ECONOMICS BASIC NOTES - PART 2

BASED ON: **NCERT TEXT BOOK CLASS X**
UNDERSTANDING ECONOMIC DEVELOPMENT

CHAPTER 1
DEVELOPMENT

1. Development means having being able to lead a better life. To be able to fulfil todays aspirations or desires. Important aspect of development it should not be restricted to few people of the society and development of one should not be at the cost of other person.

2. People want more income. People also seek equal treatment, equal access to opportunities and respect. Many times, social development or even sense of security is more important to economic development. A safe and secure environment is very important and desirable factor for women.

3. National development goals should be able to satisfy most of its population. Inclusive growth should be the goal for a nation.

4. While comparing nations 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.

5. World Bank in their World Development Reports use per capita income.
Countries with per capita income of US$ 12736 per annum and above in 2013 are called rich countries and those with per capita income of US$ 1045 or less are called low-income countries.

India comes in the category of low middle-income countries because its per capita income in 2013 was just US$ 1570 per annum.
Rich countries are called developed countries.

6. In India too, per capita income of different states is different. Maharashtra had 1,17,091 Rs. and Bihar only 31,199 Rs. This shows Maharashtra is more developed then Bihar.

7. **INFANT MORTALITY RATE**: Indicates the number of children that die before the age of one year as a proportion of 1000 live children born in that particular year.

8. **LITERACY RATE:** Measures the proportion of literate population in the 7 and above age group

9. **NET ATTENDANCE RATIO** is the total number of children of age group 14 years and 15 years attending school as a percentage of total number of children in the same age group.

10. Kerala has a low infant Mortality Rate because it has adequate provision of basic health and educational facilities.

11. **HUMAN DEVELOPMENT REPORT**: published by UNDP compares countries based on the educational levels of the people, their health status and per capita income.

12. **HDI:** Human Development Index. HDI ranks all the countries India ranked 130 out of total 188 countries in 2014.

13. Life Expectancy at Birth denotes as the name suggests, average expected length of life of a person at the time of birth.

14. Per Capita Income is calculated in dollars for all countries so that it can be compared. It is done at PPP. That means it is done in a way so that every dollar would buy the same amount of goods and services in any country.

15. **SUSTAINABILITY OF DEVELOPMENT**: Development is good and desirable, but it need to be sustainable. Resources are limited we should be using them judicially. The rate of use of resources as far as possible should match with the rate of generation of those resources. Future generation cannot be deprived of the precious resources.

CHAPTER 2

SECTORS OF THE INDIAN ECONOMY:

1. **PRIMARY SECTOR**: When we produce a good by exploiting natural resources, it is an activity of the primary sector. This forms the base for all other products that we subsequently make. It includes agriculture, dairy, fishing, mining, forestry etc.

2. **SECONDARY SECTOR**: The Secondary sector covers activities in which natural products are changed into other forms through ways of manufacturing called as industrial activity. Example: Making cloth, sugar

3. **TERTIARY SECTOR**: these are the economic activities that help in the development of the primary and secondary sectors. Ex. Transportation, Banks, Communication etc. All these activities are called the service sector or the tertiary sector.

4. **GROSS DOMESTIC PRODUCT**: 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 three sectors gives GDP. It is the value of all final goods and services produced within a country during a particular year. GDP indicates how big the economy is.

5. Over the years of development, it is seen that the contribution to total GDP has shifted from Primary sector to Secondary sector and now it is gradually shifting from secondary to tertiary sector. We can say it is the process of development. As income levels rise, certain sections of people start demanding many more services like eating out, tourism, shopping, private hospitals, private schools, professional training, sports etc.

6. **SHARE OF SECTORS IN GDP:** Share of sectors in GDP of Primary sector is reducing and of secondary and tertiary sector is increasing.

7. **EMPLOYMENT OF PEOPLE**: the similar shift has not taken place in employment. The primary sector continues to be the largest employer even now. It is because not enough jobs were created in secondary and tertiary sectors.
There are more people in agriculture than is necessary. Workers in agricultural sector are under-employed.

DISGUISED EMPLOYMENT- This is the situation of underemployment, where people are apparently working but. All of them are made to work less than their potential. This kind of underemployment is hidden. Hence it is also called disguised unemployment. Jobs can be created in Education sector and health sector. In urban areas the jobs can be created in tourism, transport and IT sector.

8. **MAHATMA GANDHI NATIONAL RURAL EMPLOYMENT GUARANTEE ACT 2005 (MGNREGA 2005)**: Under MGNREGA all those who are able to and need work in rural areas are guaranteed 100 days of employment in a year by the government. If a 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.

