

Chapter 2

Understanding the Indian Economy



LEARNING OBJECTIVES :

After studying this chapter you will be able to understand:

- Concept of people as a resource.
- Factors determining Quality of Population
- Meaning & types of Unemployment-
- Meaning of Poverty and poverty line
- Causes of poverty and various Govt Anti poverty measures
- Meaning of Food security, Public Distribution system in India.

SALIENT FEATURES OF THE INDIAN ECONOMY



Fig 1 : Economic activities

Economic activities

You will find that people are engaged in various activities around you, as is also shown in the pictures above. Some of these activities are producing goods. Some others are producing services. These activities are happening around us every minute even as we speak. These activities are quite common around us. People here are engaged in different occupations to earn their livelihood. How do we understand these activities? Actions that involve the production,

distribution and consumption of goods and services at all levels within a society are called **economic activities**. Examples of economic activities are fishing, farming and mining, etc. Whereas non-economic activities are the activities which are undertaken to satisfy social, religious, cultural and sentimental requirements of the people. People engage in non-economic activities for reasons of love, sympathy, religion, patriotism etc. For example, a mother looks after her children, a student donates blood, an old man

goes to temple daily, a rich man donates money to Prime Minister Relief Fund, a young man helps a blind girl cross the road etc. The same activity may be economic as well as non-economic. For example, a nurse attending a patient in a hospital is an economic activity as the nurse works for a salary. But when the same nurse attends to her sick mother at home, it is a non-economic activity because the object is not to earn money. Thus the activity of the same person may be economic at one time or place and non-economic at another time or place. The dividing line is not the activity or the person, who is doing it, but the objective for which it is undertaken.

Sectors of the Economy

Take the scenario in rural areas of India. How do the people, who are living in villages, earn their livelihood? Many of them work on the fields to raise crops, which is known as cultivation. They are known as farmers and agricultural labourers and the occupation is called agriculture. There are different types of crops which are cultivated; such as food items and non food items. Food items include cereal, pulses, fruits and vegetables etc. and non-food items include cotton, jute etc. Similarly people also earn their livelihood from forestry which refers to collection of forest products and selling them in the market. Forest products include-timber, firewood, herbal medicines etc. Many people work in mining area to extract minerals. There also people who are engaged in raising live stock such as poultry and dairy farming. Finally fishery is another occupation in which people catch fish in ponds, rivers or sea to sell them in the market. All these activities i.e. agriculture, forestry, mining, livestock and fishery are complementary to each other. We classify them as primary production and place them in primary sector. When the economic activity depends mainly on exploitation of natural resources then that activity comes under the **primary sector**. Therefore, production and productivity of this

sector depends mainly upon the availability of natural resources and their utilization. Why primary? 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**.



Fig 2: Rice cultivation



Fig 3: Dairy farming

When the main activity involves manufacturing

then it is called the **secondary sector**. All industrial production where physical goods are produced come under the secondary sector. It is the next step after primary. Primary Sector provides raw material to the secondary sector. 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 silk fibre from the plant, we spin yarn and weave cloth. We convert earth into bricks and use bricks to make houses and buildings. The product is not produced by nature but has to be made and therefore some process of manufacturing is essential.

Since this sector gradually became associated with the different kinds of industries that came up, it is also called as **industrial sector**. Activities of secondary sector are related mainly with physical and human resources (Man and Capital). Therefore, production and productivity of this sector depends mainly upon the availability of these resources and their utilization.



Fig 4 : Iron & steel Industry



Fig 5 : Silk Industry

When the activity involves providing intangible services then this is part of the **tertiary sector**. Financial services, management consultancy, Telephone/Telecommunication telephony and IT are good examples of service sector. 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. 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. Tertiary sector bears direct relationship with economic growth and development of a country. At the

initial stage of development, contribution of this sector to national product and income remains negligible but goes on increasing along with economic development.



Fig 6: Transport & logistics



Fig 7: Banking

Why is the tertiary sector gaining so much importance in India?

There could be several reasons for the same-

- First, in a developing country like India, several services such as hospitals,

educational institutions, police stations, courts, defense, transport, banks, insurance companies etc. are required and are provided by the government. These can be considered as basic services.

- Second, the development of the primary and secondary sectors leads to the development of services such as transport, trade and the like.
- Third, as income level rises, people start demanding many more services.
- Fourth, as the development gains momentum, certain new services such as those based on information and communication technology have become important and essential.

Activity Box : 1

Classify the following occupations into various activities, primary, secondary and tertiary.

