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MADURAI KAMARAJ UNIVERSITY

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PRE-FOUNDATION COURSE

PART - III

ECONOMICS

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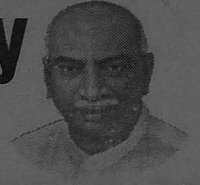


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**PART - III
ECONOMICS**

**MADURAI KAMARAJ UNIVERSITY
MADURAI - 625 021.**

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Pre - Foundation Course

PART - III

ECONOMICS

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UNIVERSITY SYLLABUS

Pre-Foundation Course

ECONOMICS

Unit - 1 :

Indian Economy in the Pre-British period-self reliant rural life - social structure- village Administration - Land Tenure system - Manufacturing Status of Towns - Trade.

Unit-2 :

Impact of British Rule - Developments of various sectors - Dual policy - Drain policy - Results.

Unit-3 :

Decline of Indian Handicrafts - Development of Business Economy and Transports - impact on Handicrafts- Consequences of the decay of Handicrafts.

Unit-4 :

Indian Agriculture - Causes for low productivity - Measures to increase productivity-Land Tenure system - Marketing Finance -Defects and reforms - Green Revolution - Agricultural price policy.

Unit - 5 :

Indian Industry - Industrial Pre-British and Post-British situation development - large scale industries - small scale industries- public sector and private sector.

Unit - 6 :

Indian population - size - Trend - characteristic features - problems - measures to control - Malthusian theory of population.

Unit - 7 :

Indian Labour - size - structure - characteristic features of Agricultural labour and Industrial labour-Government measures to improve the conditions - industrial disputes - Minimum wages Act - Social security measures - Computerisation and Replacement of labour.

Units - 8 :

The concept of poverty - Poverty in India - Pre and post British conditions - present position-Government measures to eradicate poverty.

Unit - 9 :

Economic systems - capitalism - socialism - mixed economy - Features - Advantages and disadvantages - Convergence of capitalism and socialism.

Unit - 10 :

Sarvodaya and Co-operative movement in India - Features - Advantages and critical evaluation of Sarvodaya - Concept - Structure - Functions - Management - progress and defects of Co-operative movement in India.

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Introduction

Dear Student,

We welcome you to the Pre-Foundation Course through Directorate of Distance Education of Madurai Kamaraj University. This paper deals with the Indian Economy starting from the pre-British period to the present period. Each and every unit focuses on specific area of the Indian economy.

- ❖ The subject matter has been divided in to ten convenient units.
- ❖ Basic concepts are explained in a simple manner.
- ❖ Incorporates at the end of unit :
 - ❖ objectives type questions with short answers to enable the students to test their understanding;
 - ❖ Essay type questions for review, discussion and practice;

We are confident that with all these plus features the students will find the book extremely useful and rewarding for them.

You have to take University Examinations on this Economics paper at the end of this academic year.

To make you know the University question paper pattern, a model question paper is given at the end of the last unit.

With the Best wishes,

Dr. K. Mahalingam

Lecturar,

Department of Economics,

Directorate of Distance Education,

Madurai Kamaraj University.

Unit - 1

Indian Economy in the Pre-British Period

Structure

- 1.0 Unit objectives
- 1.1 Introduction
- 1.2 Self Reliant Rural villages
- 1.3 Social Structure
- 1.4 Village Administration
- 1.5 Land Tenure System
- 1.6 Manufacturing Items
- 1.7 Status of Towns
- 1.8 Trade Activities
- 1.9 Beginning of capitalism

Summary

To 'check your progress'.

Model Questions

1.0 Unit objectives

- ❖ To know the socio-Economic conditions of the Indian people in the Pre British Period
- ❖ To understand the village life and social structure
- ❖ To understand the village Administration and Land Tenure System
- ❖ To know about the manufacturing items.
- ❖ To know the status of towns and Trade activities.
- ❖ To know the foundations of capitalism in India.

1.1 Introduction

The Indian Economy, at present, is the culmination of forces extending over a period of about two centuries beginning with the arrival of the British East India company around the middle of the 19th century. The economic conditions which prevailed in India, prior to British rule were almost similar to those which prevailed in other countries at a comparable stage of industrial development. The British rule has changed entire economic system, by and large, to a greater extent. Therefore, to understand the present state of the Indian economy, a study of the economic conditions that prevailed during and prior to British rule is very important.

Prior to British period, India was under the rule of Mughal Emperors. When they lost their strength, there arose a number of small kingdoms. Frequently they attacked each other which led to political instability in the entire country. Roads were not developed nor properly maintained. Different kingdoms followed different land tax systems. All these affected the Indian economic conditions. In spite of these different conditions, certain common features prevailed in almost all the regions of the country.

1.2 Predominance of self reliant rural life :

Most of the people lived in villages. Their ways of living characterised the Indian economy. The Indian economy was almost a rural economy. The villages were self sufficient units, isolated from outside. All the material needs of the village people were satisfied locally. Hence the villages were called “Self Reliant Villages”.

In all the villages, three categories of people lived. They were (1) Farmers (2) Artisans and (3) Dependent general labourers. Agricultural sector was the primary

and predominant sector. The farmers were having their own lands and houses. It was possible for the farmers to get sufficient areas of land for their cultivation. However, beyond their occupied area, a vast area was kept for common use, particularly for rearing animals. The farmers were able to produce all the required products for themselves, for the Artisans and for other labourers.

While the food requirements of the villagers were fulfilled by the farmers, the non-food requirements were fulfilled by the artisans like weavers, blacksmiths, goldsmiths etc. Handloom was considered as the second important occupation next to farming. Farm goods were converted into consumer articles by the artisans. Artisans received foodgrains and other farm goods as wages towards their services. Other than these artisans and farmers there were other workers like washermen, hair cutters, doctors, holy persons and village record officers living in the villages.

All the commodities produced in the villages were consumed by the village people themselves. There was no surplus production and goods were not produced for sales in the market. The villages were self sufficient units. All the material needs of the village people were satisfied locally.

1.3 Social Structure :

Social structure was mainly based on caste system and castes were identified by the respective occupations. Simple division of labour was the predominant aspect of the village life. Each one did all the jobs connected with the production of a commodity. This type of hereditary occupations increased the skills of the artisans.

1.4 Village Administration :

Grama Panchayat committee was constituted in each and every village to look after their social and economic activities. The committee met and solved all the problems relating to finance and others as and when required. King's

representative, lived in villages and collected the land revenue. Peace and stability was maintained in the village life. Any political change which occurred in the higher level did not affect the village routine life.

1.5 Land Tenure system :

The land ownership system which prevailed in India was a special kind in nature and not similar to the system which prevailed in Britain. It was called zamindari system. Farmers were having their own lands. Large farmers were wealthy and their words were respected. They were not having any political clout except remitting of land taxes to the government. Agricultural labourers were independent and not slaves. They received food grains and other farm products as wages towards their services.

1.6 Manufacturing Items :

People were engaged in a variety of works and produced a variety of products. For example gold and silver ornaments, cloths, building materials like brick, lime, leather work, pottery, carpentry, copper, tin and iron works, ship building, sugar and salt manufacture, stone cutting, paper manufacture, perfumery etc. Particularly in the field of weaving, India had attained a high degree of development. Indian weavers were more popular and skilled in weaving very thin muslin cloths. Twenty yards of such cloth could be inserted into a ring. Silk cloth manufacturing was also developed similar to the development of cotton clothes. Rich and land lords used to wear silk cloths. Silks were produced not only for inter-regional uses but also for foreign countries.

High quality and low price of Indian textiles threatened the woolen and silk manufacturers of England. India was famous for the highly artistic skill of craftsmen. Skilled technicians in manufacturing gold and silver ornaments and other household items were also available throughout the country. Marketing system was

not developed. For example, when people required ornaments they approached the goldsmiths for their specific orders by providing the necessary raw materials such as gold and precious stones.

1.7 Status of Towns :

Urban populations size was very small constituting less than 10 percent of the total population of the country. The reason for this was the predominance of agriculture and the existence of bulk industries in villages. Most of the towns grew up because these were either sacred places or the seats of power (king's residences) or a place where there was availability of more fertile lands and water resources or trading centres. Although these towns were non-industrial in character, there were always certain industries in all the towns. For example, in places of pilgrimage vessels to hold Ganges water, utensils for worship etc, were manufactured. In towns luxury goods like gold and silver works, stone, ivory and wood carving etc., were produced. People living in towns depended upon outside sources like villages for many goods, like foodgrains and other products. This gave rise to markets and an extensive use of money and credit. The exchange economy of towns had thus become a money economy.

1.8 Trade Activities :

India's trade both internal and external, was not large, mainly because of the inadequacy of communication and transportation facilities. Indian goods found market in far flung places in the world. Important countries with whom India traded were Egypt, Greek, South-East Asia, Japan, France, Portugal and England. The goods exported were cotton and silk fabrics, shawls and carpets, artistic and decorative articles, sugar etc. Political instability started during the last days of Mughal Emperors. Trade and transport were affected because they were looted; but all these existed in internal trade only.

Imports were of small variety and consisted of such items as gold, precious stones, Pearls, tea and coffee, dry fruits etc. In its external trade India enjoyed surpluses and received gold and silver in ample quantities as payment for the same. The banking system was quite developed. The main instrument of credit was the 'Hundi' i.e. a document which promised to pay the bearer a certain sum of money on sight or after the expiry of a fixed period.

1.9 Beginning of capitalism :

The foundation for the development of capitalism is surplus production for market. Due to the development of internal and external trade the demand for our commodities had increased. Increased demand necessitated increased production. This paved the way for industrial development. Traders and entrepreneurs increased the production by using their accumulated wealth. Thus the existing situation laid the foundation stone for the beginning of Capitalism.

Summary :

In India, prior to British period, around 90 percent of the people lived in villages. Their ways of living characterised the Indian economy. The Indian economy was almost a rural economy. The villages, were self sufficient units isolated from outside. The Indian rural economy was never affected by any changes which occurred outside their villages.

The demands of the people were limited and they were contented with the local commodities. Though Monetary units were in existence, most of the exchanges were done under barter system. The entry of Britishers shook the rural economy and disturbed the simple and peaceful life led by Indians.

They came to India with the intention to do business but they captured political powers. The changes which occurred in the political powers caused greater changes in the economic life of the people. Let us discuss them in the subsequent lessons.

To Check your Progress :

1. State the types of people lived in Indian villages during the pre-British period.
2. On what basis Indian caste system was identified?
3. State the duties of the Grama Panchayat Committee.
4. How did the people fulfil their ornaments requirements?
5. What were the goods exported from India during pre-British period?
6. What was the main credit instrument used in India during pre-British period?

Answers to 'check to your progress' :

1. a) Farmers b) Artisans and c) Dependent general labourers
2. Indian Castes were identified by their respective occupations. 3) The panchayat committee members were the King's representatives. They maintained peace and stability in the villages. They also collected the land revenue and thereby solved the problems relating to finance. 4) People approached the goldsmiths for their specific orders by providing the necessary raw materials such as gold and precious stones.
5. The goods exported were cotton and silk fabrics, shawls and carpets, artistic and decorative articles, sugar etc.
6. Hundi was the main credit instrument used in India.

Model questions :

Five marks questions :

1. Why were Indian villages called as “Self Reliant Villages”?
2. State the Indian social structure during the pre-British period.
3. State the Indian Land Tenure System which prevailed during the pre-British period.
4. What were the various manufacturing products produced in India during pre-British period?
5. Give a brief note on Indian towns during pre-British period.
6. Give an account of Indian Trade system during pre-British period.
7. Explain the foundation laid down by the British rulers for the beginning of capitalism in India.

Ten Marks questions :

1. Describe the condition of the Indian economy during the pre-British period.
2. Explain the economic system that existing in the Indian villages during the Pre-British era.

Unit - 2

Impact of British Rule in India

Structure

2.0 Unit objectives

2.1 Introduction

2.2 British Entry into India

2.3 Economy policy of the British Rulers

2.4 Development in Indian Agriculture.

2.5 Impact on Indian Industries

2.6 Impact on Indian Transports.

2.7 Impact on Indian Trade.

2.8 Impact on villages and Towns.

2.9 Development of Court System.

2.10 Budget Policy and Drain of Indian Resources.

2.11 Adverse consequences of British Rule in India.

Summary

To check your progress

Model Questions

2.0 Unit objectives :

- * To know the motivation of Economic policies adopted by British rulers.
- * To know the impact of British rule on Indian Agriculture, Industry, Transport and Trade.
- * To know the development of villages, Towns and Court System.
- * To know the Budgetary- Dual or Drain policy to drain the Indian resources by British rulers.
- * To know the Adverse consequences of British rule in India.

2.1 Introduction :

Many economic changes occurred in several countries in the last two centuries. Establishment of democracy and industrialisation were the two important events. Greater economic developments occurred in many countries like England, Japan and America particularly in all the European countries. No such development was brought to our country because we were under the British rule. The British rulers did not take any steps to improve the economic status or welfare of Indians. To understand the present status of the Indian economy and also its likely future, a study of the impact of the British rule on Indian economy is more important.

2.2 British Entry into India

East India Company was a British business organisation. It entered into India with the intention to do business. But in due course, the small kings became indebted to British East India company to meet their extravagant expenditures. In return, the East India company got many relaxations and rights from the kings and also lands on large scale free of cost. In this connection, they were even permitted to impose and collect land taxes. In order to protect these rights, the East India company established and raised military strength in India.

The activities of the East India company expanded but at the same time, the people who were working in the company earned lot of income by exploiting the Indians. In 1784, Pitt India Act was passed to regulate the activities of the company and control its exploitations. The British government took over all the ruling rights except the business rights.

In 1857, with the outburst of Sepoy mutiny total administration of India went into the hands of the British Emperor and the East India company's share in the rule came to an end. However, the company had the power to appoint the Governor of India.

The following changes were brought into India by East India company during its regime.

- 1) Zamindari System was introduced by Lord Cornwallis. According to this system, the zamindars were permitted to collect the land taxes. The government fixed the amount to be paid by the zamindars and not fixed the amount to be collected from the farmers and more taxes were collected from farmers. Due to this farmers became permanent debtors.
- 2) The British east India company got the whole right to do business in India. The internal and external traders were not permitted to compete with the East India company. This led to earn lot of profit and all this profit went to Britian.
- 3) Roads and Rail roads were developed to move their military forces quickly and to transport their commodities so as to increase their business.
- 4) To increase the communications, English education system was given top priority. Lord Macaulay, the legal committee member, took charge of introduction of English education system into India.

2.3 Economic policy of the British Rulers.

Indian Economy, during the British period, was totally used as a tool to improve the welfare and upliftment of the British people. The economic policy adopted by British rulers was the main cause for many changes occured in India during 18th and 19th centuries. All the policies adopted by the British people indirectly paved the way for the Welfare of the Britishers. Let us discuss how they developed the various sections of the Indian economy in order to divert the benefits towards their nation.

2.4 Development in Indian Agriculture :-

Prior to British rule, the farmers were small farmers and larger in size produce food grains, vegetables and fruits in their lands by adopting the traditional

methods for their self consumption and exchanged the surplus items for their other requirements under barter system. But the British people brought several changes in agriculture. They required more raw materials like cotton, groundnut, sugarcane etc., for their British industries. Therefore, they wanted to commercialise the Indian agriculture. Hence, they motivated the Indian farmers to do the farming business in a large scale by adopting the modern methods. The British people purchased the above items at a cheaper rate and exported them to the British industries.

Land taxes were levied in such a way to take all the agricultural surplus income. The taxes had to be paid by the farmers in terms of money to the zamindars. The system forced the farmers to remit the taxes by getting loans from the money lenders even when they were not having adequate agricultural income.

The lands were measured and classified several times. At every stage taxes were increased. Irrigation taxes were also collected in addition to the land taxes. The entire tax proceeds went into the hands of British rulers.

2.5 Impact on Indian Industries :

Large scale industries were established in a constructive way by British rulers. Such industries were also concentrated in few places not like the traditional small scale industries which scattered throughout the country. Large scale production and transport developments paved the way to increase the markets which were dumped with their commodities. The production of Indian household products and handicrafts declined but not fully ceased to exist.

The production of necessary commodities required for the rural people like pots, boxes, baskets and ornaments were continued here and there in villages. Artisans like goldsmiths, carpenters, washermen, barbers and doctors were continued their occupations in looking after the villages. They were paid wages in

kind for their services and sometimes in terms of money. Whereas, the workers working in the industries were paid wages in terms of money only.

