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Tirunelveli – 627 012. Tamil Nadu.

M.A. Economics

(Second Year)

Indian Economic Development and Policy

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Indian Economic Development and Policy

Course Objectives:

1. To equip with the current social issues.
2. To make the students understand some important components of Indian economy and economic problems.
3. To enable the students to gain knowledge about the Indian Population Poverty line.
4. To make the students understand the Inter-regional disparities in growth and development.

Unit I: Growth and Structural change

Indian Economy at Independence Approaches to Economic growth and its measurement PQLI-HDI-planning, commission and NITI Aayog- Two phases of growth (1950-1990 and 1990 onwards) structural change in Indian Economy - occupation structure Inter-regional disparities in Growth and Development - Sectoral composition of growth – causal factors.

Unit II: Agriculture and Industrial Sector

Performance of agriculture sector, factors determining agricultural growth food inflation agriculture price policy and food security - WTO and the Indian agriculture Industrial Growth before and after reforms – Industrial Policies – Classification of Industries – Index of Industrial Production – Foreign Direct Investment Policy - Issues in performance of public sector enterprises and privatization.

Unit III: Fiscal developments, Finance and External Sector

Expenditure trends - GST: rational and impact - centre - state financial relations - Fiscal Consolidation in India - External sector performance: Emergence of India as major exporter in services, performance of manufacturing sector - Make in India and Start up India scheme - New foreign trade policy.

Unit IV: Poverty and Unemployment

Demographic features of Indian Population - poverty line- poverty estimation in India – multidimensional poverty index - poverty and inequality - PDS - policy options for Reform of PDS-Major poverty Alleviation programmes-Emergence of Informal Sector – In formalisation of Indian Workforce – Government initiative to control unemployment – New employment policy.

Unit V: Social Issues

Gender Dimension of Employment - participation in labour market – Factors influencing the declining trend in female labour force participation - Steps to improve female work participation – Women empowerment in India - Women employed in organized sector.

Course Outcome:

1. To develop knowledge on Issues on performance of public sector enterprises and privatization
2. To critically evaluate the current social economic issues
3. Create the knowledge about the major poverty alleviation programmers
4. Develop the knowledge on Expenditure trends.
5. Acquire knowledge of participation of India in the International Organizations

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Unit-I

Growth and Structural Change

Introduction

Ancient India was prospering in every sector of life. However once the British stepped on the Indian soil, the state of the Indian economy started deteriorating. Every sector of India for example agricultural, Industrial, etc, were exploited. The country failed to produce enough food for people due to declining soil fertility. Even the few industries that India had couldn't manage the economy. The infrastructure was failing and the British rulers were only concerned about their profits. The world war further depleted whatever resources were left. The struggle of the Indians for Independence meant ignoring every other aspect of life. It was the policies of the colonial government that proved to be the final nail in the coffin of the Indian economy. The British decentralized the long functioning cloth production industry of pre-colonial India. This led to the industrial revolution. The revolution started because Indians were forced to import British goods. The Indian industries during British rule started to crumble.

The Pre-Colonial Industrial Sector in India

The Indian cloth manufacturing industry or the handicraft industry was the first industry in India and well established before the British Empire rose in India. The Indian cloth industry was in demand across the world and also highly regarded. The Indian craftsman was applauded for their work across the world. The Indian textile industry was an important urban handicraft industry and the articles made from silk, cotton, and wool were popular both in India and outside the country. These were exported to international countries, and people loved these clothes. Along with the cloth industry, Indians also started to craft objects. The Indian craftsman was known for his work in the metal industry, marble work, stone carvings, leather and tanning industry as well shipbuilding. The industries gained popularity and let Indians make a name for them on the world map. The British, however, tried to dominate and made sure that the popularity of India and its craftsmanship were killed. This continued till the industrial sector on the eve of independence.

Industrial Sector under British Rule

When the British set foot in India, they were looking to crush the industrial phase of India, which at that time was booming. They started to take charge of the clothing industry and also tried to cripple the work of the artisans. The British made a plan to decentralize these industries which were in their flourishing stage. The British tried to achieve two things with decentralization. The export volume from India was made dominant. The raw materials from India were exported directly to Britain. Now where India was once the exporter of manufactured handicraft items, they were now reduced to just being an exporter of raw materials.

Since India was exporting most of its raw materials, there was now very less supply to meet the demand for finished goods in India. Thus India had to turn to the British to meet their daily demands. With no raw materials to make finished goods along with the dependency on the British for finished goods, it also gave birth to large-scale unemployment among the Indians. The colonials, to erase this unemployment, employed the Indians to work in the tea, indigo, jute, and coffee plantations that were owned by the colonials completely. Imports from Britain now met the increase in local demand at the same time. The state of the industrial sector in India was shattered. The decay of the handicraft industry was caused because of the misrule by the British in India. It led to a decline in the Indian handicraft industry. To destroy the Indian handicraft industry, the British had a discriminatory tariff where they allowed free export of the raw material from India to Britain and free import of finished goods from Britain to India. However, for the handicraft products that were exported from India, there was heavy-duty on the export.

The finished goods made in Britain were machine-made, and these were better in quality as well as cheaper than the Indian handicraft products. This caused many to shut their business in India. The British also introduced railways in India during this time that helped to expand their market of industrial goods that were very low priced. This caused a fall in demand for the higher-priced handicraft goods and thus was the downfall of the Indian handicraft industry.

All this led to a drain in Indian wealth. The foreign trade through the British period was because of the large export surplus. The surplus came at a cost and affected the Indian economy. Many essential commodities, like kerosene and food grains, were not available in the domestic market. Also, the surplus was not used for any developmental activity in the country. It was only used to set up and maintain the administrative work of the British. In the second half of the nineteenth century, India started a modern industry though it was at a very slow pace. If you want to name the three industries started in the 19th century in India, then these were the jute, cotton textile and iron and steel industries. The cotton industry was now confined to the west of India, and this was controlled by the Indians. The jute textile industry was operated in the eastern part of India in Bengal, and this was controlled by the British. There were other industries too that were born after the Second World War. These were the cement, paper, iron, and steel industry. It was here that in 1907 the Tata iron and steel company or TISCO was incorporated.

Other Factors

There was a dearth in the capital goods industries in India. These are the industries that produce machines. The machines are then used to make consumer goods. The capital goods industry is essential in any country for manufacturing. There were some establishments in some units, but there remained a void in the textile industry because of the slow development in India. Along with the crush in the capital goods industries in India, there were also operational issues in the public sector. This included power generation, railways, ports, communications, and other departments. One can see the sorry state that the Indian industry sectors were going through under the British Raj. The colonials, on the other hand, took full advantage of the rich geographical diversity of India. They set up many industries like coffee, jute, and tea plantations. The exploitation done by the British was seen in every sector in India. However, the industrial sector was the one that was the most affected.

Agriculture

The British forced Indian farmers to produce cash crops such as Indigo. It was bought from the farmers at cheaper rates and exported to Britain. Cultivating Indigo led to a decline in soil fertility. The administrators were not interested in growing food products in India. The agricultural sector of India was surviving miserably. Lack of technology and dependency on rains for irrigation made the condition even worse. Poor food production made the population of India malnourished and weak.

Employment

Poor economy, low employment rate, and poverty form a vicious cycle that is difficult to break. The condition of the economy of India at the time of independence was not good. It was almost on the verge of collapsing. This coupled with the years of exploitation, two world wars and a sudden government change made the condition of the people living in India even worse. The unemployment rate was extremely high. In every sector, there was a dearth of opportunity and a thousand people willing to work. The agricultural sector was not very advanced and was failing miserably. This led to a decline in job prospects in the industrial sector as well. There was a lack of educated population and even the few people that had degrees, found it difficult to get some work.

Life Expectancy of People

People of any State are considered as a natural resource of that nation. Therefore it is necessary to maintain the health of the people. It is also important to provide education and employment opportunities so that they can prove beneficial to their motherland. India's population at the eve of independence reflected the economic state of the country. The majority of people were not educated. The illiteracy rate was very high. The health care facilities were also not readily available. This coupled with various other factors led to a high mortality rate. A country where people are illiterate and unhealthy reflects poorly on the world map. India was once known as a golden bird. However, it was soon exploited by the British rulers. India under English rule failed to do well in any sector. The agriculture sector was performing poorly. Low rainfall and poor irrigation system were some of the factors that contributed to it. There weren't many industries established in India at that time. People did not focus on education much. All this coupled with unsound infrastructure led to a steep decline in the economy of India. Apart from this, the Second World War also destroyed the Indian economy. Therefore we can safely conclude that the state of the Indian Economy on the Eve of Independence was horrible.

Economic growth

The term economic growth is defined as the process whereby the country's real national and per capita income increases over a long period of time.

Features of economic growth:

Economic Growth implies a process of increase in National Income and Per-Capita Income. The increase in Per-Capita income is the better measure of Economic Growth since it reflects increase in the improvement of living standards of masses. Economic Growth is measured by increase in real National Income and not just the increase in money income or the nominal national income. In other words the increase should be in terms of increase of output of goods and services, and not due to a mere increase in the market prices of existing goods.

Increase in Real Income should be Over a Long Period:

The increase of real national income and per-capita income should be sustained over a long period of time. The short-run seasonal or temporary increases in income should not be confused with economic growth.

Increase in income should be based on Increase in Productive Capacity:

Increase in Income can be sustained only when this increase results from some durable increase in productive capacity of the economy like modernization or use of new technology in production, strengthening of infrastructure like transport network, improved electricity generation etc.

Measuring Economic Growth and Development

As economic growth and economic development work on different areas of the economy, their respective progress is measured in different ways. Measuring economic growth and development comes with unique criteria for each. Below, we explore how each process is measured to determine accurate results and measuring the growth of an economy, as well as how to measure the intangible factors that are related to economic development.

Measuring Economic Growth: GDP

The Gross Domestic Product (GDP) is a measure of the market value of goods and services provided by a country over a period of time, often one year or one quarter. The GDP is calculated by estimating the gross output of goods and services by the country, and subtracting the intermediate consumption. Growth is not indicated by the GDP itself, but rather growth is determined by the percentage in increase of the GDP from one time period to another. Just measuring nominal GDP does not take into account income made by foreigners in a country or income made by citizens in other countries. For this purpose, the measurement of Gross National Product (GNP, or Gross National Income, GNI) can be used instead to account for money made by citizens abroad and not accidentally including money that was not earned by a country's citizens. GDP also does not serve as the best system in order to compare factors such as cost of living for each country. It also doesn't measure the distribution of wealth per capita. When comparing GDP rates, it is important to adjust for inflation in order to get an accurate percentage rate of growth.

Measuring Economic Development: HDI

The United Nations Development Programme (UNDP) often publishes their measurement of human development in their Human Development Report. The report acquires its calculations by utilizing the Human Development Index (HDI). The HDI was first devised in 1990 as a means of shifting the focus from purely income to human-centric economics. In 2010, a revised HDI was developed to account for inequality in a country. This is sometimes referred to as an IHDI, or the Inequality-adjusted Human Development Index, and is considered far more accurate than the initial HDI, though some still find the old formula useful in some applications. The HDI takes several different factors into consideration to provide some measure on the social and economic development of a population.