- Cook in Hotel
- Courier
- Basket weaver
- Basmati rice producer
- Saffron cultivator
- Milk vendor
- Fishermen
- Banker
- Workers in silk factory
- Plumber
- Potter
- Bee-keeper
- Truck driver
- Call centre employee

Evolution of an Economy from Primary Sector Based to Tertiary Sector

During early civilization, all economic activity was in primary sector. When the food production became surplus people's need for other products increased. 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. Over a long time 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. This led to the development of secondary sector. The growth of secondary sector spread its influence during industrial revolution in nineteenth century. After growth of economic activity, a support system was the need to facilitate the industrial activity. Certain sectors like transport and finance play an important role in supporting the industrial activity. Moreover, more shops were needed to provide goods in people's neighbourhood. Ultimately, other services like transport, banleons communication, administrative support developed. To understand this interdependency, let us take an example of a cold drink. A cold drink contains water, sugar and artificial flavour. Suppose if there is no sugarcane production then procuring sugar will become difficult and costly for the cold drink manufacturer. Now to transport sugarcane to sugar mills and sugar to the cold drink plant needs the services of a transporter. A person or system of persons is required to maintain and monitor all these movements of goods from farm to factory to shop in different locations. That is where role of administrative staffs comes. Let us go back to the farmer. He also needs feritlisers and seeds which is processed in some factory and which will be delivered to his doorstep by some means of transportation. To top

it all, at every step of these activities we require the proper monetary and banking system. So, in a nutshell, this describes how interrelated all sectors of an economy are. 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. Over the 30 years between 1980 and 2010, while production in all the three sectors has increased. It has increased more in the tertiary sector. As a result, in the year 2010-11, the tertiary sector has emerged as the largest producing sector in India.

However, all the three sectors of the economy are closely inter-dependent. Growth of one sector directly depends upon the growth of other two sectors. Development of agriculture and allied activities is not possible without the development of manufacturing and service sector. Therefore, balanced and coordinate growth of all the three sectors is essential for economic and social development.

The story of Sector linkages

Hari Singh is a farmer who cultivates wheat on his agricultural land in the village Rampur. Last year he had a good harvest due to good rain fall. So he could sell 10 quintals of wheat in the local mandi and keep another 10 quintals for his household consumption. This year there is no proper rainfall. The area is also having no irrigation facility. Then how to provide water to the wheat crop ? Hari Singh decided to lift ground water. But for this he needs a diesel pump set. Who will provide a diesel pump set? It is produced by a manufacturing unit called Ravi manufacturers which is situated 200km away in an industrial

area called Karim Nagar. Now going to such distant place is a difficult task. Ganga Singh, a friend of Hari Singh told that there is no need to worry. He took Hari Singh to the nearest township market called Shiv Mandi. In the market complex there is a shop called Pappu Hardware Store run by Ganga's brother-in-law named Pappu who sells pump sets. When Hari Singh asked for the pump set Pappu told him to wait for two hours because the truck carrying 50 Ravi pump sets and some spare parts for tractors from Karim Nagar would reach his shop by that time. Pappu also talked to Ravi Khetrpal, who is the owner of Ravi pumps, over his mobile phone to confirm this. In the mean time Ganga and Hari took tea and snacks in the tea stall, went to enquire about admission into primary schooling for Hari's little daughter and brought medicines from the health center for Ganga's son who was having fever at home. After two hours when they came back to Pappu's shop they saw labourers unloading the pumpsets. Pappu told them that he had ordered 50 pumps from the factory in Karim Nagar. The truck would deliver the spare parts to another shop in the same market place which sells auto and tractor parts. Hari saw that Pappu gave a cheque of Rs. 100, 000 to the truck driver who received it on behalf of Ravi Khetrpal. "Since the amount is big, it is not safe to give cash. Cheque is a better option. Mr. Khetrpal can deposit the cheque in his bank account to get the money" Pappu said. He further said that this payment was made to settle some earlier

dues. The payment for pumps would be made after he sells the pumps to the customers in the similar way. Hari Singh paid Rs. 7000 to Pappu and bought one pump set. "Due to bad monsoon this year pump sets are in great demand and will be sold quickly" said Pappu confidently. "What about the truck now?" asked Hari while returning back to village with Ganga Singh. "The truck will now carry wheat and vegetables from the mandi which would be sold to households in the Karim Nagar industrial area and township" replied Ganga.

What is Gross Domestic Product

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. The next step, therefore, is to see how much goods and services are produced and how many people work in each sector. How do we count the various goods and services and know the total production in each sector? Since, we have thousands of goods and services produced around us. It is not all the goods (or services) that is produced have to be counted. **We have to include only the final goods and services.** Take, for instance, a farmer who sells rice to a flour mill for Rs 10 per kg. The mill grinds the wheat and sells the flour to biscuit company for Rs 15 per kg. The biscuit company uses the flour and other things such as sugar, milk and oil to make 10 packets of biscuit. It sells biscuit in the market to the consumers for Rs 150 (Rs 10 per packet). Biscuits are the final goods, that is, goods that reach the consumers. Thus 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. It is the sum of production in the three sectors gives what is called **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. Thus, 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. GDP shows how big the economy is. In India, the task of measuring GDP is undertaken by the Central Government Ministry. This Ministry, with the help of various governments 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.

Sectoral share in Gross Domestic product

The primary sector contributes around 17 %. The secondary sector contributes around 29 % and the tertiary sector contributes around 54 %. Now, come to the percentages of population dependent on each of these sectors. 60 % of the population is dependent on primary sector, where around 80-90 % of these are dependent on agriculture itself. This means that around 50 % of total Indian population is still dependent on these sectors. But, in case of primary sector, the share in GDP is only 17 % and 60 % of the population is dependent on the same.