9. **ORGANISED SECTOR**: Organised sector covers those enterprises or places of work where terms of employment are regular and therefore, people have assured work and income thereof. They are registered by the government and have to follow its rules and regulations for employment. Various laws such as the Factories Act, Minimum Wages Act, Payment of Gratuity Act, Shops and Establishments Act.

   It is called organised because it has some formal processes and procedures. Workers in organised sector enjoys security of employment. They get many facilities from the employer.

10. **UNORGANISED SECTOR**: The Unorganised sector is characterized by small and scattered units which are largely outside the control of the government. There are rules and regulation, but these are hardly followed. Jobs are low paid generally not regular. The facilities are not available like those of organised sector. Workers are at the mercy and whims of employer. Ex. Small and marginal agricultural labour, artisans, blacksmith, carpenters, rural households are in small and marginal farmer family. In urban areas workers in small scale industry, casual labour, construction workers, head-load workers, garment makers etc.

CHAPTER 3

MONEY AND CREDIT

1. **MONEY** is crucial to eliminate the situation of double coincidence of wants. i.e. What a person desires to sell is exactly what the other wishes to buy in a barter system. Money acts as a medium of exchange in transactions.
2. Modern forms of money include currency- paper notes and coins. Currency is authorized by government of the country. In India RBI issues currency notes on behalf of government.
3. **DEPOSITS WITH BANKS**: We can hold money as deposits with banks. Since the deposits in the bank accounts can be withdrawn on demand, these deposits are called demand deposits. Bank cheque is a convenient method of paying the money. 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 issued.
4. **LOAN ACTIVITIES OF BANKS**: Banks use major portion of the deposits to extend loans. 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 income/profit.
5. **CREDITS**: Farmers usually take crop loans at the beginning of the season and repay the loan after harvest. Repayment of loan will depend on income from farming. In case of failure of crop the farmer is unable to pay back the loan. Borrower gets into debt-trap.

   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. Lender may demand collateral (security) against loan.

COLLATERAL: is an asset that the borrower owns such as land, building, vehicle, livestock, deposits with banks uses this holding as a guarantee to a lender until loan is repaid. If the borrower fails to repay the lender has the right to sell off collateral to recover the loan. Interest rate, collateral and documentation requirement and the mode of repayment together comprises what is called the terms of credit.

6. **LOANS FROM COOPERATIVES**: Loans also can be taken from cooperatives. Members of a cooperative pool their resources for cooperation in certain areas.

   There are different types of cooperatives:
   Farmers Cooperative
   Weavers Cooperative
   Industrial Workers Cooperative
   Cooperatives can take loan from banks and then provide loan to its members. Cooperatives accepts deposits from its members.

7. **FORMAL SECTOR LOANS**: Formal sector loans are loans from banks and cooperatives. The RBI supervises the functioning of formal sources of loans. The banks need to maintain a minimum cash balance out of the deposits they receive. The RBI monitors the banks in actually maintaining cash balance. The RBI also monitors the bank give loans to small cultivators, small industries, to small borrowers. The RBI gets information from banks on how much they are lending to whom, at what interest rate, etc.
   Formal sector loans need to expand in rural areas.

8. **INFORMAL SECTOR LOANS**: The informal lenders include moneylenders, traders, employers, relatives and friends etc. 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. The cost to the borrower of informal loans is much higher. Generally poor farmers get into a debt trap while availing loans from informal sector.

9. **SELF-HELP GROUPS FOR THE POOR:** Poor households are still dependent on informal sources of credit. 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. Banks ask for collaterals and poor farmer is having none. Informal sector give loan at high rate of interest in the absence of collateral.

   The concept of Self-Help Groups emerged. SHGs collect their savings. The typical group consists of 15-20 members. Savings per member varies from Rs. 25 to Rs. 100 or more. Members can take small loans from the group itself to meet their needs. The group charges interest on the loans but this is still less than what the moneylender charges.

   The Group regular in savings becomes eligible for availing loan from the bank. Loan is sanctioned in the name of the group and is meant to create self-employment opportunities for the members. Loans can be used for buying seeds, fertilizers, raw materials like bamboo and cloth for acquiring assets like sewing machine, handlooms, cattle etc.
   It is the group which is responsible for the repayment of the loan.

   Thus, the SHGs help borrowers overcome the problem of lack of collateral. SHGs are the building blocks of organisation of 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.