The four main criteria used to determine the HDI are:

- Life expectancy at birth
- Mean years of schooling
- Expected years of schooling
- Gross National Income at purchasing power parity per capita

Older versions of the HDI took slightly different variables into consideration, such as the adult literacy rates. The newer Inequality-adjusted index factors this in by means of expected years of schooling. Instead of simply using the nominal GDP, using GDP per capita allows for a clearer picture of wealth distribution and standard of living among the country's population. To even out exchange rates between countries for basis of comparison, money is converted to PPP dollars, or purchasing power parity. Efforts in economic development will affect the standard of living in one of these four ways, which will cause the numbers to shift over time.

Physical Quality of Life Index (PQLI)

The Physical Quality of Life Index (PQLI) was developed for Overseas Development Council in the mid-1970s by Morris David Morris. It was created due to dissatisfaction with the use of GNP as an indicator of development. The Physical Quality of Life Index measures the quality of life or well-being of a country based on three variables- basic literacy rate, infant mortality, and life expectancy at age one. All equally weighted on a 0 to 100 scale. PQLI might be regarded as an improvement but it also shares the general problems of measuring quality of life in a quantitative way. It has also been criticized because there is considerable overlap between infant mortality and life expectancy. The UN Human Development Index is a more widely used means of measuring well-being.

Human development indices

Economists have tried to measure social indicators of basic needs by taking one, two or more indicators for constructing composite indices of human development. We study below the Physical Quality of Life Index (PQLI) of Morris and the Human Development Index (HDI) as developed by the United Nations Development Programme (UNDP).

1. Physical Quality of Life Index (PQLI)

The Physical Quality of Life Index was the most serious challenge to GNP per capita as the index of development. It was invented by M.D. Morris in 1979. He constructed a composite Physical Quality of Life Index (PQLI) relating to 23 developing countries for a comparative study. He combined three component indicators to measure performance in meeting the most basic needs of the people.

These are: Infant Mortality Rate, Life Expectancy at Age One, Basic Literacy Rate. This index represents a wide range of indicators such as health, education, 6 drinking water, nutrition and sanitation.

The PQLI shows improvement in the quality of life when people enjoy the fruits of economic progress with increase in life expectancy (LE), fall in infant mortality rate (IMR) and rise in basic literacy rate (BLR). Each indicator of the three components is placed on a scale of zero to 100 where zero represents an absolutely defined worst performance and 100 represents an absolutely defined best performance. The PQLI index is calculated by averaging the three indicators giving equal weight to each and the index is also scaled from 0 to 100. If the indicators of life expectancy and basic literacy rate are positive, the best performance is shown as the maximum and the worst as the minimum. Infant mortality rate being a negative indicator, for this the best indicator is shown as the minimum and the worst as the maximum. To find out the achievement level of the positive variable, its minimum value is deducted from its actual value and the balance is divided by the difference (range) between maximum value and minimum value i. e. To find out the achievement level for a negative indicator, its actual value is deducted from its maximum value and the balance is divided by the difference (range) between maximum value and minimum value i.e. for life expectancy and infant mortality rate, there is no natural maximum and minimum value. But there is need to select the right values.

According to Morris, each of the three indicators measures results and not inputs such as income. Each is sensitive to distribution effects. It means that an improvement in these indicators signifies an increase in the proportion of people benefiting from them. But none of the indicators depends on any particular level 7 of development. Each indicator lends itself to international comparison. Taking Gabon's infant mortality rate of 229 per thousand live births as the worst rate in 1950, Morris sets it at 0. At the upper end, the best achievement is set at 9 per thousand for the year 2000. Again, taking Vietnam's life expectancy at age one as 38 years in 1950, Morris sets it at 0 of the life expectancy index. The upper limit is set at 77 years for men and women combined for the year 2000. Lastly, the basic literacy rate at 15 years is taken as the literacy index.

1. Maximum and Minimum Values of Component Indicators:

Dimension Maximum Minimum Range Infant Mortality Rate 229 9 220 Life Expectancy at Age One 77 38 39 Basic Literacy Rate 180 0 100 One this basis, Morris presents the following correlation: (N = 150) Infant Mortality Rate Life Expectancy Life Expectancy at Age One –0.919 Literacy Rate –0.919 – + 0.897. The coefficient of correlation between life expectancy at age one and infant mortality is of a high degree and negative. Similar is the correlation between literacy and infant mortality rate i.e., with literacy the infant mortality rate declines. The coefficient between literacy and life expectancy shows a high degree of positive correlation i.e., with literacy, the life expectancy also increases. Morris regards life expectancy at age one and infant mortality rate as very good indicators of the physical quality of life. So are literacy and life expectancy. In fact, the literacy indicator reflects the potential for development. The PQLI performance and GNP per capita of two LDCs and two developed countries.

2. PQLI Performance and GNP Per Capita Growth Rate Source:

Morris D. Morris and M.B. Mc Alpin, Measuring the Conditions of India's Poor, 1982. The above table reveals that India which Morris calls a "basket case" exhibited slow but not insignificant improvement in its PQLI from 14 to 40 over a period of two decades from, 1950 to 1970, despite its low growth in average GNP per capita of 1.8. On the other hand, Sri Lanka's PQLI was much higher than India's during this period, though its average GNP per capita was almost the same. Of the two developed countries, both Italy and USA had very high PQLI. But Italy's average GNP per capita was more than double the USA. In this connection, Morris observes that here is no automatic link between GNP per capita and PQLI. In fact, the presence or absence of social relations, nutritional status, public health, education and family environment determine a society's PQLI. Further, it takes considerable time to build institutional arrangements that can generate and sustain a high PQLI.

Limitations: The PQLI tries to measure "quality of life" directly rather than indirectly. But it has its limitations.

1. Morris admits that PQLI is a limited measure of basic needs.
2. It supplements but does not supplant the GNP. It fails to dislodge GNP from its lofty perch.
3. It does not explain the changing structure of economic and social organization. It, therefore, does not measure economic development.
4. Similarly, it does not measure total welfare.
5. Morris has been criticized for using equal weights for the three variables of his PQLI which undermine the value of the index in a comparative analysis of different countries.

According to Meier, "Non-income factors captured by the PQLI are important, but so are income and consumption statistics and distribution sensitive methods of aggregation that are ignored by it."

Conclusion:

Despite these limitations, the PQLI can be used to identify particular regions of underdevelopment and groups of society suffering from the neglect or failure of social policy. It points towards that indicator where immediate action is required. The state can take up such policies which increase the PQLI rapidly along with economic growth.

Construction of PQLI:

On the basis of the values of the component indicators can construct the PQLI on the basis of the three indices in the following manner: We calculate the PQLI for India on the basis of 2001 Census data for these variables: IMR = 67, LE = 65 years, and BL =65%. 10 Thus the Physical Quality of Life Index for India in 2001 was 0.69. Human development index (HDI) human development index (old), 1990-2009: Mahbub-Ul-Haq invented the Human Development Index and UNDP incorporated it into its first

Human Development Report in 1990. Since then, the UNDP has been presenting the measurement of human development in its annual report. The HDI is a composite index of three social indicators: life expectancy, adult literacy and years of schooling. It also takes into account real GDP per capita. Thus, the HDI is a composite index of achievements in three fundamental dimensions: living a long and healthy life, being educated and having decent standard of living.

The HDI value of a country is calculated by taking three indicators:

1. Longevity, as measured by life expectancy at birth.
2. Educational attainment, as measured by a combination of adult literacy (two-thirds weight) and combined primary, secondary and tertiary enrolment ratio (one-third weight).
3. Decent standard of living, as measured by real GDP per capita based on purchasing power parity in terms of dollar (PPP$).

HDI calculation:

1. Life Expectancy Index,
2. Education Index and
3. GDP Index.

To calculate these indices, minimum and maximum values or goal posts are chosen for each indicator as 3: Goalposts for Calculating the HDI (OLD, 1990-2009) Indicator Max. Value Min Value Life Expectancy at Birth (yrs) 85 25 Adult Literary Rate (%) 100 0 Combined Gross Enrolment Ratio (%) 100 0 GDP Per Capita (PPP US$) 40,000 100 Performance in each dimension is expressed as a value between 0 and 1 by applying 11 the following formula: The HDI is then calculated as a simple average of the three dimension indices. The HDI value for each country indicates the distance it has travelled towards the maximum possible value of 1 and how far it has to go to attain certain defined goals: an average life span of 85 years, access to education for all.

The HDI ranks countries in relation to each other. A country's HDI rank is within the world distribution i.e., it is based on its HDI value in relation to each developed and developing country for which the particular country has travelled from the minimum HDI value of 0 towards the maximum HDI value of 1. Countries with an HDI value below 0.5 are considered to have a low level of human development, those between 0.5 to 0.8 a medium level and those above 0.8 a high level. In the HDI, countries are also ranked by their GDP per capita. The Human Development Report, 2004 presented the HDI values, HDI rank, and real GDP per capita ranks for the year 2002 relating to 177 developed and developing countries. The HDI values and HDI ranks for some of the countries, Human Development Index for Selected Countries, 2002 (Based on OLD calculation) HDI rank

High Human Development

Norway 0.956 1 1 Australia 0.946 3 9 USA 0.939 8-4 Japan 0.938 9 6 United Kingdom 0.936 12 8 France 0.932 16 0 Costa Rica 0.834 45 14 2.

Medium Human Development

Russian Federation 0.795 57 3 Malaysia 0.793 59 -2 Mauritius 0.785 64 -15 China 0.745 94 5 Sri Lanka 0.740 96 16 India 0.595 127 -10 Bhutan 0.536 134 0 Nepal 0.504 140 11 3.

Low Human Development

Pakistan 0.497 142 -7 Uganda 0.493 146 4 Zimbabwe 0.491 147 -25 Kenya 0.488 148 11 Nigeria 0.466 151 Tanzania 0.407 162 15 Zambia 0.389 164 3. Of the 177 countries for which the HDI was calculated, 55 were in the high development category (with an HDI value of 0.80 or more); 86 in medium category (0.5 to 0.79); and 36 in the low category (less than 0.50), Norway, Australia and USA led the HDI 13 rankings in the high HD category. In the medium category, Bulgaria led with HDI rank of 56, Sri Lanka 96, India, 127, Bhutan 134, Bangladesh 138, and Nepal 140. In the Low category, Pakistan led with 142 ranks, Uganda 146, Zimbabwe 147, Nigeria 151, Tanzania 162 and Zambia 164.

Thus the DHI reveals wide disparities in global human development. For instance, Norway’s HDI value of 0.956 was more than three times of Sierra Leone’s of 0.273 which was at the bottom. The HDI reveals that countries can have similar GDP per capita levels but different HDI values or similar HDI values but very different GDP per capita levels. Thus the HDI ranking of countries differ significantly from their ranking by GDP per capita. Countries whose GDP rank is higher than their HDI rank have considerable potential for distributing the benefits of higher incomes more equitably. But they have been less successful in channelizing economic prosperity into better lives from their people. Of the 177 counties in 2002, there were 71 such countries who are HDI rank was lower than their GDP per capita ranked. Prominent among them were Algeria (–103), India (–10), USA (–4), Pakistan (–7) and Zimbabwe (– 25).

On the other hand, countries whose HDI rank is higher than their GDP rank, suggest that they have effectively made use of their incomes to improve the lives of their people. There were 106 such countries in 2002. Prominent among them were Cuba (39) and Tajikistan (45). It is said that the DHI led to the dethronement of GDP per capita. As a matter of fact, these two concepts do not measure the same thing. The HDI tries to measure the level of human capabilities, the set of choices available to people. On the other hand, GNP per capita is an indicator of well being, utility or welfare, the subjective enjoyment people get from consumption. Thus the HDI is an alternative measure of development. It supplements rather than supplants GNP per capita measure of development and provides different information from GNP per capita.