Sectors Share in GDP (2012-13)	
Primary Sector	13.68
Secondary Sector	27.03
Tertiary Sector	59.29
Source : Central Statistical Organisation (CSO)	

Fig 8 : Share of sectors in GDP

Agriculture and allied Sector

Agriculture is the process of producing food, feed, fiber and other goods by the systematic raising of plants and animals. Agricultural output is a component of the GDP of a nation. Agriculture is the dominant sector of Indian economy, which determines the growth and sustainability. About 65% of the population still relies on agriculture for employment and livelihood. In 2001 agriculture provides employment to 58.2 per cent people. This helps to provide income and food security along with employment in rural areas. The green revolution transformed India from a food deficient stage to a surplus food market. In a span of 3 decades, India became a net exporter of food grains. Remarkable results were achieved in these fields of dairying and oil seeds through white and yellow revolutions. Agriculture is one of the strongholds of the Indian economy and is geared towards the second green revolution. Agricultural transformation in India is induced by rapidly changing consumption patterns, increasing availability and access to new and improved technologies and mechanization of farming systems, which are some of the key drivers. Agriculture continues to be an important sector of the economy with a 14.1 % share (at constant prices 2004-05) in the Gross Domestic Product (GDP) in 2011-12. Its contribution in terms of providing employment to nearly two third of the work force has been critical in maintaining livelihoods especially in the rural areas. The planned approach to development has helped the country to reach a stage where the country is self sufficient in food grains and has a comfortable buffer stock. These achievements have been possible mainly through the favourable policy framework. The policy of Indian Agriculture was to achieve food security by providing incentive for growth alongwith equitable access to food. As a result terrible famines have become events of the past and the agricultural production does not show large variation even in the event of adverse climatic condition. It is, however, revealed that

the growth rate of agricultural production declined from 3.72% in eighties to 2.35% in the nineties indicating towards the need of sustainability in agriculture. Indian agriculture is still beset with problems like inadequate capital formation, low productivity, high cost of production, uneven growth etc. The 11th Five Year Plan (2007-12) witnessed an average annual growth of 3.6 per cent in the gross domestic product (GDP) from agriculture and allied sectors against a target of 4.0 per cent and much higher than the average annual growth of 2.5 and 2.4 per cent achieved during the 9th and 10th Plans. The 12th Plan also kept the target for growth at 4 %. Today Indian Agriculture is witnessing a phase of diversification. Attention has been shifting to high-value crops from traditional crops. This is expected to enable a desired transition in Indian Agriculture from its stagnation to a growth path. To leverage the global competitive advantage, Indian agriculture needs intervention in the areas of policy, technology and market access.

Industrial Sector

Industry is the segment of economy concerned with production of goods. Industrial output is a component of the GDP of a nation. It includes mining and extraction sectors. Currently, India's manufacturing sector contributes about 16% to the GDP, and India's share in world manufacturing is only 1.8%. This is in stark contrast to China; where manufacturing contributes 34% to the GDP and share is 13.7% of world manufacturing –up from 2.9% in 1991. India's growth has been on the back of a booming services sector which contributes 62.5% of the GDP. These statistics clearly indicate that while manufacturing has not been the engine of growth for the Indian economy, it now needs to grow at a much faster rate. The role of manufacturing in driving India's growth can hardly be overemphasized. While the share of manufacturing in India's GDP has stagnated at 15-16%, the sector seems poised for immense growth in future owing to its eminent talent pool in science, technology

and research. The Government's recognition of the potential of the sector and its multiplier effect is clear in its formulation of the National Manufacturing Policy, which aims at enhancing the share of manufacturing to 25% within a decade and creating 100 million jobs. The policy is particularly encouraging in its sharp focus on the role of states in enhancing manufacturing competitiveness. With the vision and objective in place, sustained emphasis on execution will help manufacturing to reclaim its rightful place in the Indian Economy

Service Sector:

A service is the non-material equivalent of a good. Service sector includes farm and factory related activities. Service output is a component of the GDP of a nation. The share of service sector in GDP has increased from 50 % in 2001 to 58.2 % in 2011. The growth of this sector in 2011 was 7.4%.

You can directly see the changing importance of the sectors over the last thirty years. Why most of the labour force is absorbed in the primary sector? It is because enough jobs are not created in the secondary and tertiary sectors. It has been observed, 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 workers in agriculture are not working well? What it implies is that most of the labour force is engaged in agriculture than is necessary. In such a situation, even if many workers are withdrawn, the same work can be continued by few workers. For instance, take the case of a small farmer, Barkat, owning about three hectares of unirrigated land, dependent only on rain and growing crops like jowar and bajra. All the six members of his family work on the plot throughout the year. Why? They have nowhere else to go for work. You see that everyone is

working, none remains idle, but in actual fact, their labour effort gets divided. Each one is doing some work but no one is fully employed. This is the situation of underemployment. This form of underemployment can be defined in two ways: a) a situation in which a labour does not get the type of work he is capable of doing; b) as a labourer does not get sufficient work to absorb him self for the total length of working hours of day. There are lakhs of farmers like Barkat in India. This means that even if we shift some of labours from agricultural sector and provide them some other employment opportunities elsewhere, and the same work can be continued by few workers only.

