** Electricity, flooring, drinking water, sanitation, cooking fuel and assets (1/18 weightage each, total 2/6).

C. MPI and SDG

- Since the adoption of the 2030 Agenda, UNDP has closely aligned the MPI with the Sustainable Development Goals (SDGs).

D. Global Scenario

- **1.2 billion** people are still living in multidimensional poverty.
- The report highlighted **72** out of **81 countries** studied significantly reduced their multidimensional poverty levels in absolute terms during at least one of the periods analysed.
- Half of poor people (593 million) are **children under age 18.**
- The number of poor people is highest in Sub Saharan Africa (579 million), followed by South Asia (385 million). The two regions together are home to 83% of poor people.

E. Indian Scenario

- The incidence of **poverty fell from 55.1% in 2005/06 to 16.4% in 2019/21** in the country.
- India has by far the **largest number of poor people worldwide at 22.8 crore**, followed by **Nigeria at 9.6 crore.**

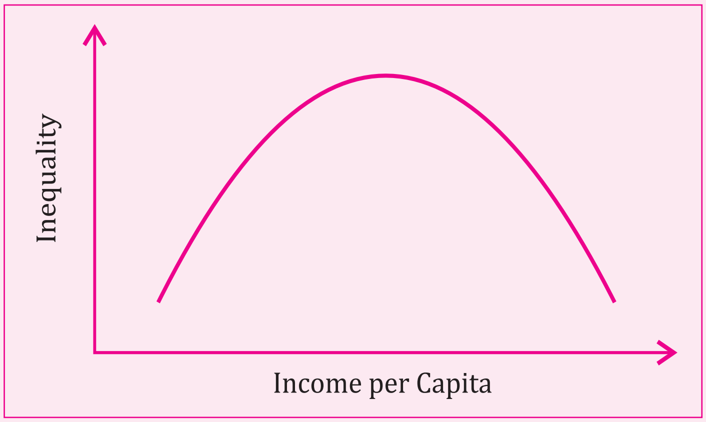
F. Impact of Covid-19

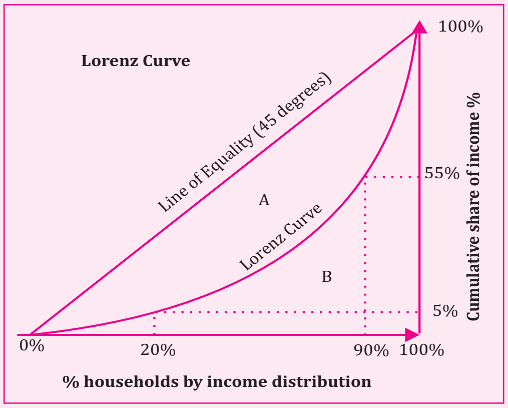
- Covid-19 is having a profound impact on the development landscape. The study finds that on average, poverty levels will be set back **3** to **10 years** due to **Covid-19**.

8.3 NATIONAL MULTIDIMENSIONAL POVERTY INDEX (N-MPI)

- **Published By:** NITI Aayog
- **Methodologies:**
  - This baseline report of **India's first-ever national MPI measure is based on the reference period of 2015-16 of the National Family Health Survey (NFHS)-4.**
  - It uses the globally accepted and robust methodology developed by the **Oxford Poverty and Human Development Initiative** (OPHI) and the **United Nations Development Programme** (UNDP).
  - It captures multiple and simultaneous deprivations faced by households.
- **Parameters:**
  - **NMPI is calculated using 12 indicators —** nutrition, child and adolescent mortality, antenatal care, years of schooling, school attendance, cooking fuel, sanitation, drinking water, electricity, housing, assets and bank account,
  - They have been grouped under **three dimensions** namely, health, education and standard of living.
- **Key Findings:**
  - 51.91% of the population in **Bihar** is poor, followed by **Jharkhand** (42.16%), **Uttar Pradesh** (37.79%), **Madhya Pradesh** (36.65%) and **Meghalaya** (32.67%).
  - **Kerala** registered lowest population poverty levels (0.71%), followed by **Puducherry** (1.72%), **Lakshadweep** (1.82%), **Goa** (3.76%) and **Sikkim** (3.82%).
  - Less than **10%** of the population are poor include **Tamil Nadu** (4.89%), **Andaman & Nicobar Islands** (4.30%), **Delhi** (4.79%), **Punjab** (5.59%), **Himachal Pradesh** (7.62%) and **Mizoram** (9.8%).

8.4 TERMINOLOGIES RELATED TO POVERTY

Absolute Poverty	• Absolute poverty is a condition where **household income is below a necessary level to maintain basic living standard of living (food, shelter, housing).** • This condition makes it possible to compare between different countries and also over time.
Relative Poverty	• Relative poverty is a condition where **household income is a certain percentage below median income.** • For example, the threshold for relative poverty could be set at **50%** of median incomes (or 60%).
Poverty Headcount Ratio	• The World Bank's **International Poverty Line** (IPL) stands at a person living daily on **US$1.90** (PPP exchange rate). • So, a person who spends less than an absolute amount **US$1.90** a day is considered **below IPL line** → classified as poor.
Poverty Gap Ratio	• The Poverty Gap Ratio is the **gap by which mean consumption of the poor below poverty line falls short of the poverty line.** • It indicates the depth of poverty; the more the PGR, the worse is the condition of the poor. • While the number of poor people indicates the spread of poverty, PGR indicates the depth.
Poverty Trap	• A situation where an unemployed getting unemployment allowance is not encouraged to seek work/employment because his/her after-tax earnings as employed is less than the benefits as unemployed, also known as the **unemployment trap**.
Poverty Line Basket	• The basket of goods and services necessary to satisfy basic human needs is the **Poverty Line Basket** (PLB).
Below Poverty Level (BPL)	• The Government of India has set this economic standard so it can identify the lower income people of the community who need urgent assistance from the government. • It has placed a limit on income. • Individuals whose earnings fall below the threshold are listed as BPL.
Palma Ratio	• The Palma ratio is a **measure of inequality**. • It is the ratio of the richest **10%** of the population's share of gross national income (GNI) divided by the poorest **40%** 's share. • It measures inequality similar to the Gini coefficient.
Kuznets Curve	• In economics, a Kuznets curve graphs the hypothesis that as an economy develops, market forces first increase and then decrease economic inequality. • The hypothesis was first advanced by economist Simon Kuznets in the **1950s** and '**60s**.  **Figure 8.1: Kuznets Curve**

Gini Coefficient	● An **inequality indicator** in an economy. ● The coefficient varies from **zero** to **one**. ● A **zero** gini coefficient indicates a situation of perfect equality (i.e., every household earning the same level of income) while **one** signifies a situation of absolute inequality (i.e., a single household earning the entire income in an economy).
Lorenz Curve	● A graph showing the **degree of inequality in income and wealth in a given population or an economy.** ● It is a rigorous way to measure income inequality.  **Figure 8.2: Lorenz Curve**

8.5 SOCIO ECONOMIC AND CASTE CENSUS (SECC)

- To estimate the BPL population, SECC followed a three-step process:
  1. Automatic exclusion
  2. Automatic inclusion
  3. Neither automatically included nor automatically excluded
- **Criteria used in SECC:**
  - Households with only one room , with no solid walls and roof
  - Households with no adult male aged 15-59.
  - Female headed households
  - Households with differently abled members
  - Households with no able bodied members
  - SC/ST households with no literate members above the age of 25 years
  - Landless households deriving major income from manual labour.
- **Findings:** it was found that the percentage of people below the poverty line in 2011-12 was 30.95 percent in rural areas and 26.4 percent in urban areas.

8.6 UNEMPLOYMENT

Unemployment is a phenomenon that occurs **when a person who is capable of working and is actively searching for work is unable to find work.**

- It is often used as a **measure of the health of the economy.**
- The most frequent measure of unemployment is the unemployment rate, which is the number of unemployed people divided by the number of people in the labour force.

National Sample Survey Organization (NSSO)

- It defines employment and unemployment on the following activity statuses of an individual:
  - Working (engaged in an economic activity) i.e. 'Employed'.
  - Seeking or available for work i.e. 'Unemployed'.
  - Neither seeking nor available for work.
- The first two constitute the labour force and unemployment rate is the percent of the labour force that is without work.
- **Unemployment rate = (Unemployed Workers/Total labour force) × 100**

8.7 TYPES OF UNEMPLOYMENT IN INDIA

Cyclical Unemployment	• **It is a result of the business cycle,** where unemployment rises during recessions and declines with economic growth. • Cyclical unemployment figures in India are **negligible.** • It is a phenomenon that is **mostly found in capitalist economies.**
Technological Unemployment	• It is the loss of jobs due to changes in technology.
Disguised Unemployment	• It is a phenomenon wherein **more people are employed than actually needed.** • It is primarily traced in the **agricultural** and the **unorganised sectors** of India.
Seasonal Unemployment	• It is an unemployment that occurs during certain seasons of the year. • Agricultural labourers in India rarely have work throughout the year.
Structural Unemployment	• It is a category of unemployment **arising from the mismatch between the jobs available in the market and the skills of the available workers in the market.** • Many people in India do not get jobs due to lack of requisite skills and due to poor education level, it becomes difficult to train them.
Frictional Unemployment	• The **Frictional Unemployment also called as Search Unemployment,** refers to the time lag between the jobs when an individual is searching for a new job or is switching between the jobs. • In other words, an employee requires time for searching a new job or shifting from the existing to a new job, this inevitable time delay causes frictional unemployment. • It is often considered as **voluntary unemployment** because it is not caused due to the shortage of jobs, but in fact, the workers themselves quit their jobs in search of better opportunities.

8.8 KEY EMPLOYMENT AND UNEMPLOYMENT INDICATORS

Labor Force Participation Rate	• It is the percentage of persons in the labour force (i.e., working or seeking or available for work) in the population.
Worker Population Ratio (WPR)	• It is the percentage of employed persons in the population
Proportion Unemployed (PU)	• It is the percentage of persons unemployed in the population
Unemployment Rate	• It is defined as the percentage of persons unemployed among the persons in the labour force.
Activity Status - Usual Status	• **Activity status:** Determined on the basis of the activities pursued by the person during the specified reference period. • **Usual Status:** When the activity status is determined on the basis of the reference period of the last 365 days preceding the date of survey, it is known as the usual activity status of the person.
Activity Status - Current Weekly Status (CWS)	• The activity status determined on the basis of a reference period of last **7 days** preceding the date of survey is known as the **current weekly status** (CWS) of the person.

8.9 TERMINOLOGIES RELATED TO UNEMPLOYMENT0

Labour Force	• Persons who are either working (employed) or seeking or available for work (unemployed) during the reference period together constitute the labour force.
Unemployment Trap	• It is a situation when unemployment benefits discourage the unemployed from going to work. • People find the opportunity cost of going to work too high when one can simply enjoy the benefits by doing nothing. • An unemployment trap arises when the opportunity cost of going to work is higher than the income received, discouraging people from returning to work and being productive.
Work Force	• All people in the age group of **15-59 years**. • **Workforce > labour force**
Employment Rate	• Ratio of employed person to population (15 to 59 years)
Employment Elasticity	• Percentage changes in employment induced by changes in GDP, which captures responsiveness of the labour market.
Employment Intensity	• Extent to which growth creates employment.
Income Inequality	• Income inequality is the unequal distribution of household income or individual income across the various participants in an economy. • The simplest way to understand inequality is by analysing it through the categorisation of population into quintiles (fifth) from poorest to richest along with reporting the proportions of income held by them.

9 Agriculture Sector

9.1 INTRODUCTION

- Agriculture is a primary Activity.
- **It Includes**: raising crops, animal husbandry, agro-forestry and pisciculture.
- Agriculture is a **State subject**.
- **Section 10 (1) of the Income Tax Act, 1961**: Mandates any income generated from any agricultural activities are exempted from being taxed by the Government as it is not counted as a part of an individual's total income.

The **United Nations Decade of Family Farming (2019-2028)** was launched by the **Food and Agriculture Organization** (FAO) and the **International Fund for Agricultural Development** (IFAD)

9.2 KEY STATISTICS

A. Agriculture targets

- **Ashok Dalwai Committee:** Doubling farmer's income by the year **2022**.
- **Agriculture export policy:** Increase the agriculture export to over **US$ 60 billion** by **2022**.

B. Ranking of India

First	• In **milk production** since 1998; 20% of world milk production → Largest bovine population in the world.
Second	• Largest **fish producer** in the world in 2018-19.
Third	• Largest **consumer of edible oil**; Top States: Gujarat (Groundnut), UP (Mustard), MP (Soybean).
Fourth	• largest **oilseed-producing** country.

C. Agriculture Census

- Conducted by the **Department of Agriculture, Cooperation and Farmers Welfare.** In every **5 years.**
- Collect data on **structural aspects** of farm holdings. **Operational Holding** is a basic statistical unit of data collection.
- **Operational Holding**: All land which is used wholly or partly for agricultural production and is operated as one technical unit by one person alone or with others without regard to the title, legal form, size or location.
- **First Census in 1970-71**: Last Census (10^{th} Census) was conducted in 2015-16.
- **Findings:** The percentage of female operational holdings in the country has increased from about **13%** percent during 2010-11 to around **14%** during 2015-16.

9.3 ECONOMIC SURVEY ON AGRICULTURE

Economic Survey 2021-22	Economic Survey 2020-21
• Agriculture sector experienced **buoyant growth in the past two years** despite the pandemic.	• Since economic reforms began in 1991, **India has remained a net exporter of agri-products**, with agri-exports touching Rs. 2.52 lakh crores in 2019-20.
• **Gross Value Added** (GVA)**: 18.8%** (2021-22) of the country registering a growth of **3.6%** in 2020-21 and **3.9%** in 2021- 22.	• **Major export**: USA, Saudi Arabia, Iran, Nepal and Bangladesh.

• **Minimum Support Price** (MSP) **policy is being used to promote** crop diversification.	• **Agriculture products exported**: marine products, basmati rice, buffalo meat, spices, non-basmati rice, raw cotton, oil meals, sugar, castor oil and tea.
• Net receipts from crop production have increased by **22.6%** in the latest **Situation Assessment Survey** (SAS) compared to the SAS Report of 2014.	• India's total agri-export basket accounts for a little **over 2.5 percent** of world agri-trade.

9.4 UNION BUDGETS ON AGRICULTURE

- **Union Budget 2021**
  - Ensured **MSP at minimum 1.5 times** the cost of production across all commodities.
  - **SWAMITVA (Survey of Villages and Mapping with Improvised Technology in Village Areas) Scheme**
    - **Aims**: to map rural inhabited lands using drones and latest survey methods.
    - To cover all states/UTs to bring transparency in property ownership in villages.
- **Union Budget 2022:**
  - Promoting **chemical free natural farming** starting with farmers' lands close to river Ganga.
  - Promoting **post-harvest value addition**, consumption and branding of millet products.
  - Delivery of **Digital and Hi-Tech services** to farmers in PPP mode.
  - **NABARD** to facilitate funds with blended capital to finance startups for agriculture & rural enterprise.
  - Use of **Kisan Drones** to aid farmers.
  - **Launching fund** with blended capital to finance agriculture startups.
  - **Data:**
    - **Record food grain production (2020-21):** 300mn ton
    - **Resilient Growth in Agri Sector**: 3.6% in 2020-21 to 3.9% in 2021-22
    - Rs. 2.37 lakh crore direct payment to 1.63 crore farmers for procurement of wheat and paddy

Additional Information

Important Projects and Schemes	
Operation Green Scheme	**Ken Betwa Link Project**
• Includes **22 perishable products** to boost value addition in agriculture and allied products and their exports.	• **1400 crore** outlay for implementation of the Project benefitting **9.1 lakh hectare farm land**, providing drinking water to **62 lakh people** and generating **130 MW power**.
• Presently applicable to tomatoes, onions, and potatoes.	• 5 more such projects under process of implementation.

9.5 IMPORTANT TERMINOLOGIES RELATED TO CROPPING

Cropping Intensity	• Number of crops cultivated in a piece of land per annum is the cropping intensity.
Cropping Pattern	• Different crops grown in an area at a particular point of time are called cropping patterns. • **Factors:** climate (temperature, rainfall, wind etc.), soil, support price, value, demand market, labour availability, historical setting, etc.
Multiple Cropping	• Growing more than two crops in a piece of land in a year in orderly succession.
Inter Cropping	• Also known as polyculture, inter-cropping is a type of agriculture that involves planting two or more plants simultaneously in the same field, interdigitating the crops.
Mixed Cropping	• Growing two or more crops simultaneously with distinct row arrangement on the same field at same time.
Strip Cropping	• In this, crops are cultivated in alternate strips which are parallel to each other on the same piece of land. • It is used when a slope is too steep or when there is no alternative method of preventing soil erosion.

Contour Bunding	• It is the farming practice of ploughing/planting across a slope following its elevation contour lines, that create a water break which reduces the formation of rills and gullies during times of heavy water run-off; which is a major cause of soil erosion.

9.6 CROPPING SEASONS

Kharif	Rabi	Zaid
• **Cropping season**: from July to October during the South-West Monsoon.	• **Cropping season:** from **October to March** during the **North-East Monsoon**.	• **Cropping season:** from **March to June**.
• **Crops:** Rice, maize, sorghum, pearl millet/bajra, finger millet/ragi (cereals), arhar (pulses), soybean, groundnut (oilseeds), cotton etc.	• **Crops:** wheat, barley, oats (cereals), chickpea/gram (pulses), linseed, mustard (oilseeds) etc.	• **Crops:** Seasonal fruits and vegetables.

9.7 MAJOR CROPS AND PRODUCING STATES

Crop	Top 3 Largest Producing States (Descending Order)
Rice	• West Bengal, Uttar Pradesh, Punjab
Wheat	• Uttar Pradesh, Punjab, Madhya Pradesh
Maize	• Karnataka, Madhya Pradesh, Bihar
Nutri cereals	• Rajasthan, Karnataka, Madhya Pradesh
Pulses	• Rajasthan, Madhya Pradesh, Uttar Pradesh
Groundnut	• Gujarat, Rajasthan, Tamil Nadu
Sugarcane	• Uttar Pradesh, Maharashtra, Karnataka
Cotton	• Maharashtra, Gujarat, Telangana
Jute	• West Bengal, Bihar, Assam

Pokkali Rice Varieties:

- **In News**: Recently, Farmers in West Bengal are trying to introduce Pokkali Rice variety from Kerala.
- **Features**: Pokkali is a unique saline tolerant rice variety that is cultivated in an organic way in the waterlogged coastal regions of Alappuzha, Thrissur and Ernakulam districts of Kerala.
- **Season**: June to early November when the salinity level of the water in the fields is low.
- **GI Recognition**: The uniqueness of the rice has brought it the GI tag and is the subject of continuing research.

9.8 FARMING SYSTEMS

Wetland Farming	• Farming in flooded or irrigated soils, lake, pond or canal and land which is always in submerged condition.
Dry Land Farming	• Practice of crop production entirely depending upon rainfall or moisture conserved in the soil.
Rain Fed Farming	• Crop production in areas where rainfall is, more than **750mm** (i.e. assured rainfall areas).
Mixed Farming	• System of farming on a particular farm which includes crop production, raising livestock, poultry, fisheries, beekeeping etc.

9.9 AGRICULTURE INPUTS

- **Physical Factors:**
  - Relief, Climate and Soil
- **Institutional Factors:**
  - Land Holding, Land Tenure and Land Reforms
- **Infrastructural Factors:**
  - Irrigation, Power, Transport, Credit, Marketing, Insurance and Storage
- **Technological Factors:**
  - Seeds, Fertiliser, Insecticide and Farm Machinery
- **Other Factors:**
  - Government Policy, Extension Services, Education and Skilling

- **Land**: Agriculture is a land based activity. Size and quality of land has a direct effect on agriculture productivity and farmers' income. Land ownership serves as a social value & security against credit.
- **Land Holding**: Average landholding size of households has shrunk marginally to **1.1** hectare in **2015-16** from **1.16 hectare** in **2012-13**. **86.21%** of India's cultivated farmland is held by small and marginal farmers with less than **2 hectare** of land; While those with **10 hectare** and more account for just **0.57%**.

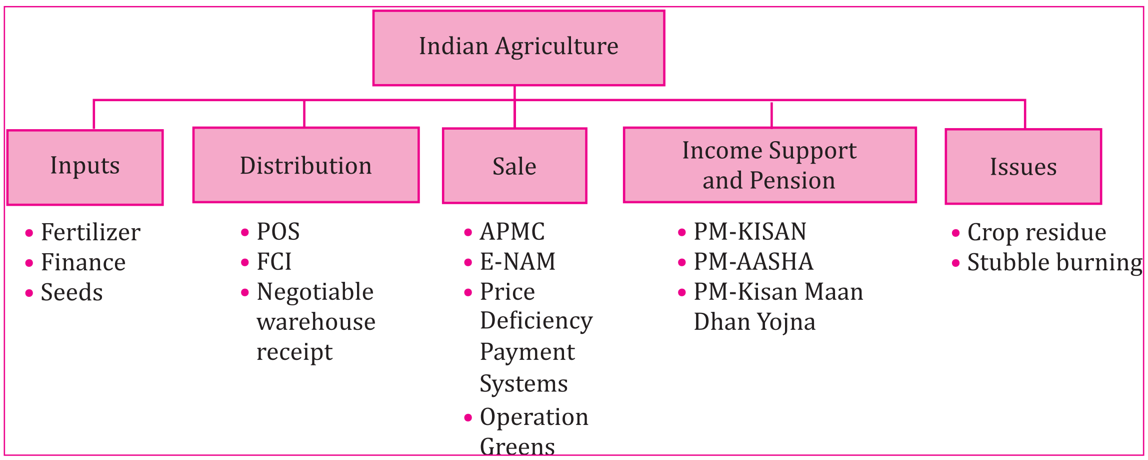


Figure 9.1: Indian Agriculture

9.10 IRRIGATION

- While India accounts for more than **17%** of the world population, we have barely **4%** of the world's water resources.
- **Irrigation water productivity**: ratio of the crop output to the irrigation water applied. To produce 1kg of rice, India requires 3,000-5,000 litres of water while China uses just 2500 litres to produce 1kg of rice. To improve water use efficiency, there is a need to promote **traditional water storage systems.**

Traditional water storage systems with State	
Jal Mandir	Gujarat
Khatri & Kuhl	Himachal Pradesh
Zabo	Nagaland
Eri & Ooranis	Tamil Nadu
Dongs	Assam
Katas & Bandhas	Odisha & Madhya Pradesh

A. Government Schemes to Promote Irrigation

Minor Irrigation Schemes	Up to 2000 hectares of Cultivable Command Areas.
Medium Irrigation Schemes	2000 hectare < **Cultivable Command Areas** < 10,000 hectares.
Major Irrigation Schemes	Cultivable command Areas > 10000 hectares

- **Pradhan Mantri Krishi Sinchai Yojana (2015):**
  - Accelerated Irrigation Benefit Programme (AIBP)
  - Watershed Development
  - Setup water harvesting structures → check dams, Nala bund, farm ponds, tanks etc.
  - Har Khet ko Pani
  - Per Drop more Crop

9.11 FERTILISER/PLANT NUTRIENTS

- Ideal **Nitrogen: Phosphorus: Potassium (NPK) ratio** in soil **4:2:1**, for India it's **8:3:1**
- **Important Facts about Fertilisers:**
  - **Second largest consumer of urea** after China.
  - **Second** in the **production of Nitrogenous** fertiliser.
  - One of eight **core industries**.
  - **Second biggest subsidy** after food.
  - **Potash** is met through imports.

Urea

- Not included in the Nutrient Based Subsidy.
- Source of nitrogenous fertiliser.

- **Urea Subsidy**: Central Sector Scheme which includes freight subsidy for movement of urea across the country.
- Diversion of urea to plywood and animal feed makers, smuggled to neighbouring countries like Bangladesh and Nepal - Neem coated urea is one of the solutions.
- **Urea overuse**: detrimental to the fiscal health of the economy, proving detrimental to the soil health of the country.

A. Nutrient Based Subsidy (NBS)

- The Scheme was initiated in the year 2010.
- Implemented by the **Department of Fertilisers.**
- Envisaged linking subsidy to nutrient composition (N, P, K & S) rather than products.
- **Aim**: to discourage farmers from applying too much urea containing only nitrogen and increase the consumption of P&K fertilisers which will result in balanced fertilisation.
- Applicable to 22 fertilisers (other than Urea).

B. Neem Coated Urea (NCU)

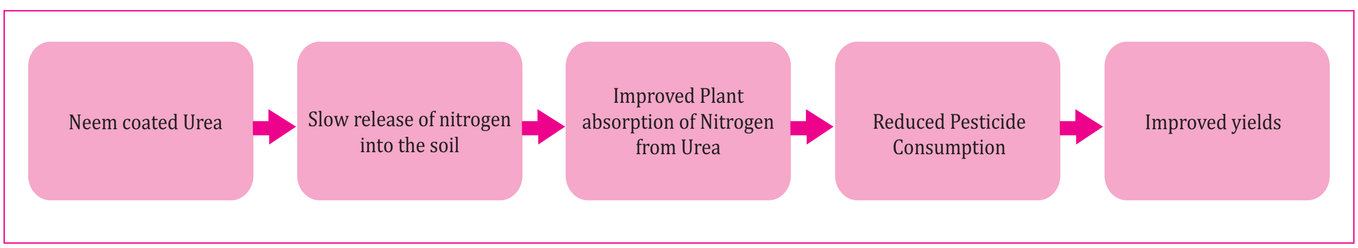


Figure 9.2: Neem coated Urea

- **Introduction:**
  - **The Department of Fertilisers** (DoF) has made it mandatory for all the domestic producers to produce **100%** urea as **Neem Coated Urea** (NCU).
- **Benefits:**
  - Improvement in soil health.
  - Reduction in usage of plant protection chemicals.
  - Reduction in pest and disease attack.
  - An increase in yield of **paddy**, **sugarcane**, **maize**, **soyabean**, **Tur/Red Gram**.
  - Negligible diversion towards non-agricultural purposes.
  - Due to slow release of Nitrogen, **Nitrogen Use Efficiency** (NUE) of Neem Coated Urea increases resulting in reduced consumption of NCU as compared to normal urea.
- **Objective of New Urea Policy 2015:**
  - To maximise indigenous urea production.
  - To promote energy efficiency in the urea units.
  - To rationalise the subsidy burden on the Government of India.

Additional Information	
Important Terms	
Fertigation	Mixing water-soluble fertilisers in drip system, where fertiliser is delivered into the root system which reduces wastage of fertilisers.
Mulching	It is a simple process of covering the bare soil with straw, wood chips, shredded bark etc. to reduce the water evaporation, soil erosion and weed growth.

C. Market Development Assistance (MDA) Policy

- **Objective:**
  - To promote the use of alternative fertilisers →Atma Nirbhar in Fertilisers
- **Key Points:**
  - MDA policy was earlier limited to city compost only.
  - There were demands to expand this policy by incorporating organic waste like **Biogas**, **Green Manure**, **organic compost of rural areas**, **solid/ liquid slurry** etc.
  - This expansion will fully complement the **Swachh Bharat Abhiyan**.

Space Technology in Fertilizer Sector

- Department of Fertilisers → a three-year Pilot Study on "Resource Mapping of Rock Phosphate using Reflectance Spectroscopy and Earth Observations Data" by **National Remote Sensing Centre** under ISRO, in collaboration with **Geological Survey of India** (GSI) and the **Atomic Mineral Directorate** (AMD).

9.12 FINANCE/CREDIT

- **Priority Sector Lending Sectors**: Agriculture, Micro, Small and Medium Enterprises, Export Credit, Education, Housing, Social Infrastructure, Renewable Energy, etc.
- **All scheduled commercial banks and foreign banks** (with a sizable presence in India) are required to set aside **40%** of their Adjusted Net Bank Credit (ANDC) for lending to these sectors.
- **Regional rural banks, Co-operative banks** and **Small Finance banks** have to allocate **75% of ANBC** (Adjusted Net Bank Credit) to PSL.
- **MSP** policy, Kisan Credit Card scheme, PM-KISAN
- **Institutions**: Cooperatives, NABARD, RRB's

- **NABARD (National Bank for Agriculture and RuralDevelopment)**
- **Established:** NABARD Act of 1981
- **Objective:** providing and regulating credit to farmers, small- scale industries, cottage and village industries, handicrafts etc. in rural areas.
- **Refinances the financial institutions:** state cooperative agriculture and rural development banks (SCARDBs), state cooperative banks (SCBs), regional rural banks (RRBs), commercial banks (CBs) which finances the rural sector.
- **Promotes:** SHG-Bank linkage programme for encouraging banks to lend to SHGs.

9.13 SEEDS

- Quality seeds are essential to increase yield; Green Revolution – HYV (High Yielding Variety) Seeds are used.

A. Seed Village

- A village wherein trained group of farmers are involved in production of seeds of various crops; cater to the needs of themselves and to the neighbouring villages.

B. India's Seed Bank

- At Chang La in Ladakh, Jammu and Kashmir.

Additional Information

- Svalbard Global Seed Vault (Norway) → world's largest seed storage facility situated.

C. Draft Seed Bill 2019

- By the Ministry of Agriculture & Farmers' Welfare, presently under Parliament's consideration.
- **Aims**: to regulate the quality of seeds sold and facilitate the production and supply of these seeds to farmers.

D. Seed Replacement Rate (SRR) or Seed Replacement Ratio

- Measures how much of the total cropped area was sown with certified seeds in comparison to farm saved seeds.
- Higher the Seed Replacement Ratio, higher is the production as well as productivity.
- India suffers from a dismal seed Replacement Ratio.

Nucleus Seeds → Breeder Seeds → Foundation Seeds → Registered Seeds → Certified Seeds

Figure 9.3: Seeds

E. Soil Health Card

- **Printed report card**; given to all farmers at an interval of **2 years**; implemented by the **Ministry of Agriculture and Farmers welfare**.
- **The cost of sampling; testing and reporting** is borne by the Central Government.
- Village level soil testing labs will be set up by youth having education in **agriculture**, **SHGs**, **FPOs** etc.
- It provides two sets of fertiliser recommendations for **six crops** including recommendations of organic manures and recommendations for additional crops on demand.