Thus the large scale industries on one side and the small scale industries and handicrafts on the otherside continued their productions. The method and motive of productions also differed. Due to mechanisation and new techniques the large scale industries produced commodities for sales in the markets. The small scale industries in the rural areas produced limited commodities by adopting traditional methods for self consumption.

2.6 Impact on Indian Transports :

Transport was given top priority during the British period. Roads rail roads were established and expanded. The transport system helped the Britishers to transport the factors of production to the harbours from different regions so as to export the same to industries in England. The finished consumer articles from England were transported to different parts of India. This affected small scale cottage industries in India.

Military was able to move quickly and reach different parts of India with the help of rail roads to control the vast region. Therefore, Dadabai Naoroji protested against the development of Indian Rail roads. But it could not be denied that there were some benefits.

It paved the way for market and money economy in India. During famine periods, food grains were transported to the required places quickly.

It connected distant places and established good human relationships between different groups of people. Later rail roads were more helpful for the Indian masses to assemble from different regions and to fight for their independence.

Of course rail roads, waterways, news communication were developed to a greater level during the British rule. Though they were not so useful for Indians in the initial stage but later helped much for the development of Indian economy.

1.7 Impact on Indian Trade :

The barter system continued in the Indian rural economy during and after British period. The wages for the farm labourers were paid in kind. The farmers purchased their required commodities in the village under barter system by producing their agricultural commodities like cotton and groundnut etc., Even today, the agriculture workers are getting foodgrains as wages for their harvesting works.

The development of transports increased the habits of money and entirely changed the motivation of production. During the British period, commodities, were produced not for self consumption but for sales in the market for more profit as the primary motive. The total production in agricultural sector and industrial sector were increased and their profit also increased in lakhs and lakhs. The importance hitherto given to land was shifted to investment (Capital accumulation). The rich people who were having money started new industries. Thus, the expansion of monetary system, developments of trade and transports laid down the foundation for capitalism in India.

With regard to foreign trade, heavy import duties were imposed on all Indian commodities in England and this affected the exports of India. However, most of the raw materials were exported to England. Finished commodities from England were imported and dumped in Indian markets. Thus the foreign trade policy was favourable to England and the Indian wealth moved out.

Internal trade was also controlled and regulated in such a way to increase the income of the British Government. For example salt was taxed when it was transported from sea shore to inside. The rulers were very cautious that the trade

rights of any commodity like heroin should not go into the hands of Indians when they were exported to Britain. The sugar movement between states were also controlled and this led England to get sugar at a lower rate.

‘Free Trade’ was the trade policy adopted by the British Government. This policy helped them much by way of bringing their finished commodities freely into India. This policy not only restricted the development of Indian industries but the larger profit earned through trade was also went to England.

2.8 Impact on Villages and Towns :-

During the pre-British rule, only few towns existed in India. They were not considered as important towns for their economic importance. They were considered important places only because they happened to be kings residential areas or holy pladces. In the British period, industries and larger markets were developed in towns and they were considered as the wealthy places.

The importance of the villages was not insignificant because eighty percent of the Indians lived in villages. Food products for town population, raw materials for the industries were produced and supplied by the villages. However, prior to British period, villages were self-sufficient and supplied the surplus food items to the towns. Contrary to the above, when the towns development started, the villages started to depend upon the towns for their requirements.

2.9 Development of Court System :

Prior to British period, there were village Panchayats which settled the disputes and no cost was collected for the same. In 1860, Indian Penal code was created. Law of inheritance and wealth rights were strengthened. Suitable law with regard to debt and credit were also brought. All these controls and regularities led to raise disputes. Hence civil and criminal courts were established separately. The court system was also integrated. The lawyers were respected and earned much.

2.10 Budget policy and drain of Indian Resources :

The British government squeezed the country's surpluses through the budget and foreign trade sector. This drain of resources from India to the United kingdom consisted of various payments for which India did not get any return.

a) Taxes :

Land tax, import and export duties, salt tax, Income tax, contract tax. etc, were levied.

b) Home charges :

Home charges consisted of such payments as pensions to the British people, who served in India (Both in administration and in military) were collected by the United kingdom through the Indian government from Indian people. A greater proportion of Indian revenue was collected in this way.

c) Public Debt :

Prior to the British government took charge of the Indian rule, the East India company was in debt to United kingdom. This greater amount was transferred to the British government as public debt. In addition to the above, the total expenditures incurred on "Sepoy mutiny" was also handed over as public debt. A heavy rate of interest was also collected towards the same. England gave top priority to India among the colonial countries because larger wealth was drained out from India to England. Due to this, the poverty level in India increased to a massive level.

2.11 Adverse consequences of British Rule in India :

1) Money economy :-

Barter system gave way for market economy. Village rural self sufficient economy ceased. Scattered small scale cottage industries were converted into large scale industries and they were concentrated in towns. The people started to have English education, changed dressing pattern and other customs.

2) Beginning of capitalism :-

Legal tender money replaced the barter system. Surplus production increased. Market economy was established and handicrafts were ceased. Zamindars, landlords lost value for their wealth and words. Traders and Industrialists were given priority. Thus capitalism replaced all the old systems.

3) Increased level of poverty :-

The dual system paved the way for few people to become richer and money accumulated in their hands whereas number of people living below poverty line increased. Starvation due to famine also hit those people. The gap between rich and poor increased.

4) Paved the way for exploitation :-

Introduction of monetary system, development of Trade, Industries and Transports helped the British people in several ways. The Indian villages were used to produce the raw materials for the large scale industries established in England. The finished commodities produced in the above industries were imported in India. The Indian towns and markets were used for their sales. Thus the economic policies adopted by British people were used to exploit Indian resources and wealth.

5) Increase in the Dependence on Agriculture :-

Indian handicrafts and smallscale manufacturing industries declined. A considerable proportion of people depending upon these occupations were diverted towards agricultural sector. This led to further increase of population in farming sector. Hence their standard of living became worst.

6) Stagnant position in the economy :-

Due to the dual and drain economic policies adopted by the British, the Indian economic growth became stagnant. But we cannot deny that even today, the dual economic system has been still persisting in our country. It creates a lot of problems. We are not able to achieve our plan targets due to such hurdles.

As a consequence of the British legacy, the gap between rich and poor has increased and total number of people living below poverty line has also increased.

Summary

So far we have discussed about the entry of the Britishers into India and the impact on agriculture, Industry, Transport and Trade including the development of Court System, Towns and Villages. At the same time, we have also discussed about the dual policy adopted by the Britishers in India for the development of England. Finally, we have discussed the adverse consequences of the British rule on Indian economy in general and villages in particular.

To Check your progress :

1. State the purpose of East India company?
2. Which Act was passed in 1784 to regulate the activities of the East India Company.
3. State the significance of Pitt India Act.
4. Which historical incident was responsible for the transfer of Indian rule from East India company to the British Emperor.
5. Who introduced the Zanimdary System?
6. Who was responsible for introduction of English education system in India?
7. What was the role of Zamindars?
8. State the purpose of Transport development during the British rule.
9. Why did Dadabai Naoroji protest the development of rail roads?
10. State the foreign trade policy of the British Government.
11. What was the percentage of people living in rural areas?
12. In Which year was Indian Penal code created?
13. What is meant by Home charges collected by Government?

Answers to 'Check your progress'

1. Business
2. Pitt India Act
3. The Pitt India Act paved the way for the British Government to take over all the ruling rights except business rights.
4. The sepoy mutiny in 1857.
- 5) Lord Cornwallis
- 6) Lord Macaulay,
- 7) The Zaminkdars collected Land revenue from the farmers and paid them to the British rulers.
- 8) To export raw materials to the British industries and to import finished products into Indian markets.
- 9) Naoroji in his Drain theory explained the drain of India wealth into Britain through transport system.
- 10) Heavy duties were imposed on Indian exports. But the raw materials wer taken to England. English goods were dumped in Indian markets.
- 11) 80 percent
- 12) 1860
- 13) payments as pension to the British people who served in India.

Model questions :

Five Marks questions :

1. Describe the conditions of farmers during British rule.
2. State the impact of British rule on cottage and small scale industries.
3. Why did Britishers developed Indian transports.
4. Explain the impact of British rule on Indian Trade.
5. State the changes in Indian villages and Towns during the British period.
6. State the impact of British rule on Indian court system.
7. Why was Free Trade policy adopted by Britishers.

Ten marks questions :

1. Explain the development of various sectors in India during the British period.
2. How did the Britishers drain the Indian resources?
3. What were the adverse consequences of British Rule in India?

Unit - 3

Decline of Indian Handicrafts

Structure

- 3.0 Unit objectives
- 3.1 Introduction
- 3.2 Indian village Economy - Pre-British Period
- 3.3 Changing Trends - During British Period
- 3.4 Indian Handicrafts in Pre-British Period
- 3.5.0 Fall of the Indian Handicrafts
 - 3.5.1 English civilization
 - 3.5.2 New kind of war weapons
 - 3.5.3 Transport Development
 - 3.5.4 The Industrial Revolution in England
 - 3.5.5 The British Trade Policy
 - 3.5.6 The British Industrial Policy
- 3.6.0 Consequences of the decay of Handicrafts.
 - 3.6.1 Subsidiary Income lost
 - 3.6.2 Barter System replaced by Monetary Economy
 - 3.6.3 Subsistence Economy got abolished
 - 3.6.4 Labour Community Emerged

Summary

To 'Check your Progress'

Model questions

3.0 Unit objectives

- * To know the changing Trends During the British period
- * To know the position of the Indian Handicrafts.
- * To know the cause for decline of the Indian Handicrafts.
- * To know the consequences of the decay of Indian Handicrafts on the village economy and working community.

3.1 Introduction :

In the previous two lessons, we have discussed in detail the impact of the British rule on Indian economy and how the Britishers used our Indian economy for their own interests. They not only exploited our wealth and resources but their rule brought several adverse changes in our social and economic structures. In particular our village economy totally lost its identity. The British rule decayed Indian Handicrafts which further ruined our economy. Let us discuss these things in the subsequent sections.

3.2 Indian village economy - pre - British period

All the material needs of the village people were satisfied locally. It was a simple village economy. Production was restricted to the requirements of the villages. Production was for self consumption. Village artisans produced all the articles required for the farmers and the farmers produced all the farm products required for the artisans. Therefore, developed markets were not needed. The Indian handicrafts and small scale cottage industries were the back bone of Indian rural economy. Everybody was self employed through their occupations. Hence it was called a simple self subsistence village economy.

3.3 Changing Trends - During British Period :

Contrary to the above, Britishers converted Indian economy into business economy. A business economy is characterised by surplus production and the surplus production is meant for sales in the market. When our Indian economy became business economy.

- 1) Traders became wealthier than the land lords.
- 2) Money became the central part of the economy.
- 3) Trade was developed even in small villages which led to decrease in the importance of land.

Commercialisation of Indian agriculture, Industrialisation and transport development ruined the subsistence economy. Indian handicrafts was considered the hub of the subsistence economy. But the handicrafts lost their values after the Britishers came to India. How they got decayed is discussed below.

3.4 Indian Handicrafts in Pre-British Period :

India had attained a high degree of industrial development several hundred years before the western countries attained the same. Also, India had trade relations with several countries of the world. Such a high degree of industrial development has historical evidence. Cotton, silk, perfumes, spices and other handicraft goods were exported to different countries of the world. The country was also reputed for high manufacturing skills and exports of spinning, weaving, dyeing, leather work, pottery, carpentry, copper, tin and iron works.

In villages, people were engaged in several subsidiary occupations in addition to their agricultural works which gave them additional income. Therefore, seasonal unemployment problem was not found. The villages were self sufficient subsistent economies due to agricultural and handicrafts works.

The Indian crafts were thriving mainly under royal patronage. The Rajahs, Nawabs and Emperors who ruled India extended their patronage and help to the artisans for the display and decoration of their courts. The special skills of the artisans were appreciated with appropriate rewards. With the advent of the British rule the princely courts disappeared and the handicrafts too.

3.5.0 Fall of the Indian Handicrafts :

Loss of support of the kings : Artisans' decorative works were encouraged and supported by Rajahs, Nawabs and Zamindars but, when the British started to rule India, Rajahs, Nawabs and Zamindars lost their wealth and words. The frequent palace visits of skilled artisans came to an end.

3.5.1 English Civilisation :

With the spread of Education along with English culture, the Indians began to imitate Western style in dress, fashion and manners to identify themselves with British officials. This led to a change in the pattern of demand of the people who slowly discarded indigenous goods, considering them as out fashion . This indirectly gave a fill up to the demand for imported Western goods and completely discouraged indigenous production.

3.5.2 New kind of War Weapons :

Previously, knives, swords etc., were used as war weapons in India. To manufacture this type of weapons, considerable proportion of people were engaged in such kind of steel works. But, they lost such occupational opportunities when these weapons were replaced by rifles and cannons during the British Period.

3.5.3 Transport Development :

As discussed in the earlier lessons, the transport development of Railways, Roadways, waterways led the quick movement of imported commodities to different interior markets. The ship transport was further developed due to the opening of Suez canal for ship transports. All these facilities helped to dump the British machine made articles in the Indian market at lower rates led to the decline of Indian handicrafts.

3.5.4 The Industrial Revolution in England :

Before the industrial revolution, the pattern of India's trade with foreign countries related to manufactured goods, textiles, spices etc., The Industrial revolution in England, not only created a great demand for raw materials for mass cheap production, but also needed foreign markets to sell the goods. Hence the industrial revolution reversed the character of India's foreign trade. As a first step, attempts were made to crush Indian manufactures and to setup export of raw materials.

The Indian handloom textiles was worst hit by the anti-Indian trade policies of the British. The alien government which was against the Indian interest amply contributed to the decline of handicrafts.

3.5.5 The British Trade Policy :

The east India company in the initial stage, purchased Indian handicrafts articles and sold them in the England markets, but later the Britishers did not like to dump the Indian commodities in the England markets. Hence, they imposed heavy import duties. Due to this the imports of such commodities declined.

3.5.6 The British Industrial Policy :

The industrial policy adopted by British rulers were not in support of Indian handicrafts and small scale industries. It supported the English industries which were producing the commodities with the Indian raw materials. Those finished commodities were brought to Indian markets for sales. The British rulers did not give any importance for the development of Indian industries.

3.5.7 Other Reasons :-

- # Either exports or imports even by the Indian traders should be done through the British ships.
- # The Indian artisans were not given proper wages according to their skills when they were absorbed in the new industries started in India. They were also not given proper social status.
- # The British rulers did not accept the England to install new machines and tools in India.
- # The Indian labourers were not permitted to learn the new production technologies. Hence, production under new technology did not take place in India.

3.6.0 Consequences of the decay of Handicrafts :

The decay of handicrafts in India brought many changes in the social and economic life of Indians.

3.6.1 Loss of Subsidiary Income Lost :

Previously, all the village people undertook the handicraft works as household subsidiary works in addition to their agricultural works and thus they got the subsidiary income throughout the year. But, when the handicraft works declined, the village people lost their subsidiary income and this led to starvation. It further ruined the village subsistence economy.

3.6.2 Barter system got replaced by Monetary Economy :

The demand for foreign commodities was increased and trade had been developed. The old barter system was replaced by monetary system. The monetary system, further gave importance for the capital accumulation and industrialization. The emergence of monetary system became another important reason for the declining of Indian Handicrafts.

3.6.3 Subsistence Economy got abolished :

The Indian villagers were self-sufficient isolated units. Their demand for the commodities was very limited. But due to the development of English civilization their demand for various imported consumer articles increased. People started purchasing different new commodities. Trade and transport developed. The people had to depend upon traders for their commodity requirements. The self-sufficient village system vanished.

3.6.4 Emergence of Labour community :

The decline of Indian handicrafts resulted in unemployment on a mass scale and the displaced artisans had no alternatives, they were forced to take up agriculture for their sustenance. This led to progressive ruralisation and over crowding

in agriculture. The percentage of population dependent on agriculture increased from 55 percent in the middle of the 19th century to 75 percent in the thirties of the 20th century. This over crowding naturally paved the way for many defects in Indian agriculture, like the sub division and fragmentation of lands, abnormal rents and emergence of landless agricultural labourers. In total, the per capita income of the rural people decreased.

Summary

The self interest of the British rule enriched England but impoverished the Indian workforce. The agriculture which was already stagnant became overcrowded with the joining of artisans. The rural people lost their subsidiary income and the extent of poverty widened and deepened.