Let us examine another way of classifying activities in the economy. Just look 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 and conditions of work are properly framed and followed by the workers in an organized sector. 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.



Activity Box : 2

Classify the following categories into organized sector and unorganized sector –

1. A teacher taking classes in a school
2. A farmer irrigating her field
3. A doctor in a hospital
4. A daily wage labourer working under a contractor.
5. A factory worker going to work in a big factory.
6. A carpenter at a construction site .

The **unorganized 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. 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.

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. Railways or post office is an example of the public sector. In the **private** sector, ownership of assets and delivery of services is in the hands of private individuals or companies. Whereas companies like Tata Iron and Steel Company Limited (TISCO) or Reliance Industries Limited (RIL) are privately owned.

Activity Box : 3

Collect logos of the following public sector companies and paste them in your scrap book - MTNL, Indian Railways, Air India, All India Radio , BSNL

Activity Box : 4

Collect photographs of any two products produced by following private sector companies and paste them in your scarp book -TATA , RIL, Britannia, Unilever , P&G



Fig 9 : Some MNC's selling products in India

GLOBALISATION

You know that India is one among the many countries in the world. Countries interact with one another and keep relationship in various areas of interest. Citizens of one country travel to other countries as tourists, to seek jobs, to do business, to study, to do charity and on some government assignments. Now a days, the word **globalization** is commonly used. The reason is obvious. Today television and internet and mobile phones become easily available. People in remote areas can now talk and keep in touch through mobile phones. Today you can watch India-West-Indies cricket match live on television. You can talk to your friend in USA or Europe through mobile phone. There is no need of sending letters if you want to say something in detail. Getting a letter in USA from India takes at least 3 to 7 days. But through internet you can send e-mail which can reach your friend in seconds. You can order a new good produced in Germany or Japan through internet and it will reach you in India.

Globalization refers to in which activities of large number of business enterprises is carried out in many different locations across national boundaries. It is much more than just importing or exporting from one country to another. *True globalization involves one firm procuring from, manufacturing in, and selling in many different countries.* Thus Globalization is the process of integrating the economy of a country with the economies of other countries under conditions of free flow of trade and capital, and movement of persons across borders. **Globalization** is the process by which the economies of countries around the world become increasingly integrated over time. This integration occurs as technological advances expedite the trade of goods and services, the flow of capital, and the migration of people across international borders.

There has been an increasing trend in the world towards globalization. It is characterized by trends such as:

- Increased trade across national boundaries.
- One company having subsidiary companies and plants in many countries.
- One company selling its products in many different countries.
- Growth of joint ventures and technical collaborations between companies from different countries.
- Lowering of trade barriers and simplified import and export procedures.
- Faster and widespread of new technologies across the world.

To put it simply, Globalization creates an opportunity for the producers to reach beyond the domestic markets, that is, 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. Foreign trade thus results in connecting the markets or integration of markets in different countries.

MULTINATIONAL CORPORATIONS (MNCs)

In today's world, every aspect of our lives is having influence of many parts of this world. Start thinking about anything and you will find a bit of many nations in it. In our day to day life we may be eating burger from US, pizza from Italy or noodles from China. Most of the household items we are using are being manufactured by some multinational companies. The coke and pepsi are from the US, the Hyundai is from Korea, Suzuki is from Japan selling cars under Maruti's banner. The calculator you are using may have been manufactured in Taiwan, the English you are using is mix of US, British and Indianised version of the original language.

A **multinational corporation (MNC)** is a corporation that is registered in more than one country or that has operations in more than one country. It is a large corporation which both produces and sells goods or services in various countries.

Activity Box : 5

Name 1 product each produced by the MNC's in India as shown in fig 9.

Such MNCs set up offices and factories for production in the 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. The money that is spent to buy assets such as land, building, machines and other equipment is called investment. An investment made by the MNCs is called **foreign investment**. Any investment is made with the hope that these assets will earn profits. At times, MNCs set up production jointly with some of the local companies of these countries. The benefit of 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. In the past two to three decades, more and more MNCs have been set up and are looking for the locations around the world, where they find it cheap for production.

Foreign investment by the MNCs has also been increasing in these countries. A large part of foreign trade is also being controlled by MNCs. The result of greater foreign investments and foreign trade has been the greater integration of production and markets across countries. MNCs are agents of globalization. Globalization gives business access to markets that would have been difficult to reach in the past. Because of the internet, customers from anywhere in the world can order products from companies anywhere else

in the world, and have those products delivered by aeroplane in just a few weeks. This is naturally a tremendous advantage to business, who stand to increase their potential customer base by millions by reaching out to foreign buyers. Globalization allows businesses to access labour at cheaper prices. Globalization allows corporations to form partnerships with companies all around the world.

Activity Box : 6

Paste Labels/wrappers/ of products produced by MNC's in India which you can purchase from your local Karyana/ Provisions shop in your scrap book .

