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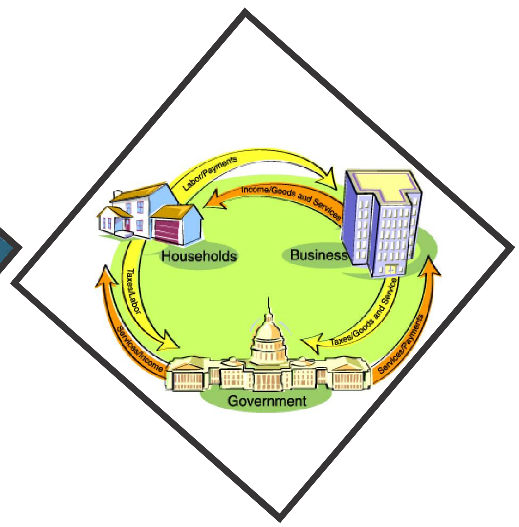

INDIAN ECONOMY

Contents

PREFACE

The union Public service Commission (U.P.S.C) has created the below curriculam for the selection of civil servants, which will help them to develop a advance mindset.

The curriculum can be understood into two ways :-

4 Pillars (External)	2 Pillars (Internal)
1. History	1. Reasoning Skills & Analytical Ability
2. Polity	2. Ethics & Integrity
3. Geography	
4. Economics	

The Rate of Progress of a country determines its economy. It also shows how wealth is recieved in the country. It also determines, in which area it should be incorportated so that the development of Human society also shows the economy. There are factors of the economy that define the development policies of the country which is reflected in the human development Index, Importance of Education, Technical Knowledge etc.

A Civil Servant can make policy makers aware of appropriate areas to prevent the misuse/wastage of money & increase its utilization & help in Nation Building.

Thus, the main features/topics of the syllabus are discribed here which will help a civil servant in realizing his role & will easily achieve the goal of -"Self Building to Nation Building"!

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UNIT-1 : Agriculture : Foundation of Economy

Production activities need various types of resources — natural resources, manmade items, human effort, money, etc.

In villages across India, farming is the main production activity. The other production activities, referred to as nonfarm activities include small manufacturing, transport, shop-keeping, etc.

Organisation of Production

The aim of production is to produce the goods and services that we want. There are four requirements for production of goods and services.

The first requirement is land, and other natural resources such as water, forests, minerals.

The second requirement is labour, i.e. people who will do the work. Some production activities require highly educated workers to perform the necessary tasks. Other activities require workers who can do manual work. Each worker is providing the labour necessary for production.

The third requirement is physical capital, i.e. the variety of inputs required at every stage during production. What are the items that come under physical capital?

(a) Tools, machines, buildings: Tools and machines range from very simple tools such as a farmer's plough to sophisticated machines such as generators, turbines, computers, etc. Tools, machines, buildings can be used in production over many years, and are called fixed capital.

(b) Raw materials and money in hand : Production requires a variety of raw materials such as the yarn used by the weaver and the clay used by the potter. Also, some money is always required during production to make payments and buy other necessary items. Raw materials and money in hand are called working capital. Unlike tools, machines and buildings, these are used up in production.

There is a fourth requirement too. You will need knowledge and enterprise to be able to put together land, labour and physical capital and produce an output either to use yourself or to sell in the market. This these days is called human capital.

Fig. A factory, with several labourers and machines

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Every production is organised by combining land, labour, physical capital and human capital, which are known as factors of production.

There is a basic constraint in raising farm production. Land area under cultivation is practically fixed.

The standard unit of measuring land is hectare, though in the villages you may find land area being discussed in local units such as bigha, guintha etc. One hectare equals the area of a square with one side measuring 100 metres.

Not all villages in India have such high levels of irrigation. Apart from the riverine plains, coastal regions in our country are well-irrigated. In contrast, plateau regions such as the Deccan plateau have low levels of irrigation. Of the total cultivated area in the country a little less than 40 per cent is irrigated even today. In the remaining areas, farming is largely dependent on rainfall.

To grow more than one crop on a piece of land during the year is known as multiple cropping. It is the most common way of increasing production on a given piece of land.

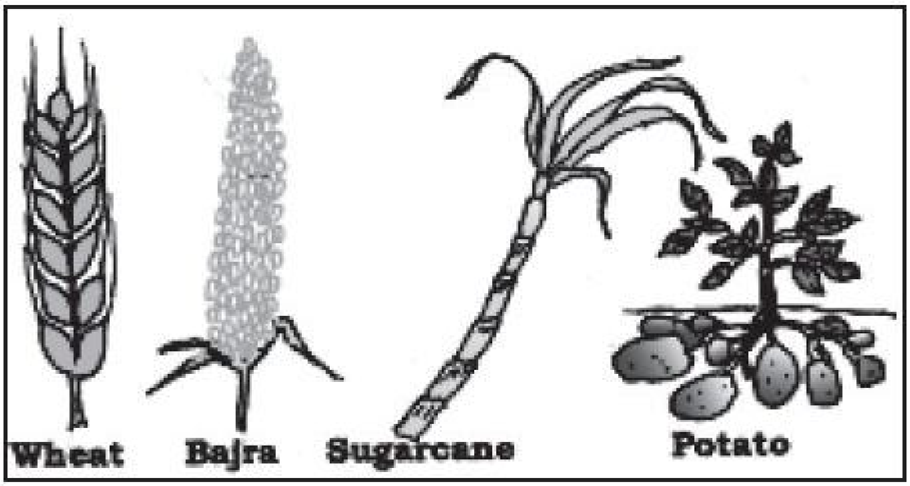

Fig. Different crops

Table : Cultivated area over the years

	Cultivated Area (Million Hectare)
1950	120
1960	130
1970	140
1980	140
1990	140
2000	140
2010	155
212	155

One way of increasing production from the same land is by multiple cropping. The other way is to use modern farming methods for higher yield. Yield is measured as crop produced on a given piece of land during a single season. Till the mid- 1960s, the seeds used in cultivation were traditional ones with relatively low yields. Traditional seeds needed less irrigation. Farmers used cow-dung and other natural manure as fertilizers. All these were readily available with the farmers who did not have to buy them.

The Green Revolution in the late 1960s introduced the Indian farmer to cultivation of wheat and rice using high yielding varieties (HYVs) of seeds. Compared to the traditional seeds, the HYV seeds promised to produce much greater amounts of grain on a single plant. As a result, the same piece of land would now produce far

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larger quantities of foodgrains than was possible earlier. HYV seeds, however, needed plenty of water and also chemical fertilizers and pesticides to produce best results. Higher yields were possible only from a combination of HYV seeds, irrigation, chemical fertilisers, pesticides etc.

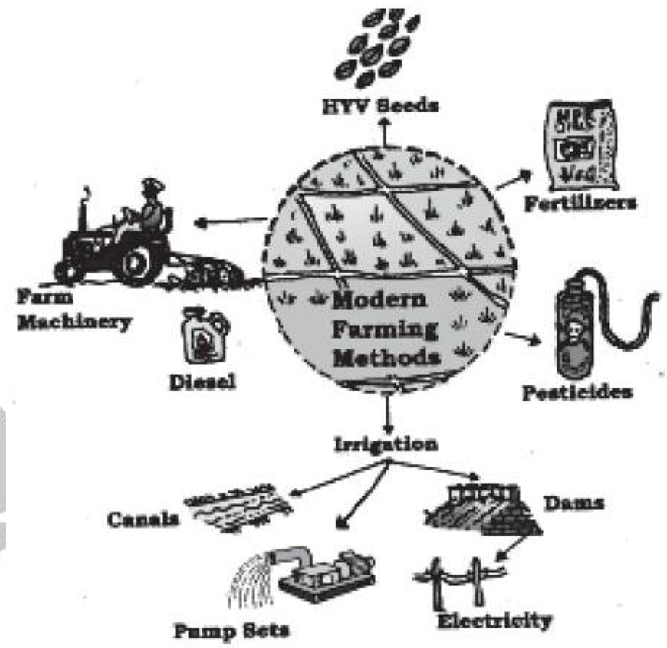

Fig. Modern Farming Methods: HYV seeds, chemical fertilizer etc.

Farmers of Punjab, Haryana and Western Uttar Pradesh were the first to try out the modern farming method in India. The farmers in these regions set up tubewells for irrigation, and made use of HYV seeds, chemical fertilizers and pesticides in farming. Some of them bought farm machinery like tractors and threshers, which made ploughing and harvesting faster. They were rewarded with high yields of wheat.

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Table : Production of pulses and wheat (Tonnes)

Year	Production of Pulses	Production of Wheat
1965-66	10	10
1970-71	12	24
1980-81	11	36
1990-91	14	55
2000-01	11	70
2010-11	18	87
2012-13	18	94
2013-14	19	96
2014-15	17	89
2015-16	17	94

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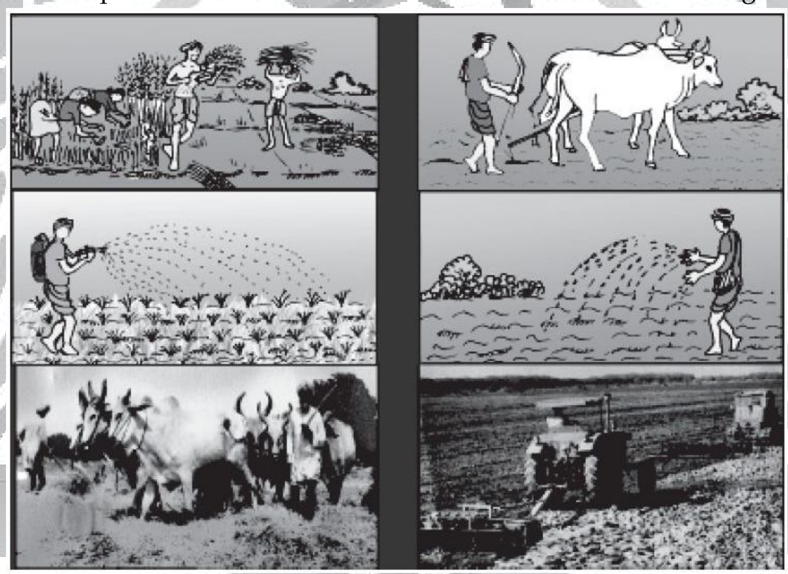
Agriculture and environment

Land being a natural resource, it is necessary to be very careful in its use. Scientific reports indicate that the modern farming methods have overused the natural resource base.

In many areas, Green Revolution is associated with the loss of soil fertility due to increased use of chemical fertilizers. Also, continuous use of groundwater for tubewell irrigation has reduced the water-table below the ground. Environmental resources like soil fertility and groundwater are built up over many years. Once destroyed it is very difficult to restore them. We must take care of the environment to ensure future development of agriculture.

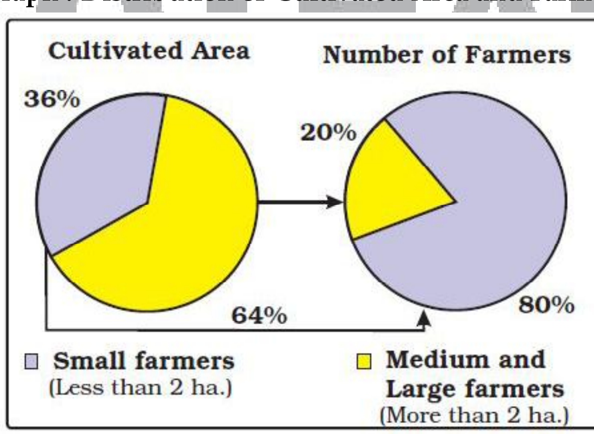
Chemical fertilizers provide minerals which dissolve in water and are immediately available to plants. But these may not be retained in the soil for long. They may escape from the soil and pollute groundwater, rivers and lakes. Chemical fertilizers can also kill bacteria and other microorganisms in the soil. This means some time after their use, the soil will be less fertile than ever before....

.....The consumption of chemical fertilizers in Punjab is highest in the country. The continuous use of chemical fertilizers has led to degradation of soil health. Punjab farmers are now forced to use more and more chemical fertilizers and other inputs to achieve the same production level. This means cost of cultivation is rising very fast.....



Work on the fields : Wheat crop—ploughing by bullocks, sowing, spraying of insecticides, cultivation by traditional method, cultivation by modern method, and cutting of crops.

Graph : Distribution of Cultivated Area and Farmers



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Labour

After land, labour is the next necessary factor for production. Farming requires a great deal of hard work. Small farmers along with their families cultivate their own fields. Thus, they provide the labour required for farming themselves. Medium and large farmers hire farm labourers to work on their fields.

Farm labourers come either from landless families or families cultivating small plots of land. Unlike farmers, farm labourers do not have a right over the crops.

The Capital Needed in Farming

The modern farming methods require a great deal of capital, so that the farmer now needs more money than before.

Most small farmers have to borrow money to arrange for the capital. They borrow from large farmers or the village moneylenders or the traders who supply various inputs for cultivation. The rate of interest on such loans is very high. They are put to great distress to repay the loan.

In contrast to the small farmers, the medium and large farmers have their own savings from farming. They are thus able to arrange for the capital needed.

Among the three factors of production, we found that labour is the most abundant factor of production. There are many people who are willing to work as farm labourers in the villages, whereas the opportunities of work are limited. They belong to either landless families or poor families. They are paid low wages, and lead a difficult life.

In contrast to labour, land is a scarce factor of production. Cultivated land area is . Moreover, even the existing land is distributed unequally (equally/unequally) among the people engaged in farming. There are a large number of small farmers who cultivate small plots of land and live in conditions not much better than the landless farm labourer. To make the maximum use of the existing land, farmers use high yielding varieties of seeds and chemical fertilisers, pesticides. Both these have led to increase in production of crops.

Modern farming methods require a great deal of capital. Small farmers usually need to borrow money to arrange for the capital, and are put to great distress to repay the loan. Therefore, capital too is a scarce factor of production, particularly for the small farmers.