Limitations:

The HDI is not free from certain limitations.

1. It is a crude index which attempts to catch in one simple number a complex reality about human development and deprivation, according to Prof. Amartya Sen.
2. The three indicators are not the only indicators of human development. There can be others like infant mortality, nutrition, etc.
3. The HDI measures relative rather than absolute human development so that if all countries improve their HDI value at the same weighted rate. The low human countries will not get recognition for their improvement.
4. The weighting scheme for calculating the four components of HDI seems arbitrary. 5. Even giving equal (1/3rd) weight to each of the very different three indices for calculating the HDI is arbitrary. To the extent one component index has a different variance than another, equal weights seem unsatisfactory and unjustified.

5. A country having high HDI may shift the focus from the high inequality, unemployment and poverty found within it.

Conclusion:

Despite these weaknesses, by measuring average achievements in health, education and income, the HDI provides a better picture of the state of a country's development than its income alone.

Construction of human development index

The HDI is based on three indicators: longevity, as measured by life expectancy at birth; educational attainment, as measured by a combination of adult literacy (two-thirds weight) and combined primary, secondary and tertiary enrolment ratios (one-third weight); and standard of living, as measured by real per capita (PPP$). For the construction of the index, fixed minimum and maximum values have been set for each of these indicators:

(i) Life expectancy at birth: 25 years and 85 years for calculating the Life expectancy Index. (ii) Adult literacy: 0% and 100% for calculating the education Index. (iii) Combined gross enrolment ratio (0% and 100%) 15 (iv) Real GDP per capita (PPP$): $100 and $40,000 (PPP US$) for calculating GDP Index. For any component of the HDI, individual indices can be computed by applying the formula:

a. **Life Expectancy Index:** It the life expectancy at birth of a country is 78 years, then the life expectancy index for that country would be
b. **Education Index:** The education Index is the combination of adult literacy index and gross enrolment index. If the adult literacy rate of this country is 92, then its adult literacy index would be if the combined gross enrolment in this country is 60, then its gross enrolment index would be
c. **GDP Index:** The GDP per capita (PPPUS$) of this country is $8,840, then the GDP index would be 16
d. **Human Development Index:**

   The HDI is a simple average of the Life Expectancy Index, Education Index and adjusted GDP per capita (PPP$) Index. It is derived by dividing the sum of these three indices by 3, this country comes under the category of high human development. Human Development of Index (New HDI, 2010 onwards):

In October 2010, the United Nations Development Program (UNDP) disseminated the revised methodology of the Human Development Index (HDI) and added three indices, namely, Inequality in Human Development Index (IHDI), the Gender Inequality Index (GII) and the Multi-dimensional Poverty Index (MPI) to the family of human development indices. These changes were justified on grounds of measuring deprivation, poverty and inequality in the state of human development within and across countries. Here a comparison is made in the estimated HDI using the old and new (revised) methodology.

The Planning Commission

The Planning Commission, although no longer active (since it was replaced by the NITI Aayog), was an important feature of policymaking and governance in India. Planning Commission Dissolution Though it played a vital role in India's emergence from a beaten country during the days of the Raj to an independent nation with ambitious developmental goals; the Commission has often been accused of being a soviet-styled bureaucratic body that stifled economic growth. In 2012, the commission received flak for spending about Rs.35 lakhs for renovating two toilets and then suggesting that the country's citizens who spent more than Rs.27 per day were not poor. In 2014, it was replaced by NITI Aayog, a more robust organisation. It is more like a think-tank that works with stakeholders for developing the country.

Background Planning Commission of India was an organization in the Government of India, which formulated India's Five-Year Plans, among other functions. The planning commission was charged with the service of the opportunities to all for employment in the service of the community. The Planning Commission was reporting directly to the Prime Minister of India. It was established on 15 March 1950, with Prime Minister Jawaharlal Nehru as the chairman. The Planning Commission did not derive its creation from either the Constitution or statute but was an arm of the Central/Union Government. The Planning Commission was set up by a Resolution of the

Government of India in March 15, 1950. The prime objectives of the Government were to propel a rapid increase in the living standard of Indians by the productive exploitation of the country's resources, raising production and securing opportunities for everyone for employment in the service of society. The Planning Commission was assigned the responsibility of assessing all the resources of the country, enhancing scarce resources, drafting plans for the most productive and balanced usage of resources and ascertaining priorities.

Pandit Nehru was the first Chairman of the Planning Commission. The first Five-year Plan was launched in 1951 and subsequent Five-year plans were formulated till 1965 when a gap occurred due to the war with Pakistan. 2 consecutive years of drought, rupee devaluation, a general hike in prices and depletion of resources derailed the planning process and after Annual Plans from 1966 to 1969, the 4th Five-year plan was started in 1969. The 8th Plan could not be launched in 1990 due to political situations altering and instabilities at the Centre and the years 1990-91 and 1991-92 received Annual Plans. The 8th Plan was finally kicked off in 1992 after the economic liberalization policies were started by the government. For the first 8 Plans, the focus was on an expanding public sector with massive investments in the heavy and basic industrial sector, but after the launch of the 9th Plan in 1997, the emphasis has shifted from heavy industries and moved on to the thinking that planning should largely be indicative in nature.

Planning Commission Functions

The 1950 resolution setting up the Planning Commission outlined its functions as the following: Make an evaluation of the capital, material and the human resources of the nation, including technical personnel, and study the possibilities of enhancing these resources for building up the nation; Draft a Plan for the most balanced and effective usage of the country's resources; Define the stages in which the Plan should be implemented and put forward the allocation of resources for the completion of every stage; Specify the factors that hamper economic development, and ascertain the conditions which, in view of the prevailing social and political situation, should be set up for the triumphant implementation of the Plan, Determine the kind of machinery required for obtaining the successful execution of each stage of the Plan in all its aspects; Regularly appraise the progress achieved in the implementation of all stages of the Plan and propose the rectifications or recommendations of policy and measures that such appraisal may deem necessary.

Make such interim or ancillary recommendations either for enabling the discharge of the duties assigned to it or on a consideration of the existing economic conditions, current policies, measures and development programme or on a study of such specific problems which the Central or State Governments can refer to it.

Composition of Planning Commission

The Prime Minister was the Chairman of the Planning Commission, which used to work under the overall guidance of the National Development Council.

The Deputy Chairman and the full-time members of the Commission, as a composite body, provided advice and guidance to the subject Divisions for the formulation of Five Year Plans, Annual Plans, State Plans, Monitoring Plan Programmes, Projects and Schemes. Members of the Planning Commission Chairman – Prime Minister; presided over the meetings of the Commission Deputy Chairman – de facto executive head (full-time functional head); Was responsible for the formulation and submission of the draft Five-Year Plan to the Central cabinet. Was appointed by the Central cabinet for a fixed tenure and enjoyed the rank of a cabinet minister. Could attend cabinet meetings without the right to vote. Part-time members – Some central ministers Ex-officio members – Finance Minister and Planning Minister.

Planning Commission vs NITI Aayog Parameter Planning Commission NITI Aayog Members Full-time: 8 full-time members Part-time: No provision as such for part-time members Full-time: Fewer full-time members Part-time: Depends on the need Financial Clout Could allocate funds to ministries and state governments Is a think tank and advisory body Role of the State's Role limited to the NDC and the annual interaction during the

Plan meetings State governments play a more significant role Secretaries or member secretaries were appointments through the usual process Secretaries will be called CEO and be appointed by the Prime Minister Policy formation Policies were formed by the Commission after which states were consulted about fund allocation Consulting would be done while the policy is being formulated Power to allocate funds Had the power to allocate funds No power to allocate funds Policy imposition Imposed policies on states No power to impose policies.

Regional Disparity in India

In India 'region' means a state or district or union territory. Regional imbalances may be inter-state or intrastate. Regional imbalances or disparities means wide differences in per capita income, literacy rates, health and education services, levels of industrialization, infrastructural facilities etc. between different regions. Regions may be either States or regions within a State. Regional Disparities/Imbalances It refers to difference in economic development and uneven economic achievement in different geographical regions. It is reflected by the indicators like per capita income, the proportion of population living below the poverty line, the percentage of urban population, and percentage of population engaged in agriculture vis-à-vis engaged in industries, infrastructural development of different states. The co-existence of relatively developed & economically depressed states and even regions within each state is known as regional Disparity or regional imbalance. or In general regional disparities or imbalances we meant wide differences in per capita income, literacy rates, availability of health and education services, levels of industrialisation, infra structural facilities etc between different regions.

(i) Natural Regional Imbalances: These are the imbalances in inter regional or intraregional development due to unequal distribution of natural resources by the nature. Each region is different from the other region in respect of natural resources, water capacity, forest etc.

(ii) Man Made Regional Imbalances: There may be some regions where more efforts have been made for development by giving preference for investment and other development efforts like – subsidies, grants, special status etc.

Types of Disparities/Imbalances

1. Global Disparity (Disparity between Nations)
2. Inter-State Disparity (Disparity between States)
3. Intra-State Disparity (Disparity within States)
4. Rural-Urban Disparity (Disparity between Rural & Urban)

1. Historical Factors:

Regional imbalances in India started from its British regime. British industrialists mostly preferred to concentrate their activities in two states like West Bengal and Maharashtra and more particularly to three cities like Calcutta, Bombay and Madras and neglecting the rest of the country to remain backward. The uneven pattern of investment had resulted in uneven growth of some areas keeping other areas neglected.

2. Geographical Factors:

Geographical factors play an important role in the developmental activities of a developing economy. Adverse climate and floods are also responsible factors for poor rate of economic development of different regions of the country which is shown by low productivity and lack of industrialization. Natural factors resulted in uneven growth of different regions of India.

3. Locational Advantage:

Due to some locational advantages, some regions are getting special favour in respect of site selections of various developmental projects. Regional imbalances arise due to such locational advantages accrue to some regions and the locational disadvantages to some other regions.

4. Inadequacy of Economic Overheads:

Economic overheads like transport and communication facilities, power, technology and insurance etc. are considered very important for the development of a particular region. Due to adequacy of such economic overheads, some regions are getting a special favour in respect of settlement of some developmental projects whereas due to inadequacy of such economic overheads some regions of the country i.e. North-Eastern region, Himachal Pradesh, Bihar etc. remained much backward.

5. Failure of Planning Mechanism:

Although balanced growth has been accepted as one of the major objectives of economic planning in India, since, it did not make much headway in achieving this object. In fact planning enlarged the disparity among states. In respect of allocating plan outlay developed states get much favour than less developed states. Due to such divergent trend, imbalance between the different states in India has been continuously widening, in spite of framing achievement of regional balance as one of the important objective of economic planning in the country.

6. Lack of Growth of Ancillary Industries in Backward States:

The Government of India has been following a decentralised approach for the development of backward regions through its investment programmes on public sector industrial enterprises located in backward areas like Rourkela, Barauni, Bhilai etc. But due to lack of growth of ancillary industries in these areas, these areas remained backward in spite of huge investment by the centre.

7. Lack of Motivation on the Part of Backward States:

Growing regional imbalances in India have also resulted from lack of motivation on the part of the backward states or industrial development while the developed states like Maharashtra, Punjab, Haryana, Gujarat, Tamil Nadu etc. are trying to attain further industrial development, but the backward states have been showing their interest on political interferences and manipulations instead of industrial development.