PEOPLE AS A RESOURCE



Fig 10 : The future of India



Fig: 11. Education and skill development



Fig: 12. Education makes better humans

Just as a country can turn physical resources like land into physical capital like factories. Similarly, it can also turn human resources like its population into human capital like engineers and doctors. Societies need sufficient human capital in the first place—in the form of competent people who have themselves been educated and trained as professors and other professionals. As land can be put to more and more use by adopting latest technologies and more production can be achieved hence increased performance. In the same manner efficiency and effectiveness of the people can be increased by enhancing their skills and hence the performance can be increased. This means that we need investment in human capital to produce more human capital out of human resources. 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.

People as Resource' 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 emphasizes 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'.

All activities carried out by the productive population of the country 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. Education and skill are the major determinants of the earning of any individual in the market.

Activity Box : 7

Visit a village or colony located near to your residential area and note down the various activities undertaken by the people of that village or colony. Say whether these activities are Market or non Market activities.

QUALITY OF POPULATION

The education and health of the people of a country can be considered as major factors determining quality of the population of a country. 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 population 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. So far as people or population of a country is concerned the standards which determine its quality are literacy rate, skill formation related to education and life expectancy related to health. These determinants ultimately decide the growth of a country. The other related factors which determine the quality of the population are unemployment, poverty etc. These two factors pose threat to the growth and development of the country. Do you know who takes care of education and health in India? Before we take up the analysis of the education sector in India, we will look into the need for government intervention in education and health sectors. We do understand that education and health care services create both private and social benefits and this is the reason for the existence of both private and public institutions in the education and health service markets. Expenditures on education and health make substantial long-term impact and they cannot be easily reversed; hence, government intervention is essential. In a developing country like ours, with a large section of the population living below the poverty line, many of us cannot afford to access basic education and health care facilities. Moreover, a substantial section of our people cannot afford to reach super specialty health care and higher education. Furthermore, when basic education and health care is considered as a right of the citizens, then it is essential that the government should provide education and health services free of cost for the deserving citizens and those from the socially oppressed classes.



Fig: 13. Polio Drops Programme is a flagship programme for child health

HEALTH

The health of a person helps him to realize his potential and the ability to fight illness. Improvement in the health status of the population has been the priority of the country. Our national policy, too, aims at improving the accessibility of health care, family welfare and nutritional service with a special focus on the under-privileged segment of population. Over the last five decades India has built up a vast health infrastructure and has developed man power required at primary, secondary and tertiary sector in Government as well as in the private sector. These measures adopted have increased the life expectancy to over Life expectancy 69.89/year IMR 30.15 death/1000 live births (As per 2009 estimates). 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 child care are useful in assessing the future progress of the country. Increase in longevity of life is an indicator 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.

The Government needs to devise effective policies in the public health sector with cohesive involvement from all relevant stakeholders. These include hospitals, pharmaceutical companies, health educators, health professionals, and logistics companies engaged in health-related service delivery. At the same time, the government needs to lay sufficient emphasis on wider determinants of healthcare such as food and livelihood security, drinking water, women's literacy, nutrition and sanitation. The public health policy should not only focus on the prevention of diseases by providing clean water and sanitation. It should also stress on fighting disease by administering antibiotics, which can be facilitated through the appropriate training of public health specialists and the development of health facilities at all levels.



Fig: 14. Girl education is promoted by the government

EDUCATION

You must have been told many a times by your parents to study well and attain good education.

Education plays a vital role in making our life better, education by imparting skills and knowledge increases the efficiency and capacities of a person. Education contributes towards the growth of the society also. It enhances cultural richness and increases the efficiency of governance. With a view to strengthen and universalise education in India, government has introduced various schemes at various levels. The literacy rates have increased from 18% in 1951 to 74.04% in 2011. Literacy is not only a right, it is also needed if the citizen are to perform their duties and enjoy their rights 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. Do you know how much the government spends on education? During 1952-2010, education expenditure as percentage of total government expenditure increased from 7.92 to 11.1 and as percentage of GDP increased from 0.64 to 3.25. Elementary education takes a major share of total education expenditure and the share of the higher/tertiary education (institutions of higher learning like colleges, polytechnics and universities) is the least. Major government schemes for promoting elementary education are as under –

The most prominent among them being Sarva Shiksha Abhiyan, RMSA and Mid Day Meal scheme. **Sarva shiksha abhiyan** has been operational since 2000-2001 and provides for universal access, retention and quality in elementary education with special emphasis on girls. at elementary level. At the secondary level, the scheme launched in March 2009 called Rashtriya Madhyamik Shiksha Abhiyan (RMSA)

has been introduced. The objective of the scheme is to enhance access to secondary education and to improve its quality by the year 2017. **Mid day meal scheme** was launched on 15th august 1995 with a view to enhance enrolment, retention and attendance and simultaneously improving nutritional level among children. Under the scheme, every child in every government and government aided primary school be served a prepared mid day meal with a minimum content of 300 calories of energy and 8-12 gram protein per day for a minimum of 200 days. There is also an establishment 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.

UNEMPLOYMENT

Meaning & Types

Unemployment is said to exist when people who are willing and able to work at the going wages cannot find jobs. NSSO (National Sample Survey Organisation) defines **unemployment** as a situation in which all those who, owing to lack of work, are not working but seek work either through employment exchange, intermediaries, friends, relatives or by making applications to prospective employers or express their willingness or availability for work under the prevailing conditions of work and remuneration.