Though both land and capital are scarce, there is a basic difference between the two factors of production. land is a natural resource, whereas capital is man-made. It is possible to increase capital, whereas land is fixed. Therefore, it is very important that we take good care of land and other natural resources used in farming.

large and medium farmers sell the surplus farm products. A part of the earnings is saved and kept for buying capital for the next season. Thus, they are able to arrange for the capital for farming from their own savings. Some farmers might also use the savings to buy cattle, trucks, or to set up shops. these constitute the capital for non-farm activities.

Conclusion

Farming is the main production activity in the village. Over the years there have been many important changes in the way farming is practiced. These have allowed the farmers to produce more crops from the same amount of land. This is an important achievement, since land is fixed and scarce. But in raising production a great deal of pressure has been put on land and other natural resources.

The new ways of farming need less land, but much more of capital. The medium and large farmers are able to use their own savings from production to arrange for

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capital during the next season. On the other hand, the small farmers who constitute about 80 per cent of total farmers in India, find it difficult to obtain capital. Because of the small size of their plots, their production is not enough. The lack of surplus means that they are unable to obtain capital from their own savings, and have to borrow. Besides the debt, many of the small farmers have to do additional work as farm labourers to feed themselves and their families.

Labour being the most abundant factor of production, it would be ideal if new ways of farming used much more labour. Unfortunately, such a thing has not happened. The use of labour on farms is limited. The labour, looking for opportunities is thus migrating to neighbouring villages, towns and cities. Some labour has entered the non-farm sector in the village.

At present, the non-farm sector in the village is not very large. Out of every 100 workers in the rural areas in India, only 24 are engaged in non-farm activities. Though there is a variety of non-farm activities in the villages the number of people employed in each is quite small.

In the future, one would like to see more non-farm production activities in the village. Unlike farming, non-farm activities require little land. People with some amount of capital can set up non-farm activities. How does one obtain this capital? One can either use his own savings, but more often has to take a loan. It is important that loan be available at low rate of interest so that even people without savings can start some non-farm activity. Another thing which is essential for expansion of non-farm activities is to have markets where the goods and services produced can be sold. As more villages get connected to towns and cities through good roads, transport and telephone, it is possible that the opportunities for non-farm activities production in the village would increase in the coming years.

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UNIT-2 : Human Resource and Human Capital

Population becomes human capital when there is investment made in the form of education, training and medical care. In fact, human capital is the stock of skill and productive knowledge embodied in them.

Human Resources is a way of referring to a country's working people in terms of their existing productive skills and abilities. Looking at the population from this productive aspect emphasises its ability to contribute to the creation of the Gross National Product. Like other resources population also is a resource — a 'human resource'. This is the positive side of a large population that is often overlooked when we look only at the negative side, considering only the problems of providing the population with food, education and access to health facilities. When the existing 'human resource' is further developed by becoming more educated and healthy, we call it 'human capital formation' that adds to the productive power of the country just like 'physical capital formation'.

Investment in human capital (through education, training, medical care) yields a return just like investment in physical capital. This can be seen directly in the form of higher incomes earned because of higher productivity of the more educated or the better trained persons, as well as the higher productivity of healthier people.

India's Green Revolution is a dramatic example of how the input of greater knowledge in the form of improved production technologies can rapidly increase the productivity of scarce land resources. India's IT revolution is a striking instance of how the importance of human capital has come to acquire a higher position than that of material plant and machinery.

Picutre - Human Capital

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Not only do the more educated and the healthier people gain through higher incomes, society gains also in other indirect ways because the advantages of a more educated or a healthier population spreads to those also who themselves were not directly educated or given health care. In fact, human capital is in one way superior to other resources like land and physical capital: human resource can make use of land and capital. Land and capital cannot become useful on its own!

For many decades in India, a large population has been considered a liability rather than an asset. But a large population need not be a liability. It can be turned into a productive asset by investment in human capital (for example, by spending resources on education and health for all, training of industrial and agricultural workers in the use of modern technology, useful scientific researches and so on).

Investment in human resource (via education and medical care) can give high rates of return in the future. This investment on people is the same as investment in land and capital. One invests in shares and bonds expecting higher return in the future.

A child, too, with investments made on her education and health, can yield a high return in the future in the form of higher earnings and greater contribution to society. Educated parents are found to invest more heavily on the education of their child. This is because they have realised the importance of education for themselves. They are also conscious of proper nutrition and hygiene. They accordingly look after their children's needs for education at school and good health. A virtuous cycle is thus created in this case. In contrast, a vicious cycle may be created by disadvantaged parents who, themselves uneducated and lacking in hygiene, keep their children in a similarly disadvantaged state.

Countries like Japan have invested in human resource. They did not have any natural resource. These countries are developed/rich countries. They import the natural resource needed in their country. How did they become rich/developed? They have invested on people especially in the field of education and health. These people have made efficient use of other resource like land and capital. Efficiency and the technology evolved by people have made these countries rich/developed.

Main Sectors of Economy

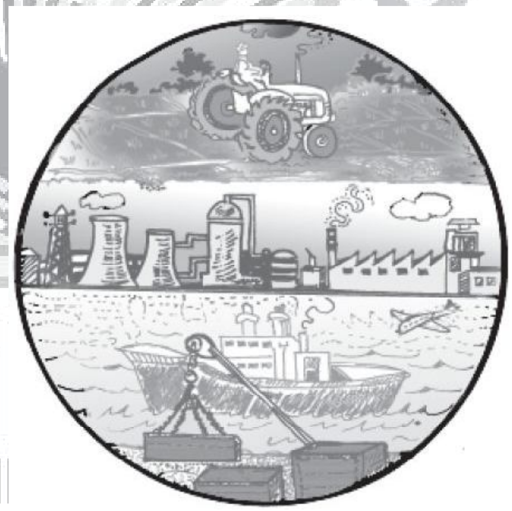

Fig. Main Sectors of Economy

The various activities of have been classified into three main sectors i.e., primary, secondary and tertiary. Primary economy sector includes agriculture, forestry, animal husbandry, fishing, poultry farming, and mining. Quarrying and manufacturing is included in the secondary sector. Trade, transport, communication, banking, education, health, tourism, services, insurance etc. are included in the tertiary sector. The activities in this sector result in the production of goods and services. These activities add value to the national income. These activities are called economic activities. Economic activities have two parts — market activities and non-market activities. Market activities involve remuneration to any one who performs i.e., activity performed for pay or profit. These include production of goods or services including government service.

Non-market activities are the production for self-consumption. These can be consumption and processing of primary product and own account production of fixed assets.

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Due to historical and cultural reasons there is a division of labour between men and women in the family. Women generally look after domestic chores and men work in the fields. Sakal's mother Ladies cooks food, cleans utensils, washes clothes, cleans the house and looks after her children. Gents cultivates the field, sells the produce in the market and earns money for the family.

Ladies is not paid for the services delivered for upbringing of the family. Gents earns money, which he spends on rearing his family. Women are not paid for their service delivered in the family. Their work is not accounted in the national income which is a sum total of goods and services produced in a country.

Women are paid for their work when they enter the labour market. Their earning like that of their male counterpart is determined on the basis of education and skill. Education helps individual to make better use of the economic opportunities available before him. Education and skill are the major determinants of the earning of any individual in the market. A majority of the women have meagre education and low skill formation. Women are paid low compared to men. Most women work where job security is not there. Various activities relating to legal protection is meagre. Employment in this sector is characterised by irregular and low income. In this sector there is an absence of basic facilities like maternity leave, childcare and other social security systems. However, women with high education and skill formation are paid at par with the men. Among the organised sector, teaching and medicine attract them the most. Some women have entered the administrative and other services including those, which need high levels of scientific and technological competence.

Quality of Population

The quality of population depends upon the literacy rate, health of a person indicated by life expectancy and skill formation acquired by the people of the country. The quality of the poulation ultimately decides the growth rate of the country. Illiterate and unhealthy population are a liability for the economy. Literate and healthy population are an asset.

Education

Education contributes towards the growth of society also. It enhances the national income, cultural richness and increases the efficiency of governance. There is a provision made for providing universal access, retention and quality in elementary education with a special emphasis on girls. There is also an establishment of pace setting of schools like Navodaya Vidyalaya in each district.
Vocational streams have been developed to equip large number of high school students with occupations related to knowledge and skills.

> ...human being is a positive asset and a precious national resource which needs to be cherished, nurtured and developed with tenderness and care, coupled with dynamism. Each individual's growth presents a different range of problems and requirements. ... The catalytic action of education in this complex and dynamic growth process needs to be planned meticulously and executed with great sensitivity.

Literacy is not only a right, it is also needed if the citizen are to perform their duties and enjoy their right properly. However, a vast difference is noticed across different sections of population. Literacy among males is nearly 50% higher than females and it is about 50% higher in urban areas as compared to the rural areas. Literacy rates vary from 96% in some district of Kerala to a below 30% in some parts of Madhya Pradesh. The primary school system has expanded to over 5,00,000 villages in India. Unfortunately, this huge expansion of schools has been diluted by the poor quality of schooling and high dropout rates. "Sarva Siksha Abhiyan is a significant step towards providing elementary education to all children in the age group of six to fourteen years by 2010 .... It is a time bound initiative of the central Government, in partnership with the states, the local Government and the community for achieving the goal of

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universalisation of elementary education.” Along with it, bridge courses and back-to-school camps have been initiated to increase the enrollment in elementary education. Mid-day meal scheme has been implemented to encourage attendance and retention of children and improve their nutritional status. These policies could add to the literate population of India

The strategy focuses on increasing access, quality, adoption of states-specific curriculum modification, vocationalisation and networking on the use of information technology. The plan also focuses on distant education, convergence of formal, non-formal, distant and IT education institutions. Over the past fifty years, there has been a significant growth in the number of university and institutions of higher learning in specialised areas.

Table 2.1 : Number of Institutions of Higher Education, Enrolment and Faculty

Year	Number of Colleges	Number of Universities	Students	Teachers Colleges Universities
1950–51	750	30	2,63,000	24,000
1990–91	7,346	177	49,25,000	2,72,000
1998-99	11,089	238	74,17,0000	3,42,000
2010-11	33,023	523	186,70,050	8,16,966
2012-13	37,204	628	223,02,938	9,25,396
2014-15	40,760	711	265,85,437	12,61,350
2015-16	41,435	753	284,84,741	14,38,000

Health

Firm maximise profit: any firm would not be induced to employ people who might not work efficiently as a healthy worker because of ill health?

The health of a person helps him to realise his potential and the ability to fight illness. An unhealthy person becomes a liability for an organisation indeed; health is an indispensable basis for realising one’s well being. Henceforth, improvement in the health status of the population has been the priority of the country. Our national policy, too, aimed at improving the accessibility of health care, family welfare and nutritional service with special focus on underprivileged segment of population. Over the last five decades India has built up a vast health infrastructure and man power required at primary secondary and tertiary care in Government as well as in the private sector.

Fig. Children standing in queu for health check-up

These measures adopted have increased the life expectancy to over 64 years in 2000. *Infant mortality rate (IMR) has come down from 147 in 1951 to 75 in 2000. **Crude birth rates have dropped to 26.1 and ***death rates to 8.7 within the same duration of time. Increase in life expectancy and improvement in childcare are useful in assessing the future progress of the country. Increase in longevity of life is an indicator

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of good quality of life marked by self-confidence. Reduction in infant mortality involves the protection of children from infection, ensuring nutrition along with mother and childcare.

There are many places in India which do not have even these basic facilities. Just four states like Karnataka, Andhra Pradesh, Tamil Nadu, Maharashtra have 81 out of 181 medical colleges. On the other hand states like Bihar and Uttar Pradesh have poor health indices and few medical colleges.

Unemployment

Unemployment is said to exist when people who are willing to work at the going wages cannot find jobs.

The workforce population includes people from 15 years to 59 years.

In case of India we have unemployment in rural and urban areas. However, the nature of the unemployed differs in rural and urban areas. In case of rural areas, there is seasonal and disguised unemployment. Urban areas have mostly educated unemployment.

Seasonal unemployment happens when people are not able to find jobs during some months of the year. People dependant upon agriculture usually face such kind of problem. There are certain busy seasons when sowing, harvesting, weeding, threshing is done. Certain months do not provide much work to the people dependant on agriculture.

In case of disguised unemployment people appear to be employed. They have agricultural plot where they find work. This usually happens among family members engaged in agricultural activity. The work requires the service of five people but engages eight people. Three people are extra. These three people also work in the same plot as five people. The contribution made by the three extra people does not add to the contribution made by the five people. If three people are removed the productivity of the field will not decline. The field requires the service of five people and the three extra people are disguisedly employed.

In case of urban areas educated unemployment has become a common phenomenon. Many youth with matriculation, graduation and post graduation degrees are not able to find job. A study showed that unemployment of graduate and post-graduate has increased faster than among matriculates. A paradoxical manpower situation is witnessed as surplus of manpower in certain categories coexist with shortage of manpower in others. There is unemployment among technically qualified person on one hand, while there is a dearth of technical skills required for economic growth.

Unemployment leads to wastage of manpower resource. People who are an asset for the economy turn into a liability. There is a feeling of hopelessness and despair among the youth. People do not have enough money to support their family. Inability of educated people who are willing to work to find gainful employment implies a great social waste.

Unemployment tends to increase economic overload. The dependence of the unemployed on the working population increases. The quality of life of an individual as well as of society is adversely affected. When a family has to live on a bare subsistence level there is a general decline in its health status and rising withdrawal from the school system.

Hence, unemployment has detrimental impact on the overall growth of an economy. Increase in unemployment is an indicator of a depressed economy. It also wastes the resource, which could have been gainfully employed. If people cannot be used as a resource they naturally appear as a liability to the economy.

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In case of India, statistically, the unemployment rate is low. A large number of people represented with low income and productivity are counted as employed. They appear to work throughout the year but in terms of their potential and income, it is not adequate for them. The work that they are pursuing seems forced upon them. They may therefore want other work of their choice. Poor people cannot afford to sit idle. They tend to engage in any activity irrespective of its earning potential. Their earning keeps them on a bare subsistence level.