Soil samples are tested with respect to 12 parameters
• **Macronutrients:** Nitrogen (N), Phosphorus (P), Potassium (K)
• **Secondary nutrient:** Sulphur (S); Micronutrients: Zinc (Zn), Iron (Fe), Copper (Cu), Manganese (Mn), Boron (B)
• **Micronutrients:** Zinc (Zn), Iron (Fe), Copper (Cu), Manganese (Mn), Boron (B)
• **Physical parameters:** pH, EC (electrical conductivity), OC (organic carbon)

9.14 DISTRIBUTION

- It is the Supply of food grains and distribution of essential commodities to the poor through a network of **Fair Price Shops** (FPS) at subsidised prices.
- **Public Distribution System:**
  - Integrated Management of Public Distribution System → nation-wide portability of ration card holders under the **National Food Security Act, 2013** (NFSA), through the **One Nation-One Ration Card** system.
- **One Nation, One Ration Card Initiative:**
  - Making standard format for ration cards.
  - Enables beneficiaries under NFSA to purchase subsidised food grains from any fair price shop in these states.
  - Ration card holders buy food grains from **anywhere** in the country.
- **Negotiable Warehouse Receipts (NWR):**
  - **Launched: 2011**, by the **Ministry of Consumer Affairs, Food & Public Distribution.**
  - **Objective:** Farmers can seek loans from banks against the warehouse receipts issued to them against their storage.
  - **Regulated:** Warehousing Development and Regulatory Authority (WDRA).
  - **Receipts Issued:** Warehouses registered with the WDRA → fully negotiable instrument backed by a Central legislation.
  - **Benefits:** Avoid distress sale of agricultural produce, allow transfer of ownership of that commodity without having to deliver the physical commodity, enhance banks' interest in lending in respect of farm goods, Can increase liquidity in the rural areas, Encourage scientific warehousing of goods.
- **Electronic Negotiable Warehouse Receipt (e-NWR) System:**
  - launched in 2017.
  - **Benefits:** Farmers will not have to worry about losing the receipt + Stop multiple bank loans on a single receipt.

Food Corporation of India (FCI):

- **Nodal agency** under Ministry of Consumer Affairs, Food and Public Distribution → procurement; storage and movement of food grains; public distribution; maintenance of buffer stocks.
- **It procures food grains:**
  - At Minimum Support Price (MSP).
  - On an open-ended basis.

- Procurement is also done by State Government Agencies and private rice millers on behalf of the FCI.
- The food grains are also disposed of by FCI and State Governments through sale under Open Market Sales Scheme.

9.15 AGRICULTURE MARKET

- **Agricultural Produce Market Committees (APMC):**
  - Established **by the States.**
  - **Aim:** to eliminate the incidence of exploitation of the farmers by the intermediaries; food produce must be brought to the market; sales are made through auction.
  - **As per APMC Act:** the sale/purchase of agricultural commodities in a specified market area; producer-dealers or traders pay the requisite market fee, user charges, levies and commissions for the commission agents; Charges were levied irrespective of whether the sale took place inside APMC premises or outside it; the charges varies widely across states and commodities.
- **E-NAM:**
  - Launched in 2016.
  - **Pan-India electronic trading portal** for farm produce, aims to create a unified national market for agricultural commodities by integrating existing APMC markets.
- **Minimum Support Prices (MSP):**
  - Minimum price **set by the Government** to protect farmers from the price volatility of Agri commodities
  - **Recommended by:** Commission for Agricultural Costs and Prices (CACP)
  - **Approved by:** Cabinet Committee on Economic Affairs (Headed by PM)
  - **Nodal Agency:** Food Corporation of India (FCI)
  - As per Swaminathan **Commission for Agricultural Cost and Prices** (CACP)**-** there are three types of production costs:
    - **A2**: Actual paid out cost
    - **A2+FL**: Actual paid out cost plus imputed value of family labour.
    - **C2**: Comprehensive cost including imputed rent and interest on owned land and capital
  - **CACP** considers both **(A2+FL)** and **C2** costs while recommending MSPs.
  - **C2** costs are used as benchmark reference costs (opportunity costs) to see if the MSPs recommended by them at least cover these costs in some of the major producing States
  - **MSP is declared for:**
    - **Cereals** (7): Paddy, Wheat, Barley, Jowar, Bajra, Maize and Ragi
    - **Pulses** (5): Gram, Arhar/ Tur, Moong, Urad and Lentil
    - **Oilseeds** (8): Groundnut, Rapeseed/Mustard, Toria, Soyabean, Sunflower seed, Sesamum, Safflower seed and Niger seed
    - **Copra**
    - **De-husked coconut**
    - **Raw cotton**
    - **Raw jute**
    - **Sugarcane (Fair and remunerative price)**
  - **Commission for Agricultural Costs and Prices (CACP):**
    - Formed in 1965, it is a **statutory body** and comes under the **attached office of the Ministry of Agriculture and Farmers Welfare.**
    - **Recommend:** MSPs to incentivize the cultivators to adopt modern technology + raise productivity + overall grain production.
    - Submits reports recommending prices for Kharif and Rabi seasons.
    - **Commission:** Chairman; Member Secretary; one Member (Official) and two Members (Non-Official).
    - **Non-official members**: representatives/ Associates with the farming community.

9.16 SUGARCANE PRICING

- Sugarcane price is fixed by the centre/State, while the price of sugar is market determined.
- **Fair and Remunerative Price (FRP):**
  - The minimum price that the sugar mills have to pay to farmers; fixed by the Union government based on recommendations of CACP; Governed by the statutory provisions of the Sugarcane (Control) Order, 1966 issued under the Essential Commodities Act (ECA), 1955.
- **Rangarajan Committee report:**
  - Reorganising the sugarcane industry; alternative to MSP in Sugar Industry; Assures margins to farmers, irrespective of whether sugar mills generate a profit or not.
  - **Besides FRP**, some states (Punjab, Haryana, Uttarakhand, UP and TN) announce a **State Advised Price** → generally higher than the FRP.

9.17 IMPORTANT AGRICULTURE AND INCOME SUPPORT SCHEMES

Specification	PM-KISAN Scheme	Kalia Scheme	Rythu Bandhu Scheme
Government	Union Government	• Odisha	Telangana
Objective	Income support to farmers for easing their liquidity needs to facilitate timely access to inputs.	• To accelerate agricultural prosperity and reduce poverty in the State and also to encourage cultivation and associated activities	To break the vicious cycle of rural indebtedness.
Criteria	All the farmers irrespective of farm size.	• Small and marginal farmers • Landless agricultural households • Vulnerable agricultural household • Sharecroppers	All the Farmers
Sharecroppers	No	• Included	No
Assistance Provided	Rs 6,000 per year to farmers.	• Annual assistance of Rs 12,500 each (Rabi and Kharif).	Rs 5,000 per acre per Season
Insurance Support	NA	• Rs 2 Lakhs	NA
Interest Free Crop Loan	NA	• Loans up to Rs 50,000 @ 0% interest rate.	NA

9.18 COMMITTEES RELATED TO AGRICULTURE

- **National Commission on Farmers/ Swaminathan Committee (2004):**
  - **Chairman:** Prof. M.S. Swaminathan.
  - **Recommended:** to fix minimum support prices (MSP) for crops at levels at least 50 per cent more than the weighted average cost of production.
- **Beekeeping Development Committee:**
  - **Chairman:** Bibek Debroy
  - **Recommended:** to recognize honeybees as inputs to agriculture and considering landless beekeepers as farmers.
- **Shanta Kumar Committee (2014) Recommendations:**
  - Reduce the number of beneficiaries under the **Food Security Act**
  - Allow private players to procure and store food grains
  - Stop bonuses on Minimum Support Price (MSP)
  - FCI should involve itself in full-fledged grain procurement only in those states which are poor in procurement
  - Abolishing levy rice
  - Deregulate fertiliser sector
  - Outsource of stocking of grains
  - Clear and transparent liquidation policy for buffer stock
- **Ashok Dalwai committee (2016):**
  - **Objective:** Doubling Farmers Income (by 2022)
  - **Recommendations:**
    - Placing agricultural marketing in the **concurrent list**.
    - Greater private participation.
    - Upgrading the existing rural periodical markets as Primary Rural Agricultural Markets for meeting the rural retail market demand.
    - FPO's can play a pivotal role in integrating small and marginal farmers into the agricultural market system.

9.19 OTHER AGRICULTURE RELATED INSTITUTIONS

- **Small Farmer Agri Business Consortium**
  - **Autonomous Society** promoted by the Ministry of Agriculture and Farmers Welfare.
  - **Objective:** To promote agri-business project development in their respective States; Farmer Producer Organizations (FPOs)/Farmer Producer Companies (FPCs); Implementation of e-NAM platform.
  - **Important Schemes by SFAC:** Equity Grant & Credit Guarantee Fund (EGCGF) Scheme; Farmer Producer Organization (FPO) Scheme; National Agriculture Market (NAM) Scheme, etc.
  - **Kisan Rath App:** Ministry of Agriculture → transport of farm produce during lockdown.
- **APEDA (Agricultural and Processed Food Products Export Development Authority):**
  - **Statutory body** under the **Ministry of Commerce and Industry.**
  - Promotes export of agricultural and processed food products from India.
  - Entrusted with the responsibility to monitor import of sugar.
- **FPOs (Farmers Producer Organization):**
  - A type of Producer organisation where the members are farmers.
  - **Benefits:** better collective strength; access to quality input, technology, credit; marketing access through economies of scale; realisation of income.
  - **Issues:** difficulty in mobilising farmers, proper management, limited membership, autonomy and credit restrictions without offering collateral.

AGMARK

- **Certification mark** employed on agricultural products in India, assuring that they conform to a **set of standards approved** by the **Directorate of Marketing and Inspection** under the **Ministry of Agriculture**.
- The present AGMARK standards cover quality guidelines for **222 different commodities** spanning a variety of pulses, cereals, essential oils, vegetable oils, fruits and vegetables and semi-processed products like **vermicelli**.

9.20 CONTRACT FARMING

- Contract farming is based on a **pre-harvest agreement** between the buyers and producers.
- It is under the **Concurrent List under the 7th Schedule** of the Indian constitution.
- **Model Contract Farming Act, 2018:**
  - Ensures buying of the entire pre-agreed quantity and price from the farmers.
  - All pre-production; production; post-production services are under its ambit.
  - Bars the transfer of ownership of the farmer's land to sponsor companies.
  - Contract farming will remain outside the ambit of the APMC Act of the states/UTs.
  - Limits of stockholding of agricultural produce will not be applicable on produce purchased under contract farming.

9.21 ORGANIC FARMING

- **India ranks 1st in number** of organic farmers and **9th in terms of area** under organic farming.
- **Sikkim** → the **first State** in the world to become fully organic in 2016.
- The major organic exports → flax seeds, sesame, soybean, tea, medicinal plants, rice and pulses.
- There was an increase of nearly **50%** in organic exports in **2018-19**, touching **Rs. 5151 crore**.

9.22 GOVERNMENT INITIATIVES TO PROMOTE ORGANIC FARMING

A. Mission Organic Value Chain Development for Northeast Region (MOVCD)

- **Central Sector Scheme**, a sub-mission under **National Mission for Sustainable Agriculture (NMSA).**
- **Launched**: Ministry of Agriculture and Farmers' Welfare in 2015
- **States**: Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim and Tripura.
- **Aims**: to develop certified organic production in a value chain mode to link growers with consumers and to support the development of the entire value chain.

B. Paramparagat Krishi Vikas Yojana (PKVY)

- Launched in 2015 → elaborated component of Soil Health Management (SHM) of the major project National Mission of Sustainable Agriculture (NMSA).
- Promoted → organic farming through adoption of organic villages by cluster approach and Participatory Guarantee System (PGS) certification.

C. National Program for Organic Production (NPOP)

- NPOP grants organic farming certification through a process of third-party certification for export purposes.

D. PM Formalization of Micro Food Processing Enterprises (PM-FME)

- The Ministry of Food Processing Industries (MoFPI) launched the PM FME scheme as a part of 'Atma Nirbhar Bharat Abhiyan'.
- Aims to bring in new technology, apart from affordable credit to help small entrepreneurs penetrate new markets.

9.23 ZERO BUDGET NATURAL FARMING (ZBNF)

- **The Indian PM said at the United Nations conference on desertification (COP-14)** that India is focusing on Zero-Budget Natural Farming (ZBNF). ZBNF was also highlighted in budget 2019 in the bid to double farmer's income by 2022.
- **Zero Budget:**
  - Without using any loan, and without spending any money on purchase of inputs (seeds, fertilisers).
- **Natural farming:**
  - Natural farming without chemicals, using - biofertilizers, earthworms, cow dung etc.
  - Originally **promoted by agriculturist Subhash Palekar**, who developed it in the mid-1990s as an alternative to the Green Revolution's methods that are driven by chemical fertilisers and pesticides and intensive irrigation.
- **Four components of ZBNF:**

1. Jeevam-rutha	• It is a mixture of fresh cow dung and aged cow urine (both from India's indigenous cow breed), jaggery, pulse flour, water and soil; to be applied on farmland.
2. Bijamrita	• It is a concoction of neem leaves & pulp, tobacco and green chilies prepared for insect and pest management, that can be used to treat seeds.
3. Acchadana (Mulching)	• It protects topsoil during cultivation and does not destroy it by tilling.
4. Whapasa	• It is the condition where there are both air molecules and water molecules present in the soil. Thereby helping in reducing irrigation requirements.

9.24 RAINBOW REVOLUTION IN AGRICULTURE

- **Green Revolution:**
  - **First Green Revolution (mid 1960's to mid 1970's):** to ensure food security as there was severe scarcity of food in the country.
  - **Second Green Revolution (1970's-1980's):** creating sustainable agriculture by leveraging advancements in technology.
  - **Bringing Green Revolution in Eastern India:**
    - Flagship programme **under Rashtriya Krishi Vikas Yojana (RKVY).**
    - Announced in the Union Budget, 2010-11.
    - **Aim**: Address the constraints limiting the productivity of "rice-based cropping systems".
    - **Focus:** bringing the 2nd Green Revolution in the eastern region, which has rich water resources.
    - **Includes Seven States**: Assam, Bihar, Chhattisgarh, Jharkhand, Odisha, West Bengal and eastern Uttar Pradesh (Poorvanchal).
- **Blue Revolution- Fisheries:**
  - **Launched:** During the **seventh five-year plan** from **1985 to 1990.**
  - **Pradhan Mantri Matsya Sampada Yojana**: to bring all fishermen under the ambit of farmer welfare programs and social security schemes.
  - **Aim:** to augment fish production to achieve its target of 15 million tonnes by 2020 under the blue revolution and raise it thereafter to about 20 million tonnes by 2020 to 2023.
  - **Mission Fingerling:** facilitate establishment of hatcheries and Fingerling rearing pond to ensure the fish production of fish fingerling, Post Larvae of shrimp and crab in the country.
- **White Revolution-Milk:**
  - **Nodal Department:** Department of Animal Husbandry and Dairying.
  - **Started by:** National Dairy Development Board (NDDB) in 1970s.
  - **Objective:** to create a nationwide milk grid.
  - **Result:** India became the largest producer of Milk and Milk Products.
  - **Dr. Verghese Kurien** and Gujarat-based co-operation **Anand Milk Union Limited** (AMUL) are associated with white revolution.

9.25 ANIMAL HUSBANDRY

- **Article 48 (DPSP):** requires the State to organise animal husbandry on modern and scientific lines, preserving and improving breeds, and prohibiting the slaughter of cows and other cattle.
- **Budget 2020:**
  - **To eliminate following disease by 2025 -**
    - **Cattle**: Foot and Mouth disease, Brucellosis,
    - **Sheep and goat**: Peste Des Petits Ruminants(PPR)
  - Use **MGNREGA** workers to develop fodder farms.
- **Important Schemes/Initiatives**

A. Pashudhan Sanjivani

- **Animal Wellness Programme** with emergency helpline.
- Farmers given **Nakul Swasthya Patra- An Animal Health card** with **UID** identification number of each **animal registered** in a **National Database.**

B. e-Pashudhan Haat portal

- Online portal for connecting farmers with breeders of indigenous bovine breeds so they can connect with each other for bulls, artificial insemination etc.

C. Rashtriya Gokul Mission

- Indigenous bovine breeds **-** conserve them & increase their population. **E.g.** Gir, Sahiwal, Rathi, Deoni, etc.
- State govts are given money for establishing Gokul Gram breeding & disease treatment centres.

D. National Kamdhenu Breeding Centre

- For development and conservation of indigenous breeds in a scientific manner.

E. Rashtriya Kamdhenu Aayog 2019

- **Ministry:** Animal Husbandry & Dairying.
- **Aim:** Genetic up-gradation of cow resources + Enhance cow productivity through research in organic manure, biogas etc; Cow welfare, cow protection laws.

10 Industry & Infrastructure

10.1 INTRODUCTION

- **Industry** refers to an economic activity that is concerned with **production of goods, extraction of minerals or the provision of services**.
- **Example:** Iron and Steel industry (production of goods), Coal mining industry (extraction of coal) and tourism industry (service provider) etc.

10.2 CLASSIFICATION OF INDUSTRIES

- Industries can be classified on the basis of raw materials, size and ownership.

A. Based on Raw Materials

- **Agro based Industries:**
  - Use **plant and animal-based products** as their raw materials.
  - Examples- Food processing, vegetable oil, cotton textile, dairy products and leather industries.
- **Mineral based Industries:**
  - Primary industries that use **mineral ores** as their raw materials.
  - The products of these industries feed other industries.
  - Iron made from iron ore is the product of mineral based industry. This is used as raw material for the manufacture of a number of other products, such as heavy machinery etc.
- **Marine based Industries:**
  - Use products from the sea and oceans as raw materials.
  - Industries processing seafood or manufacturing fish oil are some examples
- **Forest based Industries:**
  - Forest based industries utilise forest produce as raw materials.
  - The industries associated with forests are pulp and paper, pharmaceuticals, furniture and buildings.

B. Based on Size

- It refers to the amount of capital invested, number of people employed and the volume of production.
- **Small scale Industries:**
  - Small scale industries use lesser amounts of capital and technology as compared to large scale industries that produce large volumes of products. E.g. - cottage and household industries.

Size Based Enterprises	
Micro-enterprises	The investment limit will be Rs 1 crore and turnover Rs 5 crores.
Small enterprises	The investment limit will be Rs 10 crores and the turnover Rs 50 crores.
Medium enterprise	The investment limit will be Rs 50 crores and turnover Rs 250 crores.

- **Large scale industries:**
  - Investment of capital is higher and the technology used is superior in large scale industries e.g. - automobiles and heavy machinery industries.

C. Based on Ownership

Private Sector Industries	Owned and operated by individuals or a group of individuals.
Public Sector Industries	These are owned and operated by the government, such as Hindustan Aeronautics Limited.
Joint Sector Industries	Owned and operated by the state and individuals or a group of individuals. E.g. Maruti Udyog Limited
Co-operative sector Industries	Owned and operated by the producers or suppliers of raw materials, workers or both. **Anand Milk Union Limited** (AMUL) and **Sudha Dairy** are success stories of a co-operative venture.

Additional Information	
Kinds of Public Sector Industries	
Departmental Undertaking	• Set up by executive actions, for specifically defined functions, subject to budgetary, audit and other controls of government.
Statutory Corporations	• Set up by the act of the legislature, engaged in economic and manufacturing activity. • These are separate legal entities. • Financing is not done as a part of the budget.
Control Boards	• They are set up to manage government projects.
Cooperative Society	• To support cooperative movement.

Industries Require Compulsory Licensing

- Drugs and pharmaceuticals.
- Hazardous chemicals.
- Gun powder, industrial explosives etc.
- Aerospace and defence related electronics.
- Alcoholic drinks.
- Tobacco, cigarette and related products

10.3 UNION BUDGET, 2022

- **Goals of Amrit Kaal:**
  - Focus on growth and all-inclusive welfare
  - Promoting technology enabled development, energy transition and climate action
  - Virtuous cycle starting from private investment, crowded in by public capital investment
- **PM Gatishakti:**
  - Driven by **seven engines**: Roads, Railways, Airports, Ports, Mass Transport, Waterways, and Logistics Infrastructure.
  - The projects pertaining to these 7 engines in the **National Infrastructure Pipeline** will be aligned with PM Gati Shakti framework.
  - **National Master Plan** aimed at world class modern infrastructure and logistics synergy.
- **Road Transport:**
  - **National Highways Network** to be expanded by **25000 Km** in 2022-23.
  - **Rs 20000** Crore to be mobilised for National Highways Network expansion.
- **Railways:**
  - **One Station One Product** concept to help local businesses & supply chains.
  - 2000 Km of railway network to be brought under Kavach, the indigenous world class technology and capacity augmentation in **2022-23**.
  - 400 new generation **Vande Bharat Trains** to be manufactured during the next three years.
  - **100 PM GatiShakti Cargo** terminals for multimodal logistics to be developed during the next three years.

Parvatmala

- **National Ropeways Development Program,** Parvatmala to be taken up on PPP mode.
- Contracts to be awarded in 2022-23 for 8 ropeway projects of **60 Km length**.

- **Multimodal Logistics Parks:**
  - Contracts to be awarded through PPP mode in **2022-23** for implementation of Multimodal Logistics Parks at four locations.
- **MSME:**
  - Udyam, e-shram, NCS and ASEEM portals to be interlinked.
  - **130 lakh MSMEs** provided additional credit under the Emergency Credit Linked Guarantee Scheme (ECLGS).
- **Emergency Credit Linked Guarantee Scheme (ECLGS):**
  - ECLGS to be extended up to **March 2023**.
  - Guarantee cover under ECLGS to be expanded by **Rs 50000 Crore** to total cover of **Rs 5 Lakh Crore**.
  - **Rs 2 lakh Crore** additional credit for Micro and Small Enterprises to be facilitated under the **Credit Guarantee Trust for Micro and Small Enterprises** (CGTMSE).
  - **Raising and Accelerating MSME performance (RAMP)** programme with outlay of **Rs 6000 Crore** to be rolled out.

- **Telecom Sector:**
  - Scheme for design-led manufacturing to be launched to build a strong ecosystem for **5G** as part of the Production Linked Incentive Scheme.
- **Export Promotion:**
  - Special Economic Zones Act to be replaced with a new legislation to enable States to become partners in **Development of Enterprise and Service Hubs**.
- **Atma Nirbharta in Defence:**
  - **68%** of the capital procurement budget earmarked for domestic industry in **2022-23**, up from **58%** in **2021-22**.
  - Defence R&D to be opened up for industry, startups and academia with **25%** of defence R&D budget earmarked.
  - Independent nodal umbrella body to be set up for meeting testing and certification requirements.
- **Mobilising Resources:**
  - Data Centres and Energy Storage Systems to be given infrastructure status.
  - Venture Capital and Private Equity invested more than **Rs. 5.5 lakh crore** last year facilitating one of the largest start-up and growth ecosystems. Measures to be taken to help scale up this investment.
  - Blended funds to be promoted for sunrise sectors.
- **Sovereign Green Bonds:**
  - They are issued for mobilising resources for green infrastructure.
- **Sunrise Opportunities:**
  - Government contribution to be provided for R&D in Sunrise Opportunities like :
    - Artificial Intelligence,
    - Geospatial Systems and Drones,
    - Semiconductor and its ecosystem,
    - Space Economy,
    - Genomics and Pharmaceuticals,
    - Green Energy
    - Clean Mobility Systems.
- **Ease Of Doing Business 2.0:**
  - Trust based governance.
  - Integration of central and state level systems through IT bridges.
  - Expanding scope of **PARIVESH Portal**
  - Unique Land Parcel.
  - Identification Number for IT based management of land records.
  - Establishing **C-PACE** to facilitate voluntary winding up of companies.
  - End to end online e-Bill System and utilising surety bonds in government procurement.
  - **AVCG** promotion task force.
  - Support for 5G under the PLI scheme.
  - Opening up defence R&D for industry, startups and academia.
- **Ease of Living:**
  - Issuance of chip embedded e-Passports
  - Modernisation of building bye laws, implementing Town Planning Schemes and Transit Oriented Development
  - Establishing Centres of Excellence in urban planning
  - Providing a battery swapping policy as an alternative to setting up charging stations in urban areas.

10.4 INDEX OF INDUSTRIAL PRODUCTION (IIP)

- An index which **details out the growth of various sectors in an economy such as mining, electricity and manufacturing**.
- The all India IIP is a **composite indicator that measures the short-term changes in the volume of production** of a basket of industrial products during a given period with respect to that in a chosen base period.
- It is compiled and **published monthly by the National Statistics Office** (NSO) six weeks after the reference month ends.

10.5 EIGHT CORE SECTORS

- Comprising **40.27%** of the weight of items included in the **Index of Industrial Production (IIP).**
- The **eight core sector industries in decreasing order** of their weightage:
  - **Refinery Products** > **Electricity** > **Steel** > **Coal** > **Crude Oil** > **Natural Gas** > **Cement** > **Fertilisers**.

10.6 IMPORTANT INDUSTRIAL LOCATIONS

- Factors Affecting Location of Industries: Raw material, Capital, Energy, Labour, Market, Water, Communication, Transport, Land, Power etc.

Industry	Places
Iron and Steel Industry	• Bhilai, Durgapur, Jamshedpur, Rourkela, Bokaro are spread in 4 states - West Bengal, Jharkhand, Odisha and Chhattisgarh. • Bhadravati and Vijay Nagar in Karnataka, Visakhapatnam in Andhra Pradesh, Salem in Tamil Nadu • Pittsburg, USA
Cotton Textile Industry	• Coimbatore, Kanpur, Chennai, Ahmedabad, • Mumbai, Kolkata, Ludhiana, Puducherry and Panipat
Information Technology	• Silicon Valley, California and Bangalore, Hyderabad in India
Automobile Industry	• Tends to locate near the iron and steel producing centres. • Mumbai, Chennai, Jamshedpur, Jabalpur and Kolkata
Fertiliser Industry	• Gujarat, Tamil Nadu, Uttar Pradesh, • Maharashtra, Andhra Pradesh, Punjab, Kerala.
Cement Industry	• Andhra Pradesh and Telangana, Rajasthan, Madhya Pradesh, Tamil Nadu, Gujarat, Maharashtra, Jharkhand, Maharashtra, Karnataka etc.

10.7 ECONOMIC REFORMS OF 1991

- **Background:**
  - The year **1991** saw India face an unprecedented financial crisis, triggered by a major Balance of Payments crisis situation.
  - The crisis was converted into a golden opportunity to reform the country's economic situation and make-up and introduce fundamental changes in economic policy.

Washington Consensus

- The term coined by the **US** economist **John Williamson**
- Originally for the **Latin American** countries
- A set of neoliberal economic prescriptions made by the **International Monetary Fund**, the **World Bank**, and the **U.S. Treasury** to developing countries that faced economic crises.
- It recommended structural reforms that increased the role of market forces in exchange for immediate financial help.

- **Objectives:**
  - Enter into the field of **globalisation** and make the economy more market oriented.
  - Reduce the inflation rate and rectify imbalances in payment.
  - Increase the growth rate of the economy and create enough foreign exchange reserves.
  - Stabilise the economy and convert the economy into a market economy by the removal of unwanted restrictions.
  - Allow the international flow of **goods**, **capital**, **services**, **technology**, **human resources** etc. without too many restrictions.
  - Enhance the participation of private players in all sectors of the economy. For this, the reserved sectors for the government were reduced to just **3**.

Liberalisation	Privatisation	Globalisation
• To increase competition amongst domestic industries. • Encouraging Foreign Trade. • Opening up Industrial Sectors De-Licensing (ending licence raj)	• By disinvestment. • By withdrawal of governmental ownership and management of public sector companies.	• **Reduction in tariffs:** a gradual reduction in the customs duties and tariffs on exports and imports to make India attractive to global investment. • **Long term trade policy:** trade policy was enforced for a longer duration.

Main features of India's Trade Policy

- Liberal policy
- Encouragement of open competition
- Controls on foreign trade were removed
- Almost all intermediate and capital goods were freed from the list for import restrictions.
- The Indian currency was made partially convertible.
- The equity limit of foreign capital investment was raised from **40%** to **100%**.
- The **Foreign Exchange Management Act** (FEMA) was enacted replacing the draconian **Foreign Exchange Regulation Act** (FERA).

10.8 INDUSTRIAL POLICIES OF INDIA

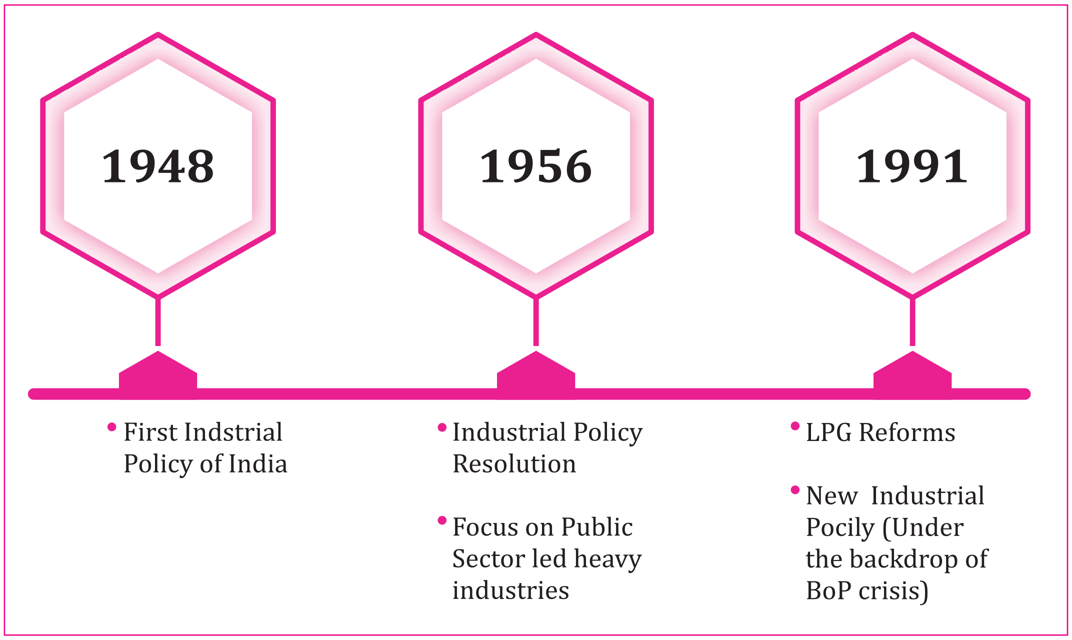


Figure 10.1: Industrial Policies of India

10.9 INDUSTRIAL POLICY RESOLUTION

- **Industrial Policy Resolution, 1948:**
  - Role of the State in industrial development both as an entrepreneur and authority.
  - India's model- **Mixed Economic Model.**
  - **It classified industries into four broad areas**
  - **Strategic Industries (Public Sector):** Central Government had monopoly-Arms and ammunition, Atomic energy and Rail transport.
  - **Basic/Key Industries (Public-cum-Private Sector):** like coal, iron & steel, aircraft manufacturing, ship-building. To be set-up by the Central Government.
  - **Important Industries (Controlled Private Sector):** continued under private sector however, the central government, in consultation with the state government, had general control over them.
  - **Other Industries (Private and Cooperative Sector):** All other industries which were not included in the above mentioned three categories were left open for the private sector.