One of the important reasons of unemployment in India is the slow growth of capital formation as compared to increase in labour force. In case of India we have unemployment in rural and urban areas. However, the nature of unemployment 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 and is generally found in the agricultural sector of the economy. Since Agriculture is a seasonal occupation. Labourers find the work only during the sowing and harvesting seasons. For the rest of the year, they have to remain unemployed. **Disguised Unemployment** refers to that unemployment which is not open for everyone and remains concealed. This usually happens among family members engaged in agricultural activity. The work requires the service of five people but engages eight people. In such a situation, even if many workers are withdrawn, the same work can be continued by few workers. In Indian villages, this form of unemployment is a common feature. Joblessness among the matriculates, graduates, post graduates and above forms **educated unemployment**. 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. 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. 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.

Poverty

Meaning

In our daily life, we come across many people who we think are poor. They 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. They could also be beggars with children in tatters.

Why do we call them poor? Because they suffer from hunger, starvation, malnutrition, unemployment. They do not have their own houses to live, nor do they have enough to eat and wear. They are helpless and hopeless. In case of rural areas, poor do not own a piece of land and if they do, it is not sufficient to satisfy their family needs. They work as agricultural labourers where employment is partial or seasonal. Another characteristic of rural poor is that they live in kutcha house made of mud and straw. These houses are incapable to face harsh weather conditions owing to lack of job opportunities in rural areas, these landless labourer borrow to satisfy the needs of their families. Due to lack of means to return the borrowed money, they are caught in chronic indebtedness. This situation makes them more poor. They need the support of their children to fulfil the bare needs of the family.

That is why they have bigger family size. These children instead of going to school go to work in rural factories, dhabas and as domestic servants. An important point to be noticed here is that since these children do not go to school they remain illiterate, uneducated and hence poor. These rural poor being tired of hunger and starvation shift to the urban areas. As they cannot own a house in urban areas they dwell in hutments which are dirty, dusty and filthy. Sanitary facilities are lacking in the hutments and there is no access to safe drinking water. Moreover they do not get regular employment. All these conditions rendered them to poor health which contributes to loss of work and consequently poverty again.

Poverty refers to a situation in which a section of society is unable to meet its basic need. These needs includes minimum human needs in respect of food, clothing, housing, education and health.

Poverty is thus defined as a situation of lack of income to acquire minimum necessities of life.

We see poverty all around us. In fact, every fourth person in India is poor. This means, roughly 260 million (or 26 crore) people in India live in poverty. This also means that India has the largest single concentration of the poor in the world.

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

Estimates of Poverty in India

Year	Poverty ratio (%)			Number of poor (in millions)		
	Rural	Urban	Combined	Rural	Urban	Combined
1973-74	56.4	49.0	261	54.9	60	321
1993-94	50.1	31.8	45.3	328.6	74.5	403.7
2004-05	41.8	25.7	37.2	326.3	80.8	407.1
2009-10	33.8	20.9	29.8	278.2	76.5	354.7

Source: Economic Survey 2002-03 & 2012-13, Ministry of Finance, GoI.

Poverty Line

Poverty line may be defined as a line which differentiates between poor and non-poor. The line as such may not be a marked line but the value expressions that state the limits of poverty. The limits of poverty may be in terms of income and / or consumption. The consumption levels as states are to determine the Poverty line, 2400 k (calories) per person per day for rural areas and 2100 k (calories) per person per day for urban areas. The people who could not reach the limits as stated above may be considered below the limit or below the fixed line while who could attain or reach the line may be treated as above the line.

Those below the limit are popularly known as people living below poverty line (BPL). Those living above the limit are known as above poverty line (APL). Thus poverty line is a mark which defines the limit of being poor or non-poor. In Jammu and Kashmir the state government claims that about 21.63 per cent population lives below poverty line while Planning Commission Government of India put it at below 4 per cent

Activity Box : 8

On the basis of the given definition for poverty line, find out whether people who work as domestic help, *dhobies* and newspaper vendors, gardener in your locality/neighbourhood are above the poverty line or not.

Causes of Poverty in India

1. High growth of population: There has been a rapid increase of population in India. The high rate of population growth accompanied by low rate of growth leads to low growth rate of per capita income.
2. Rural economy and backward agriculture: Indian economy is an economy in which large part of population lives in rural areas. The main source of employment in the rural areas is agriculture. However, agriculture in India is highly backward. This results in low productivity and hence poverty.
3. Underutilized resources: India is a country which is full of natural resources. Due to lack of technology, the vast resources of minerals, forests, water etc remain untapped.
4. Lack of infrastructure: There is a lack of well developed infrastructure in our country. Facilities of transportation, banking, warehousing, roads, water, power, health are etc are highly deficient. For the growth and development of any country, infrastructural facilities play a vital role.
5. Huge income inequalities: Another feature of high poverty rate has been the huge income inequalities. One of the major reasons for this is the unequal distribution of land and other resources.
6. Socio-cultural and economic factors.: Many socio-cultural and economic factors are also 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.
7. High level of indebtedness; Small farmers need money to buy agricultural inputs like seeds, fertilizers, pesticides. 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.