To 'check your progress' :

1. During the Pre British Period production was for self consumption. True / False
2. The Indian Economy was converted into Economy by the Britishers.
3. India attained industrial development long before the western countries. T / F
4. Seasonal Unemployment was not found in villages before the British period T/F
5. The Indian crafts thrived under
6. The Western style was imitated by Indians due to the spread of
7. Mention any two major items of exports from India?
8. The British rulers gave importance to the development of industries in India for the welfare of Indian people. T/F
9. Foreign Trade by Indian Traders had to be done throughships.
10. Indian Artisans absorbed in new industries were paid high wages. T/ F
11. Thanks to the British rule, the barter system was replaced by the monetary system. T/F
12. The percentage of population in agriculture declined during the British rule.

Answers to 'check your progress' :

- 1) True 2) Business 3) True 4) True 5) Royal patternage 6) English Education
7) Textiles, spices 8) False 9) British 10) False 11) True 12) False

Model questions :

Five marks questions :

1. Briefly state the changing trends which took place in India during the British period.
2. Explain the position of Indian Handicrafts in Pre-British Period.

Ten marks questions :

1. Explain the causes for the fall of Indian handicrafts.
2. Explain the consequences of the decay of Indian Handicrafts.

Unit - 4

Indian Agriculture

Structure

- 4.0 Unit objectives
- 4.1 Introduction
- 4.2 Low levels of productivity
 - 4.3.0 Causes for low productivity
 - 4.3.1 Social Environment
 - 4.3.2 Pressure of population on Land
 - 4.3.3 Land Tenure System
 - 4.3.4 Lack of credit and market facilities
 - 4.3.5 Uneconomic holdings.
 - 4.3.6 Technical Causes
 - 4.3.7 Outmoded Agricultural Techniques
 - 4.3.8 Inadequate Irrigation Facilities
 - 4.4.0 Measures adopted to increase productivity
 - 4.4.1 Implementation of Land Reforms.
 - 4.4.2 Integrated management of land and water resources.
 - 4.4.3 Improved seeds
 - 4.4.4 Fertilizer
 - 4.4.5 Irrigation
 - 4.4.6 Plant protection
 - 4.4.7 Farm Mechanisation
 - 4.4.8 Marketing Facilities and Agricultural Finance

4.4.9 Agricultural Regulated Marketing System.

4.5 Green Revolution

4.6 Agricultural price policy

Summary

To 'check your progress'

Model questions

4.0 Unit objectives

- * To know the levels of Indian Agricultural productivity in comparison with other countries.
- * To know the causes for the low level of productivity
- * To know the measures adopted to increase the productivity
- * To analyse the impact of the Green Revolution.
- * To understand the pricing policy of the Govt for agricultural products.

4.1 Introduction :

Agriculture is the predominant sector in India. It share in national income is 22 percent on 2006. It provides employment opportunities for more than 65 percent of the Indian population. Its shares in the export is 14 percent. This basic sector supplies food for human, fodder for animals and raw materials for industries. This sector is also a market for industrial products. However, the agricultural productivity in India is comparatively lower than the developed countries. In this lesson, we have to discuss about the trends in agricultural production and productivity, causes for low-level of productivity, measures to increase the productivity, farm size and productivity on one side and agricultural inputs, finance, marketing and prices on the other side.

4.2 Low level of Productivity :

Agricultural production has two components viz. food grains and non-food grains. Indian agriculture is mainly foodgrain based. As far as food grains output is concerned, the total production increased from 50.8mn tonnes in 1950-51 to 209.8mn tonnes in 1999-2000 and further it increased to 227.3 mn tonnes in 2007-08.

As far as productivity is concerned, it is stated in terms of inputs. In India, we usually state the average yield of paddy or wheat per hectare of land. However, if we compare with other countries, the actual productivity level in agriculture continues to be very low. Take for instance China with its 100 million hectare of agricultural land is producing 400 million tonnes of grain while India with its 146 million hectares of agricultural land produces only 228 million tonnes of food.

If we take the production per hectare of individual crops too we will find that our country is far behind other countries. The average production of rice per hectare in India is around 1,756 kgs compared to 5,475kgs of North Korea. We are harvesting only 2117 kgs of wheat per hectare compared to 7,716 kgs by the Netherlands. Similarly, India produces only 1606 kgs of corn per hectare compared to 9091kgs of corn per hectare by Greece. It is the same story when it comes to soyabean and groundnut. The production of soyabean per hectare in India is 804 kgs compared to 3453 kgs in Zimbabwe. As for groundnut, the country harvests only 929 kgs per hectare compared to 4,600 kgs per hectare harvested by Israel. In other words, Israel is getting five times the groundnut per hectare as against India. Similarly, India

produces 15,817 kgs of potatoes per hectare compared to 45,349 kgs produced by Belgium. As for sugarcane we produce 65,382 kgs per hectare as against 1,35,448 kgs per hectare produced by Peru.

4.3.0 Causes for low Productivity :

The causes of low productivity can be divided into three categories : i)

General ii) Institutional and iii) Technical

General Causes

4.3.1 Social Environment :-

Indian farmers are illiterate, superstitious, conservative and unresponsive to new agricultural techniques. This kind of social environment is stated to be an obstacle in agricultural development.

4.3.2 Pressure of population on land :

The supply of land is limited. Population on land is continuously increasing. Hence the increasing pressure of population on land is partly responsible for the sub-division and fragmentation of holdings. Productivity on small uneconomic holding is low.

Institutional causes

4.3.3 Land Tenure System :

The old Zamindari system drained out the capacity, willingness and enthusiasm of the cultivators to increase production and productivity. Zamindars became large landowners when legislations were passed to abolish the system. Hence, exploitative practice continued. Regulation of rent, security of tenure, ownership rights for tenants etc, did not make the position of tenants better.

4.3.4 Lack of credit and market Facilities :

Frequently on account of lack of marketing facilities and non - availability of loans on fair rate of interest, the cultivators are not able to invest the requisite resources in agriculture. This keeps the level of productivity of land and per cultivator low.

4.3.5 Uneconomic holdings :

The land holdings are not only small, they are also fragmented into a number of tiny plots so that cultivation on them can be carried out only by labour intensive techniques. This results in low productivity. Until the excess labour employed in agriculture is transferred to alternative jobs and the holdings are consolidated modern techniques cannot be adopted and possibilities of increasing agricultural productivity will remain limited.

Technical causes

4.3.6 Outmoded Agricultural Techniques :

Wooden ploughs and bullocks are still used by majority of Indian farmers. Use of fertilizers and new high-yielding varieties of seeds is also extremely limited. Therefore productivity is low.

4.3.7 Inadequate Irrigation Facilities :

Major portions of the cropped area in India continues to depend on rain. But rainfall is often insufficient, uncertain and irregular. Even in areas having irrigation facilities, the water resource is not wholly utilised because of defective management. The costs of irrigation are also increasing continuously. The small farmers are therefore, unable to make use of available irrigation facilities.

4.4.0 Measures adopted to increase Productivity :

Based on the above discussions, measures would have to attack the problem from technical, institutional, social and economic angles in the following directions :

4.4.1 Implementation of Land Reforms :

In order to abolish the intermediary in land tenure system and to provide security of tenure and ownership rights, the state governments, since independence, have passed several laws like land ceiling, consolidation of holdings and established co-operative movements. But, the land reforms legislations are not forcefully implemented by state governments. Hence the slogan 'land to the tiller' becomes meaningless. Unless the laws are forcefully implemented, the tillers will have no incentive to invest in land and adopt new agricultural techniques.

When land ceiling act was enacted, the zamindars indulged in large scale transfer of land to their family members. The range of ceiling varies from state to state depending upon fertility, irrigating cropping intensity etc. In TamilNadu the ceiling limit has been stated that 4.86 hectares in 2 crops irrigated area, 12.14 hectares in one crop irrigated area and 24.28 hectares of land in dry area. However violations are there while giving exemptions.

With regard to farm size and productivity, different economists hold different views. The general conclusion is; 'there is negative relation at certain times but not everywhere and not at all times'.

4.4.2 Integrated management of land and water resources :

This type of management is particularly important to control soil erosion which affects around 150mn hectares out of the country's total land area of 304.9mn hectares as it constitutes the biggest single threat to the sustainability of our agriculture.

4.4.3 Improved seeds :

Already, we have used the high yielding varieties and achieved desirable targets in Punjab, Haryana and Uttarpradesh. The farmers from other parts of the country should also be educated in the methods of sowing, manuring and irrigating the new HYV of seeds to increase the productivity.

4.4.4 Fertilizer :

Improved varieties of seeds require heavy doses of fertilizers. But our Indian farmers use only one tenth of the amount of manure that is necessary to maintain the productivity of the soil.

4.4.5 Irrigation :

HYV of seeds require proper irrigation facilities. Modernising irrigation systems, efficient water management to ensure water supply from water surplus areas to water deficit areas are almost important to increase the productivity.

4.4.6 Plant protection :

Agricultural scientists have estimated that approximately 5 percent of the crops are damaged by insects, pests and diseases. Some farmers have started using the recently developed medicines and insecticides. But their effort cannot be successful unless all the neighbouring farmers also adopt them. Therefore, it is necessary to manage this programme at the government level.

4.4.7 Farm Mechanisation :

Mechanisation increases the productivity of land and labour, increase the economic surplus, saves the labour time which can be utilised elsewhere. Therefore, outmoded traditional methods should be replaced by tillers, tractors, power engines etc.,

4.4.8 Marketing Facilities and Agricultural Finance :

Use of improved varieties of seeds, fertilizers, pesticides, insecticides, machinery and irrigation facilities require more money which small farmers do not possess. Therefore, special type of money market is necessary to meet such requirements of the farmers. Commercial banks and regional rural banks can play a special role in this regard. At present, the institutional credits availed by the farmers are insufficient. If the farmers are to be protected from the money lenders and commercial agents, the present credit facilities and market structure also needs a reorientation to serve the small and marginal farmers to ensure better prices. The Indian farmers face imperfect market for his produces. Fraudulent measurements have been adopted by the traders in the agricultural market. Sufficient informations with regard to availability of stock, demand and price etc., to the farmers are not provided. Necessary steps should be taken in this regard.

Agriculture is an unorganised profession. Its success and failure depends, to a large extent, on climatic factors. Further, it is not always possible to distinguish between productive and unproductive loans of the farmers. Because of these factors, banks did not show much interest in advancing loans to agriculture and allied activities for a long time and farmers were forced to depend on moneylenders and Mahajans. Though, the share of the institutions are low, at present there has been a continuous increase. However, the National Bank for Agriculture and Rural Development (NABARD) has been established in July 1982 by an act. It provides refinance facilities to all banks and financial institutions lending to agriculture and Rural Development. Still the farmers sell their produce in the market as the instructions of the commercial Agents and intermediaries. It shows the financial inability of the farmers. Again the lands of the farmers are not fully free from the village money lenders, who are always having an eye on their properties.

4.4.9 Agricultural Regulated Marketing System :

For a longtime, Indian agriculture was subsistence farming in nature. The farmers sold only a small part of his produce to pay off rents, debts and to meet his other requirements. Since there was no storage facilities, farmer had to sell immediately after the harvest at lower prices than the market prices due to the influence of traders and money lenders. In addition, there are large number of intermediaries in the agriculture market. As a result share of the farmers in the price of their produce was reduced substantially. Metric system has been introduced in order to abolish the fraudulently measurement system. However effective implementation is needed.

Again due to insufficient number of regulated markets, the farmer has to depend upon the mediators, traders and agents to sell their produce. Here he is not a price maker and only a price taker. In order to increase market surplus and to provide transport facilities, processing and storage units and sufficient market informations, the number of regulated markets and cooperative markets should be increased. Inputs should also be supplied at a subsidised rates.

4.5 Green Revolution :

During 1960's, India faced a continuing stagnation of agricultural production on the one hand, and rapidly increasing demand on the other. In the same period, New High yeilding varieties were developed in Mexico and this was adopted by number of countries. Our country also adopted the same in the name of Green Revolution in selected areas which possessed regular irrigation facilities and farmers who could afford to purchase agricultural inputs. The coverage was increased from 1.89 mn hectares in fourth plan to 76.0mn hectars in 1997-98. This is 61.3 percent of the total area under foodgrains. The production of foodgrain increased from 50mn tonnes in 1950 to 227.32 mn tonnes in 2007-08. This is more than 4 fold since 1950.

But recently this has been understood that the present cultivations resulted ecological imbalance specially stopping the degradation of land and water. This questioned the sustainable agricultural growth. Hence, in some areas farmers again go back to traditional methods.

4.6 Agricultural Price Policy :

The Agricultural price commission was set up in 1965 to suggest prices of farm product's with regard to price policies, the following things carefully considered, by the Government.

- 1) Most of the Indian farmers are small and marginal farmers. They should be provided with some stable income in order to purchase their basic requirements.
- 2) Agricultural sector supplies the foodgrains to the Indians. A larger proportion of the Indian population is middle class and below middle class. The prices of the food grains should not affect their other purchases which will further affect the industrial products.
- 3) Agriculture sector supplies raw materials to the industry. A rise in their prices directly hit the industrial development.

Therefore, based on the above policies minimum support prices and procurement prices are fixed in favour of the farmers. Again subsidised rates are fixed for the ration items in favour of the consumers particularly for the poor people.

Summary :

In this present liberalised economic scenario, Indian agriculture has to be analysed in several angles. As far as food production is concerned, India is a state of plenty but grapple with the Paradox of persistent hunger. However

our country has been recognised as one of the world fastest growing economies. In the past 4 years (ie) from 2005 to 2008 the GDP has been sustained at 8.5 to 9.4 percent inspite of natural disaster, commercial tension, act of terrorism and above all the sluggish agricultural growth rate of 2.7 percent.

Now, the expected GDP for the Eleventh Five Year Plan is double digit on a par with the developed countries. In order to achieve this target, the growth rate fixed for agricultural sector is 4 percent. Hence sufficient public investment for the development of infrastructure and agricultural research with necessary subsidies are most important things to achieve the target.

4.8 To 'check your progress' :

1. The share of agricultural production in GDP is percent.
2. Majority of the population in India depends on agriculture for its livelihood. T/F
3. Agricultural productivity in India is lower compare to other developed countries. T/F
4. The cultivable land in China is greater than in India. T/F
5. The land holdings in India are uneconomic due to the increase in
6. Majority of the farming in India is rainfed. T/F
7. The power to implement land reforms lies with the state Governments. T/F
8. The relation between farm size and productivity is
9. Expand HYV T/F
10. The loss of crops due to insects, pests and diseases in India has been estimated as percent.
11. Which is the Apex Bank for agricultural credit.
12. In which country Green Revolution was developed first?
13. Green Revolution in India covers all the states.

14. The target fixed for agricultural growth rate during the 11th 5 year plans is

Answers to check your progress :

- 1) 22 percent 2) True 3) True 4) False 5) Population 6) True 7) True
8) Inverse 9) High yielding variety 10) 5 percent 11) NABAARD
12) Mexico 13) False 14) 4 percent.

4.9 Model questions

Five marks questions :

1. Show that agricultural productivity in India is low.
2. Print out the defects in agricultural marketing system in India
3. Describe the causes of green revolution in India.
4. Is mechanisation of agriculture feasible in India?
5. State the role of NABARD in farm finance.

Ten marks questions :

1. State the various causes for the low productivity of agriculture in India.
2. Describe the measures adopted to increase the agricultural productivity in India.
3. On what basis Indian agricultural price policies are formulated?

Unit - 5

Indian Industry

Structure

- 5.0 Unit objectives
- 5.1 Introduction
- 5.2 Industrial Development under plans.
- 5.3 Liberalisation policy of 1991 and its results.
- 5.4.1 Large scale industries - Iron and steel Industry.
- 5.4.2 Jute Industry
- 5.4.3 Textile Industry
- 5.4.4 Sugar Industry
- 5.4.5 Cement Industry
- 5.5 Small scale and cottage Industries
- 5.6.0 The position of public and private sectors in Indian Economy
- 5.6.1 Role of private sector
- 5.6.2 Role of public sector
- 5.7.0 Industrial sickness
- 5.7.1 Consequences of Industrial sickness
- 5.7.2 Remedial Measures for Industrial sickness

Summary

To 'check your progress'

Model Questions

5.0 Unit objectives

- * To know about the Industrial Development under plans.
- * To understand the effects of liberalised policy of 1991
- * To know the development of large scale industries.
- * To examine the role of public and private sectors.
- * To know the causes of the industrial sickness and remedial measures

5.1 Introduction :

Before the arrival of Britishers, India was industrially more advanced as compared to the economies of the West European countries. The Britishers deliberately destroyed the industrial base of India. As a result, India inherited a weak industrial base, under developed infrastructure facilities and a stagnant economy at the time of Independence. With the purpose of assisting industrial development, the government passed the industrial policy resolution in 1948. Since Independence, our Industries took right path for its development and attained the present position. Let us discuss the problems and how those problems were solved to attain the present position by our Industries.