- **The Industries** (Development and Regulation) **Act** was passed in **1951** to implement the **Industrial Policy Resolution, 1948**.

- **Industrial Policy Resolution, 1956:**
  - **Provision of Licencing →** This provision established the so- called **Licence-Quota-Permit** regime (raj) in the economy
  - Expansion of the Public Sector due to:
    - Emphasis was on heavy industries.
    - Regional Disparity
    - Emphasis on Small Industries
    - Agricultural Sector

Reservation of Industries	
Schedule A	This schedule had **17 industrial areas** in which the Centre was given complete monopoly.
Schedule B	There were **12 industrial areas** put under this schedule in which the state governments were supposed to take up the initiatives with a more expansive follow up by the private sector.
Schedule C	All industrial areas left out of **Schedules A** and **B** were put under this in which the private enterprises had the provisions to set up industries.

- **Industrial Policy Statement, 1969:**
  - Aimed at solving the shortcomings of the licensing policy started by the **Industrial Policy of 1956**.
  - The **Monopolistic and Restrictive Trade Practices** (MRTP) Act was passed
  - The firms with assets of **Rs. 25 crore** or more were put under obligation of taking permission from the **GoI**.
  - For the redressal of the prohibited and restricted practices of trade, the government did set up an MRTP Commission.
- **Industrial Policy Statement, 1973:**
  - A new classificatory term i.e., core industries was created.
  - Out of the six core industries defined by the policy, the private sector may apply for licences for the industries which were not a part of **schedule A** of the I**ndustrial Policy, 1956**.
  - Some industries were put under the reserved list
  - The concept of **joint sector** was developed which allowed partnership among the Centre, state and the private sector while setting up some industries.
  - To regulate foreign exchange the **Foreign Exchange Regulation Act** (FERA) was passed in 1973.
  - A limited permission to foreign investment was given, with the **multinational Corporations** (MNCs) being allowed to set up subsidiaries in the country.
- **Industrial Policy Statement, 1977:**
  - Foreign investment in the unnecessary areas were prohibited
  - Emphasis on village industries with a redefinition of the small and cottage industries.
  - Decentralised industrialisation was given attention with the objective of linking the masses to the process of industrialisation.
  - Democratic decentralisation got emphasised and the khadi and village industries were restructured.
  - Serious attention was given on the level of production and the prices of essential commodities of everyday use.
- **Industrial Policy Resolution, 1980:**
  - Foreign investment via the technology transfer route was allowed again.
  - The **MRTP Limit** was revised upward to **Rs. 50 crore** to promote setting up of bigger companies.
  - The DICs were continued with.
  - Industrial licensing was simplified.
  - Overall liberal attitude followed towards the expansion of private industries.
- **Industrial Policy Resolution, 1985 & 1986:**
  - Foreign investment was further simplified with more industrial areas being open for their entries.
  - The **MRTP Limit** was revised upward to **Rs. 100 crore** promoting the idea of bigger companies.
  - The provision of industrial licensing was simplified.
  - High level attention on the sunrise industries such as telecommunication, computerisation and electronics.
  - Modernization and the profitability aspects of public sector undertakings were emphasised
  - Industries based on imported raw materials got a boost
  - Under the overall regime of **FERA**, some relaxations concerning the use of foreign exchange were permitted to **boost essential technology**.
  - The agriculture sector was attended with a new scientific approach with many technology missions being launched by the government.
- **New Industrial Policy (Economic Reforms) 1991:**
  - **De-reservation of Public sector:** Presently, only two sectors- Atomic Energy and Railway operations- are reserved exclusively for the public sector.
  - **De-licensing:** Abolition of Industrial Licensing except for Electronic aerospace and defence equipment, Specified hazardous chemicals, Industrial explosives, Cigars and cigarettes of tobacco and manufactured tobacco substitutes.
  - **Disinvestment of Public Sector:** Government stakes in Public Sector Enterprises were reduced to enhance their efficiency and competitiveness.
  - Liberalisation of Foreign Investment

10.10 DISINVESTMENT

- Disinvestment means **sale or liquidation of assets by the government,** usually Central and state public sector enterprises, projects, or other fixed assets.

- Disinvestment in **PSUs** means the Government selling/diluting its stake (share) in Public Sector Undertakings in which it has a majority holding.
- Disinvestment is **carried out as a budgetary exercise**, under which the government announces yearly targets for disinvestment for selected PSUs.
- The Department of Investment and Public Asset Management (**DIPAM**) under the **Ministry of Finance** has been made the nodal department for the strategic stake sale in the **Public Sector Undertakings** (PSUs).

A. Main Objectives of Disinvestment in India

- Reducing the fiscal burden on the exchequer
- Improving public finances
- Encouraging private ownership
- Funding growth and development programmes
- Maintaining and promoting competition in the market

B. Types of Disinvestment

Token Disinvestment	Strategic Disinvestment
• Selling **minority shares** of Public Enterprises, to another entity be it public or private is disinvestment.	• When the government sells **majority shares** in an enterprise, that is strategic disinvestment/sale.
• In this the government retains ownership of the enterprise.	• Here, the government gives up the ownership of the entity as well.

10.11 TYPES OF PUBLIC SECTOR ENTERPRISES (PSEs)

A. Miniratna

- **Category I Miniratna:**
  - Those **PSEs** which have made profits continuously for the last **3 years** and earned net profit of rupees **30 crores** or more in **one of the 3 years**.
  - These miniratnas are granted certain autonomy like incurring capital expenditure without government approval up to **Rs. 500 crores** or equal to their **net worth** whichever is lower.
- **Category II Miniratna:**
  - Those **PSEs** which have made profit for the last **3 years** continuously and should have a **positive net worth**.
  - These miniratnas have autonomy to incurring the capital expenditure without government approval up to **Rs. 300 crores** or up to **50%** of their **net worth** whichever is lower.

B. Navratna

- Government introduced the **Navratna** concept in **1997**, it granted enhanced autonomy to nine selected PSEs referred to as **Navratnas**.
- These navratnas were subject to certain guidelines now they have freedom to Incur **capital expenditure**, **decide upon joint ventures**, **set up subsidiaries/offices abroad**, enter into **technological** and **strategic alliances**.
- They can raise funds from **capital markets** (International and Domestic) enjoy substantial operational and managerial autonomy.
- Invest up to **rupees 1000 crores** or **15%** of their **net-worth** on a single project without seeking government approval.

C. Maharatnas

- This category of PSEs was created in **2011**.
- To be eligible for the grant of the **Maharatna** status the company should have -
  - An average turnover of over **RS 25000 crores** average,
  - Annual net worth of more than **15000 crores**
  - Average annual net profit of over **rupees 5,000 crore** during the last **3 years**.
- Maharatna status's board would not be required to take the government permission for investments up to **rupees 5000 crores** in a joint venture project or wholly owned subsidiary.

Circular Economy:

- **Circular Economy**: Entails markets that give incentives to reusing products, rather than scrapping them and then extracting new resources.
- Initiatives of the **National Productivity Council** (NPC) and government show that India is already on its path to the circular economy.
- (**NPC** is an autonomous organisation under the **Ministry of Commerce and Industry**.)

- **Key Initiatives:**
  - Productivity Week 2019's theme was **Circular Economy for Productivity and Sustainability**.
  - Digital India contains a significant component of the recycling of electronic wastes.
  - Swachh Bharat Mission is also about making wealth out of wastes.
- **Linear Economy:**
  - Resource Extraction → Production → Distribution → Consumption → Waste

10.12 SPECIAL ECONOMIC ZONES (SEZ)

- The **SEZ Act 2005 provides a legal framework** for SEZs in India.
- **Salient Features Of SEZs:**
  - Designated duty-free enclave to be treated as a territory outside the customs territory of India.Goods entering into SEZs from the domestic tariff area are treated as exports from India and goods supplied from the SEZ to the DTA are treated as imports into India.
  - No licence required for import.
  - Manufacturing or service activities allowed.
  - Units are required to achieve Positive Net Foreign Exchange within a period of five years.
  - Domestic sales are subjected to full customs duty
  - No routine examination by customs authorities of export/import cargo.
  - SEZ Developers /Co-Developers and Units enjoy Direct Tax and Indirect Tax benefits as prescribed in the **SEZs Act, 2005**.

10.13 INDUSTRIAL CORRIDORS

- Composed of multi-modal transport services with the intent to stimulate industrial development that would pass through the states.
- Projects will be implemented through **National Industrial Corridor Development and Implementation Trust** (NICDIT)- an apex body under the **Department for Promotion of Industry and Internal Trade** (DPIIT), Ministry of Commerce and Industry.
- **Manufacturing** is a key economic driver in these projects.

Industrial Corridors	
Delhi-Mumbai Industrial Corridor (DMIC), (Assistance of Japan)	Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat, Maharashtra
Chennai-Bengaluru Industrial Corridor (CBIC), (Assistance of Japan)	Tamil Nadu, Andhra Pradesh, Karnataka
Bengaluru-Mumbai Economic Corridor (BMEC), (Assistance of UK)	Maharashtra, Karnataka
Amritsar-Kolkata Industrial Corridor (AKIC)	Punjab, Haryana, Uttarakhand, Uttar Pradesh, Bihar, Jharkhand, West Bengal
East Coast Economic Corridor (ECEC), (Assistance of Asian Development Bank-ADB)	West Bengal, Odisha, Andhra Pradesh, Tamil Nadu
Vizag-Chennai Industrial Corridor (VCIC) is the **first coastal economic corridor** in the **country**.	

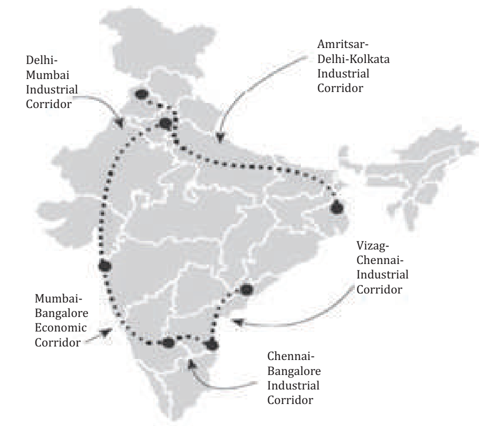


Figure 10.2: Major Industrial Corridors in India

10.14 DEDICATED FREIGHT CORRIDOR (DFC)

- High speed and high capacity railway corridor that is exclusively meant for the transportation of freight
- Seamless integration of better infrastructure and state of the art technology.

A. Eastern Dedicated Freight Corridor (EDFC)

- **Route: Sahnewal** (Ludhiana) in Punjab to **Dankuni** in West Bengal
- **Covered States:** Punjab, Haryana, Uttar Pradesh, Bihar, Jharkhand and West Bengal
- **Route has:** coal mines, thermal power plants and industrial cities.
- **Major Funding:** World Bank

B. Western Dedicated Freight Corridor (WDFC)

- **Route:** Dadri in Uttar Pradesh to Jawaharlal Nehru Port Trust in Mumbai
- **Covered States:** Haryana, Rajasthan, Gujarat, Maharashtra and Uttar Pradesh.
- **Major Funding:** Japan International Cooperation Agency:
  - **Connecting Link for Eastern and Western Arm:** Under construction between Dadri and Khurja.
  - The industrial corridors of **Delhi-Mumbai** and **Amritsar-Kolkata** are also being developed around both these **DFCs**.

10.15 RELATED SCHEMES AND INITIATIVES

A. PM Gati Shakti Scheme

- **Aim:** To ensure integrated planning and implementation of infrastructure projects in the next four years, with focus on expediting works on the ground, saving costs and creating jobs.
- Subsume Rs 110 lakh crore National Infrastructure Pipeline that was launched in 2019.
- **Target:** 11 industrial corridors; 2 new defence corridors (Tamil Nadu and UP); Extending 4G connectivity to all villages; Adding 17,000 kms to the gas pipeline network; Expanding National Highways; etc.

B. Sagarmala

- Seeks to develop a string of ports around India's coast.
- **Objective**: to promote "Port-led development" along India's 7500 km long coastline.
- **Aims**: To develop access to new development regions with intermodal solutions and promotion of the optimum modal split, enhanced connectivity with main economic centres and beyond through expansion of rail, inland water, coastal and road services.
- **Nodal ministry**: The **Union Ministry of Shipping** has been appointed as the nodal ministry for this initiative.
- **Implementing Agency (State):** State governments would set up State Sagarmala committees, headed by the chief minister or the minister in charge of ports.
- **Central level**: Sagarmala Development Company (SDC) will be set up to provide equity support to assist various special purpose vehicles (SPVs) setup for various projects.

C. Bharatmala Pariyojana

- Umbrella program for the highways sector envisaged by the **Ministry of Road Transport and Highways**.
- **Objective:** To optimise the efficiency of freight and passenger movement across the country by bridging critical infrastructure gaps through effective interventions.
- **Economic Corridors:** These are integrated networks of infrastructure within a geographical area designed to stimulate economic development.
- **Greenfield Projects:** They lack constraints imposed by prior work on the site. Typically, it entails development on a completely vacant site and architects start completely from scratch.
- **Brownfield Projects:** They carry constraints related to the current state of the site and might be contaminated or have existing structures that architects have to tear down or modify in some way before the project can move forward.

D. Electronic Way (E-Way) Bill

- Unique bill number generated for the specific consignment involving the movement of goods.
- Mandatory under the GST regime → for inter-state transportation of goods valued over **Rs. 50,000** from **April 2018** (exemption to precious items such as gold.)
- **Mechanism:** to ensure that goods being transported comply with the GST Law and is a tool to track movement of goods and check tax evasion.

E. FASTag

- Reloadable tag that allows automatic deduction of toll without having to stop for carrying out the cash transaction.
- Uses **Radio Frequency Identification (RFID) technology** and is fixed on the windscreen of the vehicle once active.

- **RFID is the use of radio waves to read and capture information** stored on a tag attached to an object.
- A tag can be read from up to several feet away and does not need to be within the direct line-of-sight of the reader to be tracked.

10.16 MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMEs)

- In accordance with the **Micro, Small, and Medium Enterprises Development (MSMED) Act in 2006**, the enterprises are classified into two divisions:
  - **Manufacturing enterprises** – engaged in the manufacturing or production of goods in any industry
  - **Service enterprises** – engaged in providing or rendering services
- MSME ministry has set a **target to up its contribution to GDP to 50% by 2025** as India becomes a $5 trillion economy.
- A person willing to establish a micro, medium or small enterprise shall file registration at the **Udyam registration portal.** The registration is based on **self-declaration.** Upon registration, the enterprise is provided with a unique number called the **Udyam Registration Number** (URN).
- **Udyam Sakhi portal** was launched for women entrepreneurs separately.

Manufacturing Enterprises and Enterprises rendering Services are classified as:	
Micro enterprises	Investments not exceeding **Rs 1 crore** and turnover of **Rs 5 crore.**
Small enterprises	investment up to **Rs 10 crore** and turnover of up to **Rs 50 crore.**
Medium enterprises	investments not exceeding **Rs 50 crore** and turnover of **Rs 250 crore.**

10.17 INTELLECTUAL PROPERTY RIGHTS (IPR)

- They are the rights given to persons over the creations of their minds- inventions, literary and artistic works, and symbols, names etc.
- Give the creator an exclusive right over the use of his/her creation for a certain period of time.
- **Related Treaties:**
  - **Paris Convention for the Protection of Industrial Property (1883)**
  - **Berne Convention for the Protection of Literary and Artistic Works (1886)**. Both treaties are administered by the **World Intellectual Property Organization (WIPO)**
- **Division:**
  - **Copyright and rights related to copyright:** The rights of authors of literary and artistic works (such as books and other writings, musical compositions, paintings, sculpture, computer programs and films) are protected by copyright, for a minimum period of 50 years after the death of the author.
  - **Industrial property:** Trademarks and Geographical Indications. Industrial designs and trade secrets.
- **India and IPR:**
  - India is a member of the WTO and committed to the **Agreement on Trade Related Aspects of Intellectual Property (TRIPS Agreement)**.
  - India is also a member of WIPO, a body responsible for the promotion of the protection of intellectual property rights throughout the world.
- **National IPR Policy, 2016:**
  - Department of Industrial Policy & Promotion (DIPP), Ministry of Commerce is the nodal department to coordinate, guide and oversee the implementation of IPRs in India.
  - 'Cell for IPR Promotion & Management (CIPAM)', setup under DIPP, for implementation of the National IPR Policy.
- **Related Terms:**
  - **Compulsory Licensing**
    - When a government allows someone else to produce a patented product or process without the consent of the patent owner or plans to use the patent-protected invention itself.
  - **Evergreening of Patents**
    - When producers extend the lifetime of their patents in order to retain royalties from them, by either taking out new patents or by buying out, or frustrating competitors, for longer periods of time than would normally be permissible under the law
- **Kapila Programme:**
  - The **Union Education Ministry** has launched **KAPILA** (Kalam Program for IP Literacy and Awareness).

- **Global Innovation Index By WIPO:**
  - India is at the 40th position in 2022. And was in 46th position in 2021.
- **Related Agreements:**
  - **Nice Agreement:** International classification of Goods and Services for the purposes of registration of marks Vienna Agreement
  - **Locarno Agreement:** establishing an International classification for industrial designs.
- **Fourth Industrial Revolution (IR 4.0):**
  - It includes emerging technologies like **robotics, artificial intelligence**, **quantum computing**, **biotechnology**, **Internet of Things** (IoT), **3D printing**, etc.
  - It merges **physical**, **digital** and **biological spheres**.

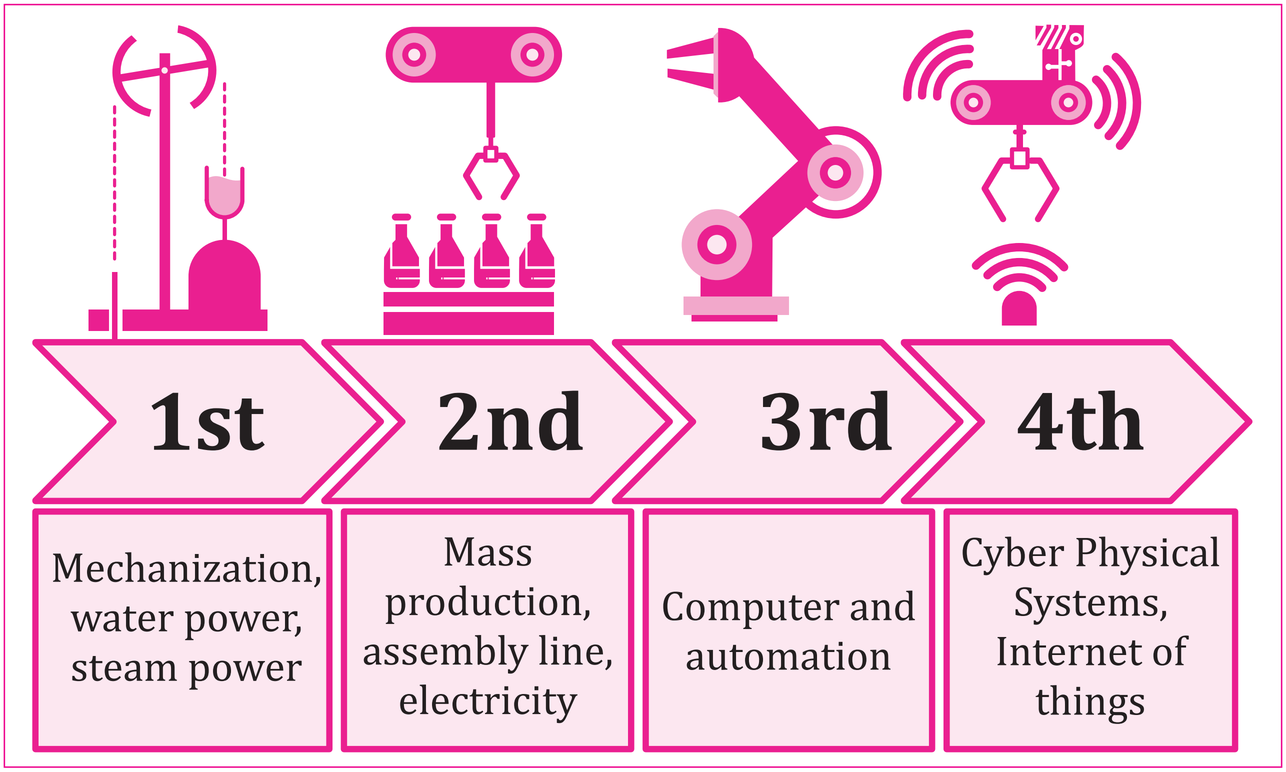


Figure 10.3: Industrial Revolution

- **Patent Prosecution Highway (PPH) Programme**
  - PPH is a set of initiatives for providing accelerated patent prosecution procedures by sharing information between some patent offices. **Example-** between **Japan Patent Office** (JPO) and **Indian Patent Office**.
  - This would allow a patent applicant to demand fast-tracking of his patent application by showing that his product or process has already been granted a patent in **Japan**.

10.18 IMPORTANT REPORTS

Report	Given By	Remark
International intellectual Property Index 2022	• Global Innovation Policy Center or GIPC of the US Chambers of Commerce	• India ranked 43rd out of 55 countries in 2022.
Ease of Doing Business, 2020 **(Presently discontinued)**	• World Bank • **10 parameters considered-** ○ Starting a Business, ○ Dealing with Construction permits,	• India was at 63rd position (2019) out of 190 countries • It improved 14 places from its 77th position in 2018.

	○ Electricity availability, ○ Property registration, ○ Credit availability, ○ Protecting minority Investors, ○ Paying Taxes, ○ Trading across borders, ○ Contracts enforcement, and ○ Resolving Insolvency.	• India continues to maintain its first position among South Asian countries. • It ranks countries on the basis of Distance to Frontier (DTF) score that highlights the gap of an economy with respect to the global best practice.
World Intellectual Property Report	• World Intellectual Property Organisation (WIPO)	• Published every two years.
Index of Economic Freedom	• Heritage Foundation & Wall Street Journal	• Economic freedom is measured broadly on 4 pillars- ○ Rule of Law, ○ Government- fiscal health, tax burden ○ Regulatory efficiency, and ○ Open Markets
Travel and Tourism competitive-ness Index	• World Economic Forum (WEF)	• It measures the factors and policies that make a country a viable place to invest within the Travel and Tourism sector.
Global Competitiveness Index	• World Economic Forum (WEF)	• It measures how productively a country uses its available resources to provide high-level productivity to its citizens.

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11 Service Sector in India

11.1 SERVICE SECTOR

- The basic characteristic of the service sector is the **production of services rather than end-products**.
- Services are **intangible goods** which include attention, advice, experience, and discussion used to enhance productivity, performance, potential and sustainability.
- Backbone of the global economy and the most dynamic component of international trade.
- Example: **communications to transport**, **finance**, **education, tourism**
- Services account for **around 55 per cent of total size of the economy**, about 38 per cent of total exports and two- thirds of total FDI inflows into India.
- Services sector has been the **largest recipient of FDI in India** with inflow of $ 153.01 bn during April 2014 to March 2022.
- **NITI Aayog in partnership with the Institute of Competitiveness released the Export Preparedness Index (EPI) report 2020-** India's merchandise exports have witnessed growth from USD 275.9 billion in 2016-17 to USD 331.0 billion in 2019-20.
- **Composition of the Service Sector (National Income Accounting in India)**

Trade, Hotels, and Restaurant	• Trade • Hotels and Restaurants
Transport, Storage and Communication	• Railways • Transport by other Means • Storage • Communication
Financing, Insurance, Real Estate and Business Services	• Banking and Insurance • Real Estate, Ownership of Dwellings and Business Services
Community, Social and Personal Services	• Public Administration and Defense • Other Services

11.2 SPREAD OF SERVICE SECTOR

- **Union List:**
  - Telecommunications, postal, broadcasting, financial services (including insurance and banking), national highways, mining services.
- **State List:**
  - Healthcare and related services, real estate services, retail, services incidental to agriculture, hunting, and forestry.
- **Concurrent List:**
  - Professional services, education, printing and publishing, electricity.

11.3 ECONOMIC SURVEY 2020-21

- India's **services sector contracted by nearly 16 % during H1 (first half): FY 2020-21**, during the COVID-19 pandemic mandated lockdown, owing to its contact-intensive nature.
- Services sector accounts for over **54 % of India's GVA and nearly four-fifths of total FDI inflow** into India.
- Services sector accounts for **48% of total exports,** outperforming goods exports in recent years.
- India's **space sector** has grown exponentially in the past six decades.

11.4 SERVICE SECTOR PERFORMANCE

A. Tourism Sector

- **FY20:** 39 million jobs (8.0% of the total employment in the country) were created.
- **e-Visa scheme:** foreign tourist arrivals to India on e-visas have increased from 4.45 lakh in 2015 to 23.69 lakh in 2018 and stood at 21.75 lakh in January-October 2019.
- **Schemes:** Swadesh Darshan, National Mission on Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive (PRASHAD), etc.
- **Better connectivity:** flight connectivity to tourist destinations → UDAN Scheme

B. IT-BPM Services

- **March, 2019:** The Indian IT-BPM Industry has an industry size of about US$ 177 billion.
- **Policy initiatives**: Start-up India, National Software Product Policy and removal of issues related to Angel Tax have given a boost to the sector.
- **Start-up Ecosystem**: third largest in the world with 24 unicorns.
- **Schemes:** Pradhan Mantri Digital Saksharta Abhiyan (PMGDISHA), Digital India Mission, Public Procurement (Preference to Make in India) Order 2017, etc.

C. Port and Shipping Services

- **FY20:** major ports in India handled 704.82 million tonnes of cargo traffic.
- **Turnaround time of ships**: a key indicator of efficiency of the ports sector, has been on a continuous decline, almost halving between 2010-11 and 2018-19, from 4.67 days to 2.48 days.
- **Government schemes & initiatives**: Project Unnati, FDI of up to 100% under the automatic route for port and harbour construction and maintenance projects, etc.

D. Telecom Services

- Biggest consumers of data worldwide
- **TRAI**: average wireless data usage per wireless data subscriber was 11 GB per month in FY 2020 - expected to reach 18 GB by 2024.

E. Pharmaceuticals

- India **ranks 3rd worldwide** for pharmaceutical production by volume and 14th by value.

F. Research and Development Services

- At rank **48**, India stands among the top 50 countries in the **Global Innovation Index 2020.** (India's rank- **40th** in the **2022 Global Innovation Index**)
- India's gross expenditure in R&D was forecast to reach **US$ 96.50 billion** in **2020**.
- By **2022**, R&D expenditure is targeted to reach at least **2%** of the country's GDP.
- **R&D Statistics and Indicators, 2019-20:** Report published by the Department of Science and Technology (DST). According to WIPO, India's Patent Office stands at the 7th position among the top 10 Patent Filing Offices in the world. Women participation in R&D projects has increased significantly from 13% in 2000-01 to 24% in 2016-17.

G. Transport Services

- GOI has allocated Rs. 111 lakh crores under the **National Infrastructure Pipeline (NIP)** for FY 2019-25.
- Roads sector is expected to account for 18% capital expenditure over FY 2019-25.
- Indian Railways plans to run on 100 percent electricity by 2024 and become a net-zero emission network by 2030.

H. Power Services

- India is the third-largest producer and second-largest consumer of electricity in the world and had an installed power capacity of 3,74,199 MW as of November, 2020.
- Of this 3,74,199 MW, following is the breakup between different energy sources:
  - Thermal → 61.80%
  - Hydro (Renewable) → 12.20%
  - Nuclear → 1.80%
  - Other Renewable Energy → 24.20%

11.5 CHAMPION SERVICES SECTOR (CSS)

- CSS was identified **to give attention to 12 identified Champion Services Sectors** for realising their potential.
- A fund of Rs. **5000 crores** is proposed.
- It is a Central Sector, umbrella scheme of the Department of Commerce for the **period 2019-20 to 2023-24**.
- **Dept. for Promotion of Industry and Internal Trade is the nodal department** for the Champion Sectors in manufacturing and **the Department of Commerce** would coordinate the proposed initiative for the Champion Sectors in **Services**.
- **The Department of Commerce** would coordinate the proposed initiative for the Champion Sectors in **Services**.
- **Champion service sectors include**
  - IT and ITES
  - Tourism and Hospitality Services
  - Medical Value Travel
  - Transport and Logistics services
  - Accounting and FInance Services
  - Audio Visual Services
  - Legal Services
  - Communication Services
  - Construction and Related Engineering Services
  - Environmental Services
  - Financial Services
  - Education Services

- **India's service sector targets:**
  - The share of India's services sector in global services exports is expected to increase from **3.3%** to **4.2%** for **2022**.
  - This scheme is expected to raise the share of services in **GVA** to **60%** (67% including construction services) by the year **2022** from **53%** for India in **2015-16**.