8. Political Instability:

Political instability in the form of instable Government, law and order problem etc. have been obstructing the flow of investment into these backward regions besides making flight of capital from these backward states. Thus this political instability prevailing in some backward regions of the country are standing as a hurdle in the path of development of these regions.

Indicators of Regional Imbalances in India

1. State per Capita Income:

States like Punjab, Haryana, Maharashtra, Gujarat, Karnataka, Tamil Nadu and Kerala have achieved higher per capita income when compared with Orissa, Bihar, M.P, UP, Assam and Rajasthan. In 2016, Delhi's per capita income stood at Rs. 2, 01,083 as compared to Bihar's Rs. 22,890. PCI for 6 Indian states is not available, including Gujarat, Kerala, Mizoram, Chandigarh, Rajasthan and Goa. In 2012, Goa had the highest Per Capita Income followed by Delhi.

2. Inter - State Disparities in Agricultural and Industrial Development:

Punjab, Haryana and part of U. P has recorded high rate of productivity due to its high proportion of irrigated area and higher level of fertilizer use. On the other hand, states like Assam. Bihar, Orissa and part of U.P. have been lagging behind in respect of the pace of industrialization.

3. Intra-State imbalance:

There is a growing tendency among most of the advanced states concentrate its development activities towards relatively more developed urban and metro cities of the states while allocating its industrial and infrastructural projects by neglecting the backward areas.

4. Spatial Distribution of Industries:

States like Punjab, Haryana, Maharashtra, Gujarat, Kerala, and Karnataka have achieved considerable development in its industrial sector. But West Bengal could not keep pace in its industrial growth as much as other industrially developed states.

5. Population below poverty line:

The high rural poverty can be attributed to lower farm incomes due to subsistence agriculture, lack of sustainable livelihoods in rural areas, impact of rise in prices of food products on rural incomes, lack of skills, underemployment and unemployment. Total poverty (Rural & Urban) is more in M.P, Assam, Odisha, Arunachal Pradesh, Manipur, Jharkhand and Chhattisgarh.

6. Degree of Urbanization:

In respect of urbanization the percentage of urban population to total population is an important indicator. The all India percentage share of urban population stands at 27.81% in 2001 and 31.6 in 2011.

7. Per Capita Consumption of Electricity:

Punjab, Gujarat, Haryana, Maharashtra etc., having higher degree of industrialization and mechanization of agriculture, have recorded a higher per capita consumption of electricity than the economically backward states like Assam, Bihar, Orissa, Madhya Pradesh and Uttar Pradesh.

8. Employment Pattern:

Rajasthan etc. Maharashtra, Gujarat, Haryana, Punjab, Tamil Nadu and West Bengal are maintaining a higher average daily employment of factory workers per lakh of population as compared to that of lower average maintained in industrially backward states like Assam, Orissa and Uttar Pradesh

9. Foreign Direct Investment:

High FDI States: Maharashtra, Dadra nagar Haveli, Daman & Div, Delhi, Haryana, Tamil nadu, Pondicherry, Karnataka, Gujarat, Andhra Pradesh. Medium FDI States: West Bengal, Sikkim, Andaman & Nikobar islands, Rajasthan, Chandhighadh, Punjab, Haryana, Himachal Pradesh, Madhya Pradesh, Chatiishghadh, Kerala and Lakshadweep. Low FDI States: Goa, Orissa, UP, Uttaranchal, Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, Bihar and Jharkhand.

10. Human Development Index:

It is a composite statistic of life expectancy, education, and income per capita indicators. It is also an important indicator of regional disparities. Kerala, Delhi, H.P, Goa, Punjab are very highly developed. NE (excluding Assam), Tamilnadu, Haryana, J&K, Gujarat, Karnataka are highly developed. West Bengal, Uttarakhand, Andhra Pradesh, Assam, Rajasthan are medium developed. UP, Jharkhand. M.P, Bihar, Chhattisgarh are low developed, which clearly shows regional imbalances between the States in India.

Consequences of Regional Imbalances

1. Inter-States and Intra State Agitations:

Uneven regional development or regional imbalances lead to several agitations with in a State or between the States. The erstwhile combined State of Andhra Pradesh can be sited as the best example of the consequences of intra-state regional imbalance in terms of development. According to HDI (2005-06), Telangana Region had only 3 districts namely Hyderabad, Ranga Reddy and Karimnagar with in 10 HDI Ranks. Whereas, Seemaandhra Region had 6 districts (i.e. double the districts than the Telangana had with in 10 HDI Ranks), namely Krishna, Guntur, Nellore, Chittore, West Godavari, and Kadapa. There were several agitations for separate Telangana State for several decades from 1969-2014 finally it was formed as a separate State on 2-06-2014 as 29th State of India. Still now and then, there are agitations for separate Vidhrbha State in Maharashtra and Bodoland movement in Assam for separate Bodo State for Bodos.

2. Migration:

Migration takes from backward areas to the developed areas in search of livelihood. For example, migration from rural to urban. Because, urban areas will provide better quality of life and more job opportunities when compared to rural.

3. Social Unrest:

Differences in prosperity and development leads to friction between different sections of the society causing social unrest. For example Naxalism. Naxalites in India function in areas which have been neglected for long time for want of development and economic prosperity.

4. Pollution:

Centralization of industrial development at one place leads to air, sound and water pollution.

5. Housing & Water Problem:

Establishment of several industries at one place leads to shortage of houses as a result rental charges will increase abnormally. For example, Mumbai, New Delhi, Chennai and Hyderabad and over population leads to water crisis.

6. Frustration among Rural Youth:

In the absence of employment opportunities in rural and backward areas leads to frustration especially among educated youth.

7. Under-Developed Infrastructure:

Rural and backward areas do not have 24 hours power, proper houses, safe drinking water, sanitation, hospitals, doctors, telephone and internet facilities.

8. Aggregation of the imbalance:

Once an area is prosperous and has adequate infrastructure for development, more investments pour-in neglecting the less developed regions. So an area which is already prosperous develops further. For examples, the rate of growth of the metropolitan cities like Mumbai, Delhi, Kolkata, Chennai, Bangalore and Hyderabad is higher compared to other metro cities of India.

Sectors of Indian Economy

Introduction

India is the fastest growing large economy in the world, with an enormous population, favourable demographics and high catch-up potential due to low initial GDP per head. As per the World Bank data, in 2017, India became the sixth largest economy with a GDP of USD 2.59 trillion, relegating France to the seventh position. India is likely to surpass the United Kingdom in the world's largest economy rankings in 2019, according to a report by global consultancy firm PwC. According to World Economic Outlook report of IMF, India's economy is expected to grow by 7.5 per cent in the 2019-20 fiscal years, keeping an upward trajectory as the rest of the world slumps.

According to report "India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease," the report said. As per Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation (MOSPI), the growth in GDP during 2018-19 is estimated at 7.2 percent as compared to the growth rate of 6.7 per cent in 2017-18. Economic activities result in the production of goods and services while sectors are the group of economic activities classified on the basis of some criteria. The Indian economy can be classified into various sectors on the basis of ownership, working conditions and the nature of the activities.

All economic activity was in the primary sector during early civilisation. After the surplus production of food, people's need for other products increased which led to the development of the secondary sector. The growth of secondary sector spread its influence during the industrial revolution in the nineteenth century. A support system was needed to facilitate the industrial activity. Certain sectors like transport and finance played an important role in supporting the industrial activity.

Primary Sector

In Primary sector of economy, activities are undertaken by directly using natural resources. Agriculture, Mining, Fishing, Forestry, Dairy etc. are some examples of this sector. It is called so because it forms the base for all other products. Since most of the natural products we get are from agriculture, dairy, forestry, fishing, it is also called Agriculture and allied sector. People engaged in primary activities are called red-collar workers due to the outdoor nature of their work.

Secondary Sector

It includes the industries where finished products are made from natural materials produced in the primary sector. Industrial production, cotton fabric, sugar cane production etc. activities comes under this sector. Hence it's the part of a country's economy that manufactures goods, rather than producing raw materials. Since this sector is associated with different kinds of industries, it is also called industrial sector. People engaged in secondary activities are called blue collar workers.

Examples of manufacturing sector:

Small workshops producing pots, artisan production, Mills producing textiles, Factories producing steel, chemicals, plastic, car, Food production such as brewing plants, and food processing and Oil refinery.

Core Industries

Eight Core Industries are Electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilizers. The Index of Eight Core

Industries is a monthly production index, which is also considered as a lead indicator of the monthly industrial performance. The Index of Eight Core Industries is compiled based on the monthly production information received from the Source Agencies.

Tertiary Sector/Service Sector

This sector’s activities help in the development of the primary and secondary sectors. By itself, economic activities in tertiary sector do not produce goods but they are an aid or a support for the production. Goods transported by trucks or trains, banking, insurance, finance etc. come under the sector. It provides the value addition to a product same as secondary sector. This sector jobs are called white collar jobs.

Pink Collar Worker

Pink-collar worker is one who is employed in a job that is traditionally considered to be women's work. The term pink-collar worker was used to distinguish female-orientated jobs from the blue-collar worker, a worker in manual labour, and the white-collar worker, a professional or educated worker in office positions. A pink collar worker need not require as much professional training as white-collar professions. They do not get equal pay or prestige. A pink collar worker is usually a woman. Men rarely work in pink collar jobs. Some examples of pink collar occupations are baby sitter, florist, day care worker, nurses etc. Lately, the pink collar worker is educated or trained. Pink collar workers are educated through training seminars or classes and they have to continue to strive for advancement in their careers. Today, women have more opportunities in traditionally male white-collar jobs and men work in traditionally female pink-collar jobs.

Sunrise Industry

Sunrise industry is a term used for a sector that is just in its infancy but shows promise of a rapid boom. The industry is typically characterized by high growth rates, high degree of innovation and generally has plenty of public awareness about the sector and investors get attracted to its long-term growth prospects. On the other hand Sunrise industry rapid emergence may threaten a competing industry sector that is already in decline. Because of its dim long-term prospects, such an industry is referred to as a sunset industry. Existing Indian sectors that can be termed as Sunrise sectors and likely to hold us in good stead in the future in terms of employment generation and business growth are:

1. Information Technology
2. Telecom Sector
3. Healthcare
4. Infrastructure Sector
5. Retail Sector
6. Food Processing Industries
7. Fisheries

India shift from primary sector to services sector and not secondary sector

The natural economic movement of a country goes from agrarian economy to an industrial economy to a service economy but India has leapfrogged from an agrarian economy to a service economy. One remarkable feature of India's recent growth is diversification into services, with the services sector dominating GDP. India's success in software and IT-enables serviced (ITeS) exports has made it a significant services exporter with its share in world services exports rising from 0.6 per cent in 1990 to 3.3 per cent in 2013. Well educated and immense human resources, Fluency in English and availability of cheap labour are other reasons for rapid growth of service sector in the country.

On the other hand low growth in Secondary sector can be attributed to:

1. The license Raj
2. Restrictions on foreign investment
3. Lack of measures to promote private industry
4. Power Deficit
5. Stringent Labour laws
6. Lack of skilled labour
7. Delays in Land Acquisition and environmental clearances
8. Import of cheap manufactured goods etc.

Though India ranks low in terms of per capita income, its share of services in GDP is approaching the global average. Interestingly, however, the contribution of services to employment was significantly lower than the world average. The manufacturing sector tends to be labour intensive, hence renewed emphasis on the manufacturing through programmes like 'Make in India' will serve to correct this anomaly and raise employment in proportion with growth in GDP.