5.2 Industrial Development under the plans :

The first plan did not envisage any large-scale programs of industrialisation. The second and third plans placed great emphasis on building up of the capital goods industries and basic industries. Most of the industries were set up in the public sector with the result that the size of the public sector also grew rapidly. The consumer goods industries were mostly left to the private sector. The structure of industrial development was promoted and nurtured in the fourth and fifth plans with small changes here and there. At the end of the V Five year plan period, industrial structure had been diversified broadly the range of consumer, intermediate and capital goods. The public sector failed to generate enough resources. The non-considerations of Industries costs, led to a high cost structure. The structure also increased regional disparities. Therefore, in the sixth plan the industrial policies were liberalised and as a result, industrial production started picking up.

Objectives for the industrial sector in the seventh plan were set as follows : To ensure adequate supply of wage goods and consumer articles of mass

consumption at reasonable prices and acceptable quality etc., Industrial production was targeted to grow at the rate of 8.7 per cent per annum. The actual average rate of growth during the seventh plan works out at 8.5 per cent per annum.

During the Eighth Five year plan period, the New Industrial policy of 1991 was declared. According to this, the private sector was expected to play an important role in industrial activities but it excluded the security and social considerations. The public sector is expected to concentrate increasingly on basic and core sectors. The actual expenditure on industrial sector in the Eighth plan period was just Rs. 40,623 crore out of the total plan expenditure of Rs. 4,85,457 crore. This was only 8.4 per cent of total plan expenditure under the Eighth plan.

The Ninth plan envisaged an industrial growth rate of 8.2 percent per annum. The actual average rate of growth was just 5.6 per cent only. The share of the industrial sector in GDP (Gross Domestic Product) has slowly but consistently increased over the planning period. The share of GDP at factor cost increased from 13.3 per cent in 1950-51 to 21.6 per cent in 1980-81 and further to 25 per cent in 2000-01 (at 1993-94 prices).

5.3 Liberalisation policy of 1991 and its results :

- i) The structure of the industrial economy have shifted in favour of intermediates and consumer goods.
- ii) The significance of basic and capital goods in the country's industrial economy started to decline.
- iii) Industrial economy was considerably deregulated and the industrial licensing had been practically abolished.
- iv) Privatisation of public sector enterprises were encouraged via disinvestment.

It is clear from the above, the intension of the government is to rely more and more on the consumer goods sector for the further growth of the industrial sector in the economy.

Here under, we propose to discuss some major industries of India. For our discussion we have chosen the following industries - Iron and steel, Jute, Cotton textiles, Sugar and Cement.

Large Scale Industries

5.4.1 Iron and steel Industry :

The first effort at large scale production was made when Tata Iron and Steel Company (TISCO) was setup in Jamshedpur in 1907 with modern equipments. In continuation of this, the Iron and steel company setup its industry in Bengal in 1908. The first unit of the public sector, now known as the Viswvaraya Iron and Steel Work Ltd., started functioning at Bhadravati in 1923. Previously, the Britishers were interested in squeezing the Indian resources by exporting the iron ore to England and imported the finished steels to sell the same in Indian markets. The three steel plants setup in the public sector came into operation in stages between 1959 and 1962. The government also took over the management of IISCO (Indian Iron And Steel Company) in 1972. Government acquired its ownership right in 1976 to improve its working. All the public sector iron industries viz HSL, BSL and IISCO were brought under the ownership of SAIL (Steel Authority of India Ltd.,)

The production of finished steel rose from 1.04mn tonnes in 1950-51 to 29.3mn tonnes in 2000-01. The total volume of iron and steel exported in 1999-2000 was 3.3mn tonnes which fell to 3.1mn tonnes in 2000-01.

India is now the ninth largest steel producing country in the world. This sector represents around Rs. 90,000 crore of capital and directly provides employment to over five lakh people.

5.4.2 Jute Industry :

The Jute industry is one of the oldest in the country continued as a cottage industry for very long time. The first power driven jute mill was established in 1859 at Rishra near Kolkata by George Auzland, a British man. Most of the jute industry has taken place in Bengal. The partition of the country gave a set back to the industry as major jute growing areas went over to Bangladesh. Therefore, the government concerted efforts to increase the production. As a result, area under jute increased from 1.4 mn acres in 1950-51 to 1.0 mn hectares in 2000-01 and the production from 8,37,000 tonnes increased to 15, 91,000 tonnes.

5.4.3 Textile Industry :

Textile industry is the oldest and largest industry of modern India. It contributes about 4 per cent of GDP and provides employment to about 35mn people. The contribution of this industry to the export earnings of this country is over 30 percent.

The first cotton mill was setup in Kolkata in 1818. Then a number of mills were established in various cities in the country. However, important centres of this industry have been Mumbai, Ahmedabad, Sholapur, Kanpur, Kolkata, Indore and Coimbatore.

There are three sectors in the textile industry viz mill sector, powerloom sector and handloom sector. The later two are grouped under the heading 'decentralised sector'. Over the years, the Government has granted many concessions and incentives to the decentralised sector with the result, the share of this sector in total production has increased considerably.

The national textile policy was announced on November 4, 2000. The basic objective of which is to take care of the challenges and opportunities presented by the changing global environment to the domestic textile industry. The

strategic threats areas identified by the policy are technology upgradation, product diversification, increase in exports, innovative marketing strategies, financing arrangements, maximising employment opportunities and integrated human development.

5.4.4 Sugar Industry :

Sugar industry is the second largest agro-based industry in the country. As on June 30, 2001 there were 506 installed sugar factories in the country as against 138 during 1950-51. India has become a self sufficient country in sugar. Because of the extensive use of sugarcane as a commercial crop in Northern India, the sugar industry was localised for quite sometime in U.P and Bihar. Their share in 1960-61 stood at about 60 per cent. However, in the last thirty five years, the industry has developed at a fast rate in Maharashtra, Andhra Pradesh, Karnataka and Tamil Nadu. Their production is lower as compared to the mills in U.P and Bihar. India has become the largest producer of sugarcane and sugar in the world leaving behind the other major producers Brazil and Cuba. Sugar production rose to the level of 182 lakh tonnes in 1999-2000 but fell to 177 lakh tonnes in 2000-01.

The production of sugar in recent years has been much more than consumption. For example, the production of sugar in 1999-2000 was 182 lakh tonnes while consumption was only 154.19 lakh tonnes. Due to fluctuations in the supply of sugar, on the part of the government led to considerable imports. Because of these factors, there is a glut in the market. To relieve this glut, internal consumption of sugar needs to be stimulated and exports of sugar to be encouraged.

5.4.5 Cement Industry

The raw materials like coal, lime and gypsum required for the production of cement are sufficiently available in India and hence this industry developed throughout India. As on April 30, 2001, there were 119 large cement plants

in the country with an installed capacity of 122.41 mn tonnes. Besides there are more than 300 mini-cement plants with an estimated capacity of 9 mn tonnes per annum. The Indian cement industry is now fourth largest in the world and by 2010, it is expected to be next only to china.

The production of cement was 21 mn tonnes in 1981-82 and rosed to 99.5mn tonnes in 2000-01. The Government has a complete control on the production, distribution and price of cement.

5.5 Small scale and cottage industries :

The basis of distinction between the large scale, medium scale and small scale industries is generally the size, capital resources and labour force of the individual unit. There are basic differences between the small scale and cottage industries as laid down by the fiscal commission 1950 that ; “A cottage industry is one which is carried on wholly or primarily with the help of members of the family either as a whole or a part time occupation. A small scale industry, on the otherhand, is one which is operated mainly with hired labour, usually 10 to 50 hands”.

Another criterion for differentiating small and village industries from the large-scale industries has also been adopted. This relates to the, fixed capital investment in a unit’. Prior to 1975, the village and small industries sector covered undertakings having investment in fixed assests in plant and machinery not exceeding Rs. 7.5 lakh and in the case of ancillary units Rs. 10 lakh. This limit has continuously been raised upwards. The investment limit for small scale and ancillary units was raised to Rs.3 crore in February 1997. Now the investment limit is Rs 1 crore.

The number of small scale units stood at 2.3 mn in 1994 rose to 37 mn in 2000-01. The total output of this sector rose from Rs. 2,41,648 crore in 1994 to Rs. 4,50,450 crore in 2000-01. This sector provided employment for 13 9mi.

People in 1994 and has consistently risen to 18.56mn People in 2000-01. This is the most important sector providing equal distribution of national income for the Indian citizens.

The New Economic policy implemented in 1991 has an adverse effect on the small scale sector. Due to the new policy of Globalisation, liberalisation and privatisation the import tariffs were lowered which led to the internal and external competition. The annual growth rate of this sector has been declining to a greater level.

5.6.0 The position of Public Sector and Private Sector in Indian Economy :

The present Indian Economic structure is characterised as 'mixed economy'. There are two fields of production in the structure. The private sector and public sector. The presence of public sector in the Indian economy is by no means a novel experiment. It presented in almost all the capitalist countries. Where the state not only interfered in the economic life at times, but also participated directly in the production and distribution activities. The contribution of state industrialization has been important even in countries like Japan, Germany and the U.S.A.

5.6.1 Role of Private Sector in Indian Economy :

The share of this sector net national product is around 80 per cent. It has been due to the fact that the whole of agricultural sector remains under private sector. In addition, cottage and village industries, most of the small industries, a major proportion of the whole sale and retail trade, most of the consumer goods industries, road transport etc., are in the private sector. The output in private sector is four times the output of the public sector. Relatively the private sector provides very larger employment opportunities than the public sector.

5.6.2 Role of Public Sector in Indian Economy :

Prior to independence, there was virtually no public sector in the Indian economy. But the growth of public sector since independence has been very spectacular. Basic and heavy industries were the major thrust areas of the public sector. Maximization of profit is the sole aim for the private sector. But this is not possible when heavy doses of investments are made in infrastructure and established industries. Therefore our government invested and established many industries wherever it was not possible for private sector.

5.7.0 Industrial sickness in India :

The problem of sickness in industries has become very acute in India. It has adversely affected the health of the industrial sector in particular and the economy in general. The causes may be external or internal. The former include factors which originate outside the unit and therefore not under the control of the unit such as powercuts, demand (or market) recession, erratic availability of inputs, government policies etc. The latter include factors which originate within the unit and can, therefore, be said to be under the control of the unit such as production management, finance etc.

5.7.1 Consequences of industrial sickness :

In a planned and under developed labour surplus economy like India, industrial sickness can have serious consequences. Closure of a sick industrial unit not only causes substantial unemployment, it also causes widespread labour unrest. Resources invested in that unit are wasted. The entrepreneurs and investors are affected adversely. Further it will lead to substantial financial losses to banks and financial institutions. Ultimately, it causes revenue loss to the central state and local governments. Therefore, it is a social problem and to solve this, it is the duty of the government to under take some remedial measures.

5.7.2 Remedial Measures :

As stated earlier, the sickness may be due to lack of credit facilities and financial mismanagement. To look after such sick units by providing financial assistance and rehabilitation work, the IRC (Industrial Reconstruction Corporation) of India was established. Its share capital was subscribed by IDBI, IFCI, ICICI, LIC, SBI and commercial Banks. Certain tax concessions were also provided by the government for such sick units. IRBI was reconstituted into a full-fledged all purpose development financial institution with effect from 1997 and its new name is IIBI (Industrial Investment Bank of India Ltd.)

If the available inputs in the inter region are insufficient and also costlier, necessary permission should also be provided to import the required inputs in order to run the sick units smoothly. Our Government has provided such facilities several times and this has become more easier at the present economic scenario. Therefore, to recover and rehabilitate the sick units require an integrated measures.

Summary

It is accepted that Industrialisation is the pre-requisite for economic development. For our country also, it is suggested that industrialisation of the rural economy will be the correct way to solve the problems of rural unemployment and poverty. Therefore, a faster pace of industrialisation is required to achieve the target of self sufficient villages.

To 'check your progress'

1. High priority for industrialisation was given during the 5 year plan period.
2. Liberalisation of industrial policies was made during plan
3. The new industrial policy was announced during the year
4. Expand LPG
5. The first steel industry was started in the private sector.
6. Expand SAIL
7. India is the largest steel producing country in the world.
8. The largest jute producing country is
9. The oldest and largest industry is
10. The powerloom sector and Handloom sector are known as sector.
11. The second largest agro based industry is
12. The large number of sugar factories are concentrated in
13. The present investment limit for SSI is
14. The co-existence of private sector and public sector is called
15. The contribution of private sector to industrial output is greater than that of the public sector.

Answer to 'check your progress' :

1) Second 5 yr plan period. 2) Sixth 3) 1991 4) i) Liberalization
ii) privatisation and iii) Globalisation 5) True 6) Steel Authority of India
limited 7) Ninth 8) India 9) Textile industry 10) Decentralised 11) Sugar
Industry 12) U.P 13) Rs one crore 14) Mixed economy 15) True

Model Questions :

Five marks Questions :

1. Brief the industrial Developments during the plan period.
2. State the results of the Industrial liberalisation policy of 1991.
3. Differentiate between small scale and cottage Industries.
4. State the role of private sectors in the Indian Economic development.
5. State the role of public sectors in the Indian Economic development.
6. Describe the causes and remedial measures for Industrial sickness.

Ten marks questions :

1. State the development of any two large scale Industries
2. Explain the role of SSI in India and the impact of liberalisation on it.
3. Trace the industrial development during five year plans.

Unit - 6

Indian Population

Structure

6.0 Unit objectives

6.1 Introduction

6.2.0 Characteristics of Indian population

6.2.1 Size of the Indian population

6.2.2 Rate of growth of population

6.3.0 Composition of population

6.3.1 Sex Ratio

6.3.2 Age composition

6.4 The Density of population

6.5 Population growth and capital formation

6.6 Population growth and Economic Development

6.6.1 National income and percapita income

6.6.2 Population and Food supply

6.6.3 Population and Unemployment

6.7 Remedial Measures

6.8 The Malthusian theory of population

Summary

To 'check you progress'.

Model Questions

6.0 Unit objectives

- * To understand the characteristics features of the Indian population
- * To know the impact of population growth on Economic growth.
- * To know the remedial measures adopted in India to control population growth.
- * To know the relevance of Malthusian's population theory to our Indian context.

6.1 Introduction :

As far as the size of population is concerned, India ranks second in the world next only to China. India's landscape is just 2.4 percent of the total world area, whereas its population is nearly 17.5 percent of the world population. These facts clearly indicate that the pressure of population on the land in this country is very high. How alarming is the situation in this country can be easily followed from the fact that the national income of India is presently even less than 1.2 percent of the total world income.

6.2.0 Characteristic features of Indian Population :

The study of human factor is vital from the point of view of economic welfare. Particularly important because human beings are not only instruments of production also ends in themselves. The human resources provide the labour force to the community which helps in the process of production. Hence, it becomes necessary to know the demographic characteristics of a country at a particular time.

6.2.1 Size of the Indian population :

The size of the population of a country refers to the total number of persons living in a country at some particular time. According to the 1951 census reports, India's population was only 36.10 crore. It increased to 102.70 crore in 2001. Further it increased to 115 crore in 2008. That is, in a period of 58 years, the population of our country has increased by 78.9 crore. This is really an alarming situation. However, the population has not increased at uniform rate. This is obvious from the following table.

Size, growth rate, Density, sex ratio, Death and Birth rate of Indian population since 1951

census Year	population (in crores)	Average annual growth rate in percentage	Density of population per sq. k.m	No of females per 1000 males	Birth rate per 1000 person	Death rate per 1000 person
1951	36.10	1.26	117	946	39.9	27.4
1961	43.91	1.98	142	941	40.9	22.8
1971	54.82	2.20	178	930	41.1	18.9
1981	68.52	2.25	216	934	33.9	12.5
1991	84.63	2.14	274	929	29.5	9.8
2001	102.70	1.93	324	933	26.4	9.0

Source : compiled from various census reports.

