UNDERSTANDING ECONOMIC DEVELOPMENT- X

CHAPTER.1
DEVELOPMENT

- For comparing countries, their income is considered to be one of the most important attributes
- Average income- the total income of the country divided by its total population.
- The average income is also called per capita income
- World Development Report-brought out by the World Bank,
- Infant Mortality Rate (or IMR) - indicates the number of children that die before the age of one year as a proportion of 1000 live children born in that particular year.
- Literacy Rate measures the proportion of literate population in the 7 and above age group.
- Net Attendance Ratio is the total number of children of age group 6-10 attending school as a percentage of total number of children in the same age group.
- Money may also not be able to protect you from infectious diseases, unless the whole of your community takes preventive steps.
- Money cannot buy you a pollution-free environment or ensure that you get unadulterated medicines, unless you can afford to shift to a community that already has all these things.
- Income by itself is not a completely adequate indicator of material goods and services that citizens are able to use.
- Human Development Report published by UNDP compares countries based on the educational levels of the people, their health status and per capita income.
- Life Expectancy at birth denotes, as the name suggests, average expected length of life of a person at the time of birth.
- Gross Enrolment Ratio for three levels means enrolment ratio for primary school, secondary school and higher education beyond secondary school.
- Per Capita Income is calculated in dollars for all countries so that it can be compared so that every dollar would buy the same amount of goods and services in any country.
- Groundwater overuse is particularly found in the agriculturally prosperous regions of Punjab and Western U.P., hard rock plateau areas of central and south India, some coastal areas and the rapidly growing urban settlements."

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CHAPTER.2

SECTORS OF INDIAN ECONOMY

Primary sector- The cultivation of cotton

- Takes place within a crop season, we depend mainly on natural factors like rainfall, sunshine and climate.
- an activity like dairy, we are dependent on the biological process of the animals and availability of fodder. The product here, milk, also is a natural product. Similarly, minerals and ores are also natural products.
- When we produce a good by exploiting natural resources, it is an activity of the primary sector, also called agriculture and related sector.

The secondary sector

- Covers activities in which natural products are changed into other forms through ways of manufacturing that we associate with industrial activity. It is the next step after primary.
- product is not produced by nature but has to be made and therefore some process of manufacturing is essential.
- In a factory, a workshop or at home, also called as industrial sector

Tertiary sector

- activities that help in the development of the primary and secondary sectors.
- These activities, by themselves, do not produce a good but they are an aid or a support for the production process.
- For example, goods that are produced in the primary or secondary sector would need to be transported by trucks or trains and then sold in wholesale and retail shops also called the service sector.
- The value of final goods and services produced in each sector during a particular year provides the total production of the sector for that year and the sum of production in the three sectors gives what is called the Gross Domestic Product (GDP) of a country.
- GDP- the value of all final goods and services produced within a country during a particular year.
- GDP shows how big the economy is.

Why is the tertiary sector becoming so important in India?

There could be several reasons.

- **First**, in any country several services such as hospitals, educational institutions, post and telegraph services, police stations, courts, village administrative offices, municipal corporations, defence, transport, banks, insurance companies, etc. are required. These can be considered as basic services.

- In a developing country the government has to take responsibility for the provision of these services.
- **Second**, the development of agriculture and industry leads to the development of services such as transport, trade, storage and the like, as we have already seen.
- Greater the development of the primary and secondary sectors, more would be the demand for such services.
- **Third**, as income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training etc.
- You can see this change quite sharply in cities, especially in big cities.
- **Fourth**, over the past decade or so, certain new services such as those based on information and communication technology have become important and essential. The production of these services has been rising rapidly.
- Workers in agricultural sector are underemployed.
- You will see that everyone is working, none remains idle, but in actual fact their labour effort gets divided. Each one is doing some work but no one is fully employed. This is the situation of underemployment, where people are apparently working but all of them are made to work less than their potential.
- This kind of underemployment is hidden in contrast to someone who does not have a job and is clearly visible as unemployed.
- Hence, it is also called disguised unemployment.
- India recently made a law implementing the Right to Work in 200 districts of India. It is called National Rural Employment Guarantee Act 2005 (NREGA 2005).
- Under NREGA 2005, all those who are able to, and are in need of, work are guaranteed 100 days of employment in a year by the government.
- If the government fails in its duty to provide employment, it will give unemployment allowances to the people.
- The types of work that would in future help to increase the production from land will be given preference under the Act.

Organised sector

- covers those enterprises or places of work where the terms of employment are regular and therefore, people have assured work.
- They are registered by the government and have to follow its rules and regulations which are given in various laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act etc.
- It is called organised because it has some formal processes and procedures. Some of these people may not be employed by anyone but may work on their own but they too have to register themselves with the government and follow the rules and regulations.

- Workers in the organised sector enjoy security of employment. They are expected to work only a fixed number of hours. If they work more, they have to be paid overtime by the employer. They also get several other benefits from the employers

The unorganized sector

- Is characterized by small and scattered units which are largely outside the control of the government.
- There are rules and regulations but these are not followed.
- Jobs here are low-paid and often not regular. There is no provision for overtime, paid leave, holidays, leave due to sickness etc. Employment is not secure. People can be asked to leave without any reason. When there is less work, such as during some seasons, some people may be asked to leave.
- A lot also depends on the whims of the employer.
- This sector includes a large number of people who are employed on their own doing small jobs such as selling on the street or doing repair work. Similarly, farmers work on their own and hire labourers as and when they require. In the urban areas, unorganized sector comprises mainly of workers in small- scale industry, casual workers in construction, trade and transport etc., and those who work as street vendors, head load workers, garment makers, rag pickers etc.
- Small-scale industry also needs government's support for procuring raw material and marketing of output.
- The casual workers in both rural and urban areas need to be protected.
- In the public sector, the government owns most of the assets and provides all the services.
- In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies.
- Activities in the private sector are guided by the motive to earn profits. To get such services we have to pay money to these individuals and companies.
- The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.