Moreover, the employment structure is characterised by self-employment in the primary sector. The whole family contributes in the field even though not everybody is really needed. So there is disguised unemployment in the agriculture sector. But all the family also have a share in what has been produced. This concept of sharing of work in the field and the produce raised reduces the hardship of unemployment in the rural sector. But this does not reduce the poverty of the family, gradually surplus labour from every household tends to migrate from the village in search of jobs.

Let us discuss about the employment scenario in the three sectors mentioned earlier. Agriculture, is the most labour absorbing sector of the economy. In recent years, there has been a decline in the dependence of population on agriculture partly because of disguised unemployment discussed earlier. Some of the surplus labour in agriculture has moved to either the secondary or the tertiary sector. In the secondary sector, small scale manufacturing is the most labourabsorbing. In case of the tertiary sector, various new services are now appearing like biotechnology, information technology and so on.

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UNIT-3 : Poverty

Introduction

In our daily life, we come across many people who we think are poor. Poor People could be landless labourers in villages or people living in overcrowded jhuggis in cities. They could be daily wage workers at construction sites or child workers in This also means that India has the largest single concentration of the poor in the world. This illustrates the seriousness of the challenge.

Fig. Poverty Scenario

Causes of Poverty in India are following-

- Landlessness
- Unemployment
- Size of families
- Illiteracy
- Poor health/malnutrition
- Child labour
- Helplessness

Poverty also means lack of clean water and sanitation facilities. It also means lack of a regular job at a minimum decent level. Above all it means living with a sense of helplessness. Poor people are in a situation in which they are ill-treated at almost every place, in farms, factories, government offices, hospitals, railway stations etc. Obviously, nobody would like to live in poverty.

One of the biggest challenges of independent India has been to bring millions of its people out of abject poverty.

Poverty as seen by social scientists

Since poverty has many facets, social scientists look at it through a variety of indicators. Usually the indicators used relate to the levels of income and consumption. But now poverty is looked through other social indicators like illiteracy level, lack of general resistance due to malnutrition, lack of access to healthcare, lack of job opportunities, lack of access to safe drinking water, sanitation etc. Analysis of poverty based on social exclusion and vulnerability is now becoming very common.

Social exclusion

According to this concept, poverty must be seen in terms of the poor having to live only in a poor surrounding with other poor people, excluded from enjoying social equality of better -off people in better surroundings. Social exclusion can be both a cause as well as a consequence of poverty in the usual sense. Broadly, it is a process

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through which individuals or groups are excluded from facilities, benefits and opportunities that others (their "betters") enjoy. A typical example is the working of the caste system in India in which people belonging to certain castes are excluded from equal opportunities. Social exclusion thus may lead to, but can cause more damage than, having a very low income.

Poverty Line

At the centre of the discussion on poverty is usually the concept of the "poverty line". A common method used to measure poverty is based on the income or consumption levels. A person is considered poor if his or her income or consumption level falls below a given "minimum level" necessary to fulfill basic needs. What is necessary to satisfy basic needs is different at different times and in different countries. Therefore, poverty line may vary with time and place. Each country uses an imaginary line that is considered appropriate for its existing level of development and its accepted minimum social norms. For example, a person not having a car in the United States may be considered poor. In India, owning of a car is still considered a luxury.

While determining the poverty line in India, a minimum level of food requirement, clothing, footwear, fuel and light, educational and medical requirement etc. are determined for subsistence. These physical quantities are multiplied by their prices in rupees. The present formula for food requirement while estimating the poverty line is based on the desired calorie requirement. Food items such as cereals, pulses, vegetable, milk, oil, sugar etc. together provide these needed calories. The calorie needs vary depending on age, sex and the type of work that a person does. The accepted average calorie requirement in India is 2400 calories per person per day in rural areas and 2100 calories per person per day in urban areas. Since people living in rural areas engage themselves in more physical work, calorie requirements in rural areas are considered to be higher than urban areas. The monetary expenditure per capita needed for buying these calorie requirements in terms of food grains etc. is revised periodically taking into consideration the rise in prices.

On the basis of these calculations, for the year 2000, the poverty line for a person was fixed at Rs 328 per month for the rural areas and Rs 454 for the urban areas. Despite less calorie requirement, the higher amount for urban areas has been fixed because of high prices of many essential products in urban centres. In this way in the year 2000, a family of five members living in rural areas and earning less than about Rs 1,640 per month will be below the poverty line. A similar family in the urban areas would need a minimum of Rs 2,270 per month to meet their basic requirements. The poverty line is estimated periodically (normally every five years) by conducting sample surveys. These surveys are carried out by the National Sample Survey Organisation (NSSO). However, for making comparisons between developing countries, many international organisations like the World Bank use a uniform standard for the poverty line: minimum availability of the equivalent of \$1 per person per day.

Poverty Estimates

It is clear from the poverty table that there is substantial decline in poverty ratios in India from about 55 per cent in 1973 to 36 per cent in 1993. The proportion of people below poverty line further came down to about 26 per cent in 2000. If the trend continues, people below poverty line may come down to less than 20 per cent in the next few years. Although the percentage of people living under poverty declined in the earlier two decades (1973– 1993), the number of poor declined from 4407 million in 2004-05 to 270 million in 2011-12 with an average annual decline of 2.2 percentage points during 2004-05 to 2011-12.

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Table 3.1: Poverty table

Poverty ratio (%)				Number of poor (in millions)		
Year	**Rural**	**Urban**	**Total**	**Rural**	**Urban**	**Combined**
1993-94	507	32	45	329	75	404
2004-05	42	26	37	326	81	407
2009-10	34	21	30	278	76	355
2011-12	26	14	22	217	53	270

Inter-State Disparities

Poverty in India also has another aspect or dimension. The proportion of poor people is not the same in every state. Although state level poverty has witnessed a secular decline from the levels of early seventies, the success rate of reducing poverty varies from state to state. Recent estimates show that in 20 states and union territories, the poverty ratio is less than the national average. On the other hand, poverty is still a serious problem in Orissa, Bihar, Assam, Tripura and Uttar Pradesh. As the Graph 3.2 shows, Orissa and Bihar continue to be the two poorest states with poverty ratios of 47 and 43 per cent respectively. Along with rural poverty urban poverty is also high in Orissa, Madhya Pradesh, Bihar and Uttar Pradesh.

In comparison, there has been a significant decline in poverty in Kerala, Jammu and Kashmir, Andhra Pradesh, Tamil Nadu, Gujarat and West Bengal. States like Punjab and Haryana have traditionally succeeded in reducing poverty with the help of high agricultural growth rates. Kerala has focused more on human resource development. In West Bengal, land reform measures have helped in reducing poverty. In Andhra Pradesh and Tamil Nadu public distribution of food grains could have been responsible for the improvement.

Global Poverty Scenario

The proportion of people in developing countries living in extreme economic poverty— defined by the World Bank as living on less than $1 per day—has fallen from 28 per cent in 1990 to 21 per cent in 2001. Although there has been a substantial reduction in global poverty, it is marked with great regional differences. Poverty declined substantially in China and Southeast Asian countries as a result of rapid economic growth and massive investments in human resource development. Number of poors in China has come down from 606 million in 1981 to 212 million in 2001. In the countries of South Asia (India, Pakistan, Sri Lanka, Nepal, Bangladesh, Bhutan) the decline has not been as rapid. Despite decline in the percentage of the poor, the number of poor has declined marginally from 475 million in 1981 to 428 million in 2001. Because of different poverty line definition, poverty in India is also shown higher than the national estimates.

In Sub-Saharan Africa, poverty in fact rose from 41 per cent in 1981 to 46 per cent in 2001 (see graph 3.3). In Latin America, the ratio of poverty remained the same. Poverty has also resurfaced in some of the former socialist countries like Russia, where officially it was nonexistent earlier. Table 3.2 shows the proportion of people living under poverty in different countries as defined by the international poverty line (means population below $1 a day). The Millennium Development Goals of the United Nations calls for reducing the proportion of people living on less than $1 a day to half the 1990 level by 2015.

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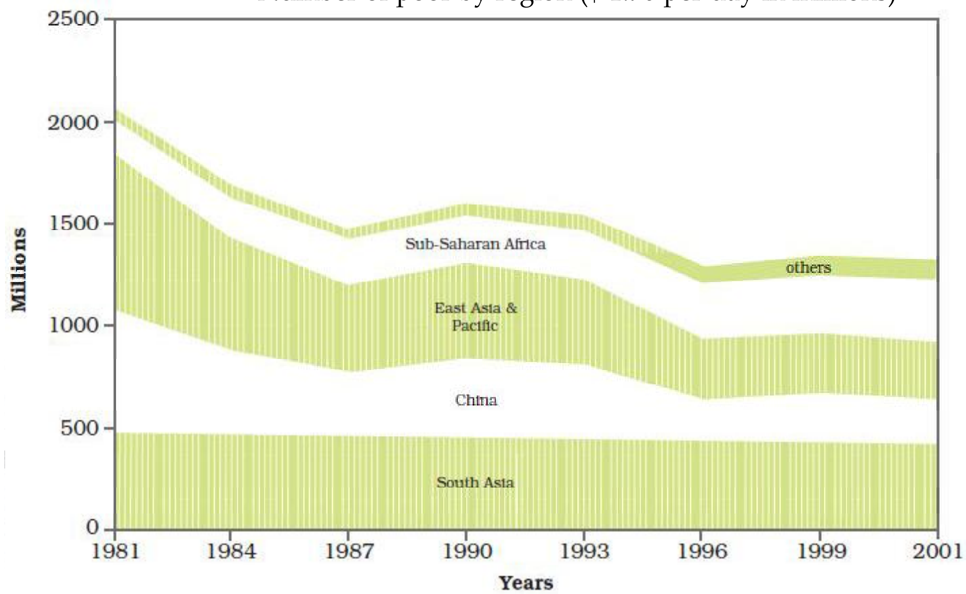
Table : Poverty: Comparison among Some Selected Countries

	Country	% of Population below $1.90 a day (2011 ppp)
1.	Nigeria	53.5 (2009)
2.	Bangladesh	18.5 (2010)
3.	India	21.2 (2011)
4.	Pakistan	6.1 (2013)
5.	China	1.9 (2013)
6.	Brazil	3.7 (2014)
7.	Indonesia	8.3 (2014)
8.	Sri Lanka	1.9 (2012)

Number of poor by region ($ 1.90 per day in millions)



Causes of Poverty

There were a number of causes for the widespread poverty in India. One historical reason is the low level of economic development under the British colonial administration. The policies of the colonial government ruined traditional handicrafts and discouraged development of industries like textiles. The low rate of growth persisted until the nineteeneighties. This resulted in less job opportunities and low growth rate of incomes. This was accompanied by a high growth rate of population. The two combined to make the growth rate of per capita income very low. The failure at both the fronts: promotion of economic growth and population control perpetuated the cycle of poverty.

With the spread of irrigation and the Green revolution, many job opportunities were created in the agriculture sector. But the effects were limited to some parts of India. The industries, both in the public and the private sector, did provide some jobs. But these were not enough to absorb all the job seekers. Unable to find proper jobs in cities, many people started working as rickshaw pullers, vendors, construction workers, domestic servants etc. With irregular small incomes, these people could not afford expensive housing. They started living in slums on the outskirts of the cities and the problems of poverty, largely a rural phenomenon also became the feature of the urban sector.

Another feature of high poverty rates has been the huge income inequalities. One of the major reasons for this is the unequal distribution of land and other resources. Despite many policies, we have not been able to tackle the issue in a meaningful manner.

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Major policy initiatives like land reforms which aimed at redistribution of assets in rural areas have not been implemented properly and effectively by most of the state governments. Since lack of land resources has been one of the major causes of poverty in India, proper implementation of policy could have improved the life of millions of rural poor.

Many other socio-cultural and economic factors also are responsible for poverty. In order to fulfil social obligations and observe religious ceremonies, people in India, including the very poor, spend a lot of money. Small farmers need money to buy agricultural inputs like seeds, fertilizer, pesticides etc. Since poor people hardly have any savings, they borrow. Unable to repay because of poverty, they become victims of indebtedness. So the high level of indebtedness is both the cause and effect of poverty.

Anti-Poverty Measures

Removal of poverty has been one of the major objectives of Indian developmental strategy. The current anti-poverty strategy of the government is based broadly on two planks (1) promotion of economic growth (2) targeted anti-poverty programmes.

Over a period of thirty years lasting up to the early eighties, there were little per capita income growth and not much reduction in poverty. Official poverty estimates which were about 45 per cent in the early 1950s remained the same even in the early eighties. Since the eighties, India's economic growth has been one of the fastest in the world. The growth rate jumped from the average of about 3.5 per cent a year in the 1970s to about 6 per cent during the 1980s and 1990s. The higher growth rates have helped significantly in the reduction of poverty. Therefore, it is becoming clear that there is a strong link between economic growth and poverty reduction. Economic growth widens opportunities and provides the resources needed to invest in human development. This also encourages people to send their children, including the girl child, to schools in the hope of getting better economic returns from investing in education. However, the poor may not be able to take direct advantage from the opportunities created by economic growth. Moreover, growth in the agriculture sector is much below expectations. This has a direct bearing on poverty as a large number of poor people live in villages and are dependen on agriculture.

In these circumstances, there is a clear need for targeted anti-poverty programmes. Although there are so many schemes which are formulated to affect poverty directly or indirectly, some of them are worth mentioning. National Rural Employment Guarantee Act (NREGA) 2005 was passed in September 2005. The Act provides 100 days assured employment every year to every rural household in 200 districts. Later, the scheme will be extended to 600 districts. One third of the proposed jobs would be reserved for women. The central government will also establish National Employment Guarantee Funds. Similarly state governments will establish State Employment Guarantee Funds for implementation of the scheme. Under the programme if an applicant is not provided employment within fifteen days s/he will be entitled to a daily unemployment allowance. Another important scheme has been the National Food for Work Programme (NFWP), which was launched in 2004 in 150 most backward districts of the country. The programme is open to all rural poor who are in need of wage employment and desire to do manual unskilled work. It is implemented as a 100 per cent centrally sponsored scheme and foodgrains are provided free of cost to the states. Once the NREGA is in force, the NFWP will be subsumed within this programme.