6.2.2 Rate of growth of population :

The knowledge of fertility and mortality rates is the fundamental requisite for an understanding of the population growth. Since, a rise or fall in the growth rate of population in a given period is governed by the rate of new additions through births and the rate of subtractions through deaths.

Mortality rate refers to the total number of human subtractions taking place per year out of a given base population. If we look upon the above table, since 1951 there has been a continuous fall in the mortality rate as 27.4, 22.8, 18.9, 12.5, 9.8 and 9 per 1000 persons in 1951, 1961, 1971, 1981, 1991 and in 2001 respectively.

The fertility rate refers to the number of children who are born in relation to base population. Again, if we go through the table we can be able to understand the increasing trend of the birth rate. The rate in India per 1000 persons in 1951 was 39.9 and 40.9 in 1961. Further it increased to 41.1 in 1971. But the trend declined as 33.9, 29.5 and 26.4 in 1981, 1991 and 2001 respectively.

The relative trends in the fertility and mortality rates in our country explain the acceleration in the rate of growth of population. That is comparatively, the birth rate is greater than the death rate continuously for the past 6 decades.

6.3.0 Composition of population :

Composition of population refers to the distribution of population of one or more individually carried traits or attributes. These attributes are sex, age, race, nationality, marital status, language and religious, etc. However sex and age are the two most important biologically determined characteristics of a population. The pattern of distribution of all other individual attributes is greatly influenced in one way or the other by the age and sex distribution.

6.3.1 Sex Ratio :

The sex ratio is the number of males per 1000 females or number of females per 1000 males. The sex composition is an important characteristics feature because it is one of the basic features influencing the incidence of death, birth, marriage pattern of occupational distribution and the social structure of the society.

However, the sex ratio differs from period to period and also from place to place. In our country, there is an adverse sex ratio in the sense that males outnumber females. For instance, in the above table, the sex ratio figures show a relatively excessive masculinity of its population. The exact figures for sex ratio in the last six census years that is from 1951 to 2001 were 946, 941, 930, 934, 929 and 933 females per 1000 males. This relative abundance of men over females in our country are due to the following two features. Firstly, the female infant mortality is generally higher than of boys which is attributable to the preferential treatment given to the boys. Secondly, relatively a heavy toll of female lives occurs during the early reproductive span of 15 to 35 years.

6.3.2 Age composition :

The age composition refers to the age wise distribution of population. This factor governs the marriage rate and reproduction rate. The study of age composition is more important in determining the proportion of labour force in the total population. The working age of the population is considered as 15-60. On this basis, according to the 2001 census report, percentage distribution of India's

population indicates that the proportion of child population in the 0-14 age group was 35.6 percent. This figure is lower than the figures of earlier four decades. A high proportion of children reflects a large proportion of unproductive consumers. Here, the another dependent age group is above 60 years. The percentage was 6.3 in 2001. Thus, the total dependents become 41.9 percentage. The working force was (the age group of 15-60) estimated as 58.2 percent in 2001. As such in 2001, the proportion working force of Indian population is greater than the proportion of dependents.

Therefore, at present the age composition existing in India is favourable for increasing economic growth. Because, the high proportion of working force implies a larger proportion of producers than consumers. Hence, the capacity of the community to save and invest is favourable.

6.4 The Density of population :

The term density of population refers to the average number of persons living per sq.km. That is, it indicates man land ratio. In our country, the density of population was 216 per sq.km. in 1981 rose to 267 in 1991. Further it increased to 324 per sq.km in 2001. However, density of population is very unevenly distributed. Kerala, West Bengal, Bihar, TaminNadu and Uttar Pradesh are some of the highly densely populated states, but Madhya Pradesh, Rajastan, Himachal pradesh and Nagaland are, on the other hand have a low density of population.

India does not either rank among countries with a very high man land ratio or among those with a very low man land ratio. Density of population depends upon the availability of natural resources and the technology to exploit the resources. For instance, Japan supports a higher density (336 per sq.km) at a higher standard of living. It is due to higher industrialisation. But in the case of U.S.A. the high standard of living is partly the result of a very favourable land-man ration and natural endowments and partly due to the higher stage of economic development achieved.

In short, density of population cannot be treated as an index either of the poverty or of the prosperity of a country.

6.5 Population growth and capital formation :

It is quite necessary that national income should grow at the same rate at which population is growing so that the existing level of per capita income is maintained. In other words, to increase the capital formation the production should be greater than the consumption. It depends upon the following qualities of the population.

- a) The amount of income producing equipment per worker and state of technology.
- b) The quality composition of labour force and (c) The size of the labour force.

According to the 2001 census report, the rate of growth of population was 1.9 per cent per annum. In order to bring about an increase of national income required to maintain the 1.9 per cent growth rate of population, the necessary capital accumulation was calculated as 8 percent.

Hence it is unnecessary to debate whether India is over populated or not what is needed is to increase production capacity. The productive capacity of the people mainly depends on the quality of population and it depends on life expectancy the level of literacy and the level of technical training attained by the people.

The overall literacy level in India was 65 per cent in 2001. It was 76 per cent for males and 52 percent for females. Again the difference between male and female literacy has narrowed down in the urban areas, the gap is too wide in the rural areas.

6.6 Population Growth and Economic Development :

Whether India is overpopulated or not, is not a very relevant question now. The size of population as it exists now cannot be reduced and thus, no useful purpose will be served by debating this question. The population explosion is concrete reality in India and we must analyse its implications for future economic development.

Rapidly growing population would necessarily arrest development by lowering down the land-man and capital-labour ratios. It would be of interesting to examine the problem in the following manner.

6.6.1 National income and percapita income.

For the year 2008-09, the range of GDP was fixed between 8 percent and 8.5 percent but in the last four years it was maintained between 9 per cent and 9.4 per cent. The population increased from 102.7 crore in 2001 to 115 crore in 2008. Percapita income increased from Rs 23,000/- to Rs. 30,000/-. Thus, in recent years, a high growth rate of population has not been a retarding factor to raising the levels of National income and per capita income.

6.6.2 Population and Food supply :

There is no doubt that per capita cultivated area is generally on the decline in India. It is to be noted that between 1997 and 2008 net availability of food grains increased from 176mn tonnes to 227mn tonnes. During the same period, the population increased from 96 crore to 115 crore. Of course, there has been a sufficient increase in food grains production for the requirement of the increased population.

6.6.3 Population and Unemployment :

Rising population is accompanied by a rise in the labour force of the community. As a proportion of labour force, the unemployment rate has increased from 6 per cent in 1994 to 7.32 per cent in 2000. The five year plans were not even able to absorb the net additions to the labour force. In addition to this, there is a huge backlog of unemployed forces. Therefore, a significant proportion of the national resources will have to be used to expand employment opportunities to absorb the increasing labour force and the backlog of unemployed left over due to the continuous pressure of a rapidly growing population.

6.6.4 Population and the burden of Education, Medical care and Housing.

Rising population increases the number of children. In order to increase the productivity of the labour force, the children must be provided proper education. In addition to this, expenditure on medical care and public health will also call forth further investment. Not only that, the additional population has also to be provided with housing accommodation.

Now, it has been announced that Rs 80,000 crores has been allotted for education in the Eleventh Five Year plan. Thus, the social over head cost covers a greater proportion in our Five year plans.

Such increased expenditures on social over head cost become a barrier to Indian economic development.

Generally, every increase of population reduces percapita income lead to poor standard of living. The number of people depending upon agriculture will be increased lead to increase the disguised unemployment-level and low productivity in agriculture. To such a greater increase in labour force, it may not be possible to expand job opportunities results in mass unemployment and under employment. The government may have to divert its capital more towards Social Over Heads, rather than economically productive activities. The lower per capita income retards capital formation. Consequently the growth rate of the economy will be at low level. All these will keep the level of technology at a rudimentary stage. Poor and low technology will retard capital formation.

6.7 Remedial Measures :

Population explosion is one of the major impediments to economic development, and this is not something to be welcomed. Hence attempts must be made to control it. Broadly speaking, threefold measures would be required :

- 1) Economic Measures;
- 2) Social Measures; and
- 3) The family planning programme

Economic measures can ensure a permanent solution to the problem. The important economic measures are (a) Expansion of industrial sector (b) creation of employment opportunities in urban areas and (c) Equitable distribution of income and removal of poverty.

In order to bring down the birth rate, all social evils such as illiteracy, superstitions, orthodoxy and the deplorable conditions of the women must be removed.

Family planning is nothing but conscious limitations of children within economic limits of the family, so as to create happier homes, through healthier children and better parents.

In spite of all these measures adopted by Indian Government, the population is increasing steadily. Therefore, before to conclude; let us go through the contents of the Malthusian population theory in order to realise the seriousness of the problem.

6.8 The Malthusian theory of Population :

Thomas Robert Malthus has explained this theory in his famous book 'An Essay on the population' published in 1798. The Malthusian theory explains that in all civilised societies, there is a tendency for population to increase faster than the food supply. That is, there should be too many mouths to feed but too little to feed them with, when this happens there is said to be over population in the country. Realising this people may tend to adopt the following preventive checks to keep the size of population in accordance with food production.

- i) Celibacy ii) Late Marriage iii) Moral restraint and
- iv) Self-control in married life.

If people remain passive by failing to adopt the preventive checks nature will set in motion the following positive checks to keep the population in tact.

- i) Famines ii) Vice iii) Misery iv) Epidemics and v) Wars

Previously, this theory suited to several developing countries including to our India. But, at present (2008) the Indian population is estimated as 115

crore and projected as 117.5 crore by 2010. It is also revealed that the economic growth rate for the past 4 years was between 8.5 per cent and 9.4 per cent. The food grain production has been estimated as 227.32mn tonnes for the year 2007-08. If we compare the same, the population was 36.10 crore and the foodgrain production was 50mn tonnes in 1951. That is the population has been increased to more than two times and the foodgrain production has increased to more than four times. However, this has also been estimated that 22 per cent of the Indian people are still living below poverty line. Hence, it is clearly understood that the problem exists in distribution. From the first table it is also understood that the average population growth rate was steadily increasing as 1.26, 1.98, 2.20, 2.25 percent in 1951, 1961, 1971 and 1981 respectively. But the same was steadily declining as 2.25, 2.14 and 1.93 percent in 1981, 1991 and 2001.

Summary :

Therefore, wheather India is overpopulated or not is a ticklish question and much can be said on either side. No one will dispute that man power is necessary for economic development, but excess supply of unskilled labour and a high percentage of dependent population may not be in the best interest of the country at this juncture. However, it is accepted by economists that population growth at the existing rate will certainly prove to be a major obstacle to economic development.

To 'check your progress' :

1. The share of India in world land area is
2. The cause for rapid growth of population is declined in rate.
3. The sex ratio as per 2001 census has declined T/F
4. The Female infant mortality is..... than of boys.
5. The Density of population refers to number of persons per
6. The overall literacy rate in 2001 was percent.
7. The difference between male and female literacy is wide in
8. The lower level of percapita income is attributed to.....
9. India is the first country to declare family planning as the official policy. T/F
10. The first systematic theory on population was given by
11. State India's rank in the world with its size of population.
12. What is the size of the Indian population at present?
13. What are the determining factors of the population growth?
14. How the sex ratio of population is stated?
15. Specify the working age group of population.
16. What is meant by density of population?

Answers to 'check your progress' :

1) 2.4 per cent 2) Death 3) False 4) Higher

5) Square Kilometer 6) 65 percent 7) Rural areas 8) over population

9) True 10) Malthus 11) As far as the size of population is concerned, India ranks second in the world next only to China. 12) The size of the Indian population at present is 115 crore. 13) A rise or fall in the growth rate of population in a given period is governed by the rate of new additions through births and the rate of subtractions through deaths. 14) The sex ratio is the number of males per 1000 females or number of females per 1000 males. 15) The working age of the population is considered as 15-60. 16) The term density of population refers to the average number of persons living per sq.km. That is, it indicates man land ratio.

Model Questions :

Five Marks Questions :

- 1) Describe the relationship between population growth and capital formation
- 2) State the relation between population and per capita income.
- 3) Mention the Govt's measures towards family planning.

Ten marks Questions :

- 1) Explain the relationship between population growth and Economic Development with special reference to India.
- 2) Explain the Malthusian theory of population and its relevance to India.
- 3) "The present size of the Indian population is a burden". - Discuss

Unit - 7

Indian Labour

Structure

- 7.0 Unit objectives
- 7.1 Introduction
- 7.2 Classification of Indian Labour
 - 7.3.0 Agricultural Labour
 - 7.3.1 Growth in the number of Agricultural workers.
 - 7.3.2 Causes of growth in the number of Agricultural Labourers.
 - 7.3.3 Distinguishing characteristics features of Indian Agricultural labour.
 - 7.4.0 Measures adopted by the Government to improve the conditions of Agricultural labourers.
 - 7.4.1 Minimum wages Act.
 - 7.4.2 Abolition of bonded labour.
 - 7.4.3 providing land to landless labourers.
 - 7.4.4 Special schemes for providing employment.
 - 7.4.5 Special Agencies for Development
- 7.5.0 Indian Industrial labour.
 - 7.5.1 Features of Industrial labour
 - 7.5.2 Industrial Disputes
 - 7.5.3 Causes of Industrial Disputes
 - 7.5.4 Methods of settling Industrial Disputes
 - 7.5.5 The minimum wages Act, 1948
- 7.6 Social security measures

7.7 Computerization and Replacement of labour.

Summary

To 'Check your progress'

Model Questions

7.0 Unit objectives

- * To classify labour.
- * To understand the characteristic features of labour in agriculture and industry
- * To know the measures of the Government to improve the conditions of labourers.
- * To know the causes of Industrial disputes and methods of settling them.
- * To understand the social security measures available in India.
- * To know the computerisation and Replacement of labour.

7.1 Introduction :

Land, Labour, capital and organisation are the four factors of production. Labour differs from other factors of production because it is a living factor. Labour includes all the highest professional skills as well as the unskilled workers, artisans and of those employed in all fields of activity like education, science, administration, fine-arts etc. Hence labour is defined as “any physical work or mental work done in anticipation of reward”.

7.2 Classification of Indian Labour :

The entire Indian economy is divided into three sectors viz (1) Agricultural sector (2) Industrial sector and (3) tertiary sector or service sector. All the workers are working in the above three sectors. They may be skilled workers or unskilled workers. They belong to the group of either organised workers or unorganised workers. Further, they may be contract workers, casual labourers and permanent workers depending upon the nature of employment and terms and conditions. Skill of the labour, profitability of the institutes, nature and terms and conditions of the employment determine the wages of the workers. The entire labour can be further categorised as (a) male labour (b) women labour and (c) child labour. However, in order to study and analyses the Indian labour, they can be broadly classified into two categories viz (i) Agricultural labour and (ii) Industrial labour

7.3.0 Agricultural labour :

All those persons who derive a major part of their income as payment for work performed on the farms of others can be designated as agricultural workers. For a major part of the year they work on the land of others on wages. Many small and marginal farmers also work partly on the farms of others to supplement their income. The first agricultural labour enquiry committee of 1950-51 had classified agricultural workers into two categories as i) attached labourers and ii) casual labourers. Attached to the land lords are mostly bonded labourers do not receive their wages in cash but mostly in kind. It is not easy to shift themselves from one master to another. The hours of work are very lengthy and in some cases, they have to work from

dawn to dusk in the houses and farms of their employers. They do not possess any piece of land. They have constituted 15 percent of the labourers in 1950-51 but at present their proportion is declined due to the development of Urbanisation.

All other workers not falling in the category of attached labourers, constitute casual workers. They are free to work on the farm of any farmer and payment is generally made to them on a daily basis.

7.3.1 Growth in the number of Agricultural Workers :

The agricultural workers were 27.5 million in 1951 and this number increased to 73.7 million in 2001. This shows that every fourth person of the labour force is an agricultural worker in India. The figure for different censuses are not comparable because the definition of agricultural workers has been modified from time to time. However, an unmistakable tendency of a continuously increasing number of agricultural workers is clearly discernible.

7.3.2 Causes of Growth in the number of Agricultural Labourers :

Though there are number factors responsible for increasing number, some of the important are stated below :

Increase in Population :

The Indian population has been steadily increasing and this has been stated that the size of the Indian population is 115 crore for the year 2008. For such a faster growth rate, it is not possible to provide employment opportunities either in industrial sector or in tertiary sector. When population increased, the surplus people automatically fall back upon agriculture for their livelihood. Thus, increase in population is one of the major reasons of increase in the number of agricultural labourers.