Quaternary Activities

These are specialized tertiary activities in the 'Knowledge Sector' which demands a separate classification. The quaternary sector is the intellectual aspect of the economy. It is the process which enables entrepreneurs to innovate and improve the quality of services offered in the economy. Personnel working in office buildings, elementary schools and university classrooms, hospitals and doctors' offices, theatres, accounting and brokerage firms all belong to this category of services. Like other tertiary functions, quaternary activities can also be outsourced.

Quinary Activities

The quinary sector is the part of the economy where the top-level decisions are made. This includes the government which passes legislation. It also comprises the top decision-makers in industry, commerce and also the education sector. These are services that focus on the creation, re-arrangement and interpretation of new and existing ideas; data interpretation and the use and evaluation of new technologies. Profession under this category often referred as 'gold collar' professions, they represent another subdivision of the tertiary sector representing special and highly paid skills of senior business executives, government officials, research scientists, financial and legal consultants, etc.

Organised Sector

In this sector, employment terms are fixed and regular, and the employees get assured work and social security. It can also be defined as a sector, which is registered with the government and a number of acts apply to the enterprises. Schools and hospitals are covered under the organised sector. Workers in the organised sector enjoy security of employment. They are expected to work only a fixed number of hours. If they work more, they have to be paid overtime by the employer.

Unorganised Sector

An unorganised worker is a home-based worker or a self-employed worker or a wage worker in the unorganized sector and includes a worker in the organized sector who is not covered by any of the Acts pertaining to welfare Schemes as mentioned in Schedule-II of Unorganized Workers Social Security Act, 2008. In this sector wage-paid labour is largely non-unionised due to casual and seasonal nature of employment and scattered location of enterprises. The sector is marked by low incomes, unstable and irregular employment, and lack of protection either from legislation or trade unions.

The unorganised sector uses mainly labour intensive and indigenous technology. The workers in unorganised sector are so scattered that the implementation of the Legislation is very inadequate and ineffective. There are hardly any unions in this sector to act as watch-dogs. But the contributions made by the unorganised sector to the national income, is very substantial as compared to that of the organised sector. It adds more than 60% to the national income while the contribution of the organised sector is almost half of that depending on the industry.

The Public Sector

In the sector, government owns most of the assets and it is the part of the economy concerned with providing various governmental services. The purpose of the public sector is not just to earn profits. Governments raise money through taxes and other ways to meet expenses on the services rendered by it.

Classification of Central Public Sector Enterprises (CPSEs)

CPSEs are classified into 3 categories- Maharatna, Navratna and Miniratna. Presently, there are 7 Maharatna, 16 Navratna and 71 Miniratna CPSEs. Maharatna Scheme was introduced for Central Public Sector Enterprises (CPSEs), with effect from 19th May, 2010, in order to empower mega CPSEs to expand their operations and emerge as global giants. Presently there are seven 'Maharatna' CPSEs, viz. Bharat Heavy Electricals Limited, Coal India Limited, GAIL (India) Limited, Indian Oil Corporation Limited, NTPC Limited, Oil & Natural Gas Corporation Limited and Steel

Authority of India Limited. CPSEs fulfilling the following criteria are eligible to be considered for grant of Maharatna status:

Having Navratna status

1. Listed on Indian stock exchange with minimum prescribed public shareholding under SEBI regulations.
2. Average annual turnover of more than Rs. 25,000 crore, during the last 3 years.
3. Average annual net worth of more than Rs. 15,000 crore, during the last 3 years.
4. Average annual net profit after tax of more than Rs. 5,000 crore, during the last 3 years.
5. Should have significant global presence/international operations.
6. Criteria for grant of Navratna status

The Miniratna Category – I and Schedule 'A' CPSEs, which have obtained 'excellent' or 'very good' rating under the Memorandum of Understanding system in three of the last five years, and have composite score of 60 or above in the six selected performance parameters, namely, net profit to net worth, manpower cost to total cost of production/services, profit before depreciation, interest and taxes to capital employed, profit before interest and taxes to turnover, earnings per share and Inter-sectoral performance.

Miniratna' Scheme:

In October 1997, the Government had also decided to grant enhanced autonomy and delegation of financial powers to some other profit making companies subject to certain eligibility conditions and guidelines to make them efficient and competitive. These companies called 'Miniratnas', are in two Category-II. The eligibility conditions and criteria are: Category –I CPSEs should have made profit in the last three years continuously, the pre-tax profit should have been Rs. 30 crore or more in at least one of the three years and should have a positive net worth. Category-II CPSEs should have made profit for the last three years continuously and should have a positive net worth. These CPSEs shall be eligible for the enhanced delegated powers provided they have not defaulted in the repayment of loans/interest payment on any loans due to the Government.

The Private Sector

In the private sector, ownership of assets and delivery of services is in the hands of private individuals or companies. It is sometimes referred as the citizen sector, which is run by private individuals or groups, usually as a means of enterprise for profit, and is not controlled but regulate by the State. Activities in the private sector are guided by the motive to earn profits. To get such services we have to pay money to these individuals and companies.

PPP (Public Private Partnership)

PPP is an arrangement between government and private sector for the provision of public assets and/or public services. In this type of partnership investments being undertaken by the private sector entity, for a specified period of time. As PPP involves full retention of responsibility by the government for providing the services it doesn't amount to privatization. There is a well defined allocation of risk between the private sector and the public entity. Private entity is chosen on the basis of open competitive bidding and receives performance linked payments. PPP route can be alternative in developing countries where governments faced various constraints on borrowing money for important projects. It can also give required expertise in planning or executing large projects.

Sector-wise Contribution of GDP in India

Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 92.26 lakh crore INR in 2018-19. Services sector accounts for 54.40% of total India's GVA of 169.61 lakh crore Indian rupees. With GVA of Rs. 50.43 lakh crore, Industry sector contributes 29.73%. While Agriculture and allied sector shares 15.87%. It is worth mentioning that agriculture sector has maximum share by working force at near 53% while services and secondary sectors shares are near 29% and 18% respectively.

Unit-II

Agriculture and Industrial Sector

Introduction

The agriculture sector in India is considered to be the backbone of its economy. Agriculture is a source of livelihood for more than 70% of Indians in rural areas. It contributes around 18% of the total Gross Domestic Product of India. Similarly, the agriculture sector in India is also the largest employer contributing 49% of the total workforce. Apart from employment, agriculture also plays an important role in food security.

Meaning of agriculture and Industrial sector

The Agriculture sectors comprise establishments primarily engaged in growing crops, raising animals, and harvesting fish and other animals from a farm, ranch, or their natural habitats. The industrial sector is a segment of the economy made up of businesses that aid other businesses in manufacturing, shipping or producing their products.

According to (NSSO, 2013) an average Indian still spends more than half of the income on food security. However, the growth rate of the agriculture sector in India has been fluctuating. The growth rate of agriculture in India mainly depends on rainfall as the majority of the cultivated area in India depends on rainfall.

The growth rate of the agriculture sector in India (1950 – 2013)

The initial period after the independence the agriculture sector was facing a negative growth rate. However, after 1958 the growth rate has been positive except in 2002 -03 when the Indian agriculture sector was affected by severe drought. With the introduction of the green revolution, the agriculture sector experienced an impressive growth rate from late 1960 to early 1970.

Contribution of the agriculture sector to total GDP of India (1954-2012)

Even though the growth rate of agriculture has been fluctuating, the contribution of this sector in total Gross Domestic Product in India has been continuously falling. Despite the fact that the majority of the workforce is employed has been quite low. As shown in the figure above at the time of Independence agriculture contributed almost half of the total GDP which has declined to 18% in recent years which was more than 45% in 1954-55.

India has seen tremendous growth in rice production

Rice is one of the major food crops grown in India and is produced in the Kharif season (or summer season). Rice is also produced in the Rabi season; however, the share of rice production in this season is low. Rice is considered a diverse crop that can be grown in diverse climates and soil conditions. Total rice production in India has increased by 430% from 1950 to 2014. The total production of rice was around 20 million tons in 1950 which has increased to around 106 million tons in 2013 – 14.

Total production of rice in India (1950-2014)

The yield of rice has been continuously rising. During 1950 only 668 kg of rice was produced in one hectare of land which has increased to 2424 kg in one hector in 2014. The significant increase in the yield is due to the availability of the latest technology, developed seeds, improvement in irrigation facilities, and new methods of production.

The yield of rice production in India (1950-2014)

The growth rate of rice production has been very fluctuating. During 1983-84 the growth rate was as high as 27% whereas in 2002- 03 the growth rate was as low as (–) 23%. The growth rate of rice production in India is majorly dependent on the monsoon as the majority of the cultivated land is dependent on rainfall. The severe drought of 2002-03 leads to a significant decline in the entire agriculture sector. Similarly, during 1965 – 66 the growth rate of rice production declined significantly. One of the reasons for the decline is the introduction of the green revolution which led to a shift in the production of wheat instead of rice.

The growth rate of rice production in India (1950-2014)

High yield of wheat in India boosts the agriculture sector

Total wheat production in India (1950-2014)

India is the second-largest producer of wheat with a total production of 88.94 million tons in 2014-15. Wheat is considered to be the staple food for the majority of Indian states. The total production of wheat in India has been continuously increasing post-independence. However, the rapid increase in production was after 1965 which was the first phase of the green revolution. With the much-developed seeds, new methods for production, new equipment, and technologies, the total wheat production increased from 11 million tons in 1966-67 to 17 million tons in 1967-68.

The yield of Wheat in India (1950-2014)

The green revolution has had a significant impact on the yield curve. In 1966-67 only 887 kg of wheat was produced in one hector, which shows significant improvement after the green revolution. In 1967-68 in one hector 1103 kilograms of wheat were produced. Since then per hectare production has been continuously increasing which shows that wheat production has been continuously rising.

The growth rate of wheat production in India (1950-2014)

Similar to rice the growth rate of wheat production has been fluctuating. The growth of agriculture production in India (including wheat) largely depends on the monsoon. The highest growth rate was achieved in 1967-68 when the growth rate of wheat production was 45%. However, after 1970 the average growth rate was less than 10% from 1980 to 2014 with a growth rate of below 5 per cent.

The yield of Jowar has increased with decreased production

Jowar is considered to be the staple diet, especially for low-income families in India. Apart from that Jowar can be used to feed the animals and used as raw materials in various industries.

Total production of Jowar in India (1950-2014)

As shown in the figure above, the total production of Jowar increased in the initial period of post-independent India however even though there were fluctuations. However, since the beginning of the 21st century, the total agricultural yield of Jowar has been continuously declining. During 2013-14 the total production of Jowar was 5.39 million tons which were lower than the total production in 1950-51 when the total production was 5.50 million tons. The main reason behind the decline in Jowar production was due to the decline in the Jowar cultivated land. Similarly, the shift in production from the traditional product to modern commercial crops has also led to the decline in the total production of Jowar.

The yield of Jowar in India (1950-2014)

Even though the total area under cultivation is declining sharply for Jowar production, yield per hectare has been increasing with some fluctuation. The total cultivated area for Jowar declined from 15.57 million hectares in 1950-51 to 5.82 million hectares in 2013-14. The total production has also declined from 5.50 million tons to 5.39 million tons in the same period.