CHAPTER.3
MONEY AND CREDIT

- When both parties agree to sell and buy each other's commodities. It is known as double coincidence of wants.
- It is a matter where a person desires to sell is exactly what the other wishes to buy.
- Barter system -where goods are directly exchanged without the use of money where double coincidence of wants is an essential feature.
- Money acts as an intermediate in the exchange process, it is called a medium of exchange.
- Deposits in the bank accounts can be withdrawn on demand, these deposits are called demand deposits.

- Demand deposits offer another interesting facility.
- It is this facility which lends it the essential characteristics of money (that of a medium of exchange). Banks charge a higher interest rate on loans than what they offer on deposits.
- The difference between what is charged from borrowers and what is paid to depositors is their main source of income.
- Credit (loan) refers to an agreement in which the lender supplies the borrower with money, goods or services in return for the promise of future payment.
- Collateral is an asset that the borrower owns (such as land, building, vehicle, livestock, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid.
- Property such as land titles, deposits with banks, livestock are some common examples of collateral used for borrowing. Interest rate, collateral and documentation requirement, and the mode of repayment together comprise what is called the terms of credit.
- The former are loans from banks and cooperatives.
- The informal lenders include moneylenders, traders, employers, relatives and friends, etc.
- The Reserve Bank of India supervises the functioning of formal sources of loans.
- The banks maintain a minimum cash balance out of the deposits they receive.
- The RBI monitors the banks in actually maintaining cash balance.
- The RBI sees that the banks give loans not just to profit-making businesses and traders but also to small cultivators, small scale industries, to small borrowers etc.
- Periodically, banks have to submit information to the RBI on how much they are lending, to whom, at what interest rate, etc.
- There is no organisation which supervises the credit activities of lenders in the informal sector.
- Higher cost of borrowing means a larger part of the earnings of the borrowers is used to repay the loan.
- Cheap and affordable credit is crucial for the country's development.
- It is necessary that banks and cooperatives increase their lending particularly in the rural areas, so that the dependence on informal sources of credit reduces.
- While formal sector loans need to expand, it is also necessary that everyone receives these loans.
- Banks are willing to lend to the poor women when organised in SHGs, even though they have no collateral as such.
- SHGs are the building blocks of organisation of the rural poor.

CHAPTER.4
GLOBALISATION

- A MNC is a company that owns or controls production in more than one nation.
- MNC is not only selling its finished products globally, but more important, the goods and services are produced globally.

- As a result, production is organized in increasingly complex ways. MNCs set up factories and offices for production.
- The money that is spent to buy assets such as land, building, machines and other equipment is called investment.
- Investment made by MNCs is called foreign investment.
- Foreign trade thus results in connecting the markets or integration of markets in different countries.
- The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries.
- Globalization is this process of rapid integration or interconnection between countries.
- MNCs are playing a major role in the globalisation process. More and more goods and services, investments and technology are moving between countries.
- Tax on imports is an example of trade barrier. It is called a barrier because some restriction has been set up.
- Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.
- Removing barriers or restrictions set by the government is what is known as liberalisation.
- With liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export.
- The government imposes much less restrictions than before and is therefore said to be more liberal.
- World Trade Organisation (WTO) is one such organisation whose aim is to liberalize international trade.
- Started at the initiative of the developed countries, WTO establishes rules regarding international trade, and sees that these rules are obeyed.
- Steps to Attract Foreign Investment In recent years, the central and state governments in India are taking special steps to attract foreign companies to invest in India. Industrial zones, called Special Economic Zones (SEZs), are being set up.
- SEZs are to have world class facilities: electricity, water, roads, transport, storage, recreational and educational facilities.
- Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.

CHAPTER.5

CONSUMER RIGHTS

- In 1985 United Nations adopted the UN Guidelines for Consumer Protection.
- This was a tool for nations to adopt measures to protect consumers and for consumer advocacy groups to press their governments to do so.
- At the international level, this has become the foundation for consumer movement.
- Today, Consumers International has become an umbrella body of 240 organisations from over 100 countries.
- A major step taken in 1986 by the Indian government was the enactment of the Consumer Protection Act 1986, popularly known as COPRA.
- Consumers have the right to be informed about the particulars of goods and services that they purchase.
- Consumers can complain and ask for compensation or replacement if the product proves to be defective in any manner.
- In recent times, the right to information has been expanded to cover various services provided by the Government.
- In October 2005, the Government of India enacted a law, popularly known as RTI (Right to Information) Act, which ensures its citizens all the information about the functions of government departments.
- Any consumer who receives a service in whatever capacity, regardless of age, gender and nature of service, has the right to choose whether to continue to receive the service.
- Consumers have the right to seek redressal against unfair trade practices and exploitation.
- If any damage is done to a consumer, she has the right to get compensation depending on the degree of damage.
- There is a need to provide an easy and effective public system by which this can be done.
- Under COPRA, three-tier quasi-judicial machinery at the district, state and national levels were set up for redressal of consumer disputes.
- The district level court deals with the cases involving claims up to Rs 20 lakhs, the state level courts between Rs 20 lakhs and Rs 1 crore and the national level court deals with cases involving claims exceeding Rs 1 crore.
- If a case is dismissed in district level court, the consumer can also appeal in state and then in National level courts.
- Thus, the Act has enabled us as consumers to have the right to represent in the consumer courts.
- India has been observing 24 December as the National Consumers' Day.
- It was on this day that the Indian Parliament enacted the Consumer Protection Act in 1986.
- India is one of the countries that have exclusive courts for consumer redressal.