11.6 WTO AND SERVICES

- The creation of the **General Agreement on Trade in Services (GATS)** was one of the landmark achievements of the Uruguay Round of trade negotiations.
- The **GATS is a legally binding set of rules** covering international trade in services.
- Negotiations is services under GATS are classified in 4 modes, interests of different countries depend upon this classification:

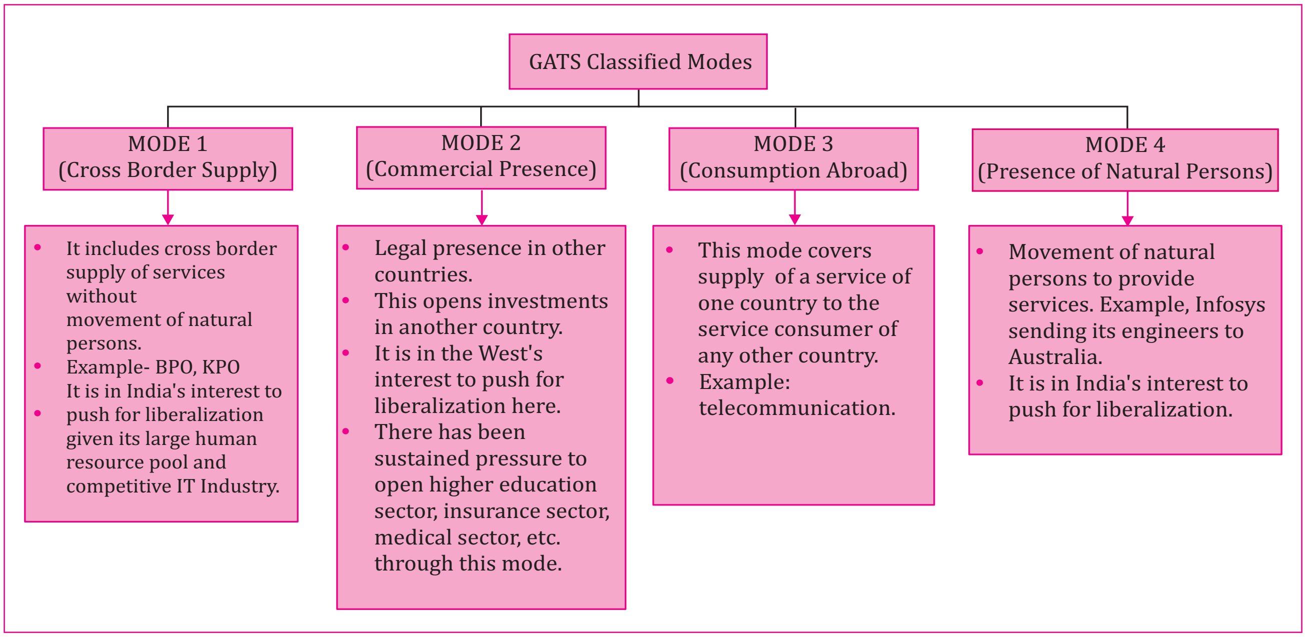


Figure 11.1: Classification of services under GATS

11.7 GOVERNMENT SCHEMES & INITIATIVES

A. Start-Up India Scheme

- A startup is defined as an entity that is:
  - Headquartered in India,
  - Opened less than 10 years ago,
  - an annual turnover less than RS. 100 cr
- **Principal financial institution:** Small Industries Development Bank of India (SIDBI)

B. Start Up India Fund/ Funds of Funds for Startups

- Launched in the **year 2016** with the **corpus of Rs.10,000 crore**
- **SIDBI** manages the fund.
- The government launched this fund **to help startups get funding in early stages**.
- The **fund does not directly invest in startups**, instead, it allocates money to venture capitalists (VC) funds, which are required to invest at least twice the amount of contributions received from the government.

11.8 SERVICES: ECONOMIC SURVEY 2021-22

- GVA of services crossed pre-pandemic level in **July-September** quarter of **2021-22**; however, GVA of contact intensive sectors like trade, transport, etc. still remain below pre-pandemic level.
- Overall service Sector GVA is expected to grow by **8.2 percent** in **2021-22**.
- During the first half of **2021-22**, the service sector received over **US$ 16.7 billion** FDI – accounting for almost 54 percent of total FDI inflows into India.
- IT-BPM services revenue reached **US$ 194 billion** in **2020- 21**, adding **1.38 lakh** employees during the same period.
- Major government reforms include, removing telecom regulations in the IT-BPO sector and opening up the space sector to private players.
- **India** has become the **3rd largest start-up ecosystem in the world after the US and China**. Number of new recognized start- ups increased to over 14000 in 2021-22 from 733 in 2016- 17.
- **44 Indian start-ups have achieved unicorn status in 2021** taking the overall tally of unicorns to 83, **most of which are in the services sector.**

12 Human Development and Sustainable Development

12.1 HUMAN DEVELOPMENT

- Human development is defined as the process of enlarging people's freedoms and opportunities and improving their well-being rather than simply the richness of the economy in which human beings live.
- Income growth is seen as a means to development, rather than an end in itself.
- **Four pillars of human development**

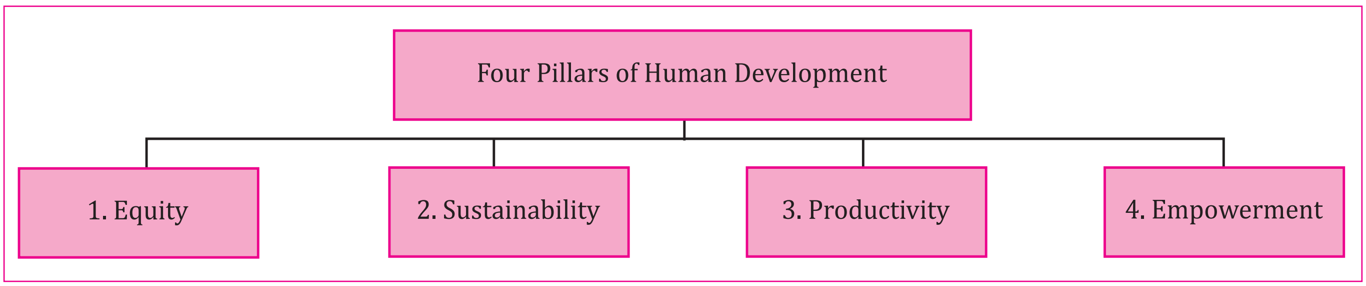


Figure 12.1: 4-Pillars of Human Development

12.2 APPROACHES TO HUMAN DEVELOPMENT

A. Income Approach

- Oldest approaches to human development.
- Human development is seen as being linked to income.
- The level of income reflects the level of freedom an individual enjoys. Higher the level of income, the higher is the level of human development.

B. Welfare Approach

- This approach looks at human beings as beneficiaries or targets of all development activities.
- It argues for higher government expenditure on education, health, social secondary and amenities.
- People are not participants in development but only passive recipients.
- The government is responsible for increasing levels of human development by maximising expenditure on welfare.

C. Basic Needs Approach

- This approach was initially proposed by the **International Labor Organization** (ILO).
- **Six basic needs** i.e. health, education, food, water supply, sanitation, and housing.
- The question of human choices is ignored, and the emphasis is on the provision of basic needs of defined sections.

D. Capability Approach

- This approach is associated with **Prof. Amartya Sen.**
- Building human capabilities in the areas of health, education and access to resources is the key to increasing human development.

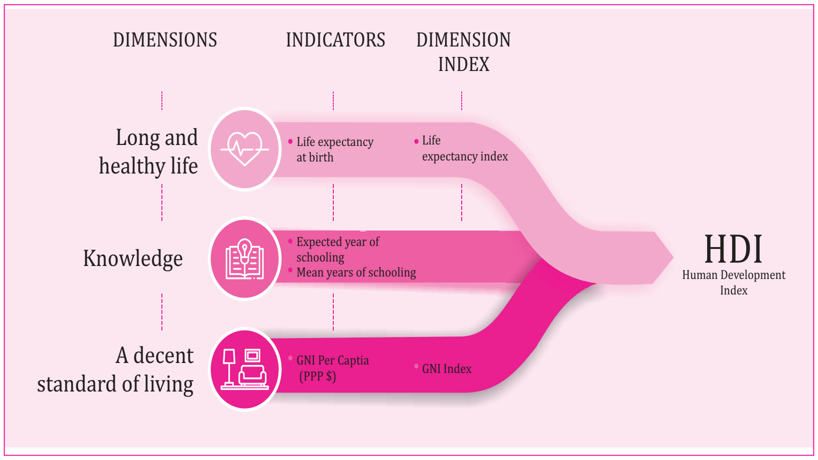
12.3 UNDP HUMAN DEVELOPMENT REPORT (HDR)

- **Published:**
  - By UNDP annually.
- **Developed By:**
  - Economist **Mahbub Ul Haq** and is anchored in the Nobel laureate **Amartya Sen's** work on human capabilities**.**
- **Objectives:**
  - Advancement of human development
  - Expansion of opportunities, choices and freedom of people across the globe
  - Introduction to the innovative ideas concerning human development
  - Advocation of practical policy changes
  - Challenging the policies and approaches that hinder human development

- **Theme of 2021-22 : Uncertain Times, Unsettled Lives: Shaping our Future in a World in Transformation**
- It covers **five indices:**
  - Human Development Index (HDI)
  - HDI adjusted for inequality.
  - Gender Development Index (GDI).
  - Gender Inequality Index (GII).
  - Multidimensional Poverty Index (MPI)

A. UNDP Human Development Index (HDI)

- Tool to measure a country's overall achievement in its social and economic **dimensions based on the health of people, their level of education attainment and their standard of living.**



- For the first time, UNDP introduced a new metric called the **Planetary Pressures-adjusted HDI, or P-HDI.**
- PHDI reflects the impact caused by each country's per-capita carbon emissions and its material footprint.
- The PHDI measures the HDI for pressures on the planet to reflect a concern for intergenerational inequality.
- India dropped two ranks, standing at **132 in the 2022 Human Development report**. India is placed in the medium human development group.
  - Life expectancy at birth – **67.2 years.**
  - Expected Years of Schooling – **11.9 years.**
  - Mean Years of Schooling – **6.7 years.**
  - Per-capita GNI **$6, 590.**

B. Inequality Adjusted HDI (IHDI)

- HDI does not show the inequalities in the country. For this, we need inequality-adjusted HDI.
- The difference between the IHDI and HDI is the human development cost of inequality – the overall loss to human development due to inequality.
- This leads to better understanding of inequalities across populations.

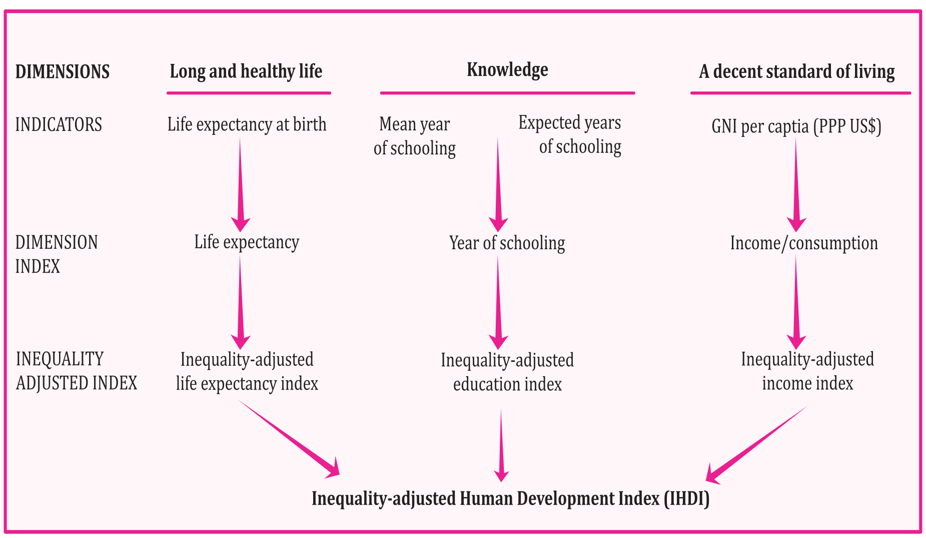


Figure 12.2: Inequality-adjusted Human Development Index

C. Gender Development Index (GDI)

- The GDI **measures gender gaps in human development achievements by** accounting for disparities between women and men—**using the same component indicators as in the HDI-** health, knowledge and living standards.
- The GDI is the ratio of the HDIs for females and males.
- Gender Development Index Groups
  - Countries are divided into five groups by absolute deviation from gender parity in HDI values.
    - **Group 1:** countries with high equality in HDI [Norway, Ireland, Sweden etc.].
    - **Group 2:** comprises countries with medium to high equality in HDI [Germany, Switzerland, Hong Kong, Myanmar etc.].
    - **Group 3:** comprises countries with medium equality in HDI [Korea, UAE, Nepal, Congo, Zimbabwe etc.]
    - **Group 4:** comprises countries with medium to low equality in HDI [Turkey, Bahrain, Maldives, Bhutan, Bangladesh etc.]
    - **Group 5:** comprises countries with low equality in HDI [Saudi Arabia, Iran, India, Lebanon, Pakistan etc.]

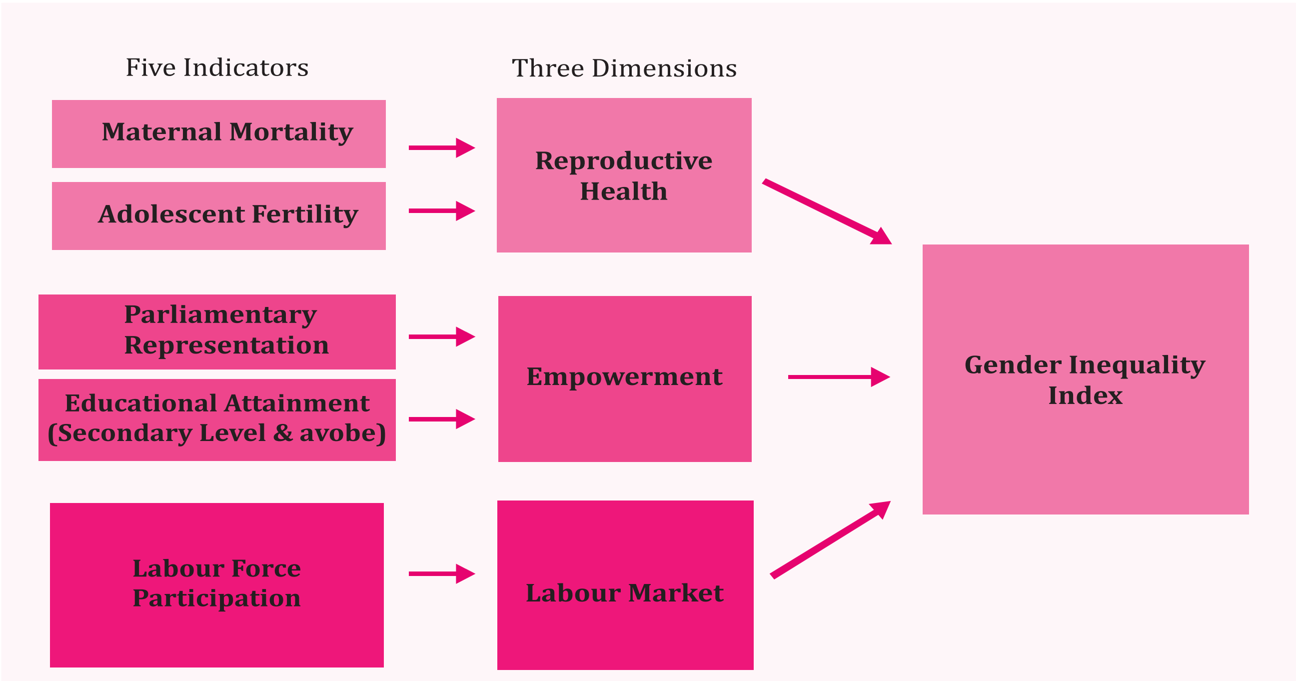


Figure 12.3: Gender Inequality Index: Indicators and dimensions

12.4 COMPARISON BETWEEN GENDER INEQUALITY INDEX, GLOBAL GENDER GAP INDEX, GENDER PARITY INDEX

Gender Inequality Index	Global Gender Gap Index	Gender Parity Index
• **By:** UNDP	• WEF	• UNESCO
• It uses three dimensions: ○ Reproductive Health ○ Empowerment ○ Labour Market Participation	• It uses four dimensions: ○ Economy ○ Education ○ Health ○ Political Representation.	• Ratio of Girls to boys in primary, secondary, and tertiary education.

12.5 WORLD HAPPINESS REPORT

Introduction	• The World Happiness Report is an annual report published by the **United Nations Sustainable Development Solutions Network (SDSN).** • The report ranks countries by how happy their citizens perceive themselves to be.

Evaluation Factors	• GDP Per Capita, • Social Support, • Healthy Life Expectancy, • Personal Freedom, • Generosity, • Levels of Corruption
Parameters	• The survey used the Gallup World Poll. The poll asked people to vote on three indicators: • **Life Evaluations:** Under this, people were asked to evaluate their current life using the image of a ladder. The best possible life for them is rated at **10** and the worst possible at **0**. • **Positive Emotions:** Under this, respondents were asked whether they smiled or laughed a lot the previous day. An affirmative response is coded as a **1** while a negative response is coded as **0**. • **Negative Emotions:** Under this, people were asked whether they have experienced negative emotions such as worry, sadness, and anger a lot on the same day.

World Happiness Report 2022

- **Focus:** The effects of COVID-19 and how people all over the world have fared.
- **Key Findings Related to India:** India has been **ranked 136** out of 146 countries. It ranked 139 in the **World Happiness Report 2021**.
- **Other Key Findings:**
  - For the fifth year in a row, Finland has been ranked highest in the 2022 World Happiness Report. Afghanistan is the unhappiest country in the world, coming in at number 146.

12.6 WORLD BANK- HUMAN CAPITAL PROJECT

A. World Bank- Human Capital Index

- As **part of the World Development Report (WDR),** the World Bank has launched a Human Capital Project (HCP). It aims to advocate, measure, and analyse ways to raise awareness and increase demand for interventions to build human capital.
- **There are 3 components of HCP:**
  1. Human Capital Index (HCI),
  2. Measurement and research to inform policy action.
  3. Countries Engagement.
- The HCI has been constructed for 157 countries.
- It claims to **seek to measure the amount of human capital that a child born today can expect to attain by age 18.**
- **The HCI has three components:**
  1. **Survival:** as measured by under-5 mortality rates
  2. **Expected years of Quality-Adjusted School:** which combines information on the quantity and quality of education
  3. **Health environment:** Using two parameters of adult survival rates and rate of stunting for children under age 5.

B. Comparison between Human Capital Index and Human Development Index

Human Capital Index (HCI)	Human Development Index (HDI)
• By **World Bank**	• By **UNDP**
• HCI uses survival rates and stunting rate as measures of health, and quality-adjusted learning.	• HDI uses life expectancy and merely years of schooling as a measure of education.
• HCI excludes per capita income	• The HDI uses per capita income.

C. Human Capital Index, 2020

- India has been **ranked at 116th.** However, India's score increased to **0.49** from **0.44** in **2018**.
- It **includes health and education data** for 174 countries up to **March 2020**, providing a pre-pandemic baseline on the health and education of children.

D. Comparison between Gross Happiness Index and Physical Quality of Life Index

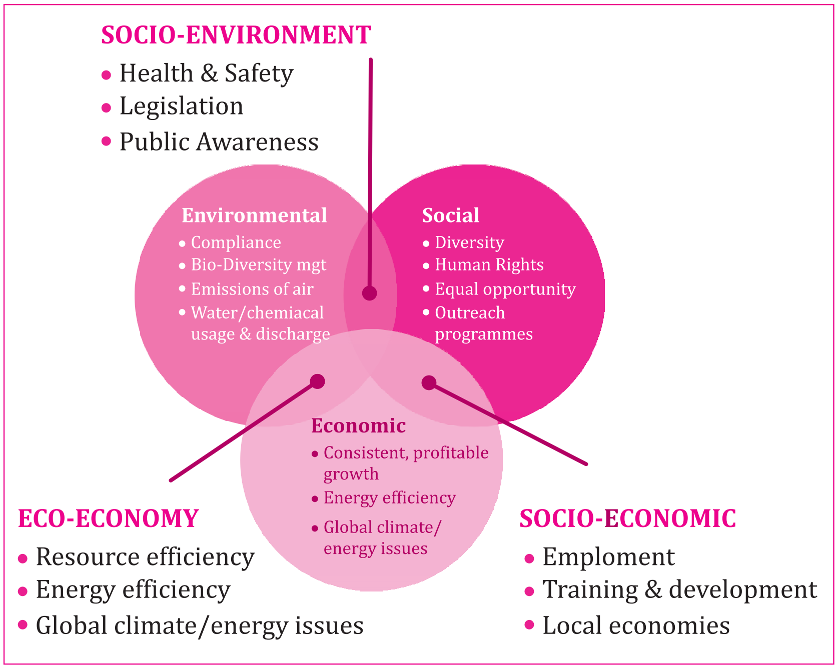
PARAMETERS	Gross Happiness Index	Physical Quality of Life Index
What does it measure?	• Measures economic and moral progress as an alternative to GDP measurement.	• It measures the quality of life or well- being of a country based on 3 variables- **Basic literacy rate, infant mortality, and life expectancy at age one.**
History	• It is constructed based upon a methodology known as the **Alkire-Foster method**.	• PQLI was developed in the **mid-1970s** by **David Morris.** It was created due to dissatisfaction with the use of GNP as an indicator of development.
Indicators	• 33 indicators are categorised under nine domains including psychological well-being, standard of living, good governance, health, community vitality, cultural diversity, time use, and ecological resilience.	• Consider only the physical variables- adult literacy, life expectancy at birth and infant survival rate. All equally weighted on a **0** to **100 scale**.

Additional Information

- **Madhya Pradesh became** the first state in India to have a **Happiness Department** that will work as a knowledge resource centre on the subject of happiness.

12.7 SUSTAINABLE DEVELOPMENT

- Sustainable Development **defined by the Brundtland Commission in its report OUR COMMON FUTURE (1987)** is development which meets the needs of the present without compromising the ability of future generations to meet their own needs.
- Core pillars of Sustainable Development are:



12.8 SUSTAINABLE DEVELOPMENT GOALS (SDG) 2030

- The **United Nations (UN) launched the** 2030 Agenda for Sustainable Development and SDGs.
- This set of goals replaces the **Millennium Development Goals** (MDGs) which were coming to an end in 2015. There are **17 goals and 169 specific targets to be achieved by 2030.**
- SDGs are **not legally binding.**

A. SDG Index-NITI Aayog

- The SDG Index **aims to promote healthy competition among states and UTs by evaluating their progress in social, economic and environmental terms** which will help India achieve the UN SDG goals by **2030**.
- Based on their performances, states and UTs were given scores ranging from **0** to **100.** States and UTs were classified into four categories, namely Achiever, Front Runner, Performer and Aspirant.
- **India has become the first country** in the world to measure the goals at a sub-national level.

B. SDG Index- SSDN

- The Sustainable Development Report 2020 presents the SDG Index for all UN member states.
- Prepared the **Sustainable Development Solutions Network** (SDSN).
- The SDG index frames the implementation of **17 SDG goals** among **UN member states**.
- **Ranking:** China > Brazil > Russia > Maldives > Sri Lanka > Nepal > Bangladesh > India > Pakistan.

PSC WALLAH

EXAM : BPSC 2023-24 (PRE+MAINS)

LANGUAGE : HINGLISH

START DATE : 22ND MARCH 2023

SCHEDULE : 2 LECTURES/DAY

SUBSCRIPTION END DATE : 30TH DECEMBER 2024

SCHEDULE : MON-SAT

TIMINGS

MORNING : 8:00 AM - 10:00 AM

EVENING : 8:00 PM - 10:00 PM

13 Important Indices and Reports

• **World Economic Forum (WEF)** ○ Inclusive Development Index ○ Global Environment Performance Index ○ Travel and Tourism Competitiveness Report ○ Global Energy Architecture Performance Index Report ○ Global Competitiveness Report ○ Global Gender Gap Index ○ Global Information Technology Report	• **United Nations Conference on Trade and Development (UNCTAD)** ○ The Technology and Innovation Report ○ World Investment Report ○ The Information Economy Report ○ The Trade & Development Report • **International Labor Organization (ILO)** ○ World Employment and Social Outlook ○ Global Wage Report ○ World Social protection report
• **International Energy Agency (IEA)** ○ World Energy Outlook (WEO)	• **UN-Habitat** ○ World Cities Report
• **International Food Policy Research Institute (IFPRI)** ○ Global Hunger Index Report	• **World Intellectual Property Organization (WIPO)** ○ World Intellectual Property Report (WIPR)
• **Food and Agriculture Organization (FAO)** ○ World State of Forest Report	• **Reporters Without Borders** ○ World Press Freedom Index
• **UNDP (United Nations Development Programme)** ○ Gender Inequality Index	• **United Nations Industrial Development Organization (UNIDO)** ○ Industrial Development Report
• **World Health Organization (WHO)** ○ Ambient Air pollution Report	• **Bank for International Settlements (BIS)** ○ Global Financial System Report
• **International Monetary Fund (IMF)** ○ World Economic Outlook ○ Global Financial Stability Report	• **Transparency International** ○ Corruption Perception Index ○ Global Corruption Report (GCR)
• **UN-Sustainable Development Solutions Network (SDSN)** ○ World Happiness Report	• **World Wide Fund for Nature (WWF)** ○ The Energy Report & Living Planet Report
• **United Nations Office on Drugs and Crime (UNODC)** ○ World Wildlife Crime Report ○ World Drug Report ○ Global Report on Trafficking in Persons	• **United Nations Educational, Scientific and Cultural Organization (UNESCO)** ○ Global Education Monitoring Report ○ Gender Parity Index • **Financial Action Task Force (FATF)** ○ Global Money Laundering Report
• **Organisation for Economic Development (OECD)** ○ The Programme for International Student Assessment (PISA)	• **United Nations Environment Programme (UNEP)** ○ Emission Gap Report ○ Global Environment Outlook

14 Bihar: Economy at a Glance

14.1 INTRODUCTION

- One of the fastest growing economies of India, Bihar is largely service driven. Agriculture and Industry sectors also constitute a significant share of the economy.
- The GDP of this state at current market prices (2022-23) was **₹745310** crores which makes it $94 billion. It is ranked 14th among Indian States and UTs. GDP growth rate of Bihar is at 10.98% (2022-23).
- The most important contributor to the growth of Bihar economy has been the tertiary sector and the resulting growth process has also changed the structural composition of Bihar economy- the share of tertiary sector is increasing, that of the secondary sector is nearly the same, and share of primary sector is decreasing.
- This indeed implies faster growth of the urban economy, which is the location of secondary and tertiary sectors. Unfortunately, this phenomenon has not been accompanied by movement of people from rural to urban areas, putting a stress on the rural economy.

To supplement the gains from the economic growth, the state government has also initiated a number of welfare measures to improve the standard of living of the people. The main development focus of the state government is now around Seven resolves (SAAT NISCHAY):

(1) Welfare of the youth
(2) Women empowerment
(3) Supply of electricity to all households
(4) Clean drinking water
(5) Road connectivity
(6) Toilet facility
(7) Higher technical education

14.2 DEMOGRAPHY OF BIHAR: BIHAR RANKS 3RD AMONG STATES AND UTS IN INDIA IN TERMS OF POPULATION

Demography: The basic economic scenario of a region is influenced by its demographic profile. According to census 2011, Bihar had approximately 104 million population which accounts for 8.6% of India's total population.

- As per the Census 2011, the population of Bihar is **104,099,452**.
- The population of Bihar is **8.6%** of the total population of India.
- The rural population of Bihar constitutes **88.71%** of the total population of Bihar.
- The urban population of Bihar constitutes **11.29%** of the total population of Bihar.
- The population density of Bihar is **1,106** per square km.
- The sex ratio in Bihar is **918**.
- Bihar is the **most** densely populated state of India as per census 2011.
- The level of urbanisation in Bihar is **11.3%.**

Demographic Indicators	Demographic profile of Bihar (2011)
Population	104 099 452
Male population	54 278157
Female population	49 821295
Sex ratio	918/1000
Child sex ratio	935/1000
Density of population	1106/ sq. km
Urbanisation	11.3 %
Decadal growth	25.1 %
Number of districts	38
Number of CD blocks	534

Demographic Indicators	Demographic profile of Bihar (2011)
Number of towns	199
Number of villages	39073
Literacy rate	61.8%
Male literacy rate	71.2%
Female literacy rate	51.5%

Population Indicator	Name of the district	
	Maximum	Minimum
Highest Population	Patna	Sheikhpura
Literacy Rate	Rohtas	Purnia
Population Density	Sheohar	Kaimur
Sex Ratio	Gopalganj	Munger
SC Population	Gaya	Sheohar
ST Population	West Champaran	Sheohar
Urban Population	Patna	Sheohar
Urbanisation	Patna	Samastipur
Rural Population	East Champaran	Sheikhpura
Per capita Income	Patna	Sheohar

14.3 STATE DOMESTIC PRODUCT

The estimates of State domestic product are prepared separately for both Gross State Domestic Product (GSDP) and Net State Domestic Product (NSDP) at current and constant prices.