Prime Minister Rozgar Yozana (PMRY) is another scheme which was started in 1993. The aim of the programme is to create self-employment opportunities for educated unemployed youth in rural areas and small towns. They are helped in setting up small business and industries. Rural Employment Generation Programme (REGP)

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was launched in 1995. The aim of the programme is to create selfemployment opportunities in rural areas and small towns. A target for creating 25 lakh new jobs has been set for the programme under the Tenth Five Year plan. Swarnajayanti Gram Swarozgar Yojana (SGSY) was launched in 1999. The programme aims at bringing the assisted poor families above the poverty line by organising them into self help groups through a mix of bank credit and government subsidy. Under the Pradhan Mantri Gramodaya Yozana (PMGY) launched in 2000, additional central assistance is given to states for basic services such as primary health, primary education, rural shelter, rural drinking water and rural electrification. Another important scheme is Antyodaya Anna Yozana (AAY)

The results of these programmes have been mixed. One of the major reasons for less effectiveness is the lack of proper implementation and right targeting. Moreover, there has been a lot of overlapping of schemes. Despite good intentions, the benefits of these schemes are not fully reached to the deserving poor. Therefore, the major emphasis in recent years is on proper monitoring of all the poverty alleviation programmes.

The Challenges Ahead

Poverty has certainly declined in India. But despite the progress, poverty reduction remains India's most compelling challenge. Wide disparities in poverty are visible between rural and urban areas and among different states. Certain social and economic groups are more vulnerable to poverty. Poverty reduction is expected to make better progress in the next ten to fifteen years. This would be possible mainly due to higher economic growth, increasing stress on universal free elementary education, declining population growth, increasing empowerment of the women and the economically weaker sections of society.

The official definition of poverty, however, captures only a limited part of what poverty really means to people. It is about a "minimum" subsistence level of living rather than a "reasonable" level of living. Many scholars advocate that we must broaden the concept into human poverty. A large number of people may have been able to feed themselves. But do they have education? Or shelter? Or health care? Or job security? Or selfconfidence? Are they free from caste and gender discrimination? Is the practice of child labour still common? Worldwide experience shows that with development, the definition of what constitutes poverty also changes. Eradication of poverty is always a moving target. Hopefully we will be able to provide the minimum "necessary" in terms of only income to all people by the end of the next decade. But the target will move on for many of the bigger challenges that still remain: providing health care, education and job security for all, and achieving gender equality and dignity for the poor. These will be even bigger tasks.

Conclusion

Poverty has many dimensions. Normally, this is measured through the concept of "poverty line". Through this concept we analyse main global and national trends in poverty. But in recent years, analysis of poverty is becoming rich through a variety of new concepts like social exclusion. Similarly, the challenge is becoming bigger as scholars are broadening the concept into human poverty.

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UNIT-4 : Food Security in India

Concept of Food Security

Food security means availability, accessibility and affordability of food to all people at all times. The poor households are more vulnerable to food insecurity whenever there is a problem of production or distribution of food crops. Food security depends on the Public Distribution System (PDS), Government vigilance and action at times when this security is threatened.

What is food security?

Food is as essential for living as air is for breathing. But food security means something more than getting two square meals. Food security has following dimensions

(a) availability of food means food production within the country, food imports and the previous years stock stored in government granaries.

(b) accessibility means food is within reach of every person.

(c) affordability implies that an individual has enough money to buy sufficient, safe and nutritious food to meet one's dietary needs.

Thus, food security is ensured in a country only if (1) enough food is available for all the persons (2) all persons have the capacity to buy food of acceptable quality and (3) there is no barrier on access to food.

Why food security?

The poorest section of the society might be food insecure most of the times while persons above the poverty line might also be food insecure when the country faces a national disaster/calamity like earthquake, drought, flood, tsunami, widespread failure of crops causing famine, etc. How is food security affected during a calamity? Due to a natural calamity, say drought, total production of foodgrains decreases. It creates a shortage of food in the affected areas. Due to shortage of food, the prices go up. At the high prices, some people cannot afford to buy food. If such calamity happens in a very wide spread area or is stretched over a longer time period, it may cause a situation of starvation. A massive starvation might take a turn of famine.

A Famine is characterised by wide spread deaths due to starvation and epidemics caused by forced use of contaminated water or decaying food and loss of body resistance due to weakening from starvation.

The most devastating famine that occurred in India was the FAMINE OF BENGAL in 1943. This famine killed thirty lakh people in the province of Bengal.

In the 1970s, food security was understood as the "availability at all times of adequate supply of basic foodstuffs" (UN, 1975). Amartya Sen added a new dimension to food security and emphasised the "access" to food through what he called 'entitlements' — a combination of what one can produce, exchange in the market alongwith state or other socially provided supplies. Accordingly, there has been a substantial shift in the understanding of food security. The 1995 World Food Summit declared, "Food security at the individual, household, regional, national and global levels exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life" (FAO, 1996, p.3). The declaration further recognises that "poverty eradication is essential to improve access to food".

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Nothing like the Bengal Famine has happened in India again. But it is disturbing to note that even today, there are places like Kalahandi and Kashipur in Orissa where famine-like conditions have been existing for many years and where some starvation deaths have also been reported. Starvation deaths are also reported in Baran district of Rajasthan, Palamau district of Jharkhand and many other remote areas during the recent years. Therefore, food security is needed in a country to ensure food at all times.

Who are food-insecure?

Although a large section of people suffer from food and nutrition insecurity in India, the worst affected groups are landless people with little or no land to depend upon, traditional artisans, providers of traditional services, petty selfemployed workers and destitutes including beggars. In the urban areas, the food insecure families are those whose working members are generally employed in ill-paid occupations and casual labour market. These workers are largely engaged in seasonal activities and are paid very low wages that just ensure bare survival.

The social composition along with the inability to buy food also plays a role in food insecurity. The SCs, STs and some sections of the OBCs (lower castes among them) who have either poor land-base or very low land productivity are prone to food insecurity. The people affected by natural disasters, who have to migrate to other areas in search of work, are also among the most food insecure people. A high incidence of malnutrition prevails among women. This is a matter of serious concern as it puts even the unborn baby at the risk of malnutrition. A large proportion of pregnant and nursing mothers and children under the age of 5 years constitute an important segment of the food insecure population.

According to the National Health and Family Survey (NHFS) 1998–99, the number of such women and children is approximately 11 crore.

The food insecure people are disproportionately large in some regions of the country, such as economically backward states with high incidence of poverty, tribal and remote areas, regions more prone to natural disasters etc. In fact, the states of Uttar Pradesh (eastern and south-eastern parts), Bihar, Jharkhand, Orissa, West Bengal, Chattisgarh, parts of Madhya Pradesh and Maharasthra account for largest number of food insecure people in the country.

Hunger is another aspect indicating food insecurity. Hunger is not just an expression of poverty, it brings about poverty. The attainment of food security therefore involves eliminating current hunger and reducing the risks of future hunger. Hunger has chronic and seasonal dimensions. Chronic hunger is a consequence of diets persistently inadequate in terms of quantity and/or quality. Poor people suffer from chronic hunger because of their very low income and in turn inability to buy food even for survival. Seasonal hunger is related to cycles of food growing and harvesting. This is prevalent in rural areas because of the seasonal nature of agricultural activities and in urban areas because of the casual labour, e.g., there is less work for casual construction labour during the rainy season. This type of hunger exists when a person is unable to get work for the entire year.

India is aiming at Self-sufficiency in Foodgrains since Independence.

After independence, Indian policy makers adopted all measures to achieve self-sufficiency in food grains. India adopted a new strategy in agriculture, which resulted in the 'Green Revolution' especially in the production of wheat and rice.

Indira Gandhi, the then Prime Minister of India, officially recorded the impressive strides of the Green revolution in agriculture by releasing a special stamp entitled 'Wheat Revolution' in July 1968. The success of wheat was later replicated in rice. The increase in foodgrains was, however, disproportionate. The highest rate of

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growth was achieved in Punjab and Haryana, where foodgrain production jumped from 7.23 million tonnes in 1964–65 to reach an all-time high of 30.33 million tonnes in 1995–96. Production in Maharashtra, Madhya Pradesh, Bihar, Orissa and the northeastern states continued to stagger. Tamil Nadu and Andhra Pradesh, on the other hand, recorded significant increases in rice yield. carefully designed food security system by the government. This system has two components: (a) buffer stock and (b) public distribution system.

Food Security in India

Since the advent of the Green revolution in the early-'70s, the country has avoided famine even during adverse weather conditions.

India has become self-sufficient in foodgrains during the last thirty years because of a variety of crops grown all over the country. The availability of foodgrains (even in adverse weather conditions or otherwise) at the country level has further been ensured with a

What is Buffer stock?

Buffer Stock is the stock of foodgrains, namely wheat and rice procured by the government through Food Corporation of India (FCI). The FCI purchases wheat and rice from the farmers in states where there is surplus production. The farmers are paid a pre-announced price for their crops. This price is called Minimum Support Price. The MSP is declared by the government every year before the sowing season to provide incentives to the farmers for raising the production of these crops. The purchased foodgrains are stored in granaries. Do you know why this buffer stock is created by the government? This is done to distribute foodgrains in the deficit areas and among the poorer strata of society at a price lower than the market price also known as Issue Price. This also helps resolve the problem of shortage of food during adverse weather conditions or during the periods of calamity.

What is the Public Distribution System?

The food procured by the FCI is distributed through government regulated ration shops among the poorer section of the society. This is called the public distribution system (PDS). Ration shops are now present in most localities, villages, towns and cities. There are about 4.6 lakh ration shops all over the country. Ration shops also known as Fair Price Shops keep stock of foodgrains, sugar, kerosene oil for cooking. These items are sold to people at a price lower than the market price. Any family with a ration card* can buy a stipulated amount of these items (e.g. 35 kg of grains, 5 litres of kerosene, 5 kgs of sugar etc.) every month from the nearby ration shop.

*There are three kinds of ration cards: (a) Antyodaya cards for the poorest of the poor; (b) BPL cards for those below poverty line; and (c) APL cards for all others.

****The National Food Security Act, 2013**

This Act provides for food and nutritional security life at affordable prices and enables people to live a life with dignity. Under this act, 75% of the rural population and 50% of the urban population have been categorised as eligible households for food security.

The introduction of Rationing in India dates back to the 1940s against the backdrop of the Bengal famine. The rationing system was revived in the wake of an acute food shortage during the 1960s, prior to the Green Revolution. In the wake of the high incidence of poverty levels, as reported by the NSSO in the mid-1970s, three important food intervention programmes were introduced: Public Distribution System (PDS) for food grains (in existence earlier but strengthened thereafter); Integrated Child Development Services (ICDS) (introduced in 1975 on an experimental basis) and Food-for-Work** (FFW) (introduced in 1977–

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78). Over the years, several new programmes have been launched and some have been restructured with the growing experience of administering the programmes. At present, there are several Poverty Alleviation Programmes (PAPs), mostly in rural areas, which have an explicit food component also. While some of the programmes such as PDS, mid-day meals etc. are exclusively food security programmes, most of the PAPs also enhance food security. Employment programmes greatly contribute to food security by increasing the income of the poor.

Current Status of Public Distribution System

Public Distribution System (PDS) is the most important step taken by the Government of India (GoI) towards ensuring food security. In the beginning the coverage of PDS was universal with no discrimination between the poor and non-poor. Over the years, the policy related to PDS has been revised to make it more efficient and targeted. In 1992, Revamped Public Distribution System (RPDS) was introducted in 1,700 blocks in the country. The target was to provide the benefits of PDS to remote and backward areas. From June 1997, in a renewed attempt, Targeted Public Distribution System (TPDS) was introducted to adpot the principle of targeting the 'poor in all areas'. It was for the first time that a differential price policy was adopted for poor and non-poor. Further, in 2000, two special schemes were launched viz., Antyodaya Anna Yojana*** (AAY) and the Annapurna Scheme (APS) with special target groups of 'poorest of the poor' and 'indigent senior citizens', respectively. The functioning of these two schemes was linked with the existing network of the PDS.

Table : Some Important Features of PDS

Name of scheme	Year of Introduction	Coverage target group	Latest volume	Issue price (Rs per kg.)
PDS	Up to 1992	Universal	–	W-2.34 R-2.89
RPDS	1992	Backward blocks	20 kg of food grains	W-2.80 R-3.77
TPDS	1997	Poor and non-poor BPL APL	35 kg of foodgrains	BPL – W-4.15 R-5.65 APL-W-6.10 R-8.30
AAY	2000	Poorest of the poor	35 kg of food grains	W-2.00 R-3.00
APS	2000	Indigent senior citizens	10 kg of food grains	Free
National Food Security Act (NFSA)	2013	Priority households	5 Kg per person per month	W-2.00 R-3.00 Coarse-1.00 grains

Some important features of PDS are summarised in Table 4.3.

The PDS has proved to be the most effective instrument of government policy over the years in stabilising prices and making food available to consumers at affordable prices. It has been instrumental in averting widespread hunger and famine by supplying food from surplus regions of the country to the deficit ones. In addition, the prices have been under revision in favour of poor households in general. The system, including the minimum support price and procurement has contributed to an increase in food grain production and provided income security to farmers in certain regions.

However, the Public Distribution System has faced severe criticism on several grounds. Instances of hunger are prevalent despite overflowing granaries. FCI go-downs are overflowing with grains, with some rotting away and some being eaten by rats.

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Antyodaya Anna Yojana (AAY)

AAY was launched in December 2000. Under the scheme one crore of the poorest among the BPL families covered under the targeted public distribution system were identified. Poor families were identified by the respective state rural development departments through a Below Poverty Line (BPL) survey. Twenty five kilograms of foodgrains were made available to each eligible family at a highly subsidised+ rate of Rs 2 per kg for wheat and Rs 3 per kg for rice. This quantity has been enhanced from 25 to 35 kgs with effect from April 2002. The scheme has been further expanded twice by additional 50 lakh BPL families in June 2003 and in August 2004. With this increase, 2 crore families have been covered under the AAY.