Fig: 15. Rural Poverty

Rural poverty

Arjun belongs to a small village near Jammu in J&K. His family doesn't own any land, so they do odd jobs for the big farmers. Work is erratic and so is income. At times they get paid Rs 50 for a hard day's work. But often its in kind like a few kilograms of wheat or dal or even vegetables for toiling in the farm through the day. The family of eight cannot always manage two square meals a day. Arjun lives in a kuchha hut on the outskirts of the village. The women of the family spend the day chopping fodder and collecting firewood in the fields. His father a TB patient, passed away two years ago due to lack of medication. His mother now suffers from the same disease and life is slowly ebbing away. Although, the village has a primary school, Arjun never went there. He had to start earning when he was 10 years old.

Anti poverty measures

One can find, in all policy documents, emphasis

being laid on poverty alleviation and that various strategies need to be adopted by the government for the same. Most poverty alleviation programmes implemented are based on the perspective of the Five Year Plans.

The government of India has taken up number of initiatives and programmes in order to address the poverty. Some of the programmes started were based on the expectation that the effects of the programme implementation through economic development

would spread to all sections of society and will trickle down to the poor sections as well. Some other programmes were also started with the policy intention that income and employment for the poor could be raised through the creation of additional assets and by means of work generation. The another approach being used for poverty reduction was based on the perspective that expanding self-employment programmes and wage employment programmes are being considered as the major ways of addressing poverty. The major poverty alleviation programmes being launched by the government of India from time to time are being discussed below:

MGNREGA, 2005 :

Mahatma Gandhi National Rural Employment Guarantee Act is a scheme implemented by the government of India at national level and of the magnitude not seen anywhere in world. The scheme guarantees unskilled wage employment of 100 days to one person in every rural household at minimum wage. The 100 days employment under the scheme is visualised in the lean season of agricultural activities. The scheme is implemented in all the districts of the country and is seen as a major step in creating employment opportunities and also for poverty alleviation in the country. The state government

are required to give unemployment allowance of 1/3 the wages if not able to provide employment within 15 days of their registration.

NFWP (National Food for Work Programme):

The scheme 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 100 percent centrally sponsored scheme and food grains are provided free of cost to the states

PMRY (Prime Minister Rozgar Yojna):

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.

REGP (Rural Employment Generation Programme):

This programme was launched in 1995. The programme aimed at creating self employment opportunities in rural and small towns. The Khadi and Village Industries Commission is implementing this programme. Under this programme one can get assistance in the form of Loans to establish small business.

SGSY (Swarnajayanti Gram Swarozgar yojna):

This programme 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.

AAY (Antodaya Anna Yojna):

This scheme was launched in December 2000. Under the scheme, one crore of the poorest eligible families among the Below poverty line were

provided with twenty five kilograms of food grains at highly subsidised rate of Rs 2 / kg for wheat and Rs 3 / kg for rice. This quantity has been enhanced from 25 to 35 with effect from April 2002. The scheme has been further expanded twice by additional 50 lakh Below poverty line families in June 2003 and August 2004. With this increase, 2 crore families have been covered under the AAY.

Activity Box : 9

Discuss and then develop a list of three employment opportunities each that can be created in most backward districts of J&K under National Food for Work Programme

FOOD SECURITY AND PUBLIC DISTRIBUTION SYSTEM (PDS)

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”. The declaration further recognises that poverty eradication is essential to improve access to food. In simple words, food security means something more than getting two square meals. It has following dimensions:

- (i) Availability of food: means food production within the country, food imports etc are suffice to meet the requirements.
- (ii) Accessibility: means food is within the reach of every person.
- (iii) 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.

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 self-employed workers and destitute 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. 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. 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, Chhattisgarh, parts of Madhya Pradesh and Maharashtra account for largest number of food insecure people in the country.

How is food security affected during a calamity?

The poorest section of the society might be food insecure (that is they may not be able to get food) most of times while persons above poverty line might be food insecure when the country faces a national disaster / calamity. India is aiming at self-sufficiency in food grains since independence. Due to a natural calamity, say drought, total production of food grains decreases. It creates a shortage of food in the affected areas. Due to shortage of food, the prices goes 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. 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.

National Food for Work Programme

National Food for Work Programme was launched on November 14, 2004 in 150 most backward districts of the country with the objective of intensifying the generation of supplementary wage employment. 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 the foodgrains are provided to States free of cost. The Collector is the nodal officer at the district level and has the overall responsibility of planning, implementation, coordination, monitoring and supervision.

PUBLIC DISTRIBUTION SYSTEM

The government is responsible for making food grains available to the people of country. **Food Corporation of India (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. **Buffer Stock** is the stock of food grains, namely wheat and rice procured by the government through **FCI**. The food procured by the FCI is distributed through government regulated ration shops and fair price shops to different sections of society. Such distribution is called Public Distribution System (PDS). The ration shops keep stock of foodgrains, sugar, kerosene oil etc. Any family with a ration card can buy a stipulated amount of these items (e.g. 35 kg's of grains, 5 litres of kerosene oil etc) every month from ration shops. For buying at ration shop, one needs a ration card duly issued by the government. The ration cards are of three kinds viz Antyodaya cards for poorest of poor, Below poverty line cards and Above poverty line cards.