The total area under Jowar cultivation in India (1950-2014)

The relatively low percentage decline in the total production as compared to the total area cultivated is due to the fact that the yield per hector increased more than the decline in the area cultivated. In 1950 only 351 kilograms of Jowar were produced in one hector. Over the year productivity has increased to 926 kilograms of Jowar per hector. The significant increase in the yield is due to the availability of modern developed seeds and new methods of production.

The growth rate of Jowar production in India (1950-2014)

Similar to other major crops the growth rate of Jowar also shows fluctuations. The growth rate was highest during 1992-93. One of the major reasons behind the increase in production was the good monsoon season and support of the government to increase in the production of agriculture in India.

Major problems faced by the agriculture sector in India

While agriculture is the source of livelihood and the largest employer, it is also the major supplier for the non-agriculture sector. The introduction of the green revolution and the availability of technology have helped to increase the total production of major crops in India.

However, the lack of irrigation facilities and inefficient government policies has led to distress in the sector. The process of structural transformation has also been quite slow. Still, the majority of the cultivated area is dependent on the yearly rainfall. There has been an increasing case of crop failure and farmer suicide in recent years. Similarly, the lack of effective policy for the minimum support price has also emerged as one of the major problems. Also, the majority of the rural population who are dependent on agriculture have small landholdings where the marginal productivity of each member is close to zero. The major challenges faced by the agriculture sector in India include the lack of credit, soil erosion, lack of agriculture marketing, inadequate storage facility, and lack of proper mechanism.

There should be strong policies to boost the productivity of the agricultural sector. Similarly, the welfare of the small and marginalized farmers should also be taken into consideration. In recent times the introduction of crop insurance (Pradhan Mantri Fasal Bima Yojana) seems to be a good initiation. However, the effectiveness of the scheme can only be analyzed after its implementation.

Factors Determining Productivity in Agricultural

The general factors determining agricultural productivity are as follows:

1. Pressure of Population on Agriculture:

The high man-land ratio in the developed countries of the world is contrasted by low man-land ratio in the developing countries (of Asia in particular). Overcrowding in agriculture has resulted in fragmentation of landholdings and pseudo- unemployment in agriculture.

2. Rural Environment:

The developing countries are characterised by mass illiteracy and a conservative, superstitious social atmosphere in rural areas. The farmers, in general, are also reluctant to use modern methods of agriculture.

3. Role of Non-farm Services:

Non-farm services such as finance, marketing, etc. influence agricultural productivity. In developed economies, vigorous governmental backing to farmers in the form of credit and crop insurance, for instance, has insulated them from the risks of a market economy. On the other hand, the presence of intermediaries in agriculture has harmed the economies of developing countries to a great extent. There are institutional factors influencing productivity as well. These are given below.

4. Size of Holdings:

The highly populated countries of Asia are characterized by low to very low per capita landholdings, which hamper mechanization. Moreover, small holdings cause great wastage of time, labour and cattle. Moreover, adopting scientific methods of cultivation and application of HYV seeds is impossible in small holdings.

5. Pattern of Land Tenure:

In India, for example, ‘the abolition of the zamindari system failed to improve the condition of tenants. The cultivators have to pay high rents for their lands. Under such adverse circumstances, productivity is a casualty. Technological factors are also responsible for high/low productivity. The farmers of developing countries generally use traditional implements in contrast to the improved implements used in developed countries such as tractors, steel ploughs, sugarcane crushers, pumping sets, etc. Poor technique is one of the most important causes of low productivity in agriculture. Heavy dependency on climate leads to irregular crop productivity in the developing nations of Asia, Africa and Latin America. Due to lack of capital, the development of irrigation facilities is heavily impaired in these countries. However, after the success of the Green Revolution in some regions of the developing world, the dependence of cultivators on climate has been reduced to some extent.

Food Inflation in India

Food price increases in developed countries are an annoyance and cause for complaint. However, in developing countries, rising food prices can create the difference between going hungry and having just enough to eat. The price of food fluctuates a lot. Agricultural price varies as demand and supply are both inelastic, and supply might fluctuate owing to weather and a number of other reasons that will be discussed later. Despite the typical volatility, food prices appear to be on the rise, reaching new highs recently.

Causes of Food Inflation

- Short-term supply shocks, such as poor weather conditions, have occurred. However, evidence of growing long-term supply problems, such as the loss of agricultural areas due to global warming, is emerging.
- Bio fuels will be used more frequently. Rather than producing food, crops are grown for energy.
- Demand is increasing. China's and India's fast economic growth is driving up demand for further resource-intensive products. People tend to spend a bigger percentage of their income on meat and dairy products as their income rises. These necessitate a more intense land cultivation strategy. Crops, for example, are used to feed animals. As a result, the supply of food crops has diminished.
- Supply-chain disruption due to the pandemic and subsequent lockdowns also pushed the prices of foodstuffs across the world including in India.
- The Russia-Ukraine war seems to be the biggest cause of food inflation in recent times.
- The emergence of regional trading groups of countries also has some effect on the prices of food commodities for countries outside of that group.

Cost-push Inflation

Inflation induced by a rise in the price of inputs such as labour, raw materials, and so on is known as cost-push inflation. As the prices of the factors of production rise, the supply of these commodities decreases. While demand remains constant, commodity prices rise, resulting in an increase in the overall price level. In principle, this is cost-push inflation. In this instance, the overall price level rises due to greater manufacturing costs, which are reflected in the higher pricing of goods and commodities that rely heavily on these inputs. Inflation is caused by the supply side, i.e. because there is less supply. Demand-pull inflation, on the other hand, occurs when increasing demand causes inflation. Food inflation causes both demand-pull inflation as well as cost-push inflation.

Implications

Food Inflation has unimaginable implications, some of the major ones are mentioned below:

- Food inflation threatens the food security of a country. Rising prices lead to widening inequality of foodstuff distribution among the masses. Although, India has National Food Security Act. 2013, through which government provides relief to all families that are below the poverty line.
- Food inflation causes cost-push inflation, meaning it tends to increase the prices of other goods and services as well.
- Short term food inflation is mostly caused by cost-push inflation, because of limited yield, or poor supply chain management, this is difficult to predict and control.
- Long term food inflation is mostly caused by demand-pull inflation, which also puts more strain on the environment as more and more land is brought under intensive agriculture which results in higher usage of chemical fertilizers and pesticides.

Solutions

- Because a significant portion of the world's grain is used to feed cattle, encouraging people to consume less meat and dairy might dramatically increase the grain supply. It will also free up the existing land for food crops instead of fodder crops for cattle.
- Enhancing grain storage, especially in countries that rely heavily on imports and assisting such countries in growing more basic foods at home – rather than cash crops for export, which have frequently replaced staples – might also help.
- Planting a broader range of crops to lessen reliance on only a few commodities, with marketplaces dominated by a few number of exporters, could help to improve food security.
- Engaging in climate-smart agriculture to conserve harvests even as the planet warms might help stabilize worldwide supplies of food, while debt relief would offer the poorer nations more budgetary room to tolerate food price volatility.

- Stabilising the population numbers would in long term help control the food inflation too.
- Introducing and promoting alternatives to a select few food commodities such as wheat and rice would help contain the demand-side factors which control their price whilst also ensuring diversity of food crops which will benefit the environment as well as food security.

Current Food Inflation Rate

In India, the food inflation rate is a component part of the Consumer Price Index (CPI) which is released by the RBI on the monthly basis. The latest statistics with regards to food inflation in India is provided below:

Type of Inflation	Rate	Month	Year	Previous Month Rate	Percentage Increase over Previous Month
Food Inflation	8.38 %	April	2022	7.68%	9.12 %

Agricultural Price Policy in India Introduction to Agricultural Policy:

Price policy plays a pioneer role in the economic development of a country. It is an important instrument for providing incentives to farmers for motivating them to go in for production oriented investment and technology. In a developing country like India where majority of the population devotes 2/3 of its expenditure on food alone and where majority of the population is engaged in agricultural sector, prices affect both income and consumption of the cultivators. The Govt. of India announces each year procurement/support prices for major agricultural commodities and organizes purchase operations through public agencies.

Need of Agricultural Price Policy:

Undoubtedly, violent fluctuations in agricultural prices have harmful results. For instance, a steep decline in the price of particular crop in few years can inflict heavy losses on the growers of that crop. This will not only reduce the income but also dampen the spirit to cultivate the same crop in the coming year. If this happens to be a staple food item of the people, supply will remain below the demand. This will force the Govt. to fill the gap by restoring imports. If, on the other hand, prices of a particular crop increase rapidly in the particular period, them the consumer will definitely suffer. In case, the prices continuously increase for the particular crop, this can have disastrous effect on the sector of the economy.

Objectives of Agricultural Price Policy:

The objectives of agricultural price policy vary from country to country depending upon the place of agriculture in national economy. Generally, in developed countries, the major objective of price policy is to prevent drastic fall in agricultural income while in developing economies it is to increase the agricultural production.

However, its main objectives are summarized below:

(i) To Ensure Relation between Prices of Food-grains and Agricultural Goods: The foremost objective of agricultural price policy is to ensure the appropriate relationship between the prices of food grains and non-food grains and between the agricultural commodities so that the terms of trade between these two sectors of the economy do not change sharply against one another.

(ii) To Watch Interests of Producers and Consumers: To achieve the balance between the interest of producers and consumers, price policy should keep a close eye the fluctuations within maximum and minimum limits.

(iii) Relation between Prices of Crops: The price policy should be such which may sustain the relationship between the prices of competing crops in order to fulfil the production targets in respect of different commodities in accordance of its demand.

(iv) To Control Seasonal Fluctuations: Another object of price policy is to control cyclical and seasonal fluctuations of price rise to the minimum extent.

(v) Integrate the Price: The agricultural price policy should also aim at to bring the greater integration of price between the various regions in the country so that regular flow of marketable surplus could be maintained and exports of farm products stimulated regularly.

(vi) Stabilise the General Price: To stabilize the general price level, it should aim at increasing the public outlay to boost economic development in the country.

(vii) Increase in Production: The agricultural price should aim at to raise the production of various commodities in the country. Therefore, it must keep balance between output and input required by the cultivations.

Major Objectives: The important objectives of the new agricultural policy are stated below:

1. Facilities for All-Round Development: In order to accelerate the pace of development, the new agricultural policy has set an objective to augment facilities for processing, marketing, storage, irrigation, along with development of horticulture, fisheries, biomass, livestock, sericulture etc. for all round development of agricultural sector.

2. Infrastructural Development: The new policy favoured to make the provision for infrastructural development related to agriculture and thereby to infuse new dynamism through increased volume of public investment.

3. Revising and Strengthening Co-Operatives: The policy also aims at reviving and strengthening Co-operatives and local communities for the development of agriculture.

4. Involvement of NGOs: The policy also aims at involving the non-government organisations on a large scale for the development of agricultural sector.

5. Encouragement: The policy aims at providing necessary support, encouragement and thrust on farming activities so that rural people accept it as a noble and viable occupation.

Features of New Agricultural Policy: The important measures or features of new agricultural policy are summarized as under:

(i) Raising Capital Formation: The new policy has undertaken a strategy to raise the rate of capital formation in agricultural sector as the same is maintaining a decreasing trend from 18.7 per cent of total gross capital formation in 1978- 79 to only 9.5 per cent in 1993-94. As the invisible resources are being diverted from agriculture to industry and sectors, the new policy, thus introduces measures to reanalyse available resources for productive investment in the sector. The policy will focus to create a better investment climate for the farmers by introducing a favourable price and trade regime.