Decline of cottage industries and village handicrafts.

The Britishers had systematically destroyed the Indian traditional cottage industries and handicrafts but least bothered to provide alternative employment opportunities. These people were forced to seek employment as agricultural workers in the countryside.

In addition to the above, eviction of small farmers and tenants from land due to land reform acts adopted by the Britishers increased the number of agriculture workers. Uneconomic holdings and increased indebtedness also made the farmers to leave their land and become land less labourers. Break-up of joint family system is another cause for the increasing number of working population in agriculture. The capitalistic agricultural farming was started in states like Punjab, Haryana and Western Uttar Pradesh. The farmers of these areas have started attracting agricultural workers from far off places. The possibility cannot be ruled out that in future, development of capitalistic farming may force more and more tenants to leave land and start working as agricultural labourers.

7.3.3 Distinguishing characteristic features of Indian agricultural labour :

Agricultural labour in India is being widely scattered over 5.6 lakh villages. Hence there is no effective organisation. They are unskilled, illiterate and ignorant. In urban areas workers could generally organize themselves in unions and it is convenient for political parties to take interest in Trade Union activities. This is almost difficult in case of farm labour. It is also difficult for them to bargain with the land owners and secure good wages. Most workers belong to the depressed classes, which have been neglected for ages. There are abundant supply of agricultural labour in relation to demand for them. It is only during the sowing and harvesting seasons that there appears to be near full employment in the case of agricultural labourers. But once, the harvesting season is over, majority of agricultural workers will be jobless especially in areas where there is single cropping pattern. They undertake not only cultivation work but other works like construction, digging, masons, black, smiths, carpenters etc.

7.4.0 Measures adopted by the Government to improve the conditions of Agricultural labourers.

7.4.1. Minimum wages Act : 1948

Legislation have been passed in all the states fixing the minimum wages. However on account of practical difficulties and excessive supply of labour, benefits from these legislations have been very limited. Because of the lack of bargaining power, agricultural workers do not press for minimum wages.

7.4.2 Abolition of bonded labour :

In 1976, an act was passed and according to this act, all contracts for bonded labour, attachment for recovery of bonded debt, etc. were declared null and void. However, complaints of bonded labour are often heard from different parts of the country. Causes for the existence of bonded workers are (i) many labourers are not aware of the existence of such Act. (ii) Because of their extreme poverty, some agricultural labourers voluntarily enter into bonds.

7.4.3 Providing land to landless labourers :

The Government proposed that the lands obtained as a result of enforcing of land ceiling laws and those donated in Bhoodan and Gramdan should be distributed to the landless labourers. Priority is accorded to scheduled castes and scheduled Tribes. However, most of the land available to these labourers is not fit for cultivation. Though it has satisfied their hunger for land, it has not been able to improve their economic lot.

7.4.4 Special Schemes for providing employment :

A number schemes have been initiated in the planning period for providing employment to rural poor, the important are (i) Rural works programme (RWP) (ii) Crash Scheme for Rural Employment (CSRE). (iii) Jawahar Rojgar Yojana(JRY) (iv) Employment Assurance Scheme (EAS) . (v) Sampoorna Grameen Rozgar Yojana (SGRY). etc..

7.4.5 Special Agencies for Development :

The special agencies - small farmers Development Agency (SFDA) and Marginal Farmers and Agricultural Labourers Development Agency (MFALDA)- were created in 1970-71. But during the Fifth Plan they were merged into a single programme. During the Fourth Plan, a special programme was initiated known as Drought Prone Areas Programme (DPAP).

All the above special schemes and agencies created for the upliftment of Rural workers have not solved their problems immediately. The basic task is to distribute surplus land amongst agricultural workers and provide alternative sources of employment opportunities in villages through the development of small and cottage industries. General improvement in the working conditions, enforcement of legislative measures, provision of social security on par with other industrial workers, etc. are all secondary to the above two measures.

7.5.0 Indian Industrial labour :

7.5.1 Features :

Industrial labour, employed in the organised sector of the urban economy, is only a minor portion of the total work force outside agriculture. India is suffering from a high pressure of population on land. The supply of unskilled labour has generally been in excess of demand. There is however, a certain scarcity of skilled labour in India. The two important characteristics of Indian Industrial labour which have generally affected its supply are : (i) its migratory character, and (ii) its heterogeneous composition.

Most of the labourers in Industries are drawn from the villages and they are eager to go back to their homes especially during the busy agricultural seasons. Most of the factory workers driven to the industrial belts are due to lack of employment in villages and even now the majority of the labourers would prefer to move to the land if they could get a reasonable income from land or from occupation in villages. The migratory character of labour causes a constant change in labour turnover and

leads to an aggregate loss of efficiency due to frequent changes of jobs and inflow of new persons not adequately acquainted with the factory work.

In recent times, a change has been noticeable and the labour is slowly emerging into one that would live permanently in Urban areas.

The Indian Industrial labourers are divided and subdivided on the basis of language, region and caste. Only recently the differences among them are slowly disappearing and unity on the basis of economic considerations is taking place.

Further, the Industrial labour is largely uneducated and they do not understand the problems confronting the economy in general and industries in particular. This is one of the reasons for the labourers being misled by political organisations which have a stronghold on the labour organizations.

Because of these factors, Industrial labour has not been organized on a solid and positive foundation. Absenteeism, frequent change, moving between the farm and the factory, indiscipline, unhealthy practices are quite common in Industrial labour in India.

7.5.2 Industrial Disputes :

One of the by-products of Industrialization is the growing conflict between employers and workers leading to unpleasant consequences, such as 'Sabotage' by workers and 'lock out' by the employees. The net result would be loss of Production. Hence, harmony between labour and capital is necessary for industrial progress. The prevention of industrial disputes has been one of the major aims of the Government's industrial policy.

7.5.3 Causes of Industrial Disputes :

- (i) Demand for more wages (ii) Demand for bonus (iii) Demand for improved working conditions (iv) Failure to recognise Trade Unions (v) Rationalization of retrenchment and unemployment (vi) Victimisation (vii) Flimsy causes (viii) Political causes.

In India nearly 30 per cent of disputes arise due to demand for more wages and allowances. 8 per cent are related to bonus. Personal and retrenchment causes

constitute 25 per cent of the disputes. Leave, hours of work and other facilities are the causes for 2 per cent of the disputes. The remaining 35 percent of the disputes are due to political and flimsy reasons.

7.5.4 Methods of settling industrial disputes :

i) Workers committee ii) Board of conciliation iii) Labour court vi) Industrial Tribunals.

In addition to the above, the Governments have passed Acts to protect the welfare of the labourers.

7.5.5 Minimum wages Act, 1948

According to this act, minimum wages for labour have been fixed in selected industries. Though the scope of the Act is seemingly wide, covering almost all the unorganized sector of the economy, it is limited and narrow. The Act does not lay down the method of determining the minimum wages. This has resulted in great disparities in minimum wages between states and also within the same state. Another lacuna is that the Government could not fix the minimum wage unless 1000 employees are engaged in an industry. In India, there are numerous small establishments scattered in far off places throughout the country where the number is less than 1000. Therefore, the unorganized and scattered labourers have been excluded.

Subsequently in 1957, 1975 and 1976 and with the introduction of 20 point programme, eradicated most of the legal flaws associated with the Act. Equal remuneration was assured to men and women workers. All states were asked to revise minimum wages in the form to ensure a living wages.

7.6 Social Security measures :

Social security measures cover the risks of citizens by the Government through organized methods. The important measures are 1) Provident Fund Scheme; 2) Employees State Insurance Scheme; 3) Maternity benefits; and 4) workmen's compensation Act.

7.7 Computerization and Replacement of Labour :

Science and technology has made tremendous progress, not only in defence and industrial production, but also in medicine, surgery, communications and day-today living. During the last two decades, the electronic industry has revolutionized the living style in the country and today we have the computer revolution. Not only in India but also in other countries the first resistance to computerization came from labour, as they would be replaced by computers. In our country there is plenty of labour and many of them are unemployed. Computerization is a labour saving technology. Would it not aggravate the unemployment problem still further? Immediate impact of introducing higher technology may be unemployment; but in due course, the displaced labour would be absorbed, due to expanding production and high demand for commodities and services.

But at present, we have learnt a lot through our experience that the introduction of Globalization and computerisation have provided larger employment opportunities particularly through BPO (Business process outsourcing) services. Not only that, our people have also got more employment abroad in the IT field. The foreign currency inflow to our country is increasing day by day. Due to this the general increase in transportation, financial services, insurance, real estate etc, and other public services and enterprises in the economy have offered scope for more jobs. Jobs are also created due to multiplier effect.

Summary

Economic growth of a country depends on its resources particularly on human resources. Human Resources further denotes the quality of the working force. At present, we have a greater working force (15-60 age group) than other countries of the world next to China. By directing these forces towards a productive channels, we can achieve prosperity in future.

To 'Check your progress'

1. Define labour.
2. Attached labourers receive their wages mostly in kind. T/F
3. Most of the agricultural labour do not possess any land. T/F
4. Agricultural labour constitute per cent to the total labour force.
5. The main reason for increasing agriculture labour force is break up of family system.
6. The demand for agricultural labour is greater than its supply. T/F
7. There is greater demand for agricultural labour during season.
8. The minimum wages act was passed in the year
9. The bonded labour system was abolished by an act in the year
10. In re-distribution of land to the landless labourers preference is given for
11. Most of the industrial labour in India have migrated for villages. T/F
12. Industrial labour is Homogenous.
13. The major cause for industrial disputes is
14. Minimum wages Act is applicable to industries where number of employees is more than labourers.
15. What are the three sectors of the Indian Economy?
16. State the two broad categories of Indian labour.
17. Is computerisation a labour saving technology. T/F

Answer to 'check your progress' :

- (1) Any physical work or mental work done in anticipation of reward. (2) True
(3) True (4) 25 per cent (5) Joint family (6) False (7) Harvest (8) 1948
(9) 1976 (10) SC and ST (11) True (12) False (13) Demand for higher wages
(14) 1000 labourers. 15. The entire Indian economy is divided into three
sectors viz (a) Agricultural sector (b) Industrial sector and (c) tertiary sector.
16. In order to study and analyse the Indian labour, they can be broadly classified
into two categories viz (a) Agricultural labour and (b) Industrial labour
17. False

Model Questions :

Five Marks Questions

1. Classify the Indian Labour?
2. Describe the distinguishing features of Indian agricultural labour.
3. What are the various measures adopted by Indian Government to improve the conditions of agricultural labourers.
4. "Computerisation in India will further increase the unemployment problems"- Discuss.
5. State the social security measures in India
6. State any Five schemes to create employment in villages.

Ten marks Questions :

1. State the various reasons for the growth in the number of agricultural workers and the measures to improve their conditions.
2. State the features and problems of Indian industrial labourers, and measures to promote their condition.

Unit - 8

Poverty in India

Structure

8.0 Unit objectives

8.1 Introduction

8.2 The concept of poverty

8.3 Poverty line in India

8.4 Incidence of poverty in India

8.5.0 Causes of poverty

8.5.1 High growth rate of population

8.5.2 Inequalities of income and assets.

8.5.3 Poor employment generation

8.5.4 Social and political factors.

8.6 Poverty Alleviation programmes

Summary

To 'check your progress'.

Model Questions

8.0 Unit objectives

- * To understand the concept of poverty
- * To know the incidence of poverty in India
- * To perceive the causes of poverty
- * To analyse the various poverty alleviation programmes and their impact.

8.1 Introduction :

“Poverty anywhere means a threat to prosperity everywhere”.

Even in the 21st Century, poverty is a common phenomenon existing in almost all the developing countries and our India is not an exception. But, it is a danger to the prosperous nations. Hence, this contagious disease of the world society should be completely eradicated. Here in this unit, we have discussed the meaning of poverty, its causes and the poverty alleviation measures.

8.2 The concept of poverty :

Generally a person is said to be absolutely poor when he is unable to procure even the basic minimum necessities for his survival. The basic minimum necessities are usually expressed in term of items like cereals, pulses, milk, vegetables etc. The money value of the minimum necessities for a person to live in the world is called ‘absolute poverty level’. The relative poverty is different from absolute poverty. The term relative indicates the relative position of different segments of the population in the income hierarchy of the same society. According to the relative standard, income distribution of the population in different fractile groups is estimated a comparison of the levels living of the top 5 to 10 percent with the bottom 5 to 10 percent of the population reflects the relative standards of poverty. For instance, the concept of poverty in the U.S.A. would be significantly different from that in India because the average person is able to afford a much higher level of living in the United States. That is, poverty in America reveals the existence of inequalities in the society. Hence, poverty in America is relative and reasonable level of living. Whereas in India, the generally accepted definition of poverty is minimum level of living.

In this lesson, we will focus on absolute poverty, and examine the different aspects of the problem of poverty in India.

8.3 Poverty line in India :

In India, poverty has been defined as that situation in which an individual fails to earn income sufficient to buy him bare means of subsistence. To quantify the extent of poverty and measure the number of poor in the country, professional economists have made use of poverty line. Lord Boyd Orr, the first Director General of FAO, was the first person to propound the notion of starvation line in 1945. According to him, a consumption of less than 2,300 calories per person per day was considered at the line of starvation. This idea has transformed into 'poverty line'. The Indian planning commission has defined the poverty line on the basis of recommended nutritional requirement of 2400 calories per person per day for rural areas and 2,100 calories per person per day for urban areas. In monetary terms, recently it was expressed by the World Bank as Rs 50 per day or \$ 1 per day (when the value was \$1= Rs 50).

8.3 Incidence of poverty in India :

On the basis of the National sample survey (NSS), the Indian planning commission have calculated the incidence of poverty by using the consumer expenditure as the criteria. The consumer expenditure data of the 55th round on a 30 day recall basis yields the poverty ratios for 1999-2000 as 27.09 percent in rural areas, 23.62 percent in urban areas and 26.1 percent for the country as a whole out of actual populations of 102 crores. Further the percentage of poverty line has declined to 22 percent out of the actual population of 115 crore estimated for the year 2008.

Ofcourse, the percentages of people who are living below poverty line are declining, but if we look up on the actual numbers, there were 215mn people living below poverty line in 1991. The number increased to 225mn people in 2004. Again this number has increased to 253mn people in 2008. Hence, it is clear that though the percentage is declining the actual number of people living below poverty line is steadily increasing.

8.5.0 Causes of Poverty :

The principal causes are :

8.5.1 High growth rate of population :

India is a land of paradoxes and contradictions. We are in the 11th Five year planning period, but still we find the paradox of poverty with Growth. Generally, it is attributed that the rate of growth of population in India has been larger than the rate of growth of the economy and hence the planning efforts could not have any impact on reducing the poverty of the people.

8.5.2 Inequalities of income and assets :

Indian people are not holding equal assets. There is vast gap between 'haves' and 'have nots'. Hence, the income accruing to them is also not equitable. The non-asset holders can be further divided into permanent job holds and casual labourers. The income of the casual labourers are very poor when compare with the permanent job holders. They may be further divided into Rural labour households and urban labour households. There is a high incidence of poverty among rural labour households. This is due to high incidence of unemployment and underemployment.

Therefore, a very few proportion of the rural households shares larger proportion of income and expenditures of the rural area. Almost all the studies reveal the gross inequalities in income distribution. The situation still continues and the differences in figures are only marginal.

8.5.3 Poor employment generation :

The rate of economic development is very poor in relation to employment generation. The poor people could come up economically either by increasing their assets or by increasing their income. But in our economy, the increase in employment opportunities are always less than the increase in labour force. This situation gets worsened with the backlog of unemployed people every year. Since a large number of people continue to remain unemployed and under employed, they become assetless and incomeless people in the economy and continue to live in abject poverty.

8.5.4 Social and political factors :

The existence of illiteracy, ignorance, conservatism, casteism are the causes of poverty in rural areas. The type of democracy and the political system in our country have given large scope for corruption, inefficiency and leading to dishonesty and poor morale in public life. There is no political will in our country to root out corruption or eradicate poverty. Consequently, the poor and rural people have to live in abject poverty, resigning themselves to fate, while the rich and affluent reinforce their economic power and status through undesirable means. In short poverty is in-built in our system.