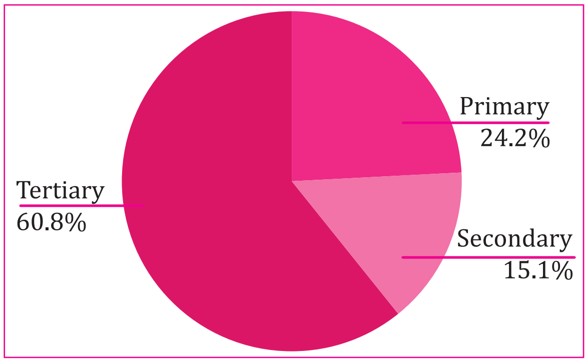
Gross State Value Addition by Economic Activity at Constant (2011-12) Prices and Current prices (Rs. in Crore)

S.No.	Item	2020-21 current prices	2020-21 constant price
1.	Agriculture, forestry and fishing	138848	74086
1.1	Crops	70162	36081
1.2	Livestock	47184	25693
1.3	Forestry and logging	9962	5879
1.4	Fishing and aquaculture	11539	6434
2.	Mining and quarrying	1635	812
	Primary	**140482**	**74898**
3.	Manufacturing	31633	31833
4.	Electricity, gas, water supply & other utility services	9988	8829
5.	Construction	45977	35347
	Secondary	**87599**	**76010**
6.	Trade, repair, hotels and restaurants	92515	59763
6.1	Trade & repair services	86710	56017
6.2	Hotels & restaurants	5805	3747

S.No.	Item	2020-21 current prices	2020-21 constant price
7.	Transport, storage, communication & services related to broadcasting	60252	42702
7.1	Railways	6581	5240
7.2	Road transport	34011	23737
7.3	Water transport	59	41
7.4	Air transport	300	209
7.5	Services incidental to transport	3327	2322
7.6	Storage	392	273
7.7	Communication & services related to broadcasting	15581	10878
8.	Financial services	27979	22893
9.	Real estate, ownership of dwelling & professional services	45710	34000
10.	Public administration	31964	19918
11.	Other services	94800	59221
	Tertiary	**353220**	**238497**
12.	**TOTAL GSVA at basic prices**	**581301**	**389404**
13.	Taxes on Products	59720	48763
14.	Subsidies on products	22393	18284
15.	**Gross State Domestic Product**	**618628**	**419883**
16.	Population ('00)	1223667	1223667
17.	**Per Capita GSDP (Rs.)**	**50555**	**34314**

Source: Directorate of Economics and statistics, Govt. of Bihar

Sector wise Composition of Three Sectors of Economy in 2020-21 in Bihar



14.4 AGRICULTURE IN BIHAR

Agriculture is the mainstay of Bihar economy. After the bifurcation of Bihar, Bihar was devoid of substantial mineral resources or sizable industrial sector. Agricultural development thus assumes importance. The base of Agriculture in Bihar is its rich alluvium with abundant irrigation resources in terms of river water and groundwater. Paddy, Wheat, Maize are the major cereal crops of Bihar. Pulses, oilseeds, fibre crops, sugar cane, fruits, vegetables are other major crops grown in Bihar. The agriculture sector employs almost 80% of the state's population, which is over the national average of 58%. In India, Bihar is the **eighth-largest** producer of fruits and the **fourth-largest** producer of vegetables.

The agriculture sector can be described in detail in terms of crops and irrigation.

Crops In Bihar

Bihar has been divided into four primary agro-climatic zones based on soil characteristics, rainfall, temperature, and topography. Foodgrains like rice, paddy, wheat, jute, maize and oil seeds are the primary crops. The state grows a variety of vegetables, including cauliflower, cabbage, tomatoes, radishes, carrots and beets. Some of the non-cereal crops farmed include sugarcane, potatoes and barley. Gopalganj and Madhepura have the highest net sown area.Modern agricultural techniques and contract farming methods are being accepted by farmers, which is a positive development for the agriculture sector.

In Bihar, there are three distinct crop seasons: **Kharif, Rabi and Zaid**.

- **Kharif Crops:**
  - Kharif season begins in the third week of May and ends at the end of October.
  - It is also called Badhai and Aghani crops.
  - Important crops include maize, paddy and jute.
- **Rabi Crops:**
  - Rabi crops are sown in October-November and harvested in March-April.
  - Important crops include Wheat, Gram, Rapeseed and Mustard.
- **Zaid Crops:**
  - Zaid season is used to produce mainly fruits.
  - Crops of this season are produced between Rabi and Kharif crop seasons.
  - Important crops include Muskmelon, Watermelon, Gourd etc.
  - Litchi of Muzaffarpur is famous all over India.
  - Bihar is known for its Litchi and Mango production.

Some of the most grown crops in the state of Bihar are:

- **Wheat**:
  - The Bagmati Plains and Ganga Diara are the most significant regions for wheat production.
  - Sandy soil with the ability to hold moisture is best suited.
  - Maximum productivity regions- Jahanabad, Patna and Gaya.
  - Maximum production areas – Rohtas, Kaimur and Siwan.
  - Maximum area under wheat cultivation- Rohtas, East Champaran and Aurangabad.
- **Rice**:
  - Bihar's primary crop is rice.
  - There are two types of rice crops: Aus (Summer Crop) and Aman (Winter Crop).
  - Maximum productivity regions- Arwal, Rohtas and Sheikhpura.
  - Maximum production areas – Rohtas, Aurangabad and West Champaran
  - Maximum area under rice cultivation- Madhubani, Aurangabad and Rohtas.
- **Jute:**
  - Jute production in Bihar is second only to West Bengal in the country.
  - It requires alluvial soil with a large amount of rainfall.
  - Major district for jute production – Kishanganj and Purnea
- **Maize:**
  - For maize production, light clay soil, such as Bal Sundari soil is ideal.
  - Maximum productivity areas- Katihar
  - Maximum production areas- Katihar, Madhepura and Khagaria
  - Maximum area under maize cultivation- Khagaria
- **Pulses:**
  - Major pulses grown in the state are: arhar, gram, urad, masoor, moong and khesari.
  - Maximum productivity region- Kaimur.
  - Maximum production areas- Patna, Aurangabad and Nalanda.
  - Maximum area under pulses cultivation- Patna, Aurangabad and Muzaffarpur.

Leading Districts for production of Vegetables, Fruits, Flowers & Sugarcane

S/No	Crop	Top District
1	Potato	Nalanda, Patna, Vaishali
2	Onion	Nalanda, Katihar, Muzaffarpur
3	Cauliflower	Vaishali, Muzaffarpur, Nalanda
4	Mango	Darbhanga, Samastipur, Muzaffarpur
5	Guava	Nalanda, Rohtas, Bhojpur
6	Litchi	Muzaffarpur
7	Banana	Muzaffarpur, Vaishali, Samastipur
8	Rose	Vaishali, Patna, Muzaffarpur
9	Marigold	Patna, Muzaffarpur, Vaishali
10	Sugarcane	West Champaran, East Champaran, Gopalganj

Source: Economic Survey of Bihar

Irrigation In Bihar

Bihar has a very high potential for irrigation.Bihar receives a fair amount of rainfall. However, the distribution of irrigation systems and rainfall across different areas is uneven. Canals account for 37% of irrigation in Bihar while tube wells and wells & ponds account for 30% each. The South Bihar region accounts for almost 3/4 of the Canal Irrigated Area.

The following canals are used to irrigate several regions of Bihar:

Kosi Canal

- Two canals taken out from Hanuman Nagar reservoir.
- Eastern Kosi Canal – irrigates Purnia, Madhepura and Saharsa.
- Western Kosi Canal – irrigates Darbhanga district.

Sone Canal

- Eastern Sone Canal taken out from Barun – irrigates Patna, Jahanabad, Aurangabad and Gaya.
- Western Sone Canal has been taken out from Tishri – irrigating Ara, Buxar and Rohtas.

Kamla Canal

- It is taken out from the Kamla River in Darbhanga.
- It irrigates mainly the Madhubani district.

Triveni Canal

- It is taken out from Gandak river at Triveni.
- It irrigates the West Champaran district.

Gandak Canal

- Two Canals taken out from the dam at Valmiki Nagar.
- Saran Canal – irrigates Saran, Gopalganj and Siwan.
- Tirhut Canal – irrigates Muzaffarpur, Vaishali and East Champaran.

Bihar is richly endowed with rainfall, healthy soil, and readily available groundwater, but the state failed to exploit its great agricultural potential, which contributed to rural poverty, poor nutrition, and labour migration within the state. Agriculture in Bihar is prone to natural calamities, especially floods in north Bihar and drought in south Bihar. Utilising suitable crop technology and providing crop insurance to all farmers can reduce the risk of natural disasters on Agriculture in Bihar.

14.5 INDUSTRIES IN BIHAR

Bihar state has a large base of cost-effective industrial labour, making it an ideal destination for a wide range of industries. The state enjoys a unique location-specific advantage because of its proximity to the vast markets of eastern and northern India, access to ports such as Kolkata and Haldia and to raw material sources and mineral reserves from the neighbouring states.

Industries of Bihar can be divided into

- **Agro based industries:** Major agricultural products based industries include Food processing Industries, Sugar Industries, Dairy Industry, Tea.
- **Non Agro based industries:** This includes Handloom Industry, Powerloom Industry,Silk Industry, Khadi and village Industries, Leather Industry, Forest based Industry, Oil Refinery, etc

A. Major Industries Location of Bihar

Industry	Location
Sugar	Motihari, Bihta, Gaya Narkatiyaganj, Gopalganj, Hathwa, Motipur, Saran, Bhojpur, Siwan, Darbhanga, Muzaffarpur, Dalmianagar, Meerganj
Cotton textile	Gaya, Phulwari Sharif, Dumraon, Mokama, patna, Barauni, Dalminangar
Cement	Banjari, Dalmianagar
Paper	Samastipur, Darbhanga, Patna, Barauni, Dalminanagar
Plywood	Hajipur
Jute	Katihar, Samastipur, Champaran, Darbhanga, Saharsa, Purnia
Match Industry	Katihar
Blanket	Gaya, Purnia, Aurangabad, Motihari
Handicraft	Madhubani, Bhagalpur, Bihar Sharif, Gaya, Patna, Munger

B. Major Industrial Towns of Bihar

TOWN	INDUSTRIES	TOWN	INDUSTRIES
Mokama	Shoe, wagon of goods train	**Digha**	leather
Bihta	sugar	**Patna**	cracker, cycle,vermillion
Bhagalpur	silk, handicraft	**Hathua**	vanaspati
Kanti	Thermal power	**Narayanpur**	medicine
Riga	sugar	**Bagaha**	paper
Mehsi	button	**Darbhanga**	paper
Lohat	sugar	**Munger**	Gun, cigarette
Biharsharif	tobacco	**Dumraon**	cotton textile, lantern
Samastipur	Paper mill, sugar	**Katihar**	Jute
Jamalpur	Rail Engine repair	**Gaya**	sugar, lac, leather, cotton textile
Chapra	rail wheel factory	**Obra**	carpet, woollen cloth

14.6 INFRASTRUCTURE IN BIHAR

Road Transport Sector In Bihar

Roadways are the most common means of transport used by people. Road transportation is crucial in driving the state's economic growth and social integration. It includes National Highways, State Highways, District Roads and Rural Roads. It provides door to door connectivity.

Important Facts About Road Transportation in Bihar

- The total length of National Highways in Bihar is **5358 km**, based on the records of 2019.
- The longest National Highway in Bihar is **NH-27** of which 487 km is in Bihar.
- The total length of the state highways is **4,006 km**.
- **National Highway 27:** It is a part of NHAI's NS-EW Corridor and is India's second-longest National Highway (after NH 44).
- **East-West Corridor:** It links Silchar with Porbandar. It passes through 10 districts of Bihar: Kishanganj, Katihar, Purnia, Araria, Supaul, Madhepura, Darbhang, Muzaffarpur, East Champaran, Gopalganj.
- **Golden Quadrilateral:** It passes through 4 districts in Bihar.Kaimur, Rohtas, Aurangabad, Gaya.
- **Major Road Bridges are listed below:** (a) Vikramshila Setu on Ganga river in Bhagalpur. (b) Mahatma Gandhi Setu on Ganga river in Patna.
- **Major Rail-Road Bridges of Bihar are listed below:** Nehru Setu on Sone river in Dehri-i-Koh. Rajendra Setu on Ganga river in Mokama. Ganga Rail-Road Bridge on Ganga river connecting Patna and Sonepur. Abdul Bari Bridge on Sone river connecting Koilwar and Bhojpur.
- **Major National Highways of Bihar are listed below:**
  - NH-19 – Chhapra to Patna
  - NH-57 – Muzaffarpur to Purnia
  - NH-82 – Gaya to Mokama
  - NH-85 – Chhapra to Gopalganj
  - NH-98 – Patna to Rajhara

Bihar has around 200 km of roads per lakh population. Adequate and proper roadways are imperative for the development of the population. In terms of road density with 210 km of roads per 100 square km, Bihar is far ahead of all other states in India, other than Kerala and West Bengal.

Railways Transport in Bihar

Most of the cities in Bihar have a railway junction that facilitates railway travel across the state. In Bihar, the East India Company built its first railways in 1860–1862.

There are three rail lines in Bihar:

1. **North-Eastern Railway – North Bihar:** North Eastern Railway runs a number of passenger trains for the economically weaker sections because it serves a broad area that stretches from the western part of Uttar Pradesh to eastern Uttar Pradesh and an area that includes western Bihar.
2. **East Central Railway – South Bihar:** The headquarters of the East Central Railway is located in Hajipur in the Vaishali district of Bihar. It consists of the divisions of Pt. Deen Dayal Upadhyaya, Sonpur, Samastipur, Danapur, and Dhanbad. Due to the enormous amount of coal being loaded in the coal-bearing Dhanbad division of Jharkhand state and the highly populated

area of Bihar, ECR is exceptional in that both goods loading and passenger traffic assume major importance.

3. **North-East Frontier Railway-North-East Bihar**: It is in charge of running and expanding the rail network in all of the Northeastern states as well as some areas in eastern Bihar and northern West Bengal.

Airways Transport in Bihar: Air transportation plays a vital role in facilitating the growth of business and economy of the state. In Bihar, there are two international airports:

- Gaya International Airport
- Jay Prakash Narayan International Airport, Patna
- DARBHANGA airport (Domestic) was made open to the public under the UDAN scheme.

Waterways in Bihar: Waterways are the cheapest means of transport.Bihar Steamer Service is accessible in **Bhagalpur at Barari** Ghat. Bihar is traversed by the **National Waterway No. 1**, which runs from Allahabad to Haldia.Seven rivers in Bihar- the Ganga, Gandak, Ghagra, Kosi, Karamnasa, Sone and Punpun- are among the 111 streams that India has designated as national waterways. The recently established **National Waterways – 37** (Gandak River) and – **58** (Kosi River) are mostly in Bihar, with only a small section of the Gandak waterway planned in Uttar Pradesh. **Ara Canal** is also used for navigation purposes. The **Kosi and Gandak** rivers would be developed as **international Indo-Nepal waterways** to offer Nepal with sea connection, according to a recent joint declaration by the governments of India and Nepal.

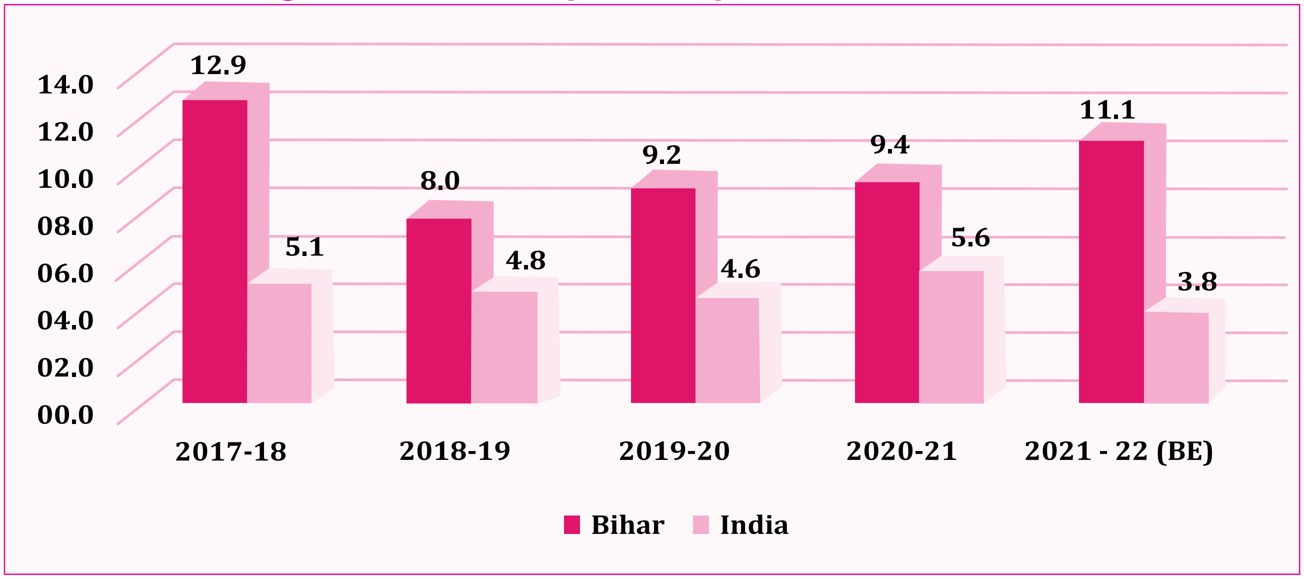
MV Ganga Vilas is the first-ever cruise vessel made in India. It is the largest river cruise. It enters Bihar from Buxar and halts at Chhapra, Patna, Simaria, Bhagalpur in Bihar.

Other means of communication: Bihar has witnessed a substantial increase in teledensity over a period of time. As of 2020, teledensity in Bihar was 53. There were 9084 post offices in Bihar as of March 2020. Bihar has 5.8% of total post offices in India. Bihar has won 'DIGITAL INDIA AWARD-2020' for its advancement in Information in Communication technology.

14.7 RURAL DEVELOPMENT OF BIHAR

- Rural development plays a vital role in the economic development of not just Bihar but of India as well. So rural development refers to a plan for uplifting the rural population both economically and socially. According to the 2011 census, 89% of the population of Bihar lives in rural areas and therefore the development of rural areas is more important for the overall social and economic development of the state. During the last five years the state government has spent an average of 10.1% of its total expenditure on rural development which is more than double the share of 4.8% at All India.

Percentage of Rural Development Expenditure in Bihar and India



Programs like Bihar rural livelihood project (BRLP) (JEEVIKA), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Indira Awas Yojana, Public Distribution System (PDS) etc., are important schemes for rural development in Bihar.

Jeevika

- BIHAR Rural Livelihoods Promotions society popularly known as JEEVIKA is a registered society under the aegis of rural development department. This society has completed 15 years of its functions and it has considerably changed the face of economy and society and rural Bihar.
- By September 2022, 10.35 lakh women SHGs have been formed under JEEVIKA of which 2.4 Lac are linked with banks for credit. For integrated rural development JEEVIKA works at the grassroots level and its impact is clearly visible in terms of higher income generation and inclusion of rural poor in the development process.
- In the alternate banking intervention 4571 bank sakhis were selected as behaviour change agents similarly Pashu sakhi model and fishery intervention have achieved remarkable progress in terms of both coverage and production.
- Under JEEVIKA, Didi Ki rasoi is a community run canteen model. It has emerged as a successful enterprise model to provide quality food to patients at hospitals, officials at banks, school students, etc.
- Apart from livelihood and training interventions, JEEVIKA is also involved in many other social and environmental activities to promote the marginalised people in rural areas.

(A) **Renewable energy:** JEEVIKA- Women initiative for renewable energy and solution private limited (J-WiRES)

(B) Harit jeevika harit Bihar campaign

(C) promotion of Didi Ki nursery

(D) inclusion of persons with disability

Physical and Financial Progress of Different Components Under Jeevika

Particulars/Indicators	Progress till September 2022
Alternate Banking	
Number of Bank Sakhis selected as BC agents	4571
Volume of the transaction (Rs. Iakhs)	788144
Commission earned by BC agents (Rs. lalchs)	1934.19
Pashu Sakhi Model	
Number of Pashu Sakhi developed	3094
Number of inseminations done by inducted bucks	93010
Number of azolla pit developed (inc. green fodder)	21032
Number of machan/shed constructed	20508
Number of feeders installed	93898
Number of castrations done	341376
Total quantity of dana mishran produced (in kg)	240441
Number of deworming doses provided	1381033
Number of vaccination doses given	687576
Fishery intervention	
Number of District covered	26
Number of Blocks covered	138
Number of ponds allotted	280
Number of operational ponds	65
Bee-keeping intervention	
Districts	22
Producer Groups	299
Households linked	7693
Cumulative production (in MT)	2418.7
Cumulative sales realization (Rs. crore)	42.74

Particulars/Indicators	Progress till September 2022
Grameen Bazaar intervention	
Number of Grameen Bazaar established	125
Outreach to Kirana Stores	7093
Avg. annual turnover per Grameen Bazaar (Rs. lakh)	50
Avg. annual turnover per Kirana Store (Rs. lakh)	6.3

Souce: Jeevika, GoB

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

- The main goal of Mahatma Gandhi national rural employment guarantee act, 2005 is to enhance livelihood security by providing guaranteed employment in rural areas. This act provides a legal guarantee of 100 days of wage employment in a financial year to an adult member of rural areas who is willing to do manual or unskilled work. This is a centrally sponsored scheme, Implemented by the state government.

Category-Wise Completed Work Under MGNERGS (2017-18 to 2021-22)

Categories	2017-18	2018-19	2019-20	2020-21	2021-22
Water Conservation and Water Harvesting	6664 (6.1)	5511 (3.0)	5219 (1.1)	20951 (2.1)	36890 (2.9)
Drought Proofing	7496 (6.9)	7700 (4.2)	4182 (0.9)	6007 (0.6)	6372 (0.5)
Micro lrrigation works	9705 (8.9)	7778 (4.2)	7266 (1.6)	14416 (l.5)	21175 (1.6)
Works on Individual Land	21283 (19.5)	103971 (56.2)	403358 (87.0)	875084 (88.6)	1157153 (89.3)
Renovation of Traditional Water Bodies	1838 (1.7)	1669 (0.9)	1594 (0.3)	1912 (0.2)	2482 (0.2)
Laod Development	16736 (15.3)	16169 (8.7)	15551 (3.4)	20309 (2.1)	16551 (1.3)
Flood Control and Protection	1365 (1.3)	1287 (0.7)	1259 (0.3)	2110 (0.2)	4477 (0.4)
Rural Connectivity	33021 (30.3)	31899 (17.2)	20202 (4.4)	36416 (3.7)	41202 (3.2)
Any Other Activity	1571 (1.4)	1434 (0.8)	655 (0.1)	1089 (0.1)	389 (neg.)
Rural Infrastructure	—	25 (neg.)	240 (neg.)	4358 (0.4)	5914 (0.5)
Bharat Nirman Rajeev Gandhi Sewa Kendra	198 (0.18)	108 (0.06)	82 (neg.)	83 (neg.)	22 (neg.)
Coastal Areas	4 (neg.)	—	—	—	—
Fisheries	11 (neg.)	5 (neg.)	7 (neg.)	4 (neg.)	3 (neg.)
Play Ground	21 (neg.)	26 (neg.)	27 (neg.)	35 (neg.)	21 (neg.)
Rural Drinking Water	28 (neg.)	76 (neg.)	159 (neg.)	9 (neg.)	5 (neg.)

Categories	2017-18	2018-19	2019-20	2020-21	2021-22
Rural Sanitacion	9232 (8.5)	7407 (4.0)	4037 (0.9)	4785 (0.5)	3682 (0.3)
Total	109173 (100.0)	185052 (100.0)	463838 (100.0)	987568 (100.0)	1296338 (100.0)

Source : Department of Rural Development, GoB

SATAT JEEVIKOPARJAN YOJANA

Social Security and Livelihoods Promotion to Ultra-poor through Ultra-poor Graduation Programme

- The State government formally launched this scheme on August 5, 2018. The project mainly focuses on the development of sustainable livelihood options for ultra-poor households, traditionally engaged in production and selling of country liquor /toddy and ultra-poor from SC/ST and other communities. This was sought to be done through diversification of livelihoods, capacity building and improved access to finance. The scheme initially targeted to cover 1,00,000 ultra-poor households through the 'Ultra-Poor Graduation Approach'. The State government later extended `Satat Jeevikoparjan Yojana' for next three years.
- A total of 1,47,277 households have so far been endorsed. The project focuses on training the endorsed households in confidence building and enterprise development. After this, the Livelihood Investment Fund, amounting to Rs. 60,000 to 1 Iakh, is provided to the targeted households in 3-4 tranches for asset creation. The livelihood gap assistance fund is also provided as a consumption support fund to each endorsed household to fulfil the consumption needs of the households till the alternate livelihood selected by them starts earning profit.
- The livelihood cluster approach helps to achieve its objectives through 'cluster livelihood' as an alternate source of income, along with existing livelihood options. JEEVIKA team has been using its experience to support the development of group-based livelihood clusters, and to offer new business opportunities for ultra-poor households. Livelihood Cluster has been developed around the production of bamboos products, stitching, bangle making, dairy, soft toys, etc. Around 766 ultra-poor households are working in cluster approach for improving their income.

Indira Awas Yojana/Pradhan Mantri Awas Yojana–Gramin

- It is a central government initiative which was earlier known as Indira awas yojna. This is meant to boost the 'housing for all' scheme. The objective of this scheme is to provide affordable housing with all basic amenities to rural people. The central and state governments share the cost of this scheme at a 60:40 ratio in plain areas with an assistance of maximum 1.2 lakh for each housing unit.

Performance of Iay/Pmay-G Scheme (2017-18 to 2021-22)

Year		2017-18	2018-19	2019-20	2020-21	2021-22
Annual Physical Target (lakh)		**5.4**	**NA**	**12.9**	**2.5**	**10.3**
House Completed	PMAY-G	0.3	5.8	3.8	9.4	5.1
	IAY	2.8	1.3	0.6	1.1	1.1
	Total	3.1	7.1	4.3	10.5	6.1
Total Expenditure (Rs. lakh)	PMAY-G	324304.1	560295.6	813045.4	981371.3	579448.5
	IAY	65208.9	26501.9	8237.6	4606.5	4249.2
	Total	389512.9	586797.5	821282.9	985977.8	583697.7
Share of SC/ST (percentage)	PMAY-G	40.4	20.6	4.9	2.4	21.2
	IAY	45.2	45.7	48.3	46.3	46.4
	Total	41.2	21.8	5.4	2.6	21.4

Source : Department of Rural Development, GoB

Public Distribution System (PDS)

- The public distribution system is a joint responsibility of the central and state governments. This scheme was developed as a system of distributing basic food grains to combat malnutrition among poor people.
- Currently, wheat, rice, pulses are being distributed through the PDS. The food corporation of India ensures the availability of adequate food grains to the state government. To combat the problem of malnutrition in the country, the central government has decided to supply fortified rice in place of normal rice in the public distribution system, the integrated child development scheme and mid-day meal scheme.

Year	Total allotment			Total lifting			Total lifting (%)
	Wheat	Rice	Total	Wheat	Rice	Total	
2017-18	2187.7	3281.6	5469.3	2135.2	3205.1	5340.3	97.6
2018-19	2088.1	3132.1	5220.2	2059.4	3104.3	5163.7	98.9
2019-20	2091.3	3141.3	5232.6	2089.8	3134.1	5223.9	99.8
2020-21	2165.8	3248.1	5413.9	2065.9	3106.6	5172.5	95.5
2021-22	2208.2	3266.7	5474.9	2159.4	3187.7	5347.1	97.7

Panchayati Raj Institutions

- The Bihar panchayati Raj act, 2006 has been implemented by the state government, embodying the spirit of the 73rd amendment of the Indian constitution. It has been enacted to strengthen the three tier panchayati Raj institution and to increase the participation of common people in local self governance. The potential participants include-scheduled castes,scheduled tribes, extremely backward castes and marginalised sections of society including women. A provision has been made for 50% of reservation of women at all three levels of PRIs. Presently 38 zilla parishads, 533 panchayat samitis, 8058 gram panchayats and 8058 gram kachahari are functioning in the state.

Overview of Panchayati Raj Institutions in Bihar (2022-23)

Item	Nos.	Item	Nos.
Zila Parishad	38	Gram Panchayat Secretary (@1/GP)	8058
Panchayat Samiti	533	Nyaya Mitra (@1 /GK)	8058
Gram Panchayat	8058	Gram Kachahari Secretary (@1/(GK)	8058
Gram Panchayat Members	109528	Zila Panchayati Raj Officers	38
Panchayat Samiti Members	11094	Block Panchayati Raj Officers	716
Zila Parishad Members	1160	Gram Kachahari Members	109528

Source : Department of Panchayati Raj, GoB

Awards for Panchayati Raj Institutions in Bihar from Central Government

- The Ministry of Panchayati Raj, Government of India, has given the National Panchayat Award, 2021 to the following Gram Panchayats/Panchayat Samitis/Zilla Parishads for their appreciable work:

  (a) Deen Dayal Upadhyay Panchayat Sashaktikaran Purashkar (DDUPSP (2021)) Zila Parishad: Nalanda Panchayat Samiti: (1) Akodhigola (Rohtas), (2) Gaya sadar (Gaya) (3) Imamganj (Gaya), (4) Kutumba (Aurangabad District). Gram Panchayat: (1) Sabait Gram Panchayat (Nalanda), (2) Asraha Gram Panchayat (Darbhanga), (3) Mohanpur Gram Panchayat (Samastipur), (4) Aurawan Gram Panchayat (Gaya)

  (b) Nanaji Deshmukh Rashtriya Gaurav Gram Sabha Purashkar (2021), Bagadhi Gram Panchayat (Sitamadhi) Bal Hitaishi Gram Panchayat Purashkar (2021), Kosiyawan Gram Panchayat (Nalanda), Gram Panchayat Vikash Yojana (2021).

- Two components of SAAT NISCHAY Are being implemented by PRI's- Mukhyamantri gramin gali nalli pakkikaran nischay yojna and Mukhyamantri gramin peyjal nischay yojana.
- Mukhyamantri gramin solar street light yojana has been launched for every panchayat.