10. GRAMEEN BANK OF BANGLADESH: Grameen Bank of Bangladesh is one of the biggest success stories in reaching the poor to meet their credit needs at reasonable rates. Started in 1970s as a small project, Grameen Bank in October 2014 has over 8.63 million members in about 81,390 villages spread across Bangladesh. Almost all of the borrowers are women and belong to poorest sections of the society. These borrowers have proved that not only are poor women reliable borrowers, but that they can start and run a variety of small income-generating activities successfully.

Professor Muhammad Yunus was the founder of Grameen Bank. He was awarded Nobel Prize for Peace in 2006 for his efforts for the bank.

CHAPTER 4

GLOBALISATION AND THE INDIAN ECONOMY

1. A Multinational Corporations (MNCs)- 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 helps in reducing the cost of production and increase profitability.

2. 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 interests.

3. Investments made by MNCs is called foreign investment.

4. At times, MNCs set up production jointly with some of the local companies of these countries. There can be buy out of a local company by MNC and then expand production.

5. Foreign trade creates an opportunity for the producers to reach beyond the domestic markets. 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.

Consumers can have the choice of goods beyond what is domestically produced.

6. GLOBALISATION: MNCs operation is increasing day by day. Foreign trade between countries has been rising rapidly. The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries.
Globilisation is this process of rapid integration or interconnection between countries. MNCs are playing a major role in globalization process.
More and more goods and services, investments and technology are moving between countries.
People are also moving from one country to another in search of better income, better jobs, better education or even better security.

7. FACTORS THAT HAVE ENABLED GLOBALISATION

- Technology
- Liberalisation of foreign trade and foreign investment policy
- Removing barriers or restrictions set by the government

TECHNOLOGY: Rapid improvement in technology has been one major factor that has stimulated the globalization process. Use of technology has helped in reducing the cost of operation and faster transportation. Development in information and communication technology has been a great catalyst for the process of globalization.

LIBERALISATION: Tax on imports is an example of trade barrier. Governments are putting barriers to protect domestic industry. Governments can use trade barriers to increase or decrease regulate foreign trade and to decide what kinds of goods and how much of each (Quota), should come into the country.

Starting around 1991, some far-reaching 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. The concept of competition was introduced into the industry of India for the first time. The government protection cover was gradually lifted. Barriers on foreign trade and foreign investment were removed to a large extent.

Removing barriers or restrictions set by the government is what is known as liberalisation.

8. **WORLD TRADE ORGANIZATION**: True and real Globalisation will happen when there are no barriers. Trade between countries is free. All countries in the world should liberalise their policies. The aim of WTO is to facilitate international trade. WTO establishes rules regarding international trade. More than 165 countries are the members.

   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.
   There is a current debate on trade in agricultural products.

9. **IMPACT OF GLOBALISATION IN INDIA:** Consumers have a better choice with better quality at a low price.
   People today enjoy much higher standards of living.
   India is a big market having of well-off buyers.

   Special Economic Zones have been developed. These zones have world class facilities, electricity, water, roads, transport, storage, recreational and educational facilities. Labour laws have been made flexible and transparent.
   Globalisation has also created new opportunities for companies providing services, particularly those involving IT.

   Globalisation has helped India in developing and growth of tertiary sector.

10. **STRUGGLE FOR A FAIR GLOBALISATION:** Growth and betterment has not been all inclusive in India. People with education, skill and wealth have made the best use of the new opportunities. Fair globalisation will create opportunities for all, and also ensure that the benefits of globalisation are shared better.

    The government can negotiate at WTO for fairer-rules. It can align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

CHAPTER 5

CONSUMER RIGHTS

1. Consumers must get the fair deal from sellers. Consumers have a right to get in fair manner for what they have paid for and what the seller had offered or promised to give.

2. 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 Consumer International has become an umbrella body to over 220-member organisations from over 115 countries.

3. Consumer Protection Act 1986 was enacted. This is popularly known as COPRA.

4. 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.

5. Under COPRA a three-tier quasi-judicial 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 up to Rs. 20 lakhs, the state level courts between Rs. 20 lakhs and 1 crore and the national level court deals with cases involving claims exceeding Rs. 1 crore.

6. If a case is dismissed in district level court, the consumer can also appeal in state and then in National level courts.

7. The enactment of COPRA has led to the setting up of separate departments of Consumer Affairs in Central and State governments.

8. 24^{th} December is observed as the National Consumers Day. It was on this day that the Indian Parliament enacted the Consumer Protection Act in 1986.