8.6 Poverty Alleviation programmes :

During 1970s, with the principal objective of poverty alleviation, several special programmes were undertaken for the rural poor. Some of the important are :

- (i) Small Farmers Development Agency (SFDA)
- (ii) Marginal Farmers' and Agricultural Labourers' Development Agency (MFAL)
- (iii) Drought prone Areas programme (DPAP)
- (iv) Cross scheme for Rural Employment (CSRE)
- (v) Pilot Intensive Rural Employment project (PIREP)
- and (vi) Food for work programme (FWP)

None of these programmes comprehensively covered the whole country, though in certain parts of the country some of these programmes operated simultaneously for the same target groups. The major limitation of these programmes was that they were reduced to mere subsidy-giving programmes, lacking any planned approach to enable the rural poor achieve a higher level of income.

Hence the need was felt for undertaking programmes which were not only for more comprehensive in coverage but could also make a direct attack on rural poverty. They are

- i) The Integrated Rural Development Programme (IRDP) - 1980
- ii) National Rural Employment Programme (NREP) - 1980
- iii) Rural Landless Employment Guarantee Programme (RLEGP) - 1983

In April 1989 NREP and RLEGP were merged and named as Jawhar Rozgar Yojana (JRY). These programmes also suffered from various shortcomings.

At present special programmes for employment generation are being implemented both in rural and urban areas for the purpose of poverty eradication.

- i) Swarnajayanthi Gram Swarozgar Yojana (SGSY)

- ii) Jawhar Gram Samridhi Yojana (JGSY)

- iii) Employment Assurance Scheme (EAS) are some of the important programmes of which EAS implemented in identified backward blocks where the revamped public distribution system is in operation. Under this scheme, the Government is successfully providing 100 days of unskilled manual works to the rural poor who seek employment.

The Nehru Rozgar Yojana (NRY) was launched in October 1989 for the benefit of the Urban poor. It was merged into the Swarnajayanthi Shahari Rozgar Yojana in 1997-98. Sampurna Grameen Rozgar Yojana (SGRY) was launched in September 2001. It aims at providing wage employment in rural areas as also food security.

These programmes are implemented on short term basis and also not taken family welfare, nutrition, social security into considerations. These programmes do not ensure that the poor can really manage to get adequate food all the year round for the family with the increased income because this depends on the price. The Government has failed to make necessary changes in anti-poor laws and policies. These laws and policies harm particularly the tribals who depend on non-timber forest products for their subsistence and cash income. These programmes ignore the consequences of the earnings activities of the poor in terms of occupational hazards and adverse ecological consequences.

Summary

In spite of several measures adopted by the Government, it is clear that though the percentage is declining the actual number of people living below poverty line is steadily increasing. The reason for increasing trend is due to improper implementation of poverty eradication programmes. At present, most of the measures are put under the charge of panchayats. Instead of panchayats, special development councils may be formed in which majority representation may be given to the small and marginal farmers, the artisans and landless labourers.

To 'check your progress'

1. The criteria of poverty line is Calories in rural areas calories in Urban areas.
2. The planning Commission Calculated the incidence of poverty using the criteria of
3. The inequalities in income distribution is called poverty.
4. The NREP and RLGP were merged and named as
5. Under EAS (Employment Assurance scheme) employment is provided for atleast days
6. Food security is guaranteed along with wage employment under
7. What is meant by 'absolute poverty?'
8. What is meant by 'relative poverty?'
9. How many people are living below poverty line in India at present?

Answers to 'check your progress' :

- 1) 2400, 2100 (2) Consumer expenditure (3) Relative (4) JRY
(5) 100 days (6) Sampoorna Gramee Rozgar Yojana. 7) The money value of the minimum necessities for a person to live in the world is called 'absolute poverty level' (8) The relative poverty is different from absolute poverty. The term relative indicates the relative position of different segments of the population. (9) It is estimated for the year 2008 that 22 per cent of the Indian population are living below poverty line.

Model Questions :

Five marks Questions :

1. Describe the concept of poverty.
2. State the incidence of poverty in India
3. What are the causes of poverty in India?

Ten marks Questions

1. State the concept, causes and incidence of poverty in India.
2. Examine the various antipoverty programmes and their effectiveness.

Unit - 9

Economic Systems

Structure

- 9.0 Unit objectives
- 9.1 Introduction
 - 9.2.0 Capitalism or Free Enterprise system
 - 9.2.1 Private property
 - 9.2.2 Freedom of enterprise
 - 9.2.3 Freedom of choice by consumers.
 - 9.2.4 Price or Market Mechanism
 - 9.2.5 Profit motive
- 9.3 Merits of capitalism
- 9.4 Defects of capitalism
- 9.5 Managed capitalism
- 9.6 Socialism and communism
- 9.7 Features of Socialism
- 9.8 Different brands of Socialism
- 9.9 Merits of Socialism
- 9.10 Defects of Socialism
- 9.11 Convergence of Capitalism and Socialism
- 9.12 Mixed Economy
- 9.13 Features of Mixed Economy
- 9.14 India as a Mixed Economy

Summary

To 'check your progress'

Model Questions

9.0 Unit objectives

- * To understand the features of different economic systems.
- * To analyses the merits and demerits of each economic system.
- * To examine the characteristics of Indian economy as a mixed economy

9.1 Introduction :

Modern Economic system is divided into three types viz. 1. Capitalist or Free enterprise economies 2. Socialist economies and 3. Mixed economies. Each system is having its own characteristic features. They are discussed one by one.

9.2 Capitalism or Free Enterprise System :

The spirit of Capitalism illustrates “that attitude which seeks profit rationally and systematically.” Hence, capitalism is that system of economic activity which is dominated by the profit motive.

The following are the fundamental features of capitalism :

9.2.1 Private property :

Every individual has a right to acquire private property, enjoy it or transfer it to somebody else. The owner of property is free to dispose of it as he pleases. He may use it or hire it to others or sell it outright or make a gift of it as he likes.

Freedom to own property divides the population into two classes as ‘owners’ and ‘non-owners’ or ‘haves’ and ‘have nots’, or ‘bourgeoisie’ and ‘proletariat’. The proletariat depend for their living on wages alone. The bourgeoisie earn income from property. There is always conflict of interest between these two classes of people. In other words, there is class struggle in a capitalist economy.

9.2.2 Freedom of enterprise :

Freedom of enterprise means that a man is free to engage in any economic activity he likes. He may start any business he considers profitable. He may give up his business and take another. Workers are also free to choose their occupation. They may do any kind of work under any employer in any place as they please. They may remain idle if they wish.

9.2.3 Freedom of choice by consumers :

This means that consumers can spend their income as they please. They may spend the whole of it or only a part of it, hoarding or saving the rest. They can spend it on whatever commodities they like. They are free to invest their savings in anyway they think best.

9.2.4 Price or Market Mechanism :

In a capitalist economy, goods are produced for sale in the market. Prices are determined by the forces of demand and supply. In any economy there are economic problems, viz., a) what to produce b) how to produce and (c) for whom to produce. In a market economy these problems are solved by individuals through the price mechanism. Thus, the price mechanism is said to be the hub of the system.

9.2.5 Profit motive :

Profit motive or economic benefit is the primary characteristic feature of the capitalistic economy. Every producer expects maximum income from the resources employed by him. Consumers expect maximum utility from their expenditure out of given income. Every employer bargains for as low a wage rate as possible. Every lender tries to charge a high rate of interest. Every borrower tries to borrow at a low rate of interest. Thus, every individual seeks his own benefit and tries to maximise it. Profit serves as an incentive to the people to put their best.

9.3 Merits of capitalism :

1. It secures maximum efficiency in production and minimum costs. It also secures high quality of goods giving full scope for private initiative and enterprise.
2. It leads to an enormous increase of wealth through improvements in methods and organisation of production.
3. It has resulted in a substantial improvement in the standard of living of all classes of people due to steady increase in production.
4. It enables consumers to get maximum satisfaction by producing goods to suit their tastes.

9.4 Demerits of Capitalism :

1. It promotes cut-throat competition resulting in enormous waste of resources.
2. It results in the exploitation of workers. This has led to class conflict and social unrest.
3. It gives rise to great inequalities of wealth and income. Rich becomes richer and poor becomes poorer.
4. It leads to the accumulation of wealth or the concentration of economic power in the hands of a few.
5. It produces goods which bring in profit. Goods which are useful to the community may not be produced if they do not yield profit.

9.5 Managed capitalism :

At present, no country is said to be pure capitalistic economic system. In order to avoid the evils of capitalistic system, the governments in these economies are no longer pursuing a policy of non-intervention or laissez-faire in the economic affairs of the people. Controls in the form of monetary policy and fiscal policy and direct controls are a common feature of all these economies. There are not only private sectors but also public sector enterprises in the so called capitalistic countries like USA, UK, Canada, Australia etc.

Hence, these economies are called state regulated or managed capitalist economies.

9.6 Socialism and Communism

Socialist thinking is largely a reaction against the evils of capitalism. The brands of socialism developed by the French thinkers differ fundamentally from the brand of socialism developed by Karl Marx. The socialism evolved by the French thinkers are called 'Utopian Socialism'. The economic content of these different varieties is nil. The French thinkers were mostly visionaries imagining heaven on earth. But Marxian brand of socialism is 'scientific socialism'. Marx was not a visionary. He

made a systematic study of the evolution of capitalism in the past, analysed its functioning in his own days and projected into the future.

The following are the essential features of a socialistic economy.

- 1) Industries and services along with the means of production are owned by the state and not by individuals.
- 2) Industrial and social administration is not organised for private profit i.e., profit motive in the sense of pursuit of self interest is absent.
- 3) There is no property ownership. There are 'haves' and 'have nots'. Therefore, there is no class conflict.
- 4) There are no markets. In short, there is no price mechanism. Price fixation, output fixation, the manner of utilisation of resources etc. are done by a central agency.

9.8 Different brands of socialism :

There are different brands of socialism. The most important of them are State socialism, Fabian socialism, Syndicalism, Guild socialism and Communism. Among them, communism is the extreme form of socialism. Its theory is based upon the Communist Manifesto issued in 1848 by Karl Marx. Communism is the final phase in the development of socialism. It is to be established by means of revolution. When it is established, all goods will be held in common. The state will wither away, and class distinction will disappear. So, there will be a stateless society. Production and distribution will take place according to the principle : "from each according to his ability, to each according to his needs".

9.9 Merits of socialism :

- i) It reduces the inequalities of wealth and income thereby increasing social welfare.
- ii) It avoids competition and its attendant evils.
- iii) It makes a proper allocation of resources by distributing them according to the needs of the community.
- iv) It produces goods for use and not for profit and thus it excludes the profit motive.

- v) It prevents trade cycles and thus avoids depression and unemployment. For instance, when every country was suffering due to the Great Depression in the 1930's the Soviet Russia was the only country not affected by it.

9.10 Defects of socialism :

Under socialism the individual may lose his initiative with the loss of freedom of action. Elimination of private property and profit motive is harmful to productive effort. There may not be a rational allocation of resources in practice Under socialism the individual is deprived of his freedom and liberty.

9.11 Convergence of capitalism and socialism :

In recent years, most of the countries call themselves socialist countries although the means of production are not centrally controlled and private sector finds a place. For instance, our country is wedded to the policy of socialist pattern of society or democratic socialism. Another development is the adoption of capitalist devices by communist countries and imposition of stringent control measures by the capitalist countries. At present, the difference between capitalist economy and socialist economy is not one of kind but one of degree only. Therefore, Prof. Gallbraith in his book 'The New Industrial State', has pointed out that there is no longer divergence between these two systems; instead there has been a remarkable degree of convergence.

9.12 Mixed Economy

Both capitalism and socialism have merits and demerits. Capitalism has produced many evils by abusing individual liberty. Socialism seeks to remove these evils by destroying personal liberty. Therefore, neither of the system is found satisfactory. Mixed economy is a policy of compromise between capitalism and socialism. It is a system designed to avoid the abuses of capitalism and dangers of socialism but, instead combine the advantages of both capitalism and socialism.

Mixed economy is so called because it is a mixture of two elements, namely private enterprise and state enterprise. In this respect it differs from both capitalism and socialism. Capitalism is based on private enterprise alone and the state's role being rigidly confined to the essential functions of maintaining peace and order. Likewise, socialism is based on state enterprise along with, little room for private enterprise. But mixed economy is to be brought about through the mingling of private and state enterprises. Thus, mixed economy is the via media or the middle of the road policy between capitalism and socialism. It is a system that not only preserves liberty but also prevents its abuse.

9.13 Features of mixed Economy :

- i) Co existence of private and public sectors.
- ii) Freedom of enterprise, freedom of contract, etc. subject to state regulations.
- iii) Attainment of the goals of socialism within democratic frame-work.

9.14 India as a mixed economy :

India has been a mixed economy ever since it entered the era of planned development ie. since 1951. In all the five year plans the public sector and private sector have been dealt with separately. During the plan period the share of public sector has been on the increase. The investment on public sectors has also been increased to a greater level. Even after the introduction of New Economic Policy ie. in 1991, this trend has not been changed. Of course, the percentage of Foreign Direct Investments (FDI) in several fields have been accepted to the maximum level. Disinvestment has also been taking place. But still the basic and key industries, particularly the infrastructure sector are under the ownership of state and central governments.

Thus, India has chosen to pursue the middle path ie, mixed economy. The policy to mixed economy seems to be best suited to Indian condition as it enables us to combine the advantages of capitalism and socialism. The ever increasing share of public sector in Indian economic activity is expected to scale down income inequalities over a period of time.

Summary

Among the three Economic systems, Capitalism was the first. This system was cursed by economists like Karl Marx for its exploitative nature and led to think about socialism. As a result some of the countries of the world adopted this system. But this system has also been criticized for its failure to ensure the individual freedom. Hence, a middle path ie mixed Economic system has been formed by taking all the merits of the two Economic systems. Today, most of the countries experience and experiment convergence of capitalism and socialism.

To 'check your progress' :

1. The right to private property is the essence of system.
2. Under Price Mechanism prices are determined by the forces of
3. Capitalism is characterised by the feature of motive.
4. There are more equal distribution of income and wealth under capitalism T/F
5. In recent times capitalism has been replaced by
6. The Father of scientific socialism was
7. Utopian socialism was advocated by thinkers.
8. The book communist manifesto was written by
9. Who is the author of the book "New Industrial state".
10. The co-existence of private sector and public sector is called economy.
11. Mixed economy ensures freedom of enterprise subject regulation by
12. What are the three Modern Economic systems?

Answers to 'check your progress'

- (1) Capitalist system (2) Demand and supply (3) profit motive (4) False
(5) Managed Capitalism (6) Karl Marx (7) French (8) Karl Marx
(9) Galbraith (10) Mixed economy (11) State

12. Modern Economic systems are divided into three types viz. a) capitalist or Free enterprise economies b) socialist economies and c) Mixed economies

Model Questions

Five marks Questions

1. What is meant by managed capitalism?
2. Write a note on the convergence of capitalism and socialism
3. State the features of capitalism
4. Mention the different kinds of socialism.

Ten Marks Questions :

1. State the features, merits and demerits of capitalism.
2. State the features, merits and demerits of socialism.
3. What is meant by mixed economy? and Write its merits and demerits.
4. "India is a mixed economy" - Discuss
5. State the difference between capitalism and socialism.

Unit - 10

Sarvodaya and Co-operative Movement in India

Structure

- 10.0 Unit objectives
- 10.1 Introduction
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Summary

To check your progress

Model Questions

10.0 Unit objectives

- * To know the concept of Sarvodaya
- * To know the differences between Sarvodaya and other Economic systems
- * To know the social and Economic system under Sarvodaya
- * To know the system of Co-operation
- * To understand the structure of the Co-operative societies.

10.1 Introduction :

Sarvodaya is an economic system formulated by the father of our nation Mahatma Gandhiji. This System is entirely different from the other three economic systems discussed in unit No. 9

10.2 The Concept of Sarvodaya and Capitalism :

Sarvodaya aims at the 'welfare for all'. It is a society in which everyone would be happy with no distinction of high and low. Sarvodaya system postulates a decentralized system - of economy based on agro industrial production and sales and thereby eliminating exploitation of man by man and all are treated equally. It is different from capitalism. The capitalistic society is based on competition and profit motive. Where capital serves as both a source of power and a source of income. Rich becomes richer and the poor becomes poorer. Thus capitalism led to vast inequalities of income and wealth. While a few float in affluence, the majority sink in squalor, poverty and misery. Here man worships money and is ready to sacrifice all his moral and spiritual values for the sake of money.