Lohiya Swachh Bihar Abhiyan

- Under 'Saat Nishchay-2', the State government has taken a resolution of 'Swachh Gaon-Samridh Gaon'. To achieve this goal, the state cabinet has approved a specified grant to conduct the Phase II of the Lohiya Swachh Bihar Abhiyan in September 2021.
- A provision of Rs. 7287.36 crore has been approved for the implementation of the Abhiyan for the years 2021-22 to 2024-25. Along with this, a budget provision or Rs. 1511.45 crore has also been made from the 15th Union Finance Commission grants.
- Under the Lohiya Swachh Bihar Abhiya, Phase II, the target is to make all the Gram Panchayats of the state ODF-plus by the end of 2024-25, by implementing solid and liquid waste management in a phased manner. Initially, as a pilot project, the work of solid waste management was started in 36 Gram Panchayats of 12 districts of the state. Based on the positive experience of the pilot project, the work was extended to 1650 Gram Panchayats.

14.8 URBAN DEVELOPMENT OF BIHAR

- The urban area plays a vital role in the economic development of any economy. Urban centres are the basic motors of a growing economy. This calls for a greater and more focused effort for rapid urbanisation in developing states, such as Bihar. The state government it's trying to meet this challenge by implementing a number of programs for Urban Development, some of them in association with the central government. The state government has also been allocating more resources for Urban Development in recent years.
- The projected urban population of Bihar in 2022 is 20.2 million which will raise the urbanisation rate in Bihar from 11.3 to 16.2%. During the last 15 years the overall economy in Bihar particularly its urban economy has grown at a higher rate. The expenditure of the state government on Urban Development was rupees 2823.9 crore in 2016-17, which increased by 77.1% in five years to reach rupees 5001.3 crore in 2020-21. Out of the seven resolves, three are indeed related to Urban Development.

Level of Urbanization

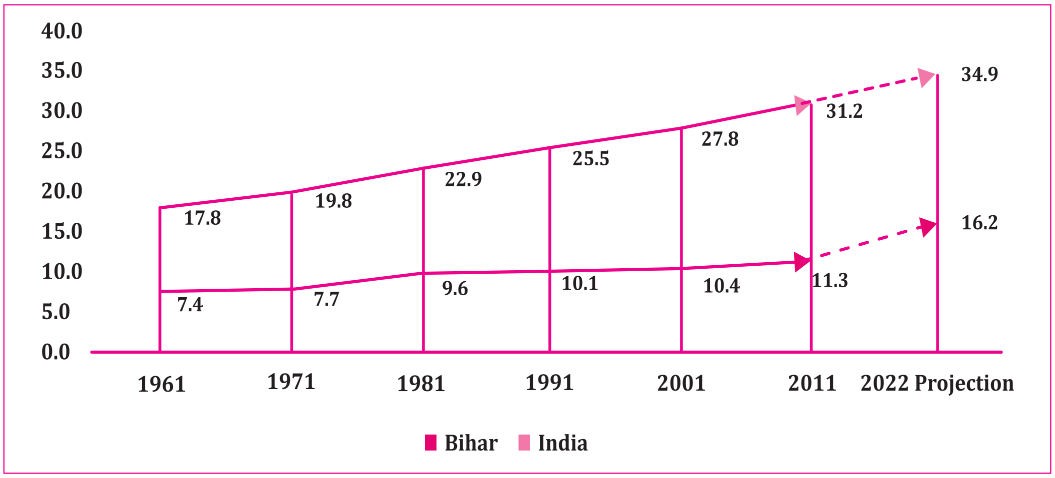
- The projected urban population of Bihar is 20.2 million in 2022. The level of urbanisation in Bihar as projected for 2022 is 16.2%. Given below is the table showing urbanisation trends in Bihar and India:

Urbanisation Trend in Bihar and India (1961 to 2022)

Year	1961	1971	1981	1991	2001	2011	2022 (Projection)
Urban Population (million)							
Bihar	2.6	3.2	5.0	6.5	8.7	11.8	20.2
India	79.0	109.1	159.5	217.2	286.1	377.1	480.9
Level of Urbanisation (%)							
Bihar	7.4	7.7	9.6	10.1	10.4	11.3	16.2
India	17.8	19.8	22.9	25.5	27.8	31.2	34.9

Source: Census 1961 to 2011

Urbanisation Rate of India and Bihar From 1961 to 2022 (in %)



Number of Towns and Population Share in Bihar

Size Class	Number of Towns		Population (million)	
	2001	2011	2001	2011
Class I (>1,00.000)	19 (14.6)	26 (13.1)	4.85 (55.9)	6.75 (57.5)
Class II (50,000-99,999)	19 (14.6)	29 (14.6)	1.37 (15.8)	l.88 (I5.6)
Class III (20,000-49,999)	67 (51.5)	75 (37.7)	2.1 (24.2)	2.49 (21.6)
Class IV (10,000-19,999)	19 (14.6)	22 (11.1)	0.3l (3.6)	0.33 (2.8)
Class V (5,000-9,999)	6 (4.6)	38 (19.I)	0.04 (0.5)	0.26 (2.2)
Class Vl (Less Lban 5.000)	—	9 (4.5)	—	0.03 (0.3)
Total	130 (100.0)	199 (100.0)	8.68 (100.0)	11.76 (100.0)

Source: Census 2001 and 2011 Figures in bracket indicate percentage shares

Reorganisation of Urban Local Bodies

- Recently, 111 new Nagar panchayats have been set up, along with nine new Nagar parishads. In addition, 39 old Nagar panchayats have been upgraded to Nagar parishad while seven old Nagar positions have been upgraded to Nagar nigams. It is estimated that a population of around 40.40 lakh will be added because of this development.

Establishment of New 120 Nagar Panchayats and Parishads (2022)

District	Nagar Panchayat / Nagar Parishad
Araria	Nagar Panchayat: Jokihat, Raniganj, Narpatganj
Arwal	Nagar Panchayat: Kurtha
Aurangabad	Nagar Panchayat: Dev, Barun
Banka	Nagar Panchayat: Katoria, Bausi
Begusarai	Nagar Parishad: Barauni
Bhagalpur	Nagar Panchayat: Pirpainti, Habibpur, Sabaura, Akbarnagar
Bhojpur	Nagar Panchayat: Grahani
Buxar	Nagar Panchayat: Chausa, Brahmpur, Etadih
Darbbanga	Nagar Panchayat: Kusheshwarsthan, Bahari, Hayaghat, Ghanshyampur, Biraul, Bharwara, Singhwara, Kamtaul Nagar Parishad: Jale
Gaya	Nagar Panchayat: Dobhi. lmamganj, Khijarsarai, Fatehpur, Wajirganj

Gopalganj	Nagar Panchayat: Hathua
Jamui	Nagar Panchayat: Sikandra
Jehanabad	Nagar Panchayat: Kako, Ghoshi
Kaimur	Nagar Panchayat: Hata, Kudra, Ramgarh
Katihar	Nagar Panchayat: Balrampur, Aamdabad , Kursail, Kodha, Barari
Khagaria	Nagar Panchayat: Alauli, Manasi, Parbatta, Beldaur
Kishanganj	Nagar Panchayat: PaauaKhali
Lakhisarai	Nagar Panchayat: Suryagraha
Madhepura	Nagar Panchayat: Bihariganj, Singheshwar, Alamnagar Nagar Parishad: Udakishunganj
Madhubani	Nagar Panchayat: Phulparas, Benipatti
Munger	Nagar Panchayat: Tarapur, Asarganj, Sangrampur
Muzaffarpur	Nagar Panchayat: Baruraj, Meenapur, Saraiya, Madhopur Susta, Sakra, Turki-Kudhani, Muraul
Nalanda	Nagar Panchayat: Giriyak, Chandi, Harnaut, Asthawa, Parwalpur, Sarmera, Rahui, Ekangarsarai, Pawapuri, Nalanda
Nawada	Nagar Panchayat: Rajauli
Patna	Nagar Panchayat: Punpun, Paliganj Nagar Parishad: Sampatchak, Bihta
Purnea	Nagar Panchayat: Rupauli , Bhawanipur, Dhamdaha, Jankinagar, Champanagar, Bayasi, Mirganj, Aamour
Rohtas	Nagar Panchayat: Karakat, Dinara, Chenari,. Rohtas
Saharsa	Nagar Panchayat: Navhatta. Sonvarsha. Bangaon, Saurbazar
Samastipur	Nagar Panchayat: Sarairanjan. Musri Gharari, Singhiya Nagar Parishad: Tajpur, Shahpur Patori
Saran	Nagar Panchayat: Manjhi, Mashrakh, Kopa
Sheikhipura	Nagar Panchayat: Chewda, Shekhopursarai
Siwan	Nagar Panchayat: Gopalpur, Hasanpur, Aandra, Guthani, Basantpur, Barahriya
Supaul	Nagar Panchayat: Pipra, Simrahi Nagar Parishad: Triveniganj
Vaishali	Nagar Panchayat: Gorauli, Patepur, Jandaha
West Champaran	Nagar Panchayat : Machhargawan, Lauria

Source: Department of Urban Development and Housing. GoB

Urban Development Plans

- The state government has been endeavouring to provide better living conditions in urban areas and, towards this, it is now implementing a number of programs.
  Mukhyamantri saat nischay yojana 2- Sauchalay Nirman Ghar Ka Samman, Har ghar nal ka jal, Har ghar pakki gali evam naliya
- Mukhyamantri shahri **peyjal nischay** yojana, Mukhyamantri shahri **nali-gali pakkiKaran** nischay yojana are other schemes of the government of Bihar.
- Following Urban Development programmes are jointly funded by central and state governments
  Namami gange program: it is an integrated conservation mission approved as a flagship program of the central government in June 2014, with a budget of rupees 20,000 crore.
  Solid and liquid waste management, sewerage infrastructure , riverfront development are other important urban development schemes by the central government.

Ganga Jal Apurti Yojana

- A unique scheme called the 'Bihar Ganga Water Supply Scheme' was launched in the Nalanda district on November 27, 2022 by the Water Resources Department of the State government. This will provide surplus water of the river Ganga to some the cities of South Bihar. Under this scheme, the excess water of the river Ganga will be supplied through pipe by constructing an intake well-cum-pump house at Hathidah (Mokama).
- The drinking water will be made available to the cities of Rajgir, Nawada, Gaya and Bodh Gaya. The technical details of the scheme is presented below:

Construction of Intake well, Pump House and Approach Channel at Maranchi with Diaphragm Wall Technology for discharge of 19.40 cumecs (a cubic metre per second as a unit of rate).	
Capacity of two Water Treatment Plants	• 24 MLD (Million Liters Per Day) at Rajgir • 186.5 MLD at Gaya
Construction of Detention Tank for storage capacity of 78500 cumecs and Pump house at Rajgir	
Capacity of three Reservoirs	• 9.915 MCM (Million Cubic Meters) at Rajgir (Between Ghorakatora Lake and Panchane river in Nalanda) • 18.633 MCM at Tetar (Near hillocks in Tetar panchayat of Mohra block in Gaya) • 0.938 MCM at Gaya (Abgilla hills of Manpur, Gaya)
Pipeline of Length (Total 151 kms.)	• 2.4 m dia, pipe — 91 kms. • 2.1 m dia, pipe — 27 kms. • 1.6 m dia, pipe — 33 kms.

With the implementation of this Scheme, about 1.12 lakh population of the Rajgir city, about 1.21 lakh population of the Nawada city, and about 6.32 lakh population in Gaya and Bodh Gaya cities will be benefitted.

14.9 HUMAN DEVELOPMENT OF BIHAR

- Human development denotes nice holistic development of individuals through equitable access to opportunities. The social sector of any economy includes mainly such components that contribute to a standard quality of living. Bihar has been steadily progressing towards achieving a stipulated social target where quality health, education, water supply, sanitation, and welfare of the marginalized sections are given priority.
- The three main dimensions of human development are- **a long and healthy life, access to knowledge, and a decent standard of living.** Social infrastructure comprising education, health, water supply, etc. contributes substantially to human development which, in turn, results in social welfare.
- The parallel developments in the social sector, especially in health and education, indicate how inclusive the process of economic development is. The overall scenario of expenditure on social services during the past 16 years has shown a steady increase. The government's spending on social services increased significantly between 2005- 06 and 2021-22.

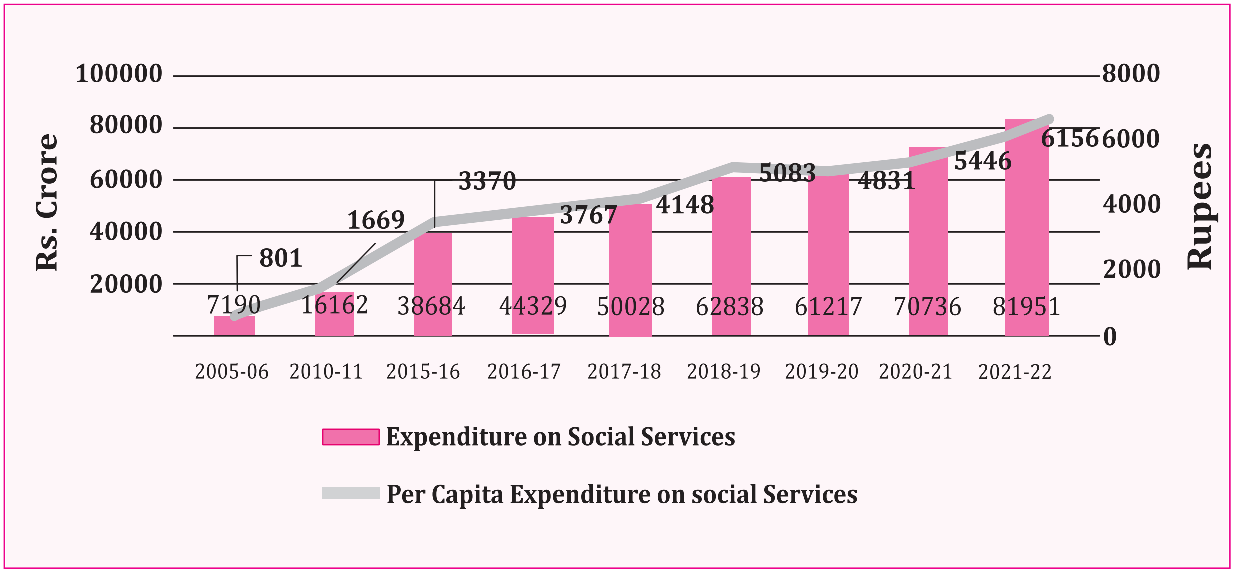
Trend Of Social Services Health and Education Expenditure in Bihar

Year	Total Expenditure (Rs. crore)	Expenditure on Social Services (Rs. crore)	Share of Social Services in Total Expenditure (%)	Expenditure on Health (Rs. crore)	Expenditure on Education (Rs. crore)	Per Capita Expenditure on Social Services (Rs.)
2005-06	22568.46	7190.35	31.9	1015	4366	801
2010-11	50704.51	16161.50	31.9	1667	8156	1669
2015-16	112328.00	38683.87	34.4	4571	18980	3370
2016-17	126302.00	44329.12	35.1	5493	20034	3767
2017-18	136427.00	50027.81	36.7	6182	24587	4148

2018-19	154655.00	62837.53	40.6	7318	28237	5083
2019-20	146097.00	61216.56	41.9	7674	26684	4831
2020-21	165697.00	70735.62	42.7	9152	27651	5446
2021-22	193122.97	81950.52	42.4	11510	35805	6156

Source: Budget Documents, GoB

Trend Of Social Services Expenditure And Per Capita Expenditure On Social Services



Demographic Outline of Bihar

- As per the Census 2011, the population of Bihar is **104,099,452**.
- The population of Bihar is **8.6%** of the total population of India.
- The rural population of Bihar constitutes **88.71%** of the total population of Bihar.
- The urban population of Bihar constitutes **11.29%** of the total population of Bihar.
- The population density of Bihar is **1,106** per square km.
- The sex ratio in Bihar is **918**.

Age Structure

- Age structure denotes the number of people in different age groups. A large size of population in the age group of 15 to 59 indicates a huge working population. A greater proportion of the population above 60 years represents an ageing population and there's more expenditure on healthcare facilities. A high proportion of the population in the age group of zero to 14 years indicates that the region has a high birth rate. Thus changing age structures have economic implications.

Percentage Distribution of Population in Bihar and India by Age Structure (2011)

Age-groups	Total			Rural			Urban		
	Persons	Males	Females	Persons	Males	Females	Persons	Males	Females
India									
0-14 (Child)	30.8	31.2	30.3	32.8	33.3	32.3	26.2	26.6	25.8
15-59 (Working Population)	60.3	60.2	60.3	58.0	58.0	58.1	65.1	65.3	65.3

60 & above (Old age)	8.9	8.6	9.3	9.1	8.8	9.5	8.5	8.1	8.9
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Bihar									
0-14 (Child)	40.1	40.0	40.2	40.8	40.8	40.9	34.2	33.9	34.4
1 5-59 (Working Population)	52.1	52.1	52.2	51.4	51.2	51.5	58.2	58.3	58.1
60 & above (Old age)	7.8	8.0	7.6	7.8	8.0	7.6	7.6	7.7	7.5
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Health Situation in Bihar

- Health is defined as a state of complete physical, mental, and social well-being and not simply the absence of disease health status is broadly judged by some specific indicators- morbidity, mortality, incidence of communicable and non communicable diseases, risk factors like road traffic injuries and hazardous pollution, and providing universal health coverage through the public health services.

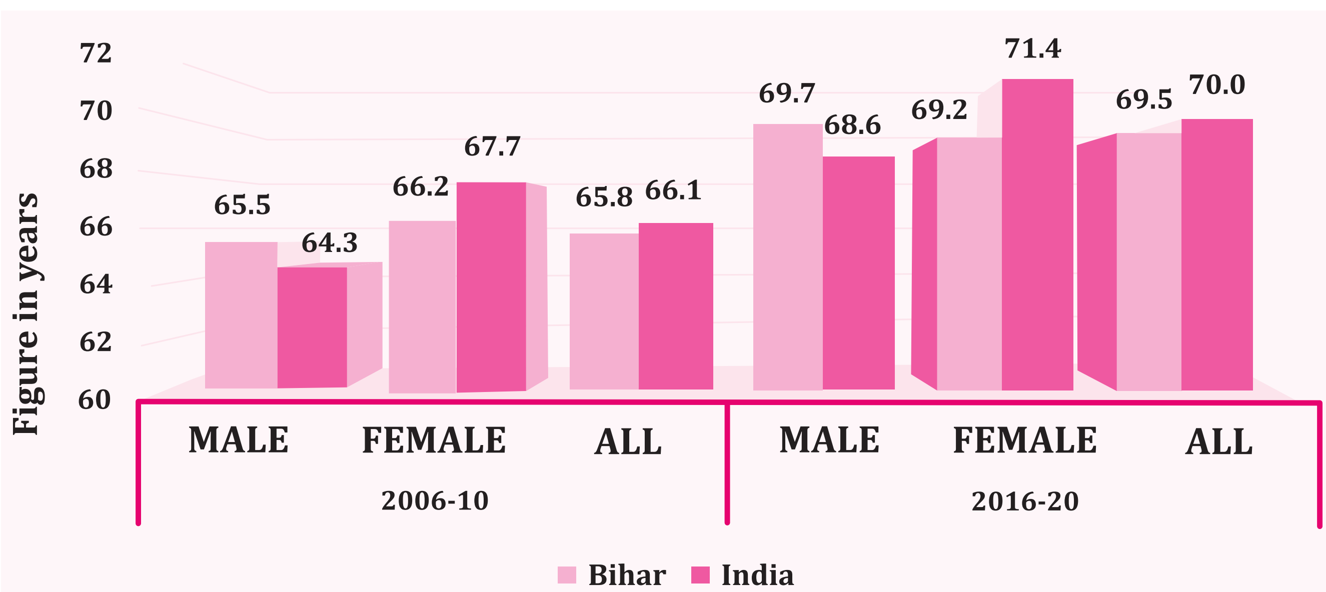
Selected health indicators in Bihar

- **Life expectancy at birth:** average number of years a newly born baby is expected to survive under the current schedule of mortality. In the last 10 years, the life expectancy of Bihar has increased considerably by 3.5 years and 4.0 years respectively for rural and urban areas.
- Six other indicators of health, for which there exists comparable data are- crude birth rate, infant mortality rate, child mortality rate, under five mortality rate, neonatal mortality rate and perinatal mortality rate.

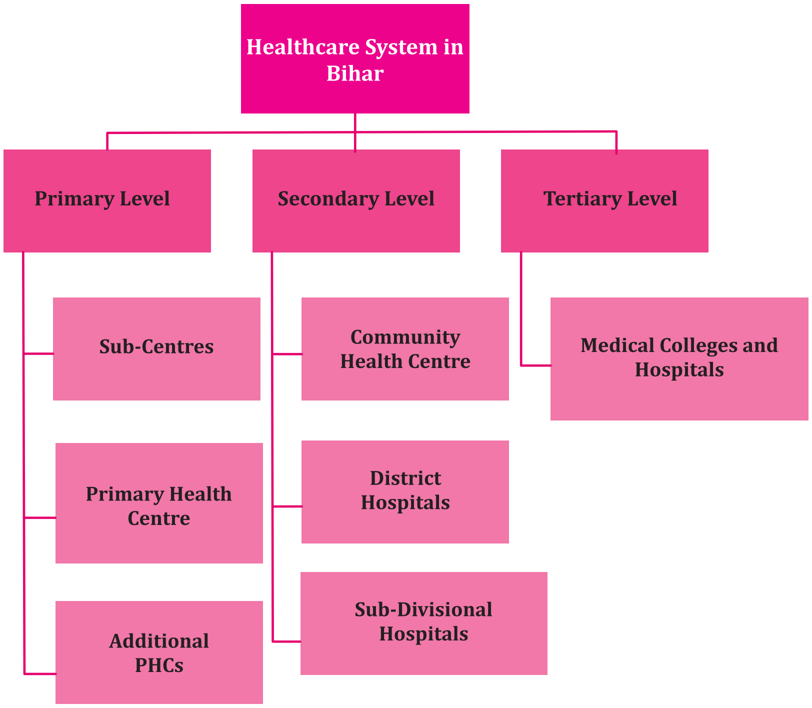
Health infrastructure

- Sound health infrastructure ensures availability of essential public health services. The totality of the public health infrastructure includes a skilled workforce, public health organisations, resources, integrated electronic information systems, and research. Due to a combined effect of poverty, population load and climatic factors, Bihar's population is highly susceptible to disease. To provide adequate health services to such a population, it is extremely necessary to have a strong health infrastructure system.
- Bihar follows a three-tiered public health infrastructure, based on predetermined population norms.

Life Expectancy at Birth in Bihar and India



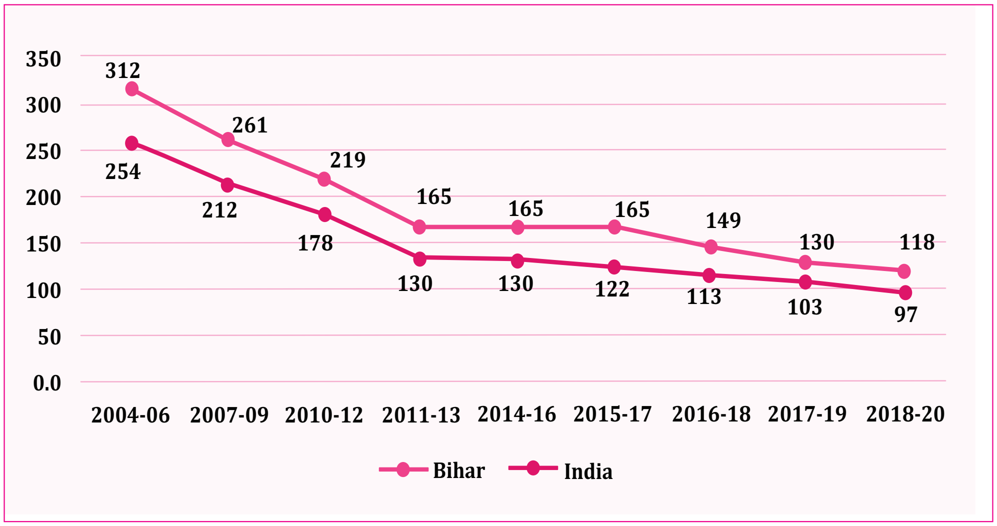
Health Care System In Bihar



Institutional Delivery

- Maternal health is a core function of all public health services and institutional delivery is a basic component of it. institutional delivery is delivery at any medical facility, staffed by skilled delivery assistance, which ensures safety of the mother and the newborn. It considerably reduces MMR and IMR by ensuring detection and management of birth related complications. According to the latest sample registration system bulletin on MMR, the number of women dying from pregnancy related issues in Bihar has declined from 165 per live births to 118 from 2015-17 to 2018-20.

Maternal Mortality Ratio In Bihar And India



Prevalence of Main diseases

- Estimates of disease burden based on sound epidemiological research provide the foundation of effective public health policy. Communicable and non-communicable diseases are still persisting in Bihar and India as major health problems, in spite of having national programs for the control of most of the diseases for almost half a century now. Thus, a disaggregated understanding of disease burden in this state is needed to run an effective healthcare system. **A list of major diseases in Bihar is as mentioned below:**

Prevalence Of Main Disease

Disease	2018-19	2019-20	2020-21	2021-22	2022-23 (Upto Nov., 22)
Acute Diarrhoeal Disease (including acute gastroenteritis)	91.83 (10.7)	417.41 (11.8)	21.07 (8.4)	0.18 (0.5)	1.97 (2.0)
Bacillary Dysentery	46.48 (5.4)	209.42 (5.9)	11.32 (4.5)	0.33 (1.0)	4.55 (4.7)
Viral Hepatitis	8.19 (1.0)	32 (0.9)	14.41 (5.7)	0.02 (0.0)	5.61 (5.8)
Enteric Fever	43.99 (5.1)	210.03 (5.9)	9.32 (3.7)	1.34 (3.9)	1.95 (2.0)
Malaria	3.74 (0.4)	25.87 (0.7)	2.91 (1.2)	0.44 (1.3)	1.37 (1.4)
Fever of Unknown Origin (FUO)	214.2 (25.0)	895.37 (25.2)	78.06 (31)	0 (0.0)	31.78 (32.8)
Acute Respiratory Infection (ARI)/ lnfluenza Like Illness (ILI)	319.71 (37.3)	1283.86 (36.2)	64.79 (25.8)	0.52 (1.5)	34.45 (35.5)
Pneumonia	9.76 (1.1)	35.9 (1.0)	1.18 (0.5)	0 (0.0)	0.37 (0.4)
Dog-bite	104.75 (12.2)	368 (10.4)	41.51 (16.5)	9.81 (28.7)	12.73 (13.1)
Any other State Specific Disease (Specify)	6.3 (0.7)	24.32 (0.7)	1.75 (0.7)	21.6 (63.1)	0.87 (0.9)
Unusual Syndromes NOT Captured Above (Specify clinical)	9.19 (1.1)	47.15 (1.3)	5.14 (2.0)	0 (0.0)	1.39 (1.4)
Total	**858.13 (100.0)**	**3549.33 (100.0)**	**251.46 (100)**	**34.23 (100.0)**	**97.02 (100.0)**

Note: Figures in the parenthesis denote percent share to total
Source: State Health Society, GoB

Achievements of the Health Department

In order to provide health facilities to the last person standing in the queue, the State government is strengthening the basic services and modern treatment system. Some of the steps taken regarding these are:

- To enhance medical education and research in the state, approval has been given for the Bihar Health Science University Act, 2021. For this, 32 posts have been created including that of a Vice-chairman. Very soon, the Bihar Health Science University will start functioning.
- Second AIIMS of the state is being established on the campus of Darbhanga Medical College and hospital, Laheriasarai.
- A total of 11 new Medical Colleges and Hospitals will be established in the state. Of these, the MBBS course will shortly start at Purnea Medical College. Apart from this, Medical Colleges will also be established at Sitamarhi, Jhanjharpur (Madhubani), Samastipur, Siwan, Saran, Buxar, Jamui, Begusarai, Mahua (Vaishali) and Bhojpur (Ara).
- An amount of Rs. 1754.99 crore has been approved to set up one Primary Health Centre, five Sub-Health Centres, 136 Community Health Centres and 1379 health institutes in 243 Assembly areas of Bihar. Approval has been given for the same and the plan is under implementation.
- A total of 5373 candidates have been selected for contractual posts by Bihar State Health Society under NHM in 2021-22. The distribution of these 5373 posts is- Staff Nurses (2444), ANM (865), Medical Officers (full-time) (102), Medical Officers (part-time) (69), Block Community Motivator (68), Block Accountant (50), Block Health Managers (39) and Community Health Officers (1537).

- In 2021-22, till January 2022, a total amount of Rs. 119.53 crore has been approved under Mukhyamantri Chikitsa Sahayata Kosh for 13,572 beneficiaries.
- A total of 194 posts of Engineers and 70 other contractual posts have been created under Bihar Medical Services and Infrastructure Corporation Limited to manage the increased burden of work. Also, 272 academic and non-academic posts have been created for different departments of the State Cancer Institute, located on the campus of Indira Gandhi Institute Of Medical Sciences (IGIMS). Lastly, 1430 seats have been created in undergraduate and post graduate diploma courses in different Government Medical and Dental Colleges.
- Under the Saat Nishchay-2 programme, the Health Department of Bihar is making an effort to provide health services to people living in remote villages of the state. To fulfil this target, the government has decided to provide therapeutic services to people through telemedicine facility. The eSanjeevani system developed by CDAC Mohali, Government of India has been selected to implement the telemedicine services. Under this system two types of modules, eSanjeevani.in and eSanjeevani OPD are used for teleconsultation. A total of 31.4 lakh medical consultations under eSanjeevani and 65687 under eSanjeevani OPD are provided till February 10, 2023.

Drinking Water Supply and Sanitation

- Bihar is a front runner in sustainable development goal- 6 on clean water and sanitation, with a score of 91 in 2020-21, which is better than the national average. Initiatives such as Har ghar nal ka JAL and Lohia Swachh Bihar Abhiyan have ensured the supply of clean drinking water and safe sanitation for every citizen. As per the national sample survey on drinking water, sanitation, hygiene and housing conditions (2018), About 48.2% of the households in the rural areas of Bihar and 48.6% in urban areas used piped water as the principal source of drinking water.