+Subsidy is a payment that a government makes to a producer to supplement the market price of a commodity. Subsidies can keep consumer prices low while maintaining a higher income for domestic producers.

In July 2002, the stock of wheat and rice with FCI was 63 million tonnes which was much more than the minimum buffer norms of 24.3 million tonnes. The stock eased after 2002–03 due to relief opertations undertaken by the goverment as the year was declared as drought year due to failure of monsoon. The decline in stocks continued in the subsequent years. However, these remained consistently higher than the buffer norms. The situation improved with the distribution of foodgrains under different schemes launched by the government. There is a general consensus that high level of buffer stocks of foodgrains is very undesirable and can be wasteful. The storage of massive food stocks has been responsible for high carrying costs, in addition to wastage and deterioration in grain quality. Freezing of MSP for a few years should be considered seriously.

The increased food grains procurement at enhanced MSP# is the result of the pressure exerted by leading foodgrain producing states, such as Punjab, Haryana and Andhra Pradesh. Moreover, as the procurement is concentrated in a few prosperous regions (Punjab, Haryana, Western Uttar Pradesh, Andhra Pradesh and to a lesser extent in West Bengal) and mainly of two crops— wheat and rice—increase in MSP has induced farmers, particularly in surplus states, to divert land from production of coarse grains, which is the staple food of the poor, to the production of rice and wheat. The intensive utilisation of water in the cultivation of rice has also led to environmental degradation and fall in the water level, threatening the sustainability of the agricultural development in these states.

The rising Minimum Support Prices (MSP) have raised the maintenance cost of procuring foodgrains by the government. Rising transportation and storage costs of the FCI are other contributing factors in this increase.

Another major area of concern is the marked ineffectiveness of PDS, which is apparent from the fact that the average consumption of PDS grain at the all-India level is only 1 kg per person per month. The average consumption figure is as low as less than 300 gm per person per month in the states of Bihar, Orissa and Uttar Pradesh. In contrast, the average consumption in most of the southern states like Kerala, Karnataka, Tamil Nadu and Himachal Pradesh is in the range of 3–4 kgs per person per month. As a result the poor have to depend on markets rather than the ration shops for their food needs. In Madhya Pradesh only 5% of wheat and rice consumption of the poor are met through the ration shops. In Uttar Pradesh and Bihar the percentage is still lower.

PDS dealers are sometimes found resorting to malpractices like diverting the grains to open market to get better margin, selling poor quality grains at ration shops, irregular opening of the shops, etc. It is common to find that ration shops regularly have unsold stocks of poor quality grains left. This has proved to be a big problem. When ration shops are unable to sell, a massive stock of foodgrains piles up with the

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FCI. In recent years, there is another factor that has led to the decline of the PDS. Earlier every family, poor and non-poor had a ration card with a fixed quota of items such as rice, wheat, sugar etc. These were sold at the same low price to every family. The three types of cards and the range of prices that you see today did not exist. A large number of families could buy foodgrains from the ration shops subject to a fixed quota. These included low income families whose incomes were marginally higher than the below poverty line families. Now, with TPDS of three different prices, any family above the poverty line gets very little discount at the ration shop. The price for APL family is almost as high as open market price, so there is little incentive for them to buy these items from the ration shop.

Role of cooperatives in food security

The cooperatives are also playing an important role in food security in India especially in the southern and western parts of the country. The cooperative societies set up shops to sell low priced goods to poor people. For example, out of all fair price shops running in Tamil Nadu, around 94 per cent are being run by the cooperatives. In Delhi, Mother Dairy is making strides in provision of milk and vegetables to the consumers at controlled rate decided by Government of Delhi. Amul is another success story of cooperatives in milk and milk products from Gujarat. It has brought about the White Revolution in the country. These are a few examples of many more cooperatives running in different parts of the country ensuring food security of different sections of society.

Similarly, in Maharashtra, Academy of Development Science (ADS) has facilitated a network of NGOs for setting up grain banks in different regions. ADS organises training and capacity building programmes on food security for NGOs. Grain Banks are now slowly taking shape in different parts of Maharashtra. ADS efforts to set up Grain Banks, to facilitate replication through other NGOs and to influence the Government's policy on food security are thus paying rich dividends. The ADS Grain Bank programme is acknowledged as a successful and innovative food security intervention.

Conclusion

Food security of a nation is ensured if all of its citizens have enough nutritious food available, all persons have the capacity to buy food of acceptable quality and there is no barrier on access to food. The people living below the poverty line might be food insecure all the time while better off people might also turn food insecure due to calamity or disaster. Although a large section of people suffer from food and nutrition insecurity in India, the worst affected groups are landless or land poor households in rural areas and people employed in ill paid occupations and casual labourers engaged in seasonal activities in the urban areas. The food insecure people are disproportionately large in some regions of the country, such as economically backward states with high incidence of poverty, tribal and remote areas, regions more prone to natural disasters etc. To ensure availability of food to all sections of the society the Indian government carefully designed food security system, which is composed of two components: (a) buffer stock and (b) public distribution system. In addition to PDS, various poverty alleviation programmes were also started which comprised a component of food security. Some of these programmes are: Integrated Child Development Services (ICDS); Food-for-Work (FFW); Mid-Day Meals; Antyodaya Anna Yojana (AAY) etc. In addition to the role of the government in ensuring food security, there are various cooperatives and NGOs also working intensively towards this direction.

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UNIT-5 : Economic Development

For comparing countries, their income is considered to be one of the most important attributes. Countries with higher income are more developed than others with less income. This is based on the understanding that more income means more of all things that human beings need. Whatever people like, and should have, they will be able to get with greater income. So, greater income itself is considered to be one important goal.

What is the income of a country? Intuitively, the income of the country is the income of all the residents of the country. This gives us the total income of the country.

However, for comparison between countries, total income is not such an useful measure. Since, countries have different populations, comparing total income will not tell us what an average person is likely to earn. Are people in one country better off than others in a different country? Hence, we compare the average income which is the total income of the country divided by its total population. The average income is also called per capita income.

In World Development Report 2006, brought out by the World Bank, this criterion is used in classifying countries. Countries with per capita income of Rs 4,53,000 per annum and above in 2004, are called rich countries and those with per capita income of Rs 37,000 or less are called low-income countries. India comes in the category of low-income countries because its per capita income in 2004 was just Rs 28,000 per annum. The rich countries, excluding countries of Middle East and certain other small countries, are generally called developed countries.

PUBLIC FACILITIES

Money in your pocket cannot buy all the goods and services that you may need to live well. So, income by itself is not a completely adequate indicator of material goods and services that citizens are able to use. For example, normally, your 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. Money may also not be able to protect you from infectious diseases, unless the whole of your community takes preventive steps.

Actually for many of the important things in life the best way, also the cheapest way, is to provide these goods and services collectively.

HUMAN DEVELOPMENT REPORT

Over the past decade or so, health and education indicators have come to be widely used along with income as a measure of development. For instance, Human Development Report published by UNDP compares countries based on the educational levels of the people, their health status and per capita income. It would be interesting to look at certain relevant data regarding India and its neighbours from Human Development Report 2006.

TABLE 1.6 : Sine Data Regarding India and Its Neighbours For 2015

Country	Gross National Income (GNI) per capita (2015 PPP $)	Life Expectancy at birth (2015)	Means Years of Schooling of People aged 25 and above (2015)	HDI Rank in the world (2016)
Sri Lanka	10,789	75	10.9	73
India	5,663	68.3	6.3	131
Myanmar	4,943	66.1	4.7	145
Pakistan	5,031	66.4	5.1	147
Nepal	2,377	70	4.1	145
Bangladesh	3,341	72	5.2	139

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Source : Human Development Report, 2016

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1. HDI stands for Human Development Index. HDI ranks in above table are out of 188 countries in all.
2. Life expectancy at birth denotes, as the name suggests, average expected length of life of a person at the time of birth.
3. Per Capita Income is calculated in dollars for all countries so that it can be compared. It is also done in a way so that every dollar would buy the same amount of goods and services in any country.

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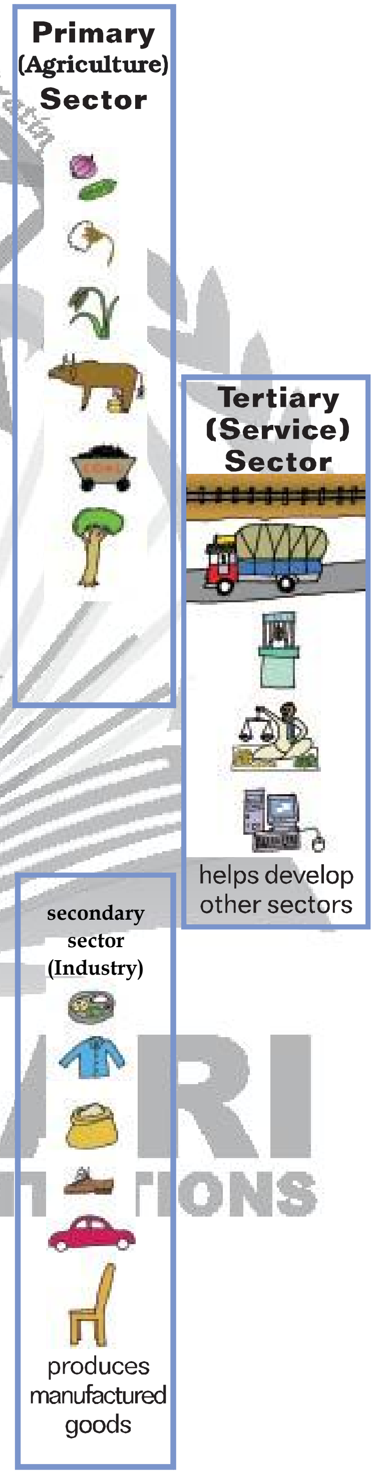
UNIT-6 : SECTORS OF INDIAN ECONOMY

People are engaged in various economic activities. Some of these are activities producing goods. Some others are producing services. These activities are happening around us every minute even as we speak. How do we understand these activities? One way of doing this is to group them (classify them) using some important criterion. These groups are also called sectors. There could be several ways of classification depending on the purpose and what one thinks is an important criterion.

The Primary Sector of Economy

There are many activities that are undertaken by directly using natural resources. Take, for example, the cultivation of cotton. It takes place within a crop season. For the growth of the cotton plant, we depend mainly, on natural factors like rainfall, sunshine and climate. The product of this activity, cotton, is a natural product. Similarly, in the case of an activity like dairy, we are dependent on the biological process of the animals and availability of fodder etc. 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. This is because it forms the base for all other products that we subsequently make. Since most of the natural products we get are from agriculture, dairy, fishing, forestry, this sector is also called agriculture and related sector.



The Secondary Sector of Economy

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. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential. This could be in a factory, a workshop or at home. For example, using cotton fibre from the plant, we spin yarn and weave cloth. Using sugarcane as a raw material, we make sugar or gur. We convert earth into bricks and use bricks to make houses and buildings. Since this sector gradually became associated with the different kinds of industries that came up, it is also called as industrial sector.

After primary and secondary, there is a third category of activities that falls under tertiary sector and is different from the above two. These are 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.

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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. At times, it may be necessary to store these in godowns. We also may need to talk to others over telephone or send letters (communication) or borrow money from banks (banking) to help production and trade. Transport, storage, communication, banking, trade are some examples of tertiary activities. Since these activities generate services rather than goods, the tertiary sector is also called the service sector.

Service sector also includes some essential services that may not directly help in the production of goods. For example, we require teachers, doctors, and those who provide personal services such as washermen, barbers, cobblers, lawyers, and people to do administrative and accounting works. In recent times, certain new services based on information technology such as internet cafe, ATM booths, call centres, software companies etc have become important.

COMPARING THE THREE SECTORS

The various production activities in the primary, secondary and tertiary sectors produce a very large number of goods and services. Also, the three sectors have a large number of people working in them to produce these goods and services. It is necessary to understand that how much goods and services are produced and how many people work in each sector. In an economy there could be one or more sectors which are dominant in terms of total production and employment, while other sectors are relatively small in size.

The method to calculate the various goods and services and know the total production in each sector?

Economists suggest that the values of goods and services should be used rather than adding up the actual numbers. For example, if 10,000 kgs of wheat is sold at Rs 8 per kg, the value of wheat will be Rs 80,000. The value of 5000 coconuts at Rs 10 per piece will be Rs 50,000. Similarly, the value of goods and services in the three sectors are calculated, and then added up.

Not every good (or service) that is produced and sold needs to be counted. It makes sense only to include the final goods and services. Take, for instance, a farmer who sells wheat to a flour mill for Rs 8 per kg. The mill grinds the wheat and sells the flour to a biscuit company for Rs 10 per kg. The biscuit company uses the flour and things such as sugar and oil to make four packets of biscuits. It sells biscuits in the market to the consumers for Rs 60 (Rs 15 per packet). Biscuits are the final goods, i.e., goods that reach the consumers.

Why are only 'final goods and services' counted? In contrast to final goods, goods such as wheat and the wheat flour in this example are intermediate goods. Intermediate goods are used up in producing final goods and services. The value of final goods already includes the value of all the intermediate goods that are used in making the final good. Hence, the value of Rs 60 for the biscuits (final good) already includes the value of flour (Rs 10). Similarly, the value of all other intermediate goods would have been included. To count the value of the flour and wheat separately is therefore not correct because then we would be counting the value of the same things a number of times. First as wheat, then as flour and finally as biscuits.

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. It is the value of all final goods and services produced within a country during a particular year. GDP shows how big the economy is.

In India, the mammoth task of measuring GDP is undertaken by a central government ministry. This Ministry, with the help of various government departments

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of all the Indian states and union territories, collects information relating to total volume of goods and services and their prices and then estimates the GDP.