Therefore Mahatma Gandhi wanted to transform this "immoral world of competition and exploitations" into an ideal "Sarvodaya" society, aiming at the "Welfare of all".

10.3 Sarvodaya and socialism :

The objectives of Sarvodaya are similar to that of socialism, but the way and means to achieve the same is different. Socialism believes compulsory policy to achieve the objectives. Sarvodaya seeks the way of Ahimsa and people's willingness.

10.4 Society under Sarvodaya :

The ideal society will comprise numerous autonomous and self sufficient villages. Exploitation in any form would be completely eliminated. Power

and authority would vest with the people in the true sense and they would regulate and administer their own affairs. There will thus be perfect democracy based upon non-violence, individual freedom and responsibility. The end to be sought is human happiness combined with full mental and moral growth.

1. The entire properties are owned to the society. No private ownership.
2. The caste system will be totally abolished. There will be no high or low castes. People's life style will be within the limits of the society.
3. Women will be given equal rights on par with men. There will be no difference in voting and wages etc.
4. Settlement of affairs will be by mutual persuasion.
5. Unanimity of decisions - no voting.
6. An ideal of social justice according to which each gets in proportion to his needs and gives in proportion to his capacity.

In this structure composed of innumerable village there will be ever widening, never ascending circles. Life will not be a pyramid with the apex sustained by the bottom. But it will be an oceanic circles whose centre will be the individual. Therefore, the outmost circumference will not wield power to crush the inner circle but will give strength to all within and derive its own strength from it.

In short, individual freedom, democracy, economic equality, autonomy, justice, decentralized economic system, co-operative way of life, welfare of all are characteristic features of a sarvodaya social order. The realisation of this order depends on the change in the attitude of people. People should become unselfish, love others, consider others as their brothers and sisters and live a co-operative way of life.

10.5.0 Economic System under Sarvodaya

10.5.1 Simplicity in life :

The wants and Demands will be limited. They will reject the extravagant life style and adopt simplicity in leading their life.

10.5.2 Scattered Economic Systems :

The society will be divided into several societies. The economic activities will be in such a way as to develop each individual of the society. Under scattered economic system, separate economic planning will be formulated and implemented for the development of each society. In a Sarvodaya society, Kadhi and Village industries will be given top priority. Agriculture and agro based industries will be the centre of village economy.

10.5.3 Self sufficiency of villages :

All villages are self sufficient in Sarvodaya society. There will be self production of village requirements by each village. There will no insufficiency in a Sarvodaya society.

10.5.4 Co-operation :

Economic activities like production and distribution will be under co-operative system. For example, all the lands in a village will be consolidated under co-operative system and all the people will participate in the farming works. The products will be shared equally. The people will get equal income. There will be no scope for income inequalities. There will be no rich and poor people. There will be equal pay for all from scavenger to administrator.

10.5.5 Technological development :

Gandhiji did not accept a technological development which will increase unemployment. When heavy machines are introduced in production, it will replace human labourers which will increase unemployment problem. For example handloom weavers will loose their jobs when the clothes are produced with the help of machines. Gandhiji accepts technological development to increase the production by decreasing the human burden but at the same time it should not increase unemployment problem. He accepts tailoring machines to stitch the cloths instead of doing the same work with hands and pins.

10.5.6 Sarvodaya State :

There will be no significant role for government in a Sarvodaya Society. The government will act vigorously in executing its powers while implementing the plannings and protecting the law and order. People will do their duties properly and get their rights. For which no initiation is necessary. A democratic government will be there but in which all people will take equal participation and there will be no political parties. Decisions will be taken unanimously.

10.6 To form the Sarvodaya Society

In order to convert the present society as a Sarvodaya society, the following measures have to be undertaken.

1. The people must be prepared their mind to accept Sarvodaya in the first stage. Gramadhan, Boomindhan Scheme may be implemented in villages wherever it is possible even if it is not possible throughout the country immediately.
2. People must also be prepared more conscious and responsible citizens through primary and adult education in order to form the Sarvodaya society.

10.7.0 Importance of Sarvodaya Society

10.7.1 A way to establish world peace

Either capitalism or socialism or mixed economy existing in the world at present have never given solution for world peace. The threat of war is continuing everywhere. But if Sarvodaya is implemented throughout the world, there will be world peace and no threat of war.

10.7.2 Improvement of Spirituality :

In Sarvodaya Human welfare is given top priority than in other systems. Sarvodaya provides both economic welfare and spiritualism. Human good habits with God faith is another feature of Sarvodaya. Therefore, Sarvodaya is incomparable society. where all have to work. The rights and responsibilities are equal and there is a guarantee for harmonious life.

10.7.3 Criticisms :

There are practical difficulties to establish the Sarvodaya Society. Limiting the human wants is the basic requirement for Sarvodaya. But in the present world the development of Science and Technology increases the resources. Hence human wants are also increasing. Man hesitates to lead simple life. Therefore, Sarvodaya is an imaginary society rather than a real one.

Conclusion :

If Sarvodaya is established, the living conditions of the people will be increased. People should tolerate the practical difficulties to be raised during the establishment of Sarvodaya. Hence a selfless and sacrifice mind is needed for the people to attain a successful Sarvodaya.

10.8.0 Co-operative movement

Co-operation is not a new concept to our country. Generally, rural population in developing countries chronically suffers from disabilities like food shortages, massive poverty population pressure, inflation, unemployment and unstable commodity and money markets. Indian population is not an exception to the above mentioned problems. Co-operative movement has been recognised as an answer to all these problems.

10.8.1 The concept of Co-operation :

When the resources are limited, pooling them for optimum use becomes necessary. Co-operation refers to an association of weak, poor and powerless masses who pool their resources for reaping those benefits which are open only to the powerful and rich. Therefore, the Draft Fifth Five Year Plan in India observe Co-operation is institutionalization of the principle and impulse of mutual aid. It has the merit of combining freedom and opportunity for the small man with the benefit of large scale management and organization.

Co-operative society is a voluntary organization to which everyone is welcomed to join with equal rights and equal responsibilities. Its main motive is to provide services to its members and unlike private enterprise, it does not work for earning profit.

10.8.2 Evolution of the movement in India :

The idea of co-operation took concrete shape in India for the first time in 1904 when the Co-operative Societies Act 1904 was passed. The benefits of co-operative organization was also made available to all the section of the community both in the rural and urban areas.

The Government of India had setup the Planning Commission in 1950. The planning commission regarded co-operation as an indispensable instrument as planned economic action in a democracy. Because individualism was the social order of the day, co-operation represented a defensive and occupied more positive role in support of scattered rural masses. Based on the recommendations made by the All India, Rural Credit survey report in 1954, an integrated development co-operatives in the field of agricultural credit, marketing storage and processing were established. Besides agricultural credit societies sugar factories, spinning mills, fertilizer plants, dairy plants etc were started simultaneously.

During the period 1960-61 and 1988-89 (a period of 30 years) the membership of co-operative societies increased by more than 5 times, the share capital of all types of co-operatives increased by more than 40 times. This tremendous expansion of co-operative movements used as a vital factor in the economic reconstruction of India. These have created political awareness among the rural people and made them to participate in the economic development. They have also learnt the art of participative management. The social outlook has undergone a change. This healthier attitudes helped the rural masses in speeding up the pace of rural transformation.

But after 1990-91, there has been a serious set back in the growth of co-operative movements. The reasons were

- 1) Political instability that prevail in the country.
- 2) The financial positions of all the state governments were very poor who were the main shareholders of the co-operatives.
- 3) The financial position of the central government was also not satisfactory. It was the worst period in the economic history of India and the country was struggling to pay the interest and principle amount for the foreign debt. As a major supporter of the co-operatives, the weakness of the central government shook the growth of the co-operatives.
- 4) In addition to the above, the international financial crisis, and Gulf war were also causes for the unfavourable conditions for the weakness of Indian financial position.
- 5) Needless to say that the corruptive activities of the administrators and unscrupulous politicians were added fuel to stop the growth of the movements.
- 6) After the acceptance of the globalization, liberalization and privatization policy the set back to the co-operative movements become more worst. Again the individualism raised its head. Hence the movements have become a directionless one.
- 7) Under such crucial stage, NABARD has come to rescue this movement. Of course it is a good news.
- 8) But again in the month of January 2004, the central government has announced an increase of 74 percent FDI in Banking and Insurance institutions. This has created a tough competition for the co-operatives which have already been suffering a lot due to the heavy competitions of the other financial institutions.

10.9.0 The structure of the Co-operatives :

In India, the Co-operative system is based on three tier system as given below :

10.9.1 Primary Agricultural Co-operative Credit Societies :

The PACS are popularly known as village societies lie at the root of the co-operative credit structure of the country. The membership of a PACS is confined to persons belonging to a village or a group of villages where everyone knows each other. Ten or more persons can form a PACS by purchasing the minimum number of shares.

The management is purely on democratic line. Each member has got the right to cast only one vote, irrespective of the number of shares held by him. The general body will elect the managing committee for every three years. The body's life may be either extended or even dismissed by the state Governments as and when it is required. The body consist of President, Secretary and members. The secretary is a paid servant. The working capital of the societies is obtained by entrance fee, deposits, Government loans and loans from central societies and co-operative Banks. They sanction short-term and medium term loans to their members depending upon the nature of the requirements.

10.9.2 The central co-operative Banks :

The central co-operative Banks are federations of PACS in a particular district. It is also called District co-operative central Bank.

It links the PACS by providing loans to them. Accepting deposits from the public. Lending loans on securities. Transferring funds from surplus PACS to deficit PACS. Control and supervise the functions of the PACS.

The working capital consists of share capital which they get by selling their shares to individuals and PACS under their jurisdiction; reserve fund of PACS; deposits; borrowing from state co-operative Bank, commercial Banks and the state Government.

It is managed by a Board of Directors in which the PACS will have a majority representation and they are elected on the principle of one member one vote. The board can appoint persons for the proper functioning of the Bank.

10.9.3 Apex Bank : (State Co-operative Bank)

It is the leader of co-operative movement in a state. Each state has one SCB. In case if there is no central cooperative Banks, the SCB will act in its place.

The SCB raises its funds by way of share capital subscribed by the reserve funds central co-operative Banks deposits from the public loans from the State Bank of India, other commercial Banks and inter Bank borrowings. Particularly 50 to 90 percent of the working capital of the SCBs are contributed by NABARD.

As an Apex, it should provide financial assistance to all the co-operative institutions in the state and hence it is the main duty to mobilize funds towards the same. Thus it becomes the final link between the money market and co-operative institutions in any state.

10.9.4 Land Development Banks :

Farmers need not only short-term and medium term credit, but also long term credit extending from 5 years to 25 years for purchasing tractors, pumpsets, reclamation of land, fencing, digging wells, construction of tanks or tube wells and purchase of additional lands. This long term financing of farmer is performed by Land Development Banks.

The structure of these Banks are not uniform. It is unitary in some states and federal in other states. The LDBs raise their funds by (i) share capital from members. (ii) Deposits from public and (iii) By issuing debentures.

Most of the debentures are purchased by NABARD, the State Governments and the Central Government. Loans are provided for farmers on Mortgage of lands and this amount is limited to 50 percent of the lands' market value. The purposes have been further extended to dairy, poultry, bee-keeping, agriculture biogas etc. This loan has been extended to non-agricultural uses such as handicraft industries.

The LDBs are managed by Board of Directors duly elected by the members of primary land development banks and members nominated by the State Government and the Registrar of co-operative societies.

Summary

At present, there has been a decline trend for the co-operative movement in India due to various reasons. But the hurdles should be overcome in order to achieve the social justice for the poor masses both in the rural and in the urban areas. Necessary reconstitution of the cooperative movements are highly needed by ensuring sufficient support by the RBI and Governments. Now, NABARD has been specially set up by RBI to provide liberal financial assistance to the state Governments for contributing to the share capital of the Central Co-operative Banks.

To 'check your progress :

1. The Sarvodaya system was introduced by
2. Sarvodaya aims at
3. The objectives of Sarvodaya are similar to that of
4. Sarvodaya and Socialism are similar in the means to achieve the welfare goal. T/F
5. In a Sarvodaya society top priority is given industries.
6. Government has a significant role to play in a Sarvodaya society. T/F
7. Sarvodaya ensures..... in addition to economic welfare.
8. The Co-operative society Act was first enacted in the year

9. The minimum number of members required to form PACS is
10. The basic principle of co-operation is one member vote.
11. Majority of the working capital of SCBs are contributed by
12. The long term loans are provided by

Answers to 'check your progress'

- (1) Gandhiji (2) welfare of all (3) Socialism (4) False (5) Khadi and village industries (6) False (7) Spiritualism (8) 1904 (9) Ten members (10) one (11) NABAARD (12) LDB's

Model Questions :

Five Marks Questions :

- 1) Differentiate Sarvodaya from other economic systems.
2. Describe the nature of social system under Sarvodaya.
3. State the requirements to form the Sarvodaya Society.
4. State the importance of Sarvodaya.
5. State the features of co-operation?
6. State the reasons for the set back in the growth of co-operative movement in India.

Ten Marks Question :-

1. Describe the Economic system under Sarvodaya.
2. Critically evolve the Sarvodaya System.
3. Discuss the role of Co-operative institutions in Indian rural upliftment.

ABOUT EXAMINATION

As we have already mentioned in our Welcome Address, you have to take the University Examination at the end of your Pre Foundation course. The examination duration will be 3 hours and the maximum marks is 100. The Question paper will consist of four sections - Section A, Section B, Section C and Section D. In section - A, you will be given 10 questions and you have to answer all the 10 questions; each question carries 2 marks and the maximum marks for Section A is $10 \times 2 = 20$ marks. In Section -B, you will be given 8 questions and you have to answer any 6 questions; each question carries 5 marks and the maximum marks is $6 \times 5 = 30$ marks. In Section-C, you will be given 6 questions and you have to answer any 3 questions; each question carries 10 marks and the maximum marks is $3 \times 10 = 30$ marks. In the last and final section namely, Section -D, you will be given 3 questions and you have to answer any one question; each question carries 20 marks and the maximum marks is $1 \times 20 = 20$ marks.

Therefore, the maximum marks for the subject is $20 + 30 + 30 + 20 = 100$ marks.

The passing minimum is 35 marks.

MODEL QUESTION PAPER

PRE-FOUNDATION COURSE

ECONOMICS

Time : 3 Hours

Maximum : 100 marks

SECTION -A

10x2=20

Answer ALL questions.

Answer in one or two sentences.

All questions carry equal marks.

1. What was the basis for Indian caste system?
2. Why did Dadabai Naoroji protest the development of rail roads in India during British period?
3. The Indian Economy was converted in to Business Economy by the Britisher. True /False
4. Where did the Green Revolution begin first?
5. What is the share of the private sector in the industrial output of India?
6. What is the population of India according to 2001 census.
7. What are the three sectors of the Indian Economy?
8. What is meant by 'absolute' poverty?
9. What is the basic character of a capitalism?
10. Who introduced the Sarvodaya system?

SECTION - B**6x5=30**

Answer ANY SIX questions.

Answer in one paragraph.

ALL questions carry equal marks.

11. What do you understand by “self Reliant villages?”
12. State the impact of British rule on cottage and small scale industries.
13. What are the reasons for the introduction of Green Revolution in India.
14. What do you understand liberalisation?
15. State the reasons for the growth of agricultural labour in India.
16. What are the causes of poverty in India?
17. Write a note on Sarvodaya movement.
18. Write a note on co-operative movement in India.

SECTION - C**3x10=30**

Answer ANY THREE questions

Answer in about one page

All questions carry equal marks.

19. Briefly describe any two important characteristics of Indian economy during pre-British period.
20. Describe any two important consequences of British rule in India.
21. Briefly explain the decline of Indian Handicrafts during British rule.
22. In what way the population growth rate affect economic development?

23. What are the various types of Indian labour? Briefly explain.

24. Why India is called a 'mixed economy'?

SECTION - D

1x20=20

Answer ANY ONE question.

Answer in about three pages.

All questions carry equal marks

25. What do you understand by poverty? Describe the problem of poverty in India.

26. Write an essay on Indian agriculture.

27. What are the various economic systems? Explain them in briefly.

SECTION - C

Answer ANY THREE questions

Answer in about one page

All questions carry equal marks.