(ii) Enhancing Public Investment: In order to raise the volume of public investment, new agricultural policy will take steps to create public investment for building supportive infrastructure for agriculture. Conservation of water and use of alternative and renewable sources of energy for irrigation and other agricultural works have also been encouraged. Such enhancement of infrastructural investment will reduce the regional imbalances and generates more value added exportable surpluses.

(iii) Raising the Flow of Credit: The policy will make an attempt to enhance the flow of credit to the agricultural sector. In this connection, the Co-operative credit societies were engaged for such purpose.

(iv) Improving Agricultural Marketing: An attempt will be made to improve the marketing arrangement of agricultural produce through agro-processing, marketing and storage.

(v) Ensuring Remunerative Prices: The new policy has entrusted the Government to undertake responsibility for ensuring remunerative prices of agricultural produce to the farming community by adopting necessary price support policy.

(vi) Raising Agro-Exports: The new policy has made an attempt for harnessing the comparative natural advantage in agricultural export of the country. The policy has laid special thrust on the exports of fruits, vegetables, flowers, poultry and livestock products so as to raise the share of agricultural exports.

(vii) Land Reforms: The new policy will make efforts to take land reform measures for the interest of small and marginal farmers and raise agricultural output.

(viii) Development of Land: The policy has made an attempt to develop land permanently for cultivation to meet the growing needs of population. In order to develop rain fed areas of the country watershed management scheme has been given much importance so as to bring integrated development of the land.

(ix) Treating Agriculture at Par with Industry: The steps for creating a positive trade and investment climate for agriculture and also to treat agriculture at par with industry for the purpose will be taken.

(x) Crop Insurance Scheme: Considering the problems of crop failure and high risk of instability in production, the policy stressed for redesigning the crop and livestock insurance schemes in a comprehensive manner so that the farmers can recover their losses arising out of natural disasters.

Types of Agricultural Price Policy: The prices favourable to the producers of agricultural products may work against the interest of the non-agricultural sector vice-versa. In fact, this has been one of the major considerations underlying the agricultural price in various countries during the course of the development of their economies. Sometimes, the prices of agricultural products as well as the agricultural inputs have been so manipulated and the ancillary fiscal and administrative policy so devised that the benefits of development of the agricultural sector were partly or wholly passed on to the industrial sector. Such a policy changed the terms of trade, against agriculture. On some other occasions, the price policy has favoured the agricultural sector at the cost of the non-agriculture sector. The two types of price policy have been called 'Negative' and 'Positive' price policies respectively.

The following paragraph discusses these two price policies in some detail:

1. Negative Price Policy: In the context of the policy of accelerating economic growth, a "negative" agricultural price policy has been practiced by a large number of countries in the early stages of their development. The main objectives of such a policy was to keep the prices of food and raw materials relatively low so as to facilitate the growth of the industrial and tertiary sectors and to provide surpluses in the form of savings for these sectors. In other words, the terms of trade were purposively kept unfavourable for the agricultural sector.

2. Positive Price Policy: In contrast to the above methods, a number of countries today follow what may be termed as the "positive" price policy which consists of light taxes on the agricultural sector and also assure the farmer of a fair price for his produce. Such a policy is considered necessary in the context of the realisation that unless the agricultural sector attains some critical minimum rate of growth, it would not be possible to attain the general targets of economic growth and development.

This is true for a number of reasons, chief among which are:

i. In most of the developing countries, agriculture continues to be the single most important sector from the points of view of generating income, employment and exports, and
ii. The increasing demand for food caused by increasing population and rising money incomes can be met only by a continuously growing agricultural production.

Evaluation of Agricultural Price Policy: The draft agricultural policy envisages 3.5 per cent annual growth in agriculture as compared to 2.6 per cent growth rate registered since independence. The draft of the National Agricultural Policy circulated for comments has secured broad agreements form all the State Government, central ministries and Agricultural Universities. But its adoption by the Government at this moment might create new problems for the Union Agriculture Ministry and the Planning Commission for its inclusion within the already launched Ninth Plan. Thus under the present circumstances, the adoption of the draft agricultural policy by the Government may take some time for making necessary adjustment with the agriculture component of the Ninth Plan. In short the draft agricultural policy has offered a detailed framework of policy initiative required for the agricultural sector on a long term perspective. By introducing a favourable price and trade regime, the policy has created a suitable environment for the sector.

The thrust of the policy is to make the sector a viable and profitable for the nation. Thus the new policy is expected to improve the quality of life in villages and can reduce the gap in the social welfare facilities between rural and urban areas and create sufficient gainful employment opportunities on a self-sustaining basis. Moreover, new agricultural policy proposed to accord the status of industry. The new agricultural policy resolution would bestow the same benefits to agriculture as were being enjoyed by the industry but care should be taken to ensure that agriculturists were not subjected to the regulatory and tax collection machinery of the Government. Thus the draft agricultural policy was intended for the progress and welfare of farmers. The Agricultural Ministry has also given stress on drip irrigation projects so that agriculture did not suffer. Attention was also being paid to watershed management, soil conservation environment and other aspects which would benefit agriculture. Besides, the benefits of liberalisation and technology transfer should reach to the farmers.

Effects of Agricultural Price Policy: It is correctly stated that agricultural price has worked remarkably well to streamline the price stability activities. However, their effects are shortly mentioned below:

1. Incentive to Increase Production: Agricultural price policy has been providing necessary incentive to the farmers for raising their agricultural output through modernisation of the sector. The minimum support price is determined effectively by the government which will safeguard the interest of the farmers.

2. Increase in the level of income of Farmers: The agricultural price policy has provided necessary benefit to the farmers by providing necessary encouragement and incentives to raise their output and also by supporting its prices. All these have resulted in an increase in the level of farmers as well as its living standards.

3. Price Stability: The agricultural price policy has stabilized the price of agricultural products to a greater extent. It has successfully checked the undue fluctuation of price of agricultural products. This has created a favourable impact on both the consumers and producers of the country.

4. Change in Cropping Pattern: As a result of agricultural price policy, considerable change in cropping pattern of Indian agriculture is needed. The production of wheat and rice has increased considerably through the adoption of modern techniques by getting necessary support from the Government. But the production of pulses and oilseeds could not achieve any considerable change in the absence of such price support.

5. Benefit to Consumers: The policy has also resulted in considerable benefit to the consumers by supplying the essential agricultural commodities at reasonable price regularly.

6. Benefit to Industrials: The agricultural price policy has also benefited the agro industries, like sugar, cotton textile, vegetable oil etc. By stabilizing the prices of agricultural commodities, the policy has made provision for adequate quantity of raw material for the agro industries of the country at reasonable price.

Food Security of India

Food Subsidy and its implementation is the fulcrum in Government of India's quest to attain Food Security for all its citizens. This article comprehensively covers the food subsidy, Public Distribution System (PDS) and the challenges in ensuring food security to citizens of India.

Food security has been a major concern in India.

1. According to UN-India, there are nearly 195 million undernourished people in India, which is a quarter of the world's hunger burden.
2. Roughly 43% of children in India are chronically undernourished.
3. People below Poverty Line in India decreased to around 22% in 2011-12. The Poverty percentage was calculated using the Tendulkar methodology.
4. India ranked 76th in 113 countries assessed by The Global Food Security Index (GFSI) in the year 2018, based on four parameters—affordability, availability and quality, and safety.
5. As per 2020 country rankings, India ranked 71st among 113 countries in the GFSI.
6. As per the Global Hunger Index, 2018, India was ranked 103rd out of 119 qualifying countries.
7. According to Global Hunger Index, 2020, India rank has improved to 94th position out of the 107 countries but much behind countries like Bangladesh, Pakistan and Nepal.
8. According to FAO estimates in 'The State of Food Security and Nutrition in the World, 2018" report, about 14.8% of the population is undernourished in India.

9. The State of Food Security and Nutrition in the World, 2020 report states that the prevalence of undernourishment in the total population in India declined from 21.7 % in 2004-06 to 14 % in 2017-19.

Food Security

The Food and Agricultural Organization (FAO) states that food security emerges when all people at all times have physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life. Food security has three important and closely related components, which are listed below

1. Availability of food
2. Access to food
3. Absorption of food.

Laws on Food Security – India

In order to provide the Right to food to every citizen of the country, the Parliament of India, enacted legislation in 2013 known as the National Food Security Act, 2013. Also called the Right to Food Act, this Act seeks to provide subsidized food grains to approximately two-thirds of India's 1.33 billion populations. Food Subsidy is the foundation on which the National Food Security Act 2013 is implemented in India.

National Food Security Bill, 2013

1. This Bill was introduced in Lok Sabha on 7th August 2013
2. It was passed in Lok Sabha on 26th August 2013.
3. The National Food Security Bill was passed in Rajya Sabha on September 02, 2013.

Food Security Programmes of India

1. Public Distribution System. – A major chunk of Government Expenditure on Food Security is spent on Food Subsidies which are implemented through the Targeted Public Distribution System.
2. Mid Day Meal Scheme
3. Integrated Child Development Services Scheme.

The food management system and food price policy, to ensure food security in India thus consists of three major instruments,

1. Procurement at minimum support prices,
2. The maintenance of buffer stocks, and the
3. Public Distribution System.

Food Subsidy in India – Implementation

Food Security of beneficiaries is ensured by distributing food grains at subsidized prices through the Targeted Public Distribution System (TPDS). It protects them from price volatility due to inflation. Over the years, while the spending on food subsidy has increased, the ratio of people below the poverty line has decreased. The Ministry of Consumer Affairs, Food, and Public Distribution are the nodal ministry for the implementation of food subsidy. This Ministry has 2 Departments which are given below

1. Department of Food and Public Distribution
2. Department of Consumer Affairs

98% of this Ministry's budget is allocated to the Department of Food and Public Distribution.

Department of Food and Public Distribution

The department has been allocated Rs 2, 42,836 crore, which is 99% of the Ministry's allocation (Ministry of Consumer Affairs, Food and Public Distribution). This is an annual increase of 48% over 2019-20 expenditure. For the Financial Year (FY) 2020-21, the department was allocated a budget of more than 1.2 Lakh crore. Compared to 2019 – 20, revised estimate, the current budget is higher by 6% i.e approximately Rs 7000 crores. The objectives of this department are to ensure Food security through the following actions which are listed below.

1. Food procurement
2. Food storage
3. Distribution of Food Grains
4. Regulating the sugar sector.

Department of Consumer Affairs

In 2021-22, the Department has been allocated Rs 2,974 crore, which is a 24% annual increase over 2019-20 FY.

The objectives of the Department of Consumer Affairs are listed below.

1. Spreading awareness among the consumers about their rights

2. Prevention of black marketing
3. Protecting the interests of the consumers.
4. Implementing standards

Food subsidy is calculated as the difference between the economic cost of procuring food grains (including procurement, stocking, distribution), and their Central Issue Price (CIP). Central Issue Price (Rs/kg) is the price at which the Government sells the food grains to households belonging to Antyodaya Anna Yojana (AAY), Below Poverty Line (BPL), and Above Poverty Line (APL).