Historical Change in Sectors

Generally, it has been noted from the histories of many, now developed, countries that at initial stages of development, primary sector was the most important sector of economic activity.

As the methods of farming changed and agriculture sector began to prosper, it produced much more food than before. Many people could now take up other activities. There were increasing number of craftpersons and traders. Buying and selling activities increased many times. Besides, there were also transporters, administrators, army etc. However, at this stage, most of the goods produced were natural products from the primary sector and most people were also employed in this sector.

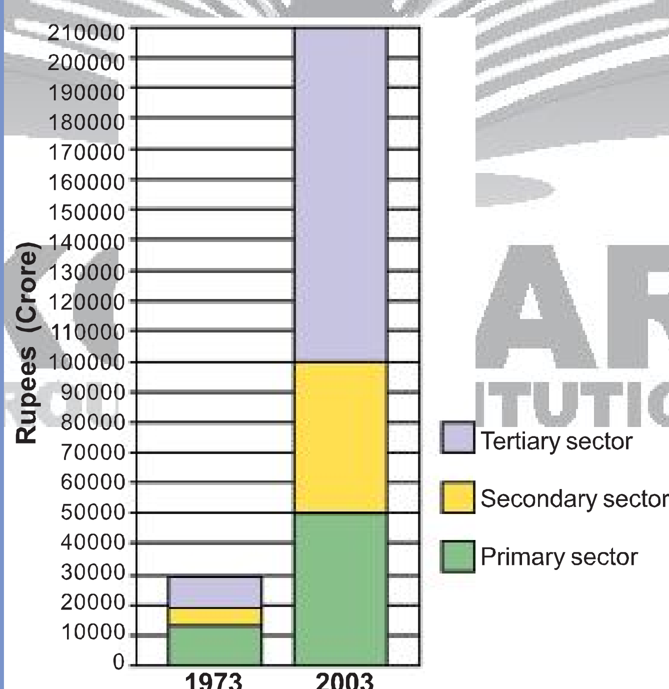
Over a long time (more than hundred years), and especially because new methods of manufacturing were introduced, factories came up and started expanding. Those people who had earlier worked on farms now began to work in factories in large numbers. People began to use many more goods that were produced in factories at cheap rates. Secondary sector gradually became the most important in total production and employment. Hence, over time, a shift had taken place. This means that the importance of the sectors had changed.

In the past 100 years, there has been a further shift from secondary to tertiary sector in developed countries. The service sector has become the most important in terms of total production. Most of the working people are also employed in the service sector. This is the general pattern observed in developed countries.

PRIMARY, SECONDARY AND TERTIARY SECTORS IN INDIA

Graph 1 shows the production of goods and services in the three sectors. This is shown for two years, 1973 and 2003. You can see how the total production has grown over the thirty years.

Graph 1 : GDP by Primary, Secondary and Tertiary Sectors



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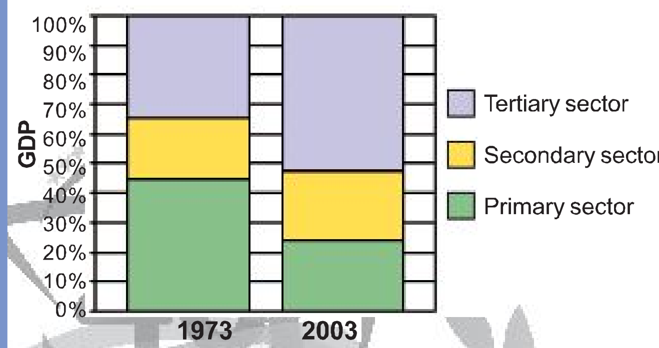
Rising Importance of the Tertiary Sector in Production

Over the thirty years between 1973 and 2003, while production in all the three sectors has increased, it has increased the most in the tertiary sector. As a result, in the year 2003, the tertiary sector has emerged as the largest producing sector in India replacing the primary sector.

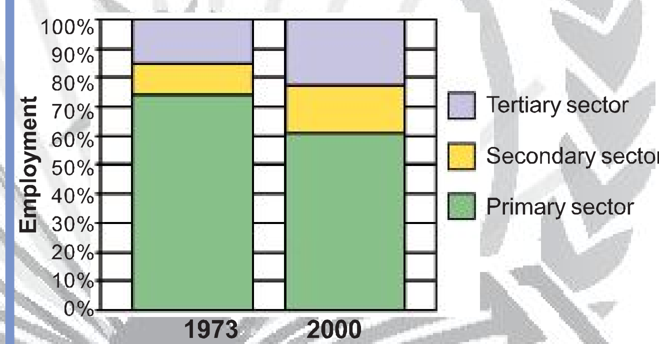
Why is the tertiary sector becoming so important in India? There could be several reasons.

Graph 2 : Share of Sectors in GDP (%)



(I) 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.

Graph 3 : Share of Sectors in Employment (%)



(II) 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.

(III) 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.

(IV) 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.

Not all of the service sector is growing equally well. Service sector in India employs many different kinds of people. At one end there are a limited number of services that employ highly skilled and educated workers. At the other end, there are a very large number of workers engaged in services such as small shopkeepers, repair persons, transport persons, etc. These people barely manage to earn a living and yet they perform these services because no alternative opportunities for work are available to them. Hence, only a part of this sector is growing in importance.

A remarkable fact about India is that while there has been a change in the share of the three sectors in GDP, a similar shift has not taken place in employment. Graph 3 shows the share of employment in the three sectors in 1973 and 2000. The primary sector continues to be the largest employer even in the year 2000.

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More than half of the workers in the country are working in the primary sector, mainly in agriculture, producing only a quarter of the GDP. In contrast to this, the secondary and tertiary sectors produce three-fourth of the produce whereas they employ less than half the people. Does this mean that the workers in agriculture are not producing as much as they could?

It means is that there are more people in agriculture than is necessary. So, even if you move a few people out, production will not be affected. In other words, workers in agricultural sector are underemployed.

This underemployment can also happen in other sectors. For example there are thousands of casual workers in the service sector in urban areas who search for daily employment. They are employed as painters, plumbers, repair persons and others doing odd jobs. Many of them don't find work everyday. Similarly, we see other people of the service sector on the street pushing a cart or selling something where they may spend the whole day but earn very little. They are doing this work because they do not have better opportunities.

Create More Employment?

There continues to be considerable underemployment in agriculture. There are also people who are not employed at all. One increase employment for people?

Application and harvesting). So, two more members of the family can be employed in her own field. Now When a new dam is constructed and canals are dug to irrigate many such farms. This could lead to a lot of employment generation within the agricultural sector itself reducing the problem of underemployment.

Now, suppose Laxmi and other When farmers produce much more than before. They would also need to sell some of this. For this they may be required to transport their products to a nearby town. If the government invests some money in transportation and storage of crops, or makes better rural roads so that mini-trucks reach everywhere several farmers can continue to grow and sell these crops. This activity can provide productive employment to not just farmers but also others such as those in services like transport or trade.

Laxmi's need is not confined to water alone. To cultivate the land, Farmers also needs seeds, fertilisers, agricultural equipments and pumpsets to draw water. Being a poor farmer, they cannot afford many of these. So she will have to borrow money from moneylenders and pay a high her credit at a reasonable rate of interest, she will be able to buy all these in time and cultivate her land. This means that along with water, we also need to provide cheap agricultural credit to the farmers for farming to improve.

Another way by which we can tackle this problem is to identify, it is very necessary to promote and locate industries and services in semi-rural areas where a large number of people may be employed. For instance, suppose many farmers decide to grow arhar and chickpea (pulse crops). Setting up a dal mill to procure and process these and sell in the cities is one such example. Opening a cold storage could give an opportunity for farmers to store their products like potatoes and onions and sell them when the price is good. In villages near forest areas, we can start honey collection centres where farmers can come and sell wild honey. It is also possible to set up industries that process vegetables and agricultural produce like potato, sweet potato, rice, wheat, tomato, fruits, which can be sold in outside markets. This will provide employment in industries located in semi-rural areas and not necessarily in large urban centres.

Every state or region has potential for increasing the income and employment for people in that area. It could be tourism, or regional craft industry, or new services like IT. Some of these would require proper planning and support from the government.

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For example, the same study by the Planning Commission says that if tourism as a sector is improved, every year we can give additional employment to more than 35 lakh people.

The central government in India recently made a law implementing the Right to Work in 200 districts of India. It is called National Rural Employment Guarantee Act 2005 (MNREGA 2005). Under MNREGA 2005, all those who are able to, and are in need of, work have been 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.

Division of Sectors As Organised And Unorganised

Let us examine another way of classifying activities in the economy. This looks at the way people are employed. What are their conditions of work? Are there any rules and regulations that are followed as regards their employment?

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. They get paid leave, payment during holidays, provident fund, gratuity etc. They are supposed to get medical benefits and, under the laws, the factory manager has to ensure facilities like drinking water and a safe working environment. When they retire, these workers get pensions as well.

The unorganised sector is characterised 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.

How to Protect Workers in the Unorganised Sector?

The organised sector offers jobs that are the most sought-after. But the employment opportunities in the organised sector have been expanding very slowly. It is also common to find many organised sector enterprises in the unorganised sector. They adopt such strategies to evade taxes and refuse to follow laws that protect labourers. As a result, a large number of workers are forced to enter the unorganised sector jobs, which pay a very low salary. They are often exploited and not paid a fair wage. Their earnings are low and not regular. These jobs are not secure and have no other benefits.

Since the 1990s, it is also common to see a large number of workers losing their jobs in the organised sector. These workers are forced to take up jobs in the unorganised sector with low earnings. Hence, besides the need for more work, there is also a need for protection and support of the workers in the unorganised sector.

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In the rural areas, the unorganised sector mostly comprises of landless agricultural labourers, small and marginal farmers, sharecroppers and artisans (such as weavers, blacksmiths, carpenters and goldsmiths). Nearly 80 per cent of rural households in India are in small and marginal farmer category. These farmers need to be supported through adequate facility for timely delivery of seeds, agricultural inputs, credit, storage facilities and marketing outlets.

In the urban areas, unorganised 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.

Sectors In Terms of Ownership: Public And Private Sectors

Another way of classifying economic activities into sectors could be on the basis of who owns assets and is responsible for the delivery of services. 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. Railways or post office is an example of the public sector whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

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.

There are several things needed by the society as a whole but which the private sector will not provide at a reasonable cost. Some of these need spending large sums of money, which is beyond the capacity of the private sector. Also, collecting money from thousands of people who use these facilities is not easy. Even if they do provide these things they would charge a high rate for their use. Examples are construction of roads, bridges, railways, harbours, generating electricity, providing irrigation through dams etc. Thus, governments have to undertake such heavy spending and ensure that these facilities are available for everyone.

There are some activities, which the government has to support. The private sector may not continue their production or business unless government encourages it. For example, selling electricity at the cost of generation may push up the costs of production of industries. Many units, especially small-scale units, might have to shut down. Government here steps in by producing and supplying electricity at rates which these industries can afford. Government has to bear part of the cost.

The Government in India buys wheat and rice from farmers at a 'fair price'. This it stores in its godowns and sells at a lower price to consumers through ration shops. cost. In this way, the government supports both farmers and consumers.

There are a large number of activities which are the primary responsibility of the government. The government must spend on these. Providing health and education facilities for all is one example. We have discussed some of these issues in the first chapter. Running proper schools and providing quality education, particularly elementary education, is the duty of the government. India's size of illiterate population is one of the largest in the world.

Similarly, we know that nearly half of India's children are malnourished and a quarter of them are critically ill. The infant mortality rate of Orissa or Madhya Pradesh is higher than that of the poorest regions of the world such as the African countries. Government also needs to pay attention to aspects of human development such as availability of safe drinking water, housing facilities for the poor and food and nutrition. It is also the duty of the government to take care of the poorest and most ignored regions of the country through increased spending in such areas.

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UNIT-7 : MONEY AND CREDIT

Money as A Medium of Exchange

The use of money spans a very large part of our everyday life. In many of these transactions, goods are being bought and sold with the use of money. In some of these transactions, services are being exchanged with money. For some, there might not be any actual transfer of money taking place now but a promise to pay money later.

Why transactions are made in money? The reason is simple. A person holding money can easily exchange it for any commodity or service that he or she might want. Thus everyone prefers to receive payments in money and then exchange the money for things that they want. Take the case of a shoe manufacturer. He wants to sell shoes in the market and buy wheat. The shoe manufacturer will first exchange shoes that he has produced for money, and then exchange the money for wheat. Imagine how much more difficult it would be if the shoe manufacturer had to directly exchange shoes for wheat without the use of money. He would have to look for a wheat growing farmer who not only wants to sell wheat but also wants to buy the shoes in exchange. That is, both parties have to agree to sell and buy each others commodities. This is known as double coincidence of wants. What a person desires to sell is exactly what the other wishes to buy. In a barter system where goods are directly exchanged without the use of money, double coincidence of wants is an essential feature.

In contrast, in an economy where money is in use, money by providing the crucial intermediate step eliminates the need for double coincidence of wants. It is no longer necessary for the shoe manufacturer to look for a farmer who will buy his shoes and at the same time sell him wheat. All he has to do is find a buyer for his shoes. Once he has exchanged his shoes for money, he can purchase wheat or any other commodity in the market. Since money acts as an intermediate in the exchange process, it is called a medium of exchange.

Modern Forms of Money

We have seen that money is something that can act as a medium of exchange in transactions. Before the introduction of coins, a variety of objects was used as money. For example, since the very early ages, Indians used grains and cattle as money. Thereafter came the use of metallic coins — gold, silver, copper coins — a phase which continued well into the last century.

Currency

Modern forms of money include currency — paper notes and coins. Unlike the things that were used as money earlier, modern currency is not made of precious metal such as gold, silver and copper. And unlike grain and cattle, they are neither of everyday use. The modern currency is without any use of its own.

Then, why is it accepted as a medium of exchange? It is accepted as a medium of exchange because the currency is authorised by the government of the country.