Targeted PDS (TPDS)

In June 1997, the Government of India launched the Targeted Public Distribution System (TPDS) with the focus on poor replacing the RPDS.

RPDS: Revamped Public Distribution System was launched in June 1992 with a view to strengthen and stream line the PDS as well as to improve its reach in the far-flung hilly, remote and inaccessible areas.

The allocation to the foodgrains to the State UT's was made by the Government of India on the basis of average consumption in the past i.e. average Annual off - take of foodgrains for the PDS during the past 10 years at the time of introduction of TPDS.

Activity Box : 10

Photocopy the ration card of your family and paste in your Scrap book.

In J&K State, the TPDS is being implemented since the year 1997 as elsewhere in the country and the foodgrains are allocated to the State at a scale of 35 Kg per family per month on the basis of projected population of the State as on 1.3.2000 which has been estimated by the Registrar General of India at 99.45 lac comprising of 18.02 lac families at an average family size of 5.52 persons per family. TPDS was introduced as a two tier system. It implies:

1. Supplying food grains at highly subsidised rates to the people below the poverty line.
2. Supplying food grains at moderately subsidised rates to people not below the poverty line but only marginally above the poverty line.

The sale rate and the scale of food grains under different categories under TPDS in J&K is as under:-

Category	Commodity	Scale	Rate in Rs. Per Kg
BPL	Wheat	35 Kg per family	4.80
	Atta		5.35
	Rice		6.40
AAY	Wheat	35 Kg per family	2.00
	Atta		2.00
	Rice		3.00
APL	Wheat	35 Kg per family	7.25
	Atta		8.00
	Rice		10.00
All categories	Sugar	700 gms per soul	13.50

What you have learnt

This Chapter starts by understanding the concept of Economic activities and how they lead to the development of various sectors in the Economy. We move on to examine whether the activity relates to the primary, secondary or tertiary sectors. Another classification is to consider whether people are working in organised or unorganised sectors. Most people are working in the unorganised sectors and protection is necessary for them. We also looked at the difference between private and public activities, and why it is important for public activities to focus on certain areas. We looked at the present phase of globalisation. 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 globalization process. You have seen how inputs like education and health helped in making people an asset for the economy. The chapter also discusses about the economic

activities undertaken in the three sectors of the economy. We also study about the problem associated with unemployment. You have seen in this chapter that poverty has many dimensions. Normally, this is measured through the concept of .poverty line. The unit ends with the concepts of Food security .As 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. 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. In addition to the role of the government in ensuring food security, there are various cooperatives and NGOs also working intensively towards this direction.

EXERCISES

Project /Activity

Collect information and fill in the following table with the amount of money spent in terms of rupees by four low income families on various commodities. Analyse the research and find out which family is relatively poor in comparison to the other families. Also find out who are absolutely poor if the poverty line is fixed at an expenditure of Rs 500 per month per person.

Commodities	Family A	Family B	Family C	Family D
Wheat/Rice				
Vegetable Oil				
Sugar				
Ghee				
Clothes				
House Rent				
Electricity/water				

Fill in the blanks:

- Actions that involve the production, distribution and consumption of goods and services at all levels within a society are called
- The is also called as **industrial** sector.
- The sum of in the three sectors gives what is called the Gross Domestic Product (GDP) of a country.
- refers to in which activities of large number of business enterprises is carried out in many different locations across national boundaries.
- The and of the people of a country can be considered as major factors determining quality of the population of a country.
- NSSO defines as a situation in which all those who, owing to lack of work, are not working but seek work.
- In the sector, the government owns most of the assets and provides all the services.
- is thus defined as a situation of lack of income to acquire minimum necessities of life.
- The consumption levels as states to determine the poverty line are k (calories) for rural areas and k (calories) for urban area.
- The rate at which the FCI purchases wheat and rice from the farmers in states where there is surplus production is called

One word Answers:

- The Sector which generates employment and income in agriculture is called.....
- Rearing of animals for milk and milk products is called
- Tertiary sector is also called

4. A sector characterized by small and scattered units is called

5. A person living below the poverty line is

Very short /short Answer Type Questions :

1. What are the various activities undertaken in the primary sector, secondary sector and tertiary sector?
2. What do you understand by 'people as a resource'.
3. Explain the term poverty line.
4. What is Buffer Stock.
5. What is meant by 'Food for Work' programme?

Long Answer Type Questions :

1. What is Gross Domestic product and how is it calculated. Describe the contribution of the three sectors to the GDP of the Indian Economy.
2. Explain the term Multinational corporations and how globalization has made the world "one big market". What are the advantages of Globalisation
3. What are the various forms of Unemployment.
4. Define poverty. Explain four important anti-poverty measures undertaken by the Government of India.
5. Define Food security. What do you understand by TPDS. Describe the three dimensions of food security.



DISASTER MANAGEMENT

“We cannot eliminate disasters, but we can mitigate risk.

We can reduce damage and we can save more lives.”

(Ban Ki-Moon)

United Nations Secretary-General