Drinking Water and Sanitation: New Interventions

- To maintain the quality of water as suggested by the Central government, the Department of PHED has established the National Accreditation Board for Testing and Calibration Laboratories in Patna. Similar laboratories have also been established in all the district headquarters, where the quality of water is being diagnosed based on 16 parameters set by the Central government.
- Out of a plan of setting up 76 laboratories for testing water at lower level, 75 have already been established. Additionally, 9 mobile water quality testing labs are functional, through which quality of public water source is tested regularly in remote villages of the state.
- In order to provide piped water supply in Anganwadi and health centres under the Har Ghar Nal Ka Jal scheme, a provision has been made to provide a minimum of 5 taps in primary schools, 7 taps in middle schools, 2 taps in Aanganwadi Centres and 5 taps in Primary Health Centres.
- The facility of drinking water, 28,912 toilets, 11,916 female bathrooms and 5488 handpumps were provided by the department in 5350 Quarantine Centres to maintain cleanliness, during the period of the Covid-19 pandemic.
- During the period of lockdown (April to July, 2020), under Har Ghar Nal Ka Jal scheme, 25.78 lakh households of 17,227 wards were provided with piped water supply. Also, 15,776 migrant labourers were provided employment in this sector, based on their skill.
- Solid and Liquid Waste Management activities were started in 1672 Gram Panchayats of 38 districts of the state. Capacity building of selected Sanitation Supervisors, Swachhata Karmi, and concerned block coordinators of these Gram Panchayats was done in a phased manner. Simultaneously, the orientation of the Panchayati Raj Representatives of all these Gram Panchayats was also done.

Education and Youth

- Good quality education is the foundation of growth and prosperity of a nation. Accessibility, equity and quality of educational institutions is required for better educational cover. In Bihar, the thrust on providing primary education has yielded good results across all social categories and both genders.
- **Literacy rate:** Classification of districts on the basis of literacy rates in 2011 by area, gender, and digital growth in Bihar is given in the below table:

District-Wise Classification of Literacy Rates in 2011

Area/ Gender	Literacy Rates					Decadal Change
	Rural	Urban	Male	Female	Combined	
Top Five Districts	Rohtas (72.5) Aurangabad (69.4), Bhojpur (69.2), Buxar (69.1), Siwan (68.9)	Kaimur (82.6), Munger (81.0), Patna (81.0), Samastipur (80.7), Muzaffarpur (80.2)	Rohtas (82.9), Bhojpur (81 .7), Buxar (80.7), Siwan (80.2), Aurangabad (80.1)	Rohtas (63.0), Munger (62.1). Patna (62.0). Aurangabad (59.7), Siwan (58.7)	Rohtas (73.4), Patna (70.7), Bhojpur (70.5). Munger (70.5), Aurangabad (70.3)	Kishanganj (24.4), Supaul (20.3), Sheohar (18.5), Araria (l8.5), E. Champaran (18.3)
Bottom Five Districts	Purnea (48.4), Katihar (49.6), Sitamarhi (50.8), Saharsa (51.1), Madhepura (5l.2)	Sheohar (62.0), Sheikhpura (71.0), West Champaran (71. 1), Madhubani (7l.1), Kishanganj (71.2)	Madhepura (61.8), Sheohar (61.3), Sitamarhi (60.6), Katihar (59.4), Purnea (59.1)	Saharsa (41.7), Madhepura (41.7), Purnea (42.3), Sitamarhi (42.4), Kishanganj (43.9)	Purnea (51.1), Sitamarhi (52.1), Katihar (52.2), Madhepura (52.3), Saharsa (53.2)	Jehanabad (11.6), Bhojpur (11.5), Nalanda (11.2), Munger (11.0), Patna (7.8)

Note: Figures in parentheses indicate Literacy Rate and decadal growth rate in last column
Source: Census, 2011

Expenditure on education

- Public expenditure on education in Bihar has increased by 41.3% from rupees 24385 crore in 2017-18 to rupees 34465 crore in 2021-22. Below table gives an idea about expenditure on education at different levels:

Expenditure on Education

Year		2017-18	2018-19	2019-20	2020-21	2021 -22
Expenditure on Education (Rs. crore)	Elementary	15638 (64.1)	19152 (81.1)	18747 (66.4)	6054 (46.7)	22201 (64.4)
	Secondary	4655 (19.1)	2216 (9.4)	4233 (15)	3256 (25.1)	5891 (17.1)
	Higher	4092 (16.8)	2250 (9.5)	4711 (16.7)	3564 (27.5)	6373 (18.5)
Total (Rs. crore)		24385 (100.0)	23618 (100)	28234 (100.0)	12959 (100.0)	34465 (100.0)
Expenditure on Education as a percentage of	Total Budget	17.9	15.3	13.0	7.8	15.8
	Social Sector	48.7	37.9	30.6	18.5	37.9

Source: State Government Finances, GoB

Note:
1. Figures in the parenthesis represent percentage share
2. Figures for 2019-20 and 2020-21 also include expenditure on Mass Education. Research & Training, Administration and Library
3. For 2021-22, the share on budget and social sector is calculated on BE figures

New education policy 2020, pradhan mantri potions Shakti nirman (PM POSHAN), Kasturba Gandhi balika vidyalaya, rashtriya uchter shiksha abhiyan, samagra siksha abhiyan, are primary central government schemes that has helped development of education in Bihar.

Quantitative and Qualitative Growth of Technical Education in Bihar

- Total of 38 Government Engineering Colleges have been established, one in each district.
- Apart from conventional branches, several new courses like Computer Science & Engineering (Artificial Intelligence, Internet of Things, Data Science, Cyber Security, Machine Learning, 3-D animation & Graphics, Food Processing, Biomedical and Robotics, Block Chain technology, Aeronautical, Chemical & Mining Engineering, Fire Technology & Safety, etc.) as emerging areas have been started from the academic session 2022-23 at the graduation level.
- The seats at the undergraduate level in the Government Engineering Colleges have been increased from a capacity of 8774 to 10,965. Similarly, at the Post-Graduate level, the seats have been increased from 96 to 126.
- Training, in emerging areas, is being provided to faculty members as well as students of all engineering colleges in collaboration with the Institutes of National Eminence. In-house training is being provided to all faculty members of Government Engineering Colleges in collaboration with IIT and NIT Patna.
- Bihar Engineering University has been established, with which the Government as well as private Engineering colleges of the state will be affiliated from the academic session 2023-24. Provision has been made to reserve one-third of the total seats for women candidates, in all the courses and across all categories in each institution and college affiliated with the newly established Bihar Engineering University.
- Total of 46 Government Polytechnic Institutions, with at least one in each district, have been established in the state. Out of 46, academic activities have started in two new polytechnic institutions, namely Government Polytechnic, Barh, and Government Polytechnic of Textile, Bhagalpur from academic session 2022-23.
- The total seats at the Undergraduate level in State Polytechnic Institutions in 2021-22 have increased from 11,211 to 12,321.
- In accordance with the demand of industries, the Centres of Excellence have been established in 44 Government Polytechnic institutions in collaboration with IIT Patna on Spoke-Hub Model i.e. with total 33 Government Polytechnics as spokes and 11 Government Polytechnics as hubs. In the following areas, Centres of excellence have been established: 1. Drone Technology, 2. 3D Printing, 3. Industrial Automation, 4. Robotics, 5. Electric Vehicles, 6. Internet of Things and Artificial Intelligence, and 7. Welding Technology.
- Provision has been made to provide internet connectivity (100Mbps), wi-fi, and smart classes in all 38 Government Engineering Colleges by the next financial year.
- Training and Placement Cell has been established at the Department and institutional level. Industry houses are being invited regularly for the placement of students.
- Attendance, through Biometrics, is in practice in all Government Engineering Colleges and Polytechnics for staff as well as students.
- Installation of a new Projection system of the latest technology (3D/2D, true RGB Laser projection system) for Indira Gandhi Science Complex Planetarium, Patna is in progress and is likely to be functional in the next financial year. Planetarium cum Science Museum of Darbhanga has become functional from January, 2022.
- The construction work of Dr. A.P.J. Abdul Kalam Science city, Patna is in progress.
- National Mathematics Day, National Science and Children Science Congress are being celebrated each year.

Achievements in Education Sector

- Bihar Student Credit Card Yojana, an ambitious scheme of the State government, was started on October 02, 2016 to address the agenda of higher education under the 'Aarthik Hal, Yuvaon Ko Bal' component of the Saat Nishchay Programme. Under this scheme, a loan amount of up to Rs. 4.00 lakh is provided to students for higher education. Till March, 2022, Rs. 5210.98 crore has been approved for 2.32 lakh applications. In 2022-23, till September, an amount of Rs. 714.71 crore has been approved for 38,863 applications.
- In 2021-22, an amount of Rs. 146.44 lakh has been approved for 61.7 lakh girls from all categories under Mukhyamantri Balika Poshak Yojana. The payment to the beneficiaries is made through Direct Benefit Transfer.
- Under the Right to Education Act, there is a provision for the enrolment of 25 percent of children from disadvantaged and weaker sections in recognized private schools. In the current year, for 1.22 lakh children, the system of reimbursement at the rate of Rs. 11,869 per children is under process.

- Presently, out of the total target of the establishment of 21,420 primary schools, 21,286 new schools have already been established. Also, against the target of upgradation of 19,725 schools, 19,633 elementary schools have already been upgraded to secondary schools.
- Under the National Initiative for School Heads and Teachers Holistic Advancement, there is a target of training 27,287 secondary school teachers, 1393 secondary school teachers of government-aided schools, 11,151 teachers of higher secondary schools, and 255 of teachers of government-aided higher secondary schools. Till August, 2021, the State government has already trained 37,434 teachers.
- In 2022-23, all KGBV schools will be upgraded to Class-12 level. There is a plan to cover all upper primary, secondary, and higher secondary schools under ICT@School and Smart Classroom in the coming four years.
- A Memorandum of Understanding (MoU) has been signed between UGC's Information and Library Network Centre, the Education Department, Government of Bihar and 15 State Universities of Bihar to establish "E-Library" to benefit students, researchers, faculty members and the entire scholarly community. Under this, facilities like library automation, checking of plagiarism, information management system to collect all the research-related materials, union catalogue of books, interactive dashboard, etc. will be available.
- The Bihar State Higher Education Council (BSHEC), Education Department, Government of Bihar has implemented several measures to enhance the National Assessment and Accreditation Council (NAAC) accreditation of higher educational institutions in the state. They have organized regular workshops for all HEIs and provided training to colleges that were yet to submit their AQAR (Annual Quality Assurance Report), IIQA (Institutional Information for Quality Assessment), and SSR (Self-Study Report) reports. As a result, colleges in Bihar are now submitting these reports for NAAC accreditation. To streamline the accreditation process, the Education Department, Government of Bihar has also appointed a State Nodal Officer at the state level.

14.9 SAAT NISCHAY 1 AND 2

Saat Nischay Scheme

Saat Nischay Scheme was announced by the CM Bihar in 2015, to envision the goals around which the developmental works are to be done for the growth of the state.The Saat Nischay Scheme of Bihar has two parts i.e. Saat Nischay Part-1(started in 2015) and Saat Nischay Part-2(started in 2020). Both Part 1 and Part 2 contain seven resolves each:

Saat Nischay Part-1

The seven resolves under the Saat Nischay-1 Scheme is given below:

1. Aarthik Hal, Yuvaon ko Bal

- The program 'Aarthik Hal, Yuvaon ko Bal' is also known as the Kushal Yuva Programme (KYP). The main motive of the program is to create employment for the youths who have dropped out from school education by imparting skill improvement courses.
  - In this 'Aarthik Hal, Yuvaon ko Bal' program,Youths from Bihar who are in the age group of 15 to 25 years and have cleared the secondary examination from the state of Bihar are eligible to join the skill development courses.
  - This program contains quality and experienced trainers who teach youths with the package of life oriented skills, thus boosting communication skills by improving the youth's language and to teach the basic level of working knowledge in computers. Student Credit Card is one such Initiative.

2. Aarakshit Rozgar, Mahilaon Ko Adhikar

- The program "Aarakshit Rozgar, Mahilaon Ko Adhikar" is designed to empower women in the state of Bihar. Under this program, women from Bihar enjoy 35% job reservation in the state government jobs. With this commitment, the women's education rate would increase in the entire state.

3. Har Ghar Bijli, Lagatar

- The state had notable growth in electricity production with respect to the state needs. In order to boost the electricity growth to the next level the program "Har Ghar Bijli, Lagatar" is introduced and with this program the state government of Bihar ensures the electricity connection to each and every household in Bihar.

4. Har Ghar Nal Ka Jal

- With the whooping investment of Rs. 47,700 crores, Nitish led Bihar state government introduced this program "Har Ghar Nal Ka Jal" to provide **clean and secured drinking water** to every resident in Bihar by connecting all households in Bihar with water pipeline connection. Under this scheme, it is targeted to remove all the hand pumps. It is roughly estimated that around 1.95 Lakh households in Bihar would be benefited under this "Har Ghar Nal Ka Jal" program.

5. Ghar Tak Pakki Gali – Naaliyan

- The program "Ghar Tak Pakki Gali – Naaliyan" is one among the commitments promised by the CM of Bihar which ensures the good and proper mode of road transportation across the state of Bihar by connecting its rural areas too. Under this Scheme, each and every rural village of Bihar would receive Pucca roads which are capable of handling all kinds of weather."Ghar Tak Pakki Gali – Naaliyan" is the construction of the Pucca Roads in villages of Bihar accompanied by pucca drainage networks.

6. Shauchalay Nirmaan, Ghar Ka Samman

- The Nitish Government in Bihar introduced the "Shauchalay Nirmaan, Ghar Ka Samman" program on 28th of September 2016 along with various schemes. Under the program "Shauchalay Nirmaan, Ghar Ka Samman" around 1.72 lakh crores toilets are planned to be built in households across the state of Bihar in order to ensure the people of Bihar enjoy a healthy and hygienic lifestyle.

7. Avsar Badhe, Aage Padhein

- The program "Avsar Badhe, Aage Padhein" is to develop the higher educational infrastructure in the state of Bihar in order to improve youth's higher education. Under this program, the state government of Bihar has planned to establish various educational institutions across the state. Approximately each and every district in the state of Bihar would receive Schools, Training institutes and other higher educational institutes like engineering universities, polytechnics and so on.

Saat Nishchay Part-2

- Seven Resolves in the Saat Nischay Scheme-2 are developed keeping in mind the goal of Youth Development, Women Empowerment, Rural Development, Urban Development, Consolidation of Infrastructure, and Healthcare.

1. Yuva Shakti, Bihar Ki Pragati

  - Under this scheme, there is a provision for Student Credit Card for Higher Education, Computer training, communication skill, and behavioural training. Under this, there is also a plan of making a centre of excellence in every ITI and polytechnic for enhancing the quality of training in such institutions.

2. Sashakt Mahila, Saksham Mahila

  - There is a provision of a special scheme for enhancing enterprising skills among Women. Under this scheme women would be given Interest-free loans up to 50% of the project cost or up to a maximum of Rs 5 lakh. Also, to encourage women candidates to complete their education they will be given Cash awards of Rs 25000/- for the Girls who pass class 12th and Rs 50000/- for Girls who pass Graduation.

3. Har Khet Tak Paani

  - Under this, it has been promised that in the next five years, water will be made available for irrigation to every farm or field in the state and as a result farm productivity can be increased.

4. Swachh Gaon, Samridh Gaon

- Under this scheme, there is a plan to install solar street lights in all villages, solid and liquid waste management, and development of animal and fishery resources in the villages so that people can become self-reliant. Along with this, the Har Ghar Nal Ka Jal Scheme will proceed further.

5. Swacch Shahar, Vikasit Shahar

- This includes the construction of shelters for the Senior-Citizens, multi-story housing for the urban poor, solid and liquid waste management, electric crematoriums, and construction of Moksha Dham.

6. Connectivity Hogi Aur Asaan

- Under this, there is a plan to connect villages with major roads, and build bypass roads and flyovers for seamless connectivity to and fro for the people.

7. Sabke Liye Swasthya Suvidha

- Under this scheme, there is a plan to improve health facilities from village to village and to prepare the basic system for better animal health care and management. It promises doorstep service with the help of a call centre and a mobile app. Apart from this, it can connect Primary Health Centres, Community Health Centres as well as sub-division, and district hospitals through tele-medicine. Also, it is assured to improve and expand the facilities of existing hospitals.

14.11 HIGHLIGHTS OF BUDGET 2023-24

On **28th, February 2023** Budget 2023-24 was laid in the Bihar legislature.

1. **Budget Estimates of 2023-24 in Brief:**

Total Expenditure (a+b): Rs. 2,61,885.40 crore.

(a) Scheme Expenditure: Rs. 1,00,029.73 crore.

(b) Establishment & Commitment Expenditure: Rs. 1,61,855.67 crore.

Committed Expenditure

(I) **Salary (a+b+c+d):** Rs 59,647.53 crore

(a) Establishment & Commitment Expenditure: Rs. 31,118.70 crore

(b) Annual Scheme: Rs 1,834.16 crore

(c) Grant in Aid- Salary: Rs 22,156.03 crore

(d) Contractual Salary: Rs 4,538.64 crore

(II) Pension: Rs. 29,436.92 crore

(III) Interest: Rs. 18,354.44 crore

(IV) Repayment of Public Debt: Rs. 23,558.69 crore

Total (I+II+III+IV): Rs. 1,30,997.58 crore

Total Receipts

(Revenue Receipts + Capital Receipts): Rs. 2,62,085.40 crore (1+2)

(1) Revenue Receipts: Rs. 2,12,326.97 crore

(A) Revenue Receipts from Central Govt. (I+II): Rs. 1,56,115.18 crore

(I) State's Share of Central taxes: Rs. 1,02,737.26 crore

(II) Grants-in-Aid from Central Govt: Rs. 53,377,.92 crore

(B) State's Own Revenue (I+II): Rs. 56,211.79 crore

(I) State's Own Tax Revenue: Rs. 49,700.05 crore

(II) State's Non-Tax Revenue: Rs. 6,511.74 crore

(C) **State Own Tax Revenue:**

Commercial Tax: Rs. 39,550.00 crore

Stamp and Registration: Rs. 6,300.00 crore

Transport: Rs. 3300.00 crore

Land Revenue: Rs. 550.00 crore

Total: Rs. 49,700.00 crore

(D) **State's main Non-Tax Revenue**

Receivable from Jharkhand State due for pension share's liabilities: Rs. 843.12 crore

Mines: Rs 3,300.00 crore

Interest receipts: Rs. 1,704.73 crore

Irrigation: Rs. 50.00 crore

Other Non-Taxes : Rs 613.89 crore

Total: Rs 6,511.74 crore

(2) **Capital Receipts (i + ii) :** Rs. 49,758.44 crore

(i) Borrowings : Rs. 49,326.53 crore

(ii) Recoveries of Loans : Rs. 431.91 crore

Total Expenditure (I+II) : Rs. 2,61,885.40 crore

(I) **Revenue Expenditure** : Rs. 2,07,848.00 crore

In which

(a) Salary : Rs. 59,647.53 crore

(b) Grant for Non Salary : Rs. 37,412.99 crore

(c) Grant for Asset Creation : Rs. 21,880.08 crore

(d) Pension : Rs. 29,436.92 crore

(e) Interest Payment : Rs. 18,354.44 crore

(f) Scholarship : Rs. 3,711.16 crore

(g) Subsidy (With Resource Gap) : Rs. 10,990.11 crore

(h) Cash & Material assistance in Disaster : Rs. 3,439.59 crore

(i) Repair and Maintenance: Rs. 6,633.91 crore

(j) Other Expenditure : Rs. 16,341.27 crore

(II) **Capital Expenditure :** Rs. 54,037.40 crore

In which

(a) Capital Outlay : Rs. 29,257.31 crore

(b) Public Debt : Rs. 23,558.69 crore

(c) Loans and Advances : Rs. 1,221.40 crore

Revenue Surplus: Rs. 4,478.97 crore

(Revenue Receipts-Revenue Expenditure) (2,12,326.97-2,07,848.00= 4,478.97 crore)

Revenue Surplus/GSDP : 0.52%

Fiscal Deficit: Rs. 25,567.83 crore

(Total Non Debt Expenditure-Total Non Debt Receipts)

Fiscal Deficit/GSDP: 2. 98%

2. **Budget expenditure** of Rs. 2,61,885.40 crore has been estimated for the Year 2023-24 which is Rs. 24,194.21 crore more than Rs. 2,37,691.19 crore for the year 2022-23 budget estimate.
3. **Establishment & Commitment Expenditure** for the Financial Year 2023-24 is estimated at Rs. 1,61,855.67 crore, which is Rs. 24,394.72 crore more than Rs. 1,37,460.94 crore for the year 2022-23 budget estimate.
4. **Annual Scheme Outlay** for the financial year 2023-24 is estimated at Rs. 1,00,000.00 crore, which is equal to the year 2022-23 budget estimate. Good Governance Programme, 2020-25:- Under Seven Nischay-2 of Atma Nirbhar Bihar (2020-25) Rs. 5,000.00 crore Budget Estimated in Various Departments for the Financial Year 2023-24.
5. **Revenue Expenditure** for the financial year 2023-24 is estimated at Rs. 2,07,848.00 crore. which is Rs. 15,891.33 crore more than Rs. 1,91,956.67 crore for the year 2022-23 budget estimate.
6. **Capital Expenditure** for the financial year 2023-24 is estimated at Rs. 54,037.40 crore. which is Rs. 8,302.88 crore more than Rs. Rs. 45,734.52 crore for the year 2022-23 budget estimate.
7. **The Capital and Revenue expenditure** for the year 2023-24 Revenue expenditure is Rs. 2,07,848.00 crore and Capital expenditure is Rs. 54,037.40 crore respectively. The total expenditure is Rs. 2,61,885.40 crore. The percentage of Revenue and Capital expenditure in total expenditure is 79.37 and 20.63 respectively.
8. **Development and Non-Development expenditure** for the year 2023-24 Development expenditure is Rs. 1,67,375.47 crore and Non-Development expenditure Rs. 94,509.93 crore respectively. The total expenditure is Rs. 2,61,885.40 crore. The percentage of Development expenditure and Non-Development expenditure in total expenditure is 63.91 and 36.09 respectively.
9. **Total Revenue Receipt** has been estimated at Rs. 2,12,326.97 crore in 2023-24 which is Rs. 15,622.46 crore more than Rs. 1,96,704.51 crore for the year 2022-23 budget estimate.
10. **State's Own Tax Revenue** is estimated at Rs. 49,700.05 crore in 2023-24 which is Rs. 8,313.05 crore more than Rs. 41,387.00 crore for the year 2022-23 budget estimate.
11. **State's Non Tax** Revenue is estimated at Rs. 6,511.74 crore in 2023-24 which is Rs. 376.12 crore more than Rs 6,135.62 crore for the year 2022-23 budget estimate.
12. **State's Share in Central Taxes** is estimated at Rs. 1,02,737.26 Crore in 2023-24 which is Rs. 11,556.66 crore more than Rs 91,180.60 crore for the year 2022-23 budget estimate.
13. **Grants in Aid from Central Government** to State is estimated at Rs. 53,377.92 crore in 2023-24 which is Rs. 4,623.37 crore less than Rs. 58,001.29 crore for the year 2022-23 budget estimate.
14. **The State has Revenue Surplus** of Rs. 4,478.97 crore during 2023-24 which is 0.52% of GSDP. GSDP estimate is Rs. 8,58,928.00 crore for the year 2023-24.
15. **The Fiscal Deficit** has been estimated at Rs. 25,567.84 crore which is 2.98% of GSDP estimate at Rs. 8,58,928.00 crore for the year 2023-24.
16. **The Outstanding Public Debt** is estimated at Rs. 2,76,165.43 crore in 2023-24 which is 32.15% of GSDP of Rs. 8,58,928.00 crore. Total debt including liability in public account estimate is Rs.3,24,762.35 crore in 2023-24 which is 37.81% of GSDP of Rs. 8,58,928.00 crore.

1. Economic profile of Bihar budget 2023-24

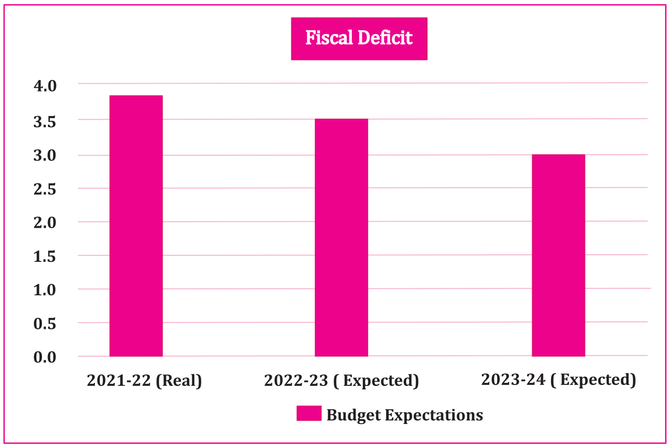
- Bihar is one of the states which has consistently achieved a high economic growth rate. The financial year 2020-21 was a year of economic recession for this state due to the COVID epidemic and other reasons. But Bihar is a fast-recovering state from this economic recession, where the global economy growth rate in the financial year 2021-22 was 6.0%. In the same year, the country's economic growth rate was 8.7%, while Bihar's economic growth rate was 10.98%.

- Bihar's growth rate is 2.28% points higher than India's growth rate and 4.98% points higher than the global growth rate. This time has been possible as a result of the policies and better efforts of the government of

Bihar. Bihar's economic growth rate is estimated to be in double digits in the financial year 2022-23 and also in the financial year 2023-24.

2. Fiscal orientation of Bihar budget 2023-24

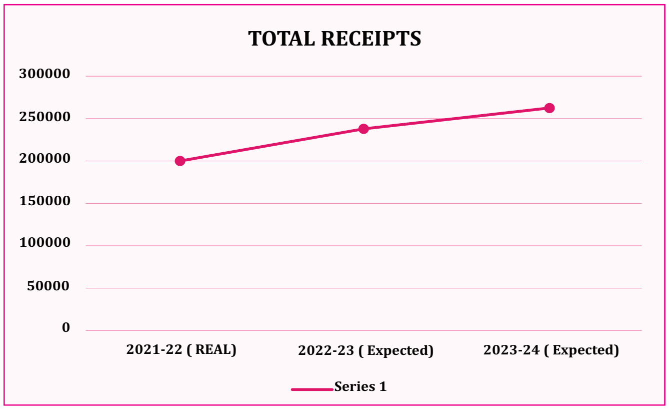
- To deal with the economic slowdown caused by the global pandemic and other reasons, the state government has achieved a high economic growth rate by adopting a comprehensive fiscal policy for the financial year 2020-21. In the previous years, the state government had provided additional amounts in public utility schemes in public interest, because of which revenue deficit was recorded. It has proved helpful in the implementation of welfare schemes in this state and in achieving a high economic growth rate. It may be noted that Bihar kept earning revenue surplus from the financial year 2004- 05.
- One of the major objectives of the budget in the year 2023-24 is financial consolidation, so the revenue of rupees 4478 crore in the financial year 2023-24 is estimated to be extraordinary. In the year 2022, the state government has made the Bihar fiscal responsibility and budget management rules 2022 by subsection (1) and (2) of section 12 of Bihar fiscal responsibility and budget management Act 2006.
- **Fiscal deficit:** In the financial year 2021-22, the debt ceiling fixed by the central government was 3.78 percent. Again, the fiscal deficit for the financial year 2022-23 has been kept at 3.47% which is conditionally subject to the loan ceiling of 3.50%. For the purpose of financial estimation, the deficit to product ratio is estimated at 2.98% which is lower than 3.47% of the financial year 2023.

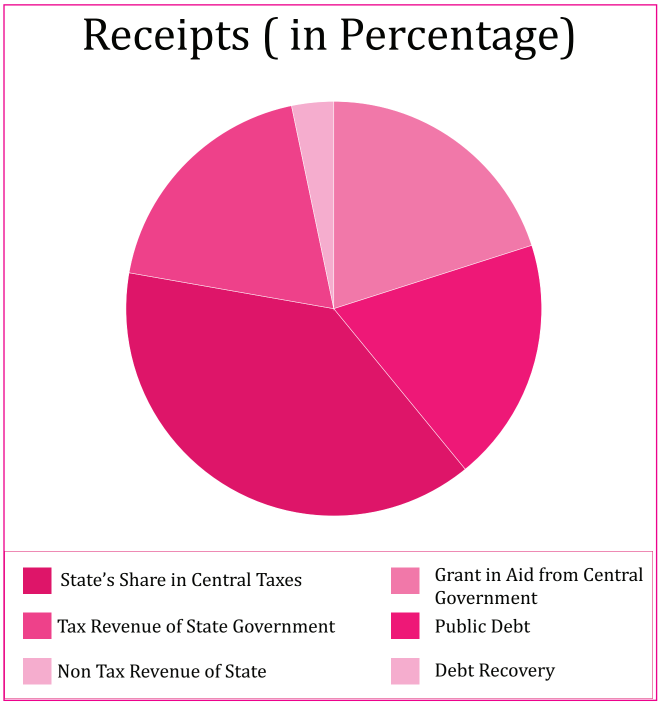


- **Share of interest payments to total revenue receipts**: the share of interest payments to total revenue receipt is an important indicator of sound financial health which reflects the status of debt management. Various finance commissions have recommended keeping interest payments as a proportion of revenue receipts within a prescribed limit. Under this recommendation, keeping it in the range of 10% indicates better debt management Bihar's interest payment the ratio of total revenue receipts in the financial year 2021-22 was 8.70% according to the budget estimates of the financial year 2023 this receive estimated at 8.29% and 8.64% in the financial year 2023-24.

3. Trend and composition of receipts

- People's expectations from the state government are rising. To meet the expectation and higher economic development, it is necessary that there should be an expected increase in the income of the state government. The total receipts in the financial year 2021-22 were rupees 199270.15 crore which is estimated to be increased to rupees 237891.94 crore in the budget estimate for the financial year 2022-23 and again 2 rupees 262085.40 crore in the financial year 2023-24.