In India, the Reserve Bank of India issues currency notes on behalf of the central government. As per Indian law, no other individual or organisation is allowed to issue currency. Moreover, the law legalises the use of rupee as a medium of payment that cannot be refused in settling transactions in India. No individual in India can legally refuse a payment made in rupees. Hence, the rupee is widely accepted as a medium of exchange.

Deposits with Banks

The other form in which people hold money is as deposits with banks. At a point of time, people need only some currency for their day-to-day needs. For instance,

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workers who receive their salaries at the end of each month have extra cash at the beginning of the month. What do people do with this extra cash? They deposit it with the banks by opening a bank account in their name. Banks accept the deposits and also pay an interest rate on the deposits. In this way people's money is safe with the banks and it earns an interest. People also have the provision to withdraw the money as and when they require. Since the 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). You would have heard of payments being made by cheques instead of cash. For payment through cheque, the payer who has an account with the bank, makes out a cheque for a specific amount. A cheque is a paper instructing the bank to pay a specific amount from the person's account to the person in whose name the cheque has been made.

Demand deposits share the essential features of money. The facility of cheques against demand deposits makes it possible to directly settle payments without the use of cash. Since demand deposits are accepted widely as a means of payment, along with currency, they constitute money in the modern economy.

You must remember the role that the banks play here. But for the banks, there would be no demand deposits and no payments by cheques against these deposits. The modern forms of money — currency and deposits — are closely linked to the working of the modern banking system.

LOAN ACTIVITIES OF BANKS

Banks keep only a small proportion of their deposits as cash with themselves. For example, banks in India these days hold about 15 per cent of their deposits as cash. This is kept as provision to pay the depositors who might come to withdraw money from the bank on any given day. Since, on any particular day, only some of its many depositors come to withdraw cash, the bank is able to manage with this cash.

Banks use the major portion of the deposits to extend loans. There is a huge demand for loans for various economic activities. We shall read more about this in the following sections. Banks make use of the deposits to meet the loan requirements of the people. In this way, banks mediate between those who have surplus funds (the depositors) and those who are in need of these funds (the borrowers). 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.

TWO DIFFERENT CREDIT SITUATIONS

A large number of transactions in our day-to-day activities involve credit in some form or the other. 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.

Traders obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time, and thereby increase his earnings. Credit therefore plays a vital and positive role in this situation.

In rural areas, the main demand for credit is for crop production. Crop production involves considerable costs on seeds, fertilisers, pesticides, water, electricity, repair of equipment, etc. There is a minimum stretch of three to four months between the time when the farmers buy these inputs and when they sell the crop. Farmers usually take crop loans at the beginning of the season and repay the loan after harvest. Repayment of the loan is crucially dependent on the income from farming.

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TERMS OF CREDIT

Every loan agreement specifies an interest rate which the borrower must pay to the lender along with the repayment of the principal. In addition, lenders may demand collateral (security) against loans. Collateral is an asset that the borrower owns (such as land, building, vehicle, livestocks, deposits with banks) and uses this as a guarantee to a lender until the loan is repaid. If the borrower fails to repay the loan, the lender has the right to sell the asset or collateral to obtain payment. 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 terms of credit vary substantially from one credit arrangement to another. They may vary depending on the nature of the lender and the borrower.

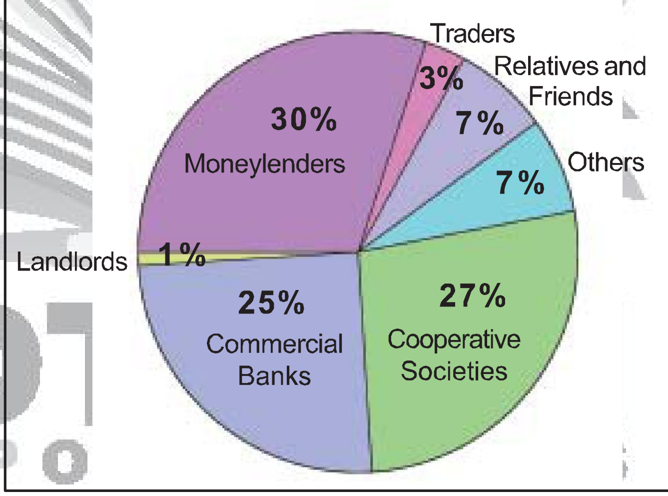
Loans from Cooperatives

Besides banks, the other major source of cheap credit in rural areas are the cooperative societies (or cooperatives). Members of a cooperative pool their resources for cooperation in certain areas. There are several types of cooperatives possible such as farmers cooperatives, weavers cooperatives, industrial workers cooperatives, etc. Krishak Cooperative functions in a village not very far away from Sonpur. It has 2300 farmers as members. It accepts deposits from its members. With these deposits as collateral, the Cooperative has obtained a large loan from the bank. These funds are used to provide loans to members. Once these loans are repaid, another round of lending can take place. Krishak Cooperative provides loans for the purchase of agricultural implements, loans for cultivation and agricultural trade, fishery loans, loans for construction of houses and for a variety of other expenses.

FORMAL SECTOR CREDIT IN INDIA

People obtain loans from various sources. The various types of loans can be conveniently grouped as formal sector loans and informal sector loans. Among the former are loans from banks and co-operatives. The informal lenders include money-lenders, traders, employers, relatives and friends, etc. In Graph 1 you can see the various sources of credit to rural households in India. Is more credit coming from the formal sector or the informal sector?

Graph 1 : Sources of Credit for Rural Households in India in 2003



The Reserve Bank of India supervises the functioning of formal sources of loans. For instance, we have seen that the banks maintain a minimum cash balance out of the deposits they receive. The RBI monitors that the banks actually maintain the cash balance. Similarly, 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.

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There is no organisation which supervises the credit activities of lenders in the informal sector. They can lend at whatever interest rate they choose. There is no one to stop them from using unfair means to get their money back.

Compared to the formal lenders, most of the informal lenders charge a much higher interest on loans. Thus, the cost to the borrower of informal loans is much higher.

Higher cost of borrowing means a larger part of the earnings of the borrowers is used to repay the loan. Hence, borrowers have less income left for themselves. In certain cases, the high interest rate of borrowing can mean that the amount to be repaid is greater than the income of the borrower. This could lead to increasing debt and debt trap. Also, people who might wish to start an enterprise by borrowing may not do so because of the high cost of borrowing.

For these reasons, banks and cooperative societies need to lend more. This would lead to higher incomes and many people could then borrow cheaply for a variety of needs. They could grow crops, do business, set up small-scale industries etc. They could set up new industries or trade in goods. Cheap and affordable credit is crucial for the country's development.

Formal and Informal Credit

85 per cent of the loans taken by poor households in the urban areas are from informal sources. Compare this with the rich urban households. What do you find? Only 10 per cent of their loans are from informal sources, while 90 per cent are from formal sources. A similar pattern is also found in rural areas. The rich households are availing cheap credit from formal lenders whereas the poor households have to pay a heavy price for borrowing!

The formal sector still meets only about half of the total credit needs of the rural people. The remaining credit needs are met from informal sources. Most loans from informal lenders carry a very high interest rate and do little to increase the income of the borrowers. Thus, 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. At present, it is the richer households who receive formal credit whereas the poor have to depend on the informal sources. It is important that the formal credit is distributed more equally so that the poor can benefit from the cheaper loans.

Self-Help Groups For The Poor

Poor households are still dependent on informal sources of credit. is it so because Banks are not present everywhere in rural India. Even when they are present, getting a loan from a bank is much more difficult than taking a loan from informal sources. Megha, bank loans require proper documents and collateral. Absence of collateral is one of the major reasons which prevents the poor from getting bank loans. Informal lenders such as moneylenders, on the other hand, know the borrowers personally and hence are often willing to give a loan without collateral. The borrowers can, if necessary, approach the moneylenders even without repaying their earlier loans. However, the moneylenders charge very high rates of interest, keep no records of the transactions and harass the poor borrowers.

People have tried out some newer ways of providing loans to the poor. The idea is to organise rural poor, in particular women, into small Self Help Groups (SHGs) and pool (collect) their savings. A typical SHG has 15-20 members, usually belonging to one neighbourhood, who meet and save regularly. Saving per member varies from Rs 25 to Rs 100 or more, depending on the ability of the people to save. Members can

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take small loans from the group itself to meet their needs. The group charges interest on these loans but this is still less than what the moneylender charges. After a year or two, if the group is regular in savings, it becomes eligible for availing loan from the bank. Loan is sanctioned in the name of the group and is meant to create selfemployment opportunities for the members. For instance, small loans are provided to the members for releasing mortgaged land, for meeting working capital needs (e.g. buying seeds, fertilisers, raw materials like bamboo and cloth), for housing materials, for acquiring assets like sewing machine, handlooms, cattle, etc.

A womens self-help group meeting in Gujarat

Most of the important decisions regarding the savings and loan activities are taken by the group members. The group decides as regards the loans to be granted — the purpose, amount, interest to be charged, repayment schedule etc. Also, it is the group which is responsible for the repayment of the loan. Any case of nonrepayment of loan by any one member is followed up seriously by other members in the group. Because of this feature, banks are willing to lend to the poor women when organised in SHGs, even though they have no collateral as such.

The SHGs help borrowers overcome the problem of lack of collateral. They can get timely loans for a variety of purposes and at a reasonable interest rate. Moreover, SHGs are the building blocks of organisation of the rural poor. Not only does it help women to become financially self-reliant, the regular meetings of the group provide a platform to discuss and act on a variety of social issues such as health, nutrition, domestic violence, etc.

Conclusion

We have looked at the modern forms of money and how they are linked with the banking system. On one side are the depositors who keep their money in the banks and on the other side are the borrowers who take loans from these banks. Economic activities require loans or credit. Credit, can have a positive impact, or in certain situations make the borrower worse off.

Credit is available from a variety of sources. These can be either formal sources or informal sources. Terms of credit vary substantially between formal and informal lenders. At present, it is the richer households who receive credit from formal sources whereas the poor have to depend on the informal sources. It is essential that the total formal sector credit increases so that the dependence on the more expensive informal credit becomes less. Also, the poor should get a much greater share of formal loans from banks, cooperative societies etc. Both these steps are important for development.

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UNIT-8 : Globalisation And The Indian Economy

Production Across Countries

Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries were raw materials, food stuff and finished products. Colonies such as India exported raw materials and food stuff and imported finished goods. Trade was the main channel connecting distant countries. This was before large companies called multinational corporations (MNCs) emerged on the scene. A MNC is a company that owns or controls production in more than one nation. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. This is done so that the cost of production is low and the MNCs can earn greater profits. Consider the following example.

Spreading of Production by an MNC

A large MNC, producing industrial equipment, designs its products in research centres in the United States, and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the companys customer care is carried out through call centres located in India.

This is a call centre in Bangalore, equipped with telecom facilities and access to Internet to provide information and support to customers abroad.

In this example the MNC is not only selling its finished products globally, but more important, the goods and services are produced globally. As a result, production is organised in increasingly complex ways. The production process is divided into small parts and spread out across the globe. In the above example, China provides the advantage of being a cheap manufacturing location. Mexico and Eastern Europe are useful for their closeness to the markets in the US and Europe. India has highly skilled engineers who can understand the technical aspects of production. It also has educated English speaking youth who can provide customer care services. And all this probably can mean 50-60 per cent cost-savings for the MNC! The advantage of spreading out production across the borders to the multinationals can be truly immense.

Interlinking Production Across Countries

In general, MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs; and where the availability of other factors of production is assured. In addition, MNCs might look for government policies that look after their interests.

Having assured themselves of these conditions, 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. Any investment is made with the hope that these assets will earn profits.

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At times, MNCs set up production jointly with some of the local companies of these countries. The benefit to the local company of such joint production is two-fold. First, MNCs can provide money for additional investments, like buying new machines for faster production. Second, MNCs might bring with them the latest technology for production.

But the most common route for MNC investments is to buy up local companies and then to expand production. MNCs with huge wealth can quite easily do so.

In fact, many of the top MNCs have wealth exceeding the entire budgets of the developing country governments.

There's another way in which MNCs control production. Large MNCs in developed countries place orders for production with small producers. Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers around the world. The products are supplied to the MNCs, which then sell these under their own brand names to the customers. These large MNCs have tremendous power to determine price, quality, delivery, and labour conditions for these distant producers.

Thus, we see that there are a variety of ways in which the MNCs are spreading their production and interacting with local producers in various countries across the globe. By setting up partnerships with local companies, by using the local companies for supplies, by closely competing with the local companies or buying them up, MNCs are exerting a strong influence on production at these distant locations. As a result, production in these widely dispersed locations is getting interlinked.

Foreign Trade And Integration of Markets

For a long time foreign trade has been the main channel connecting countries. In history you would have read about the trade routes connecting India and South Asia to markets both in the East and West and the extensive trade that took place along these routes. Also, you would remember that it was trading interests which attracted various trading companies such as the East India Company to India. What then is the basic function of foreign trade?

To put it simply, foreign trade creates an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries. Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world. Similarly, for the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

In general, with the opening of trade, goods travel from one market to another. Choice of goods in the markets rises. Prices of similar goods in the two markets tend to become equal. And, producers in the two countries now closely compete against each other even though they are separated by thousands of miles! Foreign trade thus results in connecting the markets or integration of markets in different countries.

What Is Globalisation?

In the past two to three decades, more and more MNCs have been looking for locations around the world which would be cheap for their production. Foreign investment by MNCs in these countries has been rising. At the same time, foreign trade between countries has been rising rapidly. A large part of the foreign trade is also controlled by MNCs. For instance, the car manufacturing plant of Ford Motors in India not only produces cars for the Indian markets, it also exports cars to other developing countries and exports car components for its many factories around the world. Likewise, activities of most MNCs involve substantial trade in goods and also services.

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The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. Globalisation 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. Most regions of the world are in closer contact with each other than a few decades back.

Besides the movements of goods, services, investments and technology, there is one more way in which the countries can be connected. This is through the movement of people between countries. People usually move from one country to another in search of better income, better jobs or better education. In the past few decades, however, there has not been much increase in the movement of people between countries due to various restrictions.