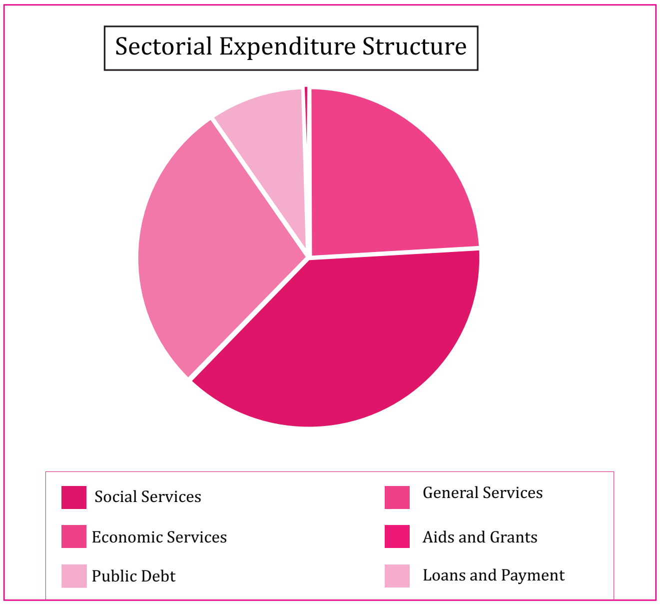


- According to the budget estimates for the financial year 2023-24, an increase of rupees 24193.46 crore is expected in the total receipts of the state in comparison to the financial year 2022-23 and an increase of rupees 62815.08 crore in comparison to the actual of the financial year 2021-22.

- Revenue receipts in the total income of the state government in the financial year 2023-24 are estimated to be rupees 212326.97 crore and capital receipts are estimated to be rupees 49758.44 crore. In the same year, the share of revenue receipts in the total receipt is 81.01% which was estimated at 82.69% in the financial year 2022-23.

4. Trend and configuration of fiscal priorities

- The main goal of the budget 2023-24 is to achieve higher economic development. The state government has always been devoted to public welfare and development-oriented expenditure has been given top priority in the financial year 2023-24. Under the development-oriented expenditure, expenditure on socio economic sector and general sector on public work and expenditure on capital outlay are included. In the state budget 2023-24 about 63.91% of the total expenditure has been kept on developmental expenditure. The budget for the financial year 202324 has been increased to rupees 261885.40 crore as a result of an increase of 10.18 percent from the budget of rupees 237591.19 crore in the previous financial year 2022-23. In the total budget, 79.37% revenue expenditure and 20.63% capital expenditure have been kept.
- The maximum expenditure of 38.14% is attributed to social services. Provision of 24.01% expenditure of the total budget on economic services estimated. Out of the total expenditure, 28.38% expenditure is estimated on General Services while 90% of the total expenditure has been kept for the repayment of public debt. There is a total provision of rupees 5000 crore in **Saat Nischay-2.**



5. Profile of Loan Availment

- According to the recommendations of the 15th finance Commission, the total outstanding debt for the financial year 2023-24 is to be kept in the range of 40.4% of the gross state domestic product. In the budget 2023-24 by the state government the ratio of total outstanding debt to gross state domestic product is estimated at 37.81%. The state is moving towards the path of financial reforms that are estimated to decrease to 38.05% in the year 2022-23 and 37.81% in the year 2023-24 as compared to 38.12% in the year 2021-22. The total public debt has been estimated at rupees 49326.53 crore in the financial year 2023-24. Budgetary provisions have been made to spend the public debt on the developmental expenditure of the state. The state government will make the commitment of social justice fruitful by spending the amount of the development of every section of the society including strengthening of physical and social infrastructure.

6. Various priorities

- Various priorities have been set by the state government in the Bihar budget 2023-24, in which the following are the main ones:

i) youth and employment
ii) continuous women empowerment
iii) minority welfare
iv) strengthening and modernization of police force
v) Agriculture and rural development
vi) green development
vii) infrastructure and industrial development
viii) Urban Development

ACTUAL/BUDGET AT A GLANCE						
(Rs. in Crore)						
Particulars		2021-22 Actual	2022-23 Budget Estimate	2023-24 Budget Estimate	Change over 2021-22 Actual to 2022-23 B.E	Change over 2022-23 BE to 2023-24 BE
1		2	3	4	5	6
1	**Revenue Receipts**	**158797.33**	**196704.51**	**212326.97**	23.87	7.94
2	Tax Revenue (a+b)	**126207.16**	**132567.60**	**152437.31**	5.04	14.99
	(a) State's share of Central Taxes	91352.62	91180.60	102737.26	-0.19	12.67
	(b) State's Own Taxes	34854.54	41387.00	49700.05	18.74	20.09
3	State's own Non tax Revenue	**3984.34**	**6135.62**	**6511.74**	53.99	6.13
4	Grants-in-aid from Central Govt.	**28605.83**	**58001.29**	**53377.92**	102.76	-7.97
5	**Capital Receipts (6+7+8)**	**40472.82**	**41187.43**	**49758.44**	1.77	20.81
6	Recoveries of Loan & Advances	27.92	431.55	431.91	1445.66	0.08
	Public Debt (7+8)	40444.90	40755.88	49326.53	0.77	21.03
7	Internal Debt of State	30917.46	37845.88	47451.53	22.41	25.38
8	Loans and Advances from Central Government	9527.44	2910.00	1875.00	-69.46	-35.57
9	**Total Receipts**	**199270.15**	**237891.94**	**262085.40**	19.38	10.17
10	**Establishment & Commitment Expenditure**	**109825.45**	**137460.94**	**161855.67**	25.16	17.75
11	On Revenue Account of which	**100732.94**	**122603.30**	**138012.19**	21.71	12.57
12	(a) Interest Payment	13821.93	16305.03	18354.44	17.96	12.57
	(b) Pension	20257.58	24252.29	29436.92	19.72	21.38
	(c) Salary	22237.55	29749.57	31118.70	33.78	4.60
13	On Capital Account(a+b+c+d)	**9092.51**	**14857.64**	**23843.48**	63.41	60.48
	(a) Internal Debt of the State	7619.64	12927.41	21487.65	69.66	66.22
	(b) Loans And Advances from Central Government	1126.83	1742.62	2071.04	54.65	18.85
	(c) Capital Expenditure	27.63	67.10	163.50	142.85	143.67
	(d) Loans and Advances	318.41	120.51	121.29	-62.15	0.65
14	**Scheme Expenditure**	**83297.54**	**100230.25**	**100029.73**	20.33	-0.20
	(a) Annual Scheme	**83149.18**	**100000.00**	**100000.00**	20.27	0.00
	(b) Central Sector Scheme	148.36	230.25	29.73	55.19	-87.09
15	On Revenue Account	58486.77	69353.37	69835.81	18.58	0.70
16	On Capital Account	24810.77	30876.88	30193.92	24.45	-2.21
17	**Total Expenditure (10+14)**	**193122.99**	**237691.19**	**261885.40**	23.08	10.18
18	Revenue Expenditure (11+15)	159219.71	191956.67	207848.00	20.56	8.28
19	Capital Expenditure (13+16)	33903.28	45734.52	54037.40	34.90	18.15
20	**Revenue Deficit (18-1)**	422.38	-4747.84	-4478.97		
21	**Fiscal Deficit {17-(1+6+13(a)+13(b)}**	25551.27	25885.11	25567.83		
22	**Primary Deficit (21-12a)**	11729.34	9580.07	7213.39		
23	**G.S.D.P**	**675448.00**	**745310.00**	**858928.00**		
24	**G.F.D/G.S.D.P**	3.78%	3.47%	2.98%		
25	**Interest Pay./Total Rev. Receipt**	8.70%	8.29%	8.64%		

Previous Years Questions (Prelims)

67th BPSC

1. The new ministry proposed in the Bihar Budget for the year 2021-22 focuses on
   (*a*) Child care
   (*b*) Women empowerment
   (*c*) Infrastructure development
   (*d*) Skill and entrepreneurship development
   (*e*) None of the above/More than one of the above
2. From which district of Bihar was the Garib Kalyan Rojgar Abhiyan launched by the Prime Minister in 2020?
   (*a*) Patna (*b*) Banka
   (*c*) Madhepura (*d*) Khagaria
   (*e*) None of the above/More than one of the above
3. In which year was the Railway Budget merged with the General Budget in India?
   (*a*) 2015 (*b*) 2016
   (*c*) 2017 (*d*) 2018
   (*e*) None of the above/More than one of the above
4. The best index of economic development is provided by
   (*a*) Growth in national income at current prices
   (*b*) Growth in per capita real income from year to year
   (*c*) Growth in savings ratio
   (*d*) Improvement in balance of payments position
   (*e*) None of the above/More than one of the above
5. The second phase of the Swachh Bharat Mission (Gramcen) is to be implemented during which time period?
   (*a*) 2020-21 to 2022-23
   (*b*) 2020-21 to 2023-24
   (*c*) 2020-21 to 2024-25
   (*d*) 2020-21 to 2025-26
   (*e*) None of the above/More than one of the above
6. Who among the following is not a part? Choose the correct sequence of the National Development Council?
   (*a*) The Secretary of the NITI Aayog
   (*b*) The Secretary of the Planning Pradesh Uttar Pradesh and Programme Implementation
   (*c*) The Vice Chairman of the NITI Aayog
   (*d*) The Chairman of the Finance Commission of India
   (*e*) None of the above/More than one of the above
7. Match List-1 with List-11:

List-1	List-2
a. Sarkaria Commission	1. To Review Methodology for Measurement of Poverty
b. C. Rangarajan Infrastructure Committee Financing	2. Infrastructure Financing
c. Parekh Committee	3. Central – State relationship
d. Narasimham Committee	4. Banking Sector Reforms

   Choose the correct answer from the options given below.
   (*a*) a-3; b-1; c-2; d-4
   (*b*) a-2; b-1; c-3; d-4
   (*c*) a-4; b-3; c-2; d-1
   (*d*) a-1; b-2; c-3; d-4
   (*e*) None of the above/More than one of the above
8. Consider the following States:
   (*a*) Punjab
   (*b*) Uttar Pradesh
   (*c*) Andhra Pradesh
   (*d*) West Bengal
   Choose the correct sequence of the above in ascending order as rice producing States in India.
   (*a*) West Bengal, Punjab, Andhra Pradesh, Uttar Pradesh
   (*b*) West Bengal, Uttar Pradesh, Andhra Pradesh, Punjab
   (*c*) Andhra Pradesh, Uttar Pradesh, West Bengal, Punjab
   (*d*) Andhra Pradesh, Punjab, Uttar Pradesh, West Bengal
   (*e*) None of the above/More than one of the above
9. With reference to the Finance Commission of India, consider the following statements
   1. The Finance Commission is a statutory body.
   2. The Finance Commission was set up under Article 280 of the constitution.

3. The recommendations made by the Finance Commission are only advisory in nature.
4. The first Finance Commission Was set up in 1950 .

Which of the above statements are correct?

(a) 1 and 4 only (b) 3 and 4 only
(c) 2 and 3 only (d) 2 and 4 only
(e) None of the above/More than one of the above

10. The maximum number of tax industries is in which district?
(a) Darbhanga
(b) Purnia
(c) Kishanganj
(d) More than one of the above
(e) None of the above

11. With reference to the Bare Necessities Index (BNI), consider the following statements :
1. The economic survey has come up with the Bare Necessities Index at rural and urban levels.
2. The BNI has been created for all States for 2018 only.
3. The BNI is based on 26 indicators
4. The BNI consists of six dimensions.

Which of the above statements are correct?

(a) 1 and 3 only (b) 2 and 3 only
(c) 1 and 4 only (d) 2 and 4 only
(e) None of the above/More than one of the above

12. Which type of banks is proposed to be established for agriculture and rural development in Bihar??
(a) Krishi Vigyan Banks
(b) Krishi Yantra Bank
(c) Krishi Vikas Bank
(d) Krishi Utthaan Banks
(e) None of the above/More than one of the above

13. The value of Human Development Index of Bihar in 2019 was
(a) 0.641 (b) 0.613
(c) 0.596 (d) 0.574
(e) None of the above/More than one of the above

14. The fiscal deficit in Bihar during 2021-22 is estimated as
(a) Rs. 22,511 crores (b) Rs. 27,617 crores
(c) Rs. 20,011 crores (d) Rs. 21,543 crores
(e) None of the above/More than one of the above

15. Under Digital Bihar programme Which students will receive computer education and training from 2021-22 onwards?
(a) All students of Class V
(b) All students of Class VI
(c) All students of Class VII
(d) All students of Class VIII
(e) None of the above/More than one of the above

16. According to the 15 th Finance Commission's recommendations, how much share will Bihar receive in the divisible pool of Central taxes from 2021-26?
(a) 4.12 percent (b) 4.23 percent
(c) 4.89 percent (d) 4.06 percent
(e) None of the above/More than one of the above

17. Who among the following is not a member of the 15th Finance Commission?
(a) Ashok Kumar Lahiri (b) Sudipto Mundle
(c) Ramesh Chand (d) Ajay Narayan Jha
(e) None of the above/More than one of the above

18. In the recent Union Budget, the FM has increased the Foreign Direct Investment (FDI) limit in the insurance sector from the existing one to
(a) 50% (b) 62%
(c) 74% (d) 100%
(e) None of the above/More than one of the above

19. As per the Union Budget, 2021, the Fiscal deficit is estimated to be how much percent of the GDP in 2021-22?
(a) 8.80% (b) 7.80%
(c) 7.60% (d) 6.80%
(e) None of the above/More than one of the above

66th BPSC

20. Which one among the following is not an objective of food management India?
(a) Distribution of food grains
(b) Procurement of food grains buffer stock.
(c) Maintenance of food grains buffer stock
(d) Export of food grains
(e) None of the above/More than one of the above

21. Revenue deficit in india implies that
(a) The india government needs to borrow in order to finance its expenses which will create capital assets
(b) The indian government needs to borrow in order to finance its expenses which do not create capital assets
(c) The indian government needs to borrow from the Reserve Bank of India against government securities
(d) The Indian government needs to borrow from international financial institutions.
(e) None of the above/More than one of the above

22. Which one of the following countries is India's top trading partner in 2019-20?
(a) USA (b) China
(c) UAE (d) Saudi Arabia
(e) None of the above/More than one of the above

23. Which of the following infrastructure sectors of India is related with Bharatmala Project
(a) Telecom Sector
(b) Railways
(c) Road Infrastructure
(d) Port Sector
(e) None of the above/More than one of the above

24. Which of the following agencies release the index industrial production to measure industrial performance in India?
(*a*) The national Sample Survey Office (NSSO)
(*b*) The Reserve Bank of India (RBI)
(*c*) The central studies office (CSO)
(*d*) The indian Statistical Institute (ISI)
(*e*) None of the above/More than one of the above

25. According to the ease of Doing business Report, 2020 india improved their rank from
(*a*) 77 in previous years to 63rd position
(*b*) 130 in progress year to 100th position
(*c*) 100 in previous year to 77th position
(*d*) 77 in previous year to 67th position
(*e*) None of the above/More than one of the above

26. To improve Institutional agricultural credits flow, what credit target for 2020-21 has been fixed in the union Budget of India?
(*a*) ₹10 lakh crore (*b*) ₹13.5 lakh crore
(*c*) ₹15 lakh crore (*d*) ₹16.5 lakh crore
(*e*) None of the above/More than one of the above

27. The objective of PM-KUSUM scheme is
(*a*) To reduce farmers dependence on monsoon for irrigation
(*b*) To reduce farmers dependence on money lenders for credit
(*c*) Promotion of floriculture in India
(*d*) To remove farmers dependence on diesel and Kerosene and to link pump sets to solar energy
(*e*) None of the above/More than one of the above

28. Which of the following commercial banks of India comes in top 100 global banks?
(*a*) ICICI Bank
(*b*) SBI
(*c*) HDFC Bank
(*d*) Kotak Mahindra Bank
(*e*) None of the above/More than one of the above

29. The Government of India announced a new scheme NIRVIK in the Budget for 2020-21. Which of the following sectors of the economy will take the benefit from this scheme?
(*a*) Agriculture Sector (*b*) Industrial Sector
(*c*) Health Sector (*d*) Export Sector
(*e*) None of the above/More than one of the above

30. Bihar Government has introduced the comprehensive Financial Management system (CFMS) on 1st April, 2019. This System
(*a*) Will make all financial activities in the state online and paperless
(*b*) Will solve the problem of NPA of banks
(*c*) Will ensure effective implementation of state projects
(*d*) Will manage state government finance including local bodies.
(*e*) None of the above/More than one of the above

31. The Government of India conferred the Krishi Karman Award to Bihar State on 2nd January 2020. This award was given for.
(*a*) Production and productivity of maize and wheat
(*b*) Food grain production
(*c*) Production of rice
(*d*) Production of oil seeds
(*e*) None of the above/More than one of the above

32. Bihar Government launched a new scheme 'Satat Jivikoparjan Yojana' in August 2018. The objective of this scheme is
(*a*) To provide unemployment allowance to youth
(*b*) To provide employment in rural areas through local bodies
(*c*) To provide sustainable income generating assets to Extremely poor households.
(*d*) To provide free training for skill Upgradation of youth
(*e*) None of the above/More than one of the above

33. Which of the following is not included in Seven Resolves (Saat Nishchay) of Bihar Government?
(*a*) Women Employment
(*b*) Clean drinking of water
(*c*) Supply of electricity to all households
(*d*) Child welfare
(*e*) None of the above/More than one of the above

34. The per capita Net State Domestic Product at constant prices for Bihar is less than the country average. In the year 2018-19 it was
(*a*) 75 percent of the National average
(*b*) 60 percent of the National average
(*c*) 50 percent of the National Average
(*d*) 33 percent of the Nation average
(*e*) None of the above/More than one of the above

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35. As per the census 2011 the child sex ratio in Bihar BOS
(*a*) 935 (*b*) 934
(*c*) 933 (*d*) 932
(*e*) None of the Above/More than one of the above

36. The growth rate of the tertiary sector in Bihar during the year 2017-18 was
(*a*) 14.2 (*b*) 14.6
(*c*) 15.6 (*d*) 15.2
(*e*) None of the Above/More than one of the above

37. The gross state domestic product GSDP of Bihar at current prices in the year 2017-18 was
(*a*) ₹4,87,628 crores (*b*) ₹3,61,504 crores
(*c*) ₹1,50,036 crores (*d*) ₹5,63,424 crores
(*e*) None of the Above/More than one of the above

38. Which one of the following programs was initiated during the sixth 5 year plan
(a) Integrated Rural Development
(b) Rural literacy Development
(c) Rural Railways
(d) Advanced communication links for Rural people
(e) None of the Above/More than one of the above

39. Antyodaya programme was started first of all in the state of
(a) Bihar (b) Tamil nadu
(c) Andhra Pradesh (d) Rajasthan
(e) None of the Above/More than one of the above

40. India's share in meat and meat preparation exports in the year 2017 was
(a) 0.05 (b) 0.06
(c) 0.02 (d) 0.03
(e) None of the Above/More than one of the above

41. In the fiscal year 2018-19 the total foreign exchange reserves are
(a) ₹34,55,882 crores (b) ₹30,55,882 crores
(c) ₹32,55,882 crores (d) ₹28,55,882 crores
(e) None of the Above/More than one of the above

42. Which one of the following is not a source of direct Finance
(a) NABARD
(b) Regional Rural Bank
(c) State Bank of India
(d) Allahabad Bank
(e) None of the Above/More than one of the above

43. What is the full form of EPCG
(a) Export Promotion Consumer Goods
(b) Export Programme for consumer good
(c) Export Promotion Capital Goods
(d) Expert Programme for Credit Generation
(e) None of the Above/More than one of the above

44. Pradhanmantri shramyogi mandhan scheme at subscribers will receive the minimum pension of per month after attaining the age of 60 years
(a) ₹3,500 (b) ₹2,000
(c) ₹3,000 (d) ₹1,500
(e) None of the Above/More than one of the above

45. Who determine the minimum support price in India
(a) Commission for Agricultural Costs and Prices
(b) The Agriculture Ministry
(c) The Finance Commission
(d) NABARD
(e) None of the Above/More than one of the above

46. Hindu growth rate is related to
(a) Money (b) GDP
(c) Population (d) GNP
(e) None of the Above/More than one of the above

47. In Bihar, 'Krishi Kumbha Mela, 2019' was held in
(a) Champaaran (b) Motihari
(c) Rajgir (d) Gaya
(e) None of the Above/More than one of the above

48. In NITI Aayog's Health Index, 2019, Bihar scored
(a) 30.12 (b) 30.13
(c) 32.11 (d) 32.12
(e) None of the Above/More than one of the above

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49. What was the economic growth rate of the state of Bihar during the year 2016-17
(a) 6.3 Percent (b) 7.3 Percent
(c) 8.3 Percent (d) 9.3 Percent
(e) None of the above/More than one of the above

50. What is the percentage of population in Bihar state employed in agriculture sector in 2017-18
(a) 65 (b) 67
(c) 68 (d) 70
(e) None of the above/More than one of the above

51. In Bihar during April June 2018 which sector has attracted the highest FDI equity inflow
(a) Service Sector
(b) Steel industry
(c) Processing industry in agriculture
(d) Clement industry
(e) None of the above/More than one of the above

52. What is the sex ratio in Bihar state as per the Census of India 2011 ?
(a) 893 (b) 916
(c) 918 (d) 925
(e) None of the above/More than one of the above

53. Which one of the following states has the highest density of population according to the Census of India 2011
(a) Kerala (b) Haryana
(c) Bihar (d) Uttar Pradesh
(e) None of the above/More than one of the above

54. Who among the following is the CEO of the NITI Aayog?
(a) Amitabh Kant (b) S. S. Mundra
(c) Cyrus Mistry (d) Soumay Kanti Ghosh
(e) None of the above/More than one of the above

55. Which one of the following most appropriately describes the nature of Green revolution of late sixties of 20 century
(a) Intensive Cultivation of green vegetable
(b) Intensive agriculture district programme
(c) High-yielding varieties programme
(d) Seed fertiliser water technology
(e) None of the above/More than one of the above

56. Which one of the following was not included in the intended objective of the union budget 2017-18?
   (*a*) Transform India (*b*) Clean India
   (*c*) Educate india (*d*) Energise India
   (*e*) None of the above/More than one of the above
57. Which one of the following is the Objective of MGNREGA?
   (*a*) To build Assets
   (*b*) To encourage Micro-irrigation
   (*c*) Water management
   (*d*) To enhance rural income
   (*e*) None of the above/More than one of the above
58. Which one of the following is the pathway to increase productivity in agriculture
   (*a*) Efficient irrigation (*b*) Quality Seeds
   (*c*) Use of pesticides (*d*) Use of fertilisers
   (*e*) None of the above/More than one of the above
59. At present who is the governor of The Reserve Bank of India
   (*a*) Urjit Patel (*b*) Raghuram Rajan
   (*c*) Shanta Kumar (*d*) Lalita D. Gupte
   (*e*) None of the above/More than one of the above
60. Who among the following has given the idea of self-help groups as an effective tool for poverty alleviation
   (*a*) Amartya Sen (*b*) Md. Yunus
   (*c*) S. Chakravarti (*d*) Venkaiah Naidu
   (*e*) None of the above/More than one of the above
61. As Per Census 2011 the female literacy rate in India was
   (*a*) 60.0 percent (*b*) 63.0 Percent
   (*c*) 65.5 Percent (*d*) 68.5 Percent
   (*e*) None of the above/More than one of the above
62. PURA (providing Urban Amenities to Rural Area) model was advocated by
   (*a*) A. P. J. Abdul Kalam (*b*) Manmohan Singh
   (*c*) Lal Krishna Advani (*d*) Rajiv Gandhi
   (*e*) None of the above/More than one of the above
63. Which one of the following is not an initiative for industrial development
   (*a*) Make in India (*b*) Ease of Doing Business
   (*c*) Startup India (*d*) Digital India
   (*e*) None of the above/More than one of the above
64. The government policy Make in India aims at
   (*a*) Removal of Bureaucratic sloth
   (*b*) Elimination of Red Tapism
   (*c*) Reduction in cost of manufacturing
   (*d*) Making the product Competitive
   (*e*) None of the above/More than one of the above
65. During Twelfth Five Year Plan, which one of the following average annual growth rate targets was envisaged for agriculture and allied sector
   (*a*) 3.0 Percent (*b*) 3.5 Percent
   (*c*) 4.0 Percent (*d*) 4.5 Percent
   (*e*) None of the above/More than one of the above

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66. According to the national family survey-5 released by the union Ministry of Health and family welfare on November 24, 2021, there has been a significant improvement in the sex ratio of Bihar. It has increased from ________ in 2015-2016 to _______ in 2020-2022.
   (*a*) 1062,1090
   (*b*) 1040,1070
   (*c*) 1030,1050
   (*d*) More than one of the above
   (*e*) None of the above
67. According to the Bihar Economic Survey 2021-2022, what was the rate of growth of gross state domestic product (GSDP) of Bihar in 2020-2021?
   (*a*) 3%
   (*b*) 2%
   (*c*) 2.5%
   (*d*) More than one of the above
   (*e*) None of the above
68. Which one of the following is correct for Bihar economy?
   (*a*) The growth rate is one of the lowest in India at 2.5%.
   (*b*) Bihar produces mostly primary goods.
   (*c*) The occupational structure of the economy is stagnant from above.
   (*d*) More than one of the above
   (*e*) None of the above
69. At what percentage has Bihar registered the lowest female workforce participation rate for the year 2020-2022?
   (*a*) 4% in rural and 6.5% in urban areas
   (*b*) 6% in rural and 8.1% in urban areas
   (*c*) 7% in rural and 9.1% in urban areas
   (*d*) More than one of the above
   (*e*) None of the above
70. Which of the following are the objectives of the SEZ act,2005?
   1. Generation of additional economic activity
   2. promotion of exports of goods and services
   3. creation of employment
   (*a*) 1, 2 and 3
   (*b*) 2 and 3 only
   (*c*) 1 and 3 only
   (*d*) More than one of the above
   (*e*) None of the above
71. What is the policy measure adopted by the Government of India to improve the system of agricultural marketing?
   (*a*) Minimum support price (MSP)
   (*b*) Maintenance of buffer stock

(*c*) Public distribution system (PDS)
(*d*) More than one of the above
(*e*) None of the above

72. Which committee suggested the enactment of the Competition Act, 2002?
(*a*) Rangarajan committee
(*b*) S.V.S. Raghavan committee
(*c*) Vijay Kelkar committee
(*d*) More than one of the above
(*e*) None of the above

73. Match List-1 with List-2:

List 1	List 2
A. Grey Revolution	1. Onion Production
B. Pink Revolution	2. Tomato And Meat Production
C. Silver Revolution	3. Production of Eggs
D. Red Revolution	4. Fertilisers

(*a*) a-4, b-1, c-3, d-2
(*b*) a-3, b - 1, c-4, d-2
(*c*) a-1, b-4, c-2, d-3
(*d*) More than one of the above
(*e*) None of the above

74. Which of the following five-year plans was focused on human resource development?
(*a*) First
(*b*) Third
(*c*) Fifth
(*d*) More than one of the above
(*e*) None of the above

75. Which of the following states of India received the highest foreign direct investment (FDI) equity flow during April to September 2022?
(*a*) Karnataka
(*b*) Tripura
(*c*) Gujarat
(*d*) More than one of the above
(*e*) None of the above

76. In which budget did the finance minister announce the liberalised exchange rate management system?
(*a*) Union budget, 1991-1992
(*b*) Union budget, 1992-1993
(*c*) Union budget, 1993-1994
(*d*) More than one of the above
(*e*) None of the above

77. Which of the following were goals of the five-year plans?
1. Growth
2. Modernization
3. Self Reliance
4. Literature

(*a*) 1, 3 and 4
(*b*) 2, 3 and 4
(*c*) 1, 2 and 4
(*d*) More than one of the above
(*e*) None of the above

78. Which organisation carries out the survey for determining the poverty line?
(*a*) NSSO
(*b*) NITI Aayog
(*c*) RBI
(*d*) More than one of the above
(*e*) None of the above

79. The trade balance of India (merchandise and services) for DECEMBER 2022 (provisional) is
(*a*) (–) 10.50 USD billion
(*b*) (+) 11.98 USD billion
(*c*) (–) 11.98 USD billion
(*d*) More than one of the above
(*e*) None of the above

ANSWERS

1. (*d*)	2. (*d*)	3. (*c*)	4. (*b*)	5. (*c*)	6. (*e*)	7. (*a*)	8. (*e*)	9. (*c*)	10. (*e*)
11. (*a*)	12. (*b*)	13. (*e*)	14. (*a*)	15. (*b*)	16. (*a*)	17. (*b*)	18. (*c*)	19. (*d*)	20. (*d*)
21. (*b*)	22. (*a*)	23. (*c*)	24. (*e*)	25. (*a*)	26. (*a*)	27. (*d*)	28. (*b*)	29. (*d*)	30. (*a*)
31. (*a*)	32. (*b*)	33. (*d*)	34. (*d*)	35. (*a*)	36. (*b*)	37. (*a*)	38. (*a*)	39. (*d*)	40. (*e*)
41. (*d*)	42. (*e*)	43. (*c*)	44. (*c*)	45. (*a*)	46. (*b*)	47. (*b*)	48. (*c*)	49. (*e*)	50. (*e*)
51. (*a*)	52. (*c*)	53. (*c*)	54. (*a*)	55. (*d*)	56. (*c*)	57. (*e*)	58. (*e*)	59. (*e*)	60. (*b*)
61. (*c*)	62. (*a*)	63. (*e*)	64. (*e*)	65. (*c*)	66. (*a*)	67. (*c*)	68. (*d*)	69. (*a*)	70. (*a*)
71. (*d*)	72. (*b*)	73. (*a*)	74. (*e*)	75. (*a*)	76. (*b*)	77. (*e*)	78. (*a*)	79. (*c*)	