Factors That Have Enabled Globalisation

Technology : Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instance, the past fifty years have seen several improvements in transportation technology. This has made much faster delivery of goods across long distances possible at lower costs.

Containers for transport of goods

Goods are placed in containers that can be loaded intact onto ships, railways, planes and trucks. Containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Similarly, the cost of air transport has fallen. This has enabled much greater volumes of goods being transported by airlines.

Even more remarkable have been the developments in information and communication technology. In recent times, technology in the areas of telecommunications, computers, Internet has been changing rapidly. Telecommunication facilities (telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices. As you would be aware, computers have now entered almost every field of activity. You might have also ventured into the amazing world of internet, where you can obtain and share information on almost anything you want to know. Internet also allows us to send instant electronic mail (e-mail) and talk (voice-mail) across the world at negligible costs.

Liberalisation of foreign trade and foreign investment policy

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.

The Indian government, after Independence, had put barriers to foreign trade and foreign investment. This was considered necessary to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up. Thus, India allowed imports of only essential items such as machinery, fertilisers, petroleum etc. Note that all developed countries, during the early stages of development, have given protection to domestic producers through a variety of means.

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Starting around 1991, some farreaching changes in policy were made in India. The government decided that the time had come for Indian producers to compete with producers around the globe. It felt that competition would improve the performance of producers within the country since they would have to improve their quality. This decision was supported by powerful international organisations.

Thus, barriers on foreign trade and foreign investment were removed to a large extent. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.

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

The liberalisation of foreign trade and investment in India was supported by some very powerful international organisations. These organisations say that all barriers to foreign trade and investment are harmful. There should be no barriers. Trade between countries should be 'free'. All countries in the world should liberalise their policies.

World Trade Organisation (WTO) is one such organisation whose aim is to liberalise international trade. Started at the initiative of the developed countries, WTO establishes rules regarding international trade, and sees that these rules are obeyed. 149 countries of the world are currently members of the WTO (2006).

Debate on Trade Practices

You have seen in Chapter 2, that the agriculture sector provides the bulk of employment and a significant portion of the GDP in India. Compare this to a developed country such as the US with the share of agriculture in GDP at 1% and its share in total employment a tiny 0.5%! And yet this very small percentage of people who are engaged in agriculture in the US receive massive sums of money from the US government for production and for exports to other countries. Due to this massive money that they receive, US farmers can sell the farm products at abnormally low prices. The surplus farm products are sold in other country markets at low prices, adversely affecting farmers in these countries.

Developing countries are, therefore, asking the developed country governments, We have reduced trade barriers as per WTO rules. But you have ignored the rules of WTO and have continued to pay your farmers vast sums of money. You have asked our governments to stop supporting our farmers, but you are doing so yourselves. ***Is this free and fair trade?***

A typical cotton farm in USA consists of thousands of acres owned by a huge corporation that will sell cotton abroad at lowered prices.

Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers. An example of this is the current debate on trade in agricultural products.

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Impact of Globalisation in India

Globalisation and greater competition among producers - both local and foreign producers - has been of advantage to consumers, particularly the well-off sections in the urban areas. There is greater choice before these consumers who now enjoy improved quality and lower prices for several products. As a result, these people today, enjoy much higher standards of living than was possible earlier.

Among producers and workers, the impact of globalisation has not been uniform.

Firstly, MNCs have increased their investments in India over the past 15 years, which means investing in India has been beneficial for them. MNCs have been interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas. These products have a large number of well-off buyers. In these industries and services, new jobs have been created. Also, local companies supplying raw materials, etc. to these industries have prospered.

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.

Government has also allowed **flexibility** in the labour laws to attract foreign investment. You have seen in Chapter 2 that the companies in the organised sector have to obey certain rules that aim to protect the workers' rights. In the recent years, the government has allowed companies to ignore many of these. Instead of hiring workers on a regular basis, companies hire workers 'flexibly' for short periods when there is intense pressure of work. This is done to reduce the cost of labour for the company. However, still not satisfied, foreign companies are demanding more flexibility in labour laws.

Several of the top Indian companies have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards. Some have gained from successful collaborations with foreign companies.

Moreover, globalisation has enabled some large Indian companies to emerge as multinationals themselves! Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts) are some Indian companies which are spreading their operations worldwide.

Globalisation has also created new opportunities for companies providing services, particularly those involving IT. The Indian company producing a magazine for the London based company and call centres are some examples. Besides, a host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in countries such as India and are exported to the developed countries.

Small producers: Compete or perish

For a large number of small producers and workers globalisation has posed major challenges.

Batteries, capacitors, plastics, toys, tyres, dairy products, and vegetable oil are some examples of industries where the small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless. The small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture.

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Competition and Uncertain Employment

Globalisation and the pressure of competition have substantially changed the lives of workers. Faced with growing competition, most employers these days prefer to employ workers 'flexibly'. This means that workers' jobs are no longer secure.

Large MNCs in the garment industry in Europe and America order their products from Indian exporters. These large MNCs with worldwide network look for the cheapest goods in order to maximise their profits. To get these large orders, Indian garment exporters try hard to cut their own costs. As cost of raw materials cannot be reduced, exporters try to cut labour costs. Where earlier a factory used to employ workers on a permanent basis, now they employ workers only on a temporary basis so that they do not have to pay workers for the whole year. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season. Wages are low and workers are forced to work overtime to make both ends meet.

While this competition among the garment exporters has allowed the MNCs to make large profits, workers are denied their fair share of benefits brought about by globalisation.

The conditions of work and the hardships of the workers described above have become common to many industrial units and services in India. Most workers, today, are employed in the unorganised sector. Moreover, increasingly conditions of work in the organised sector have come to resemble the unorganised sector. Workers in the organised sector no longer get the protection and benefits that they enjoyed earlier.

THE STRUGGLE FOR A FAIR GLOBALISATION

Not everyone has benefited from globalisation. People with education, skill and wealth have made the best use of the new opportunities. On the other hand, there are many people who have not shared the benefits.

Since globalisation is now a reality, the question is how to make globalisation more 'fair'? Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.

The government can play a major role in making this possible. Its policies must protect the interests, not only of the rich and the powerful, but all the people in the country. You have read about some of the possible steps that the government can take. For instance, the government can ensure that labour laws are properly implemented and the workers get their rights. It can support small producers to improve their performance till the time they become strong enough to compete. If necessary, the government can use trade and investment barriers. It can negotiate at the WTO for 'fairer rules'. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

In the past few years, massive campaigns and representation by people's organisations have influenced important decisions relating to trade and investments at the WTO. This has demonstrated that people also can play an important role in the struggle for fair globalisation.

SUMMING UP

Globalisation is the process of rapid integration of countries. This is happening through greater foreign trade and foreign investment. MNCs are playing a major role in the globalisation process. More and more MNCs are looking for locations around

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the world that are cheap for their production. As a result, production is being organised in complex ways.

Technology, particularly IT, has played a big role in organising production across countries. In addition, liberalisation of trade and investment has facilitated globalisation by removing barriers to trade and investment. At the international level, WTO has put pressure on developing countries to liberalise trade and investment.

While globalisation has benefited well-off consumers and also producers with skill, education and wealth, many small producers and workers have suffered as a result of the rising competition. Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.

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UNIT-9 : CONSUMER RIGHTS

THE CONSUMER IN THE MARKETPLACE

We participate in the market both as producers and consumers. As producers of goods and services we could be working in any of the sectors discussed earlier such as agriculture, industry, or services. Consumers participate in the market when they purchase goods and services that they need. These are the final goods that people as consumers use.

We discussed the need for rules and regulations or steps that would promote development. These could be for the protection of workers in the unorganised sector or to protect people from high interest rates charged by moneylenders in the informal sector. Similarly, rules and regulations are also required for protecting the environment.

For example, moneylenders in the informal sector adopt various tricks to bind the borrower: they could make the producer sell the produce to them at a low rate in return for a timely loan; they could force a small farmer Similarly, many people who work in the unorganised sector have to work at a low wage and accept conditions that are not fair and are also often harmful to their health. To prevent such exploitation, we have talked of rules and regulations for their protection. There are organisations that have struggled for long to ensure that these rules are followed.

Likewise, rules and regulations are required for the protection of the consumers in the marketplace. Individual consumers often find themselves in a weak position. Whenever there is a complaint regarding a good or service that had been bought, the seller tries to shift all the responsibility on to the buyer. Their position usually is – "If you didn't like what you bought, please go elsewhere". As if the seller has no responsibility once a sale is completed! The consumer movement, as we shall discuss later, is an effort to change this situation.

Exploitation in the marketplace happens in various ways. For example, sometimes traders indulge in unfair trade practices such as when shopkeepers weigh less than what they should or when traders add charges that were not mentioned before, or when adulterated/defective goods are sold.

Markets do not work in a fair manner when producers are few and powerful whereas consumers purchase in small amounts and are scattered. This happens especially when large companies are producing these goods. These companies with huge wealth, power and reach can manipulate the market in various ways. At times false information is passed on through the media, and other sources to attract consumers.

CONSUMER MOVEMENT

The consumer movement arose out of dissatisfaction of the consumers as many unfair practices were being indulged in by the sellers. There was no legal system available to consumers to protect them from exploitation in the marketplace. For a long time, when a consumer was not happy with a particular brand product or shop, he or she generally avoided buying that brand product, or would stop purchasing from that shop. It was presumed that it was the responsibility of consumers to be careful while buying a commodity or service. It took many years for organisations in India, and around the world, to create awareness amongst people. This has also shifted the responsibility of ensuring quality of goods and services on the sellers.

In India, the consumer movement as a 'social force' originated with the necessity of protecting and promoting the interests of consumers against unethical and unfair trade practices. Rampant food shortages, hoarding, black marketing, adulteration of food and edible oil gave birth to the consumer movement in an organised form in the 1960s. Till the 1970s, consumer organisations were largely engaged in writing articles

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and holding exhibitions. They formed consumer groups to look into the malpractices in ration shops and overcrowding in the road passenger transport. More recently, India witnessed an upsurge in the number of consumer groups.

Consumers International

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.

Because of all these efforts, the movement succeeded in bringing pressure on business firms as well as government to correct business conduct which may be unfair and against the interests of consumers at large. A major step taken in 1986 by the Indian government was the enactment of the Consumer Protection Act 1986, popularly known as COPRA.

Consumer Rights

Information about goods and services

When you buy any commodity, you will find certain details given on the packing. These details are about ingredients used, price, batch number, date of manufacture, expiry date and the address of the manufacturer. When we buy medicines, on the packets, you might find 'directions for proper use' and information relating to side

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effects and risks associated with usage of that medicine. When you buy garments, you will find information on 'instructions for washing'.

Why is it that rules have been made so that the manufacturer displays this information? It is because consumers have the right to be informed about the particulars of goods and services that they purchase. Consumers can then complain and ask for compensation or replacement if the product proves to be defective in any manner. For example, if we buy a product and find it defective well within the expiry period, we can ask for a replacement. If the expiry period was not printed, the manufacturer would blame the shopkeeper and will not accept the responsibility. If people sell medicines that have expired severe action can be taken against them. Similarly, one can protest and complain if someone sells a good at more than the printed price on the packet. This is indicated by 'MRP' — maximum retail price. In fact consumers can bargain with the seller to sell at less than the MRP.

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.

Suppose you want to buy toothpaste, and the shop owner says that she can sell the toothpaste only if you buy a tooth brush. If you are not interested in buying the brush, your right to choice is denied. Similarly, sometimes gas supply dealers insist that you have to buy the stove from them when you take a new connection. In this way many a times you are forced to buy things that you may not wish to and you are left with no choice.

Where should consumers go to get justice?

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.

The consumer movement in India has led to the formation of various organisations locally known as consumer forums or consumer protection councils. They guide consumers on how to file cases in the consumer court. On many occasions, they also represent individual consumers in the consumer courts. These voluntary organisations also receive financial support from the government for creating awareness among the people.

Under COPRA, a three-tier quasijudicial machinery at the district, state and national levels was set up for redressal of consumer disputes. The district level court deals with the cases involving claims upto 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.

LEARNING TO BECOME WELL-INFORMED CONSUMERS

When we as consumers become conscious of our rights, while purchasing various goods and services, we will be able to discriminate and make informed choices. This calls for acquiring the knowledge and skill to become a well-informed consumer.

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The enactment of COPRA has led to the setting up of separate departments of Consumer Affairs in central and state governments.

ISI and Agmark

While buying many commodities, on the cover, you might have seen a logo with the letters ISI, Agmark or Hallmark. These logos and certification help consumers get assured of quality while purchasing the goods and services. The organisations that monitor and issue these certificates allow producers to use their logos provided they follow certain quality standards.

Though these organisations develop quality standards for many products, it is not compulsory for all the producers to follow standards. However, for some products that affect the health and safety of consumers or of products of mass consumption like LPG cylinders, food colours and additives, cement, packaged drinking water, it is mandatory on the part of the producers to get certified by these organisations.

TAKING THE CONSUMER MOVEMENT FORWARD

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.

The consumer movement in India has made some progress in terms of numbers of organised groups and their activities. There are today more than 700 consumer groups in the country of which only about 20-25 are well organised and recognised for their work.

However, the consumer redressal process is becoming cumbersome, expensive and time consuming. Many a time, consumers are required to engage lawyers. These cases require time for filing and attending the court proceedings etc. In most purchases cash memos are not issued hence evidence is not easy to gather. Moreover most purchases in the market are small retail sales. The existing laws also are not very clear on the issue of compensation to consumers injured by defective products. After 20 years of the enactment of COPRA, consumer awareness in India is spreading but slowly. Besides this the enforcement of laws that protect workers, especially in the unorganised sectors is weak. Similarly, rules and regulations for working of markets are often not followed.

Nevertheless, there is scope for consumers to realise their role and importance. It is often said that consumer movements can be effective only with the consumers' active involvement. It requires a voluntary effort and struggle involving the participation of one and all.

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