1. Food subsidy is the largest component of the Department of Food and Public Distribution.
2. Food Subsidy accounts for 95% of the total budget allocated to the Department of Food and Public Distribution.
3. Currently, Food Subsidy covers 81 crore people.
4. As per the National Food Security Act of 2013, food subsidies should cover 50% of the population in urban areas and must cover 75% of the population in rural areas.
5. Department of Food and Public Distribution give the food subsidy to the Food Corporation of India (FCI) and states. These entities in turn procure food grains from the farmers at the Government notified Minimum Support Prices (MSP).
6. Once the food grains are procured from farmers, the Food Corporation of India (FCI) sells the food grains at lower subsidized prices also known as Central Issue Prices (CIP). It is sold to people from economically weaker sections of the society through fair price shops under the public distribution system.
7. Food grains are also given to intended beneficiaries through mid-day meal schemes.
8. The budget allocated for food subsidy also covers the costs incurred for storing food grains by the Food Corporation of India.

Food Subsidy – 3 Main Components

The 3 ways of spending food subsidy by the Department of Food and Public Distribution are listed below

1. The subsidy is given to the Food Corporation of India
2. The subsidy given to the states.
3. Sugar subsidy

Nutritional Requirements of Poor People – Implementation

1. Currently, the food items provided by the central government for distribution under PDS are rice, wheat, and sugar.
2. 5 kg of food grains will be given to per person, per month at subsidized prices. This rule is based on the National Food Security Act, 2013.
3. As per Antyodaya Anna Yojana, each of the households belonging to the poorest of the poor section will be provided 35 kg of food grains per month at subsidized prices.
4. The National Food Security Act, 2013 requires the central and state governments to undertake steps to diversify commodities distributed under PDS.

Food Subsidy Delivery – Challenges

There are many challenges related to Food Subsidy and its implementation using PDS. The challenges associated are shared below.

Public Distribution System (PDS)

As per the 2011 data, the leakages in Public Distribution System (PDS) were estimated to be around 47%. The leakages in the Public Distribution System (PDS) is due to the following reasons which are listed below

1. Damage to food grains during transportation
2. Pilferage of food grains
3. Diversion of food grains to non-beneficiaries at fair price shops through the issue of forged cards.
4. Exclusion of people entitled to food grains but who are not on the beneficiary list

Targeted Public Distribution System – Other Issues

1. Situations, where entitled beneficiaries do not get food grains, are called Exclusion errors. It refers to the percentage of poor households

that are entitled to but do not have PDS cards. This exclusion error had decreased to 41 % in 2011-12 from the figures of 2004-05.

2. Inclusion errors occur when those that are ineligible for subsidized food grains get undue benefits. This inclusion error had increased to 37% in 2011-12 from the figures of 2004-05.

Increase in Inclusion Errors and & Decrease in Exclusion Errors – 2 Main Reasons

1. Despite a decline in the poverty rate, non-poor are still identified as poor by the government thus allowing them to continue using their PDS cards.
2. An increase in the coverage of the Targeted Public Distribution System (TPDS) has reduced the proportion of poor who do not have access to PDS cards.

Challenges to Food Security in India

1. Beneficiaries have complained of receiving poor quality food grains.
2. Farmers receive Minimum Support Price (MSP) from the Government for crops such as wheat, paddy, and sugarcane. The MSP is higher than the market price. There is very minimum procurement of other crops by the Government at MSP. Due to this factor farmers do not have the incentive to produce other crops such as pulses. This puts immense pressure on the water table as the above crops are highly water-intensive.
3. Due to the possibility of increasing nutritional imbalance in food grains, the Government must expand subsidies and include other protein-rich food items.
4. Under the National Food Security Act, the identification of beneficiaries is to be completed by State Governments. As per the findings of the Comptroller and Auditor General in 2016, a massive 49 % of the beneficiaries were yet to be identified by the State Governments.
5. The available storage capacity in states was inadequate for the allocated quantity of food grains as per the report of the Comptroller and Auditor General (CAG).

Solutions to Problems in Food Subsidy Delivery

The following solutions will help in addressing problems associated with PDS.

1. Replacing the Targeted Public Distribution System (TPDS) with Direct Benefit Transfer (DBT) of food subsidy. National Food Security Act (NFSA) states that the centre and states should introduce schemes for cash transfers to beneficiaries. Cash transfers seek to increase the choices available with a beneficiary and provide financial assistance. It has been argued that the costs of DBT may be lesser than TPDS, owing to lesser costs incurred on transport and storage. These transfers may also be undertaken electronically. As per a report given by a high-level committee of Food Corporation of India (FCI), DBT would reduce Government subsidy bills by more than Rs 30,000 crores.
2. Automation at the Fair Price Shops is another important step taken to address the problem in PDS. Currently, more than 4.3 lakh (82%) Fair Price Shops have been automated across the country. Automation involves the installation of Point of Sale (PoS) devices, for authentication of beneficiaries and electronic capturing of transactions.
3. Aadhar and the introduction of Biometrics were recommended to plug leakages in PDS. Such transfers could be linked to Jan Dhan accounts, and be indexed to inflation. It facilitates the removal of bogus ration cards, checks leakages, and ensures better delivery of food grains. In February 2017, the Ministry made it mandatory for beneficiaries under NFSA to use Aadhaar as proof of identification for receiving food grains.
4. 100% of ration cards had been digitized.
5. Between 2016 and 2018, the seeding of Aadhaar helped in the detection of 1.5 crores fake, duplicate, and bogus ration cards and these cards were deleted.
6. Increase the procurement undertaken by states known as Decentralised Procurement (DCP), and reduce the expenditure on

centralized procurement by the Food Corporation of India (FCI). This would drastically reduce the transportation cost borne by the government as states would distribute the food grains to the targeted population within their respective states. As of December 2019, 17 states have adopted decentralized procurement.

7. The Fair Price shops operate at very low margins as per the findings of the Government. Hence the fair price shops should be allowed to sell even non-PDS items and make it economically viable. This will motivate them not to resort to unfair practices in the distribution of Government-subsidized food grains meant for beneficiaries of Government schemes.
8. Greater and more active involvement of the panchayats in the PDS can significantly improve access at the village level.
9. There is also an urgent need to set up a proper and effective grievances redressal system for both the fair price shops as well as beneficiaries and International Organisations Ensuring Food Security

1. **Food and Agricultural Organisation (FAO)** – It was established in 1945. It is headquartered in Rome, Italy. It is a specialized agency of the United Nations that leads international efforts to defeat hunger and improve nutrition and food security. It is the oldest existing agency of the United Nations.
2. **World Food Programme (WFP)** – It is the world's largest humanitarian organization addressing hunger and promoting food security. It was established in 1961. It is headquartered in Rome, Italy. It is a food assistance branch of the United Nations.
3. **International Fund for Agricultural Development (IFAD)** – It is an international financial institution and a specialized agency of the United Nations that works to address poverty and hunger in rural areas of developing countries. It is headquartered in Rome, Italy.
4. **World Bank –** It was established in 1944, it is headquartered in Washington.

WTO Agreement on Agriculture

Introduction

After over 7 years of negotiations the Uruguay Round multilateral trade negotiations were concluded on December 15, 1993 and were formally ratified in April 1994 at Marrakesh, Morocco. The WTO Agreement on Agriculture was one of the many agreements which were negotiated during the Uruguay Round. The implementation of the Agreement on Agriculture started with effect from 1.1.1995. As per the provisions of the Agreement, the developed countries were to complete their reduction commitments within 6 years, i.e., by the year 2000, whereas the commitments of the developing countries were to be completed within 10 years, i.e., by the year 2004. The least developed countries were not required to make any reductions. The products which are included within the purview of this agreement are what are normally considered as part of agriculture except that it excludes fishery and forestry products as well as rubber, jute, sisal, abaca and coir.

Salient features

The WTO Agreement on Agriculture contains provisions in 3 broad areas of agriculture and trade policy: market access, domestic support and export subsidies

Market Access

This includes tariffication, tariff reduction and access opportunities. Tariffication means that all non-tariff barriers such as quotas, variable levies, minimum import prices, discretionary licensing, state trading measures, voluntary restraint agreements etc. need to be abolished and converted into an equivalent tariff. Ordinary tariffs including those resulting from their tariffication were to be reduced by an average of 36% with minimum rate of reduction of 15% for each tariff item over a 6 year period. Developing countries were required to reduce tariffs by 24% in 10 years. Developing countries as were maintaining Quantitative Restrictions due to balance of payment problems were allowed to offer ceiling bindings instead of tariffication. Special safeguard provision allows the imposition of additional duties when there are either import surges above a particular level or particularly low import prices as compared to 1986-88 levels. It has also been stipulated that minimum access equal to 3% of domestic consumption in 1986-88 will have to be established for the year 1995 rising to 5% at the end of the implementation period.

Domestic Support

For domestic support policies, subject to reduction commitments, the total support given in 1986-88, measured by the Total Aggregate Measure of Support, should be reduced by 20% in developed countries. Reduction commitments refer to total levels of support and not to individual commodities. Policies which amount to domestic support both under the product specific and non product specific categories at less than 5% of the value of production for developed countries and less than 10% for developing countries also excluded from any reduction commitments. Policies which have no or at most minimal, trade distorting effects on production are excluded from any reduction commitments. The list of exempted green box policies includes such policies which provide services or benefits to agriculture or the rural community, public stock-holding for food security purposes, domestic food aid and certain de-coupled payments to producers including direct payments to production limiting programmes, provided certain conditions are met.

Special and Differential Treatment provisions are also available for developing country members. These include purchases for and sales from food security stocks at administered prices provided that the subsidy to producers is included in calculation of AMS. Developing countries are permitted untargeted subsidised food distribution to meet requirements of the urban and rural poor. Also excluded for developing countries are investment subsidies that are generally available to agriculture and agricultural input subsidies generally available to low income and resource poor farmers in these countries.

Export Subsidies

The Agreement contains provisions regarding members' commitment to reduce Export Subsidies. Developed countries are required to reduce their export subsidy expenditure by 36% and volume by 21% in 6 years, in equal instalment (from 1986–1990 levels). For developing countries, the percentage cuts are 24% and 14% respectively in equal annual instalment over 10 years. The Agreement also specifies that for products not subject to export subsidy reduction commitments, no such subsidies can be granted in the future.

Market Access

As India was maintaining Quantitative Restrictions due to balance of payments reasons (which is a GATT consistent measure), it did not have to undertake any commitments in regard to market access. The only commitment India has undertaken is to bind its primary agricultural products at 100%; processed foods at 150% and edible oils at 300%. Of course, for some agricultural products like skimmed milk powder, maize, rice, spelt wheat, millets etc. which had been bound at zero or at low bound rates, negotiations under Article XXVIII of GATT were successfully completed in December, 1999, and the bound rates have been raised substantially.

Domestic Support

India does not provide any product specific support other than market price support. During the reference period (1986-88), India had market price support programmes for 22 products, out of which 19 are included in our list of commitments filed under GATT. The products are – rice, wheat, bajra, jawar, maize, barley, gram, groundnut, rapeseed, toria, cotton, Soyabean (yellow), Soyabean (black), urad, moong, tur, tobacco, jute, and sugarcane. The total product specific AMS was (-) Rs.24, 442 crores during the base period. The negative figure arises from the fact that during the base period, except for tobacco and sugarcane, international prices of all products was higher than domestic prices and the product specific AMS is to be calculated by subtracting the domestic price from the international price and then multiplying the resultant figure by the quantity of production.

Non-product specific subsidy is calculated by taking into account subsidies given for fertilizers, water, seeds, credit and electricity. During the reference period, the total non-product specific AMS was Rs.4581 crores. Taking both product specific and non-product specific AMS into account, the total AMS was (-) Rs.19, 869 crores i.e. about (-) 18% of the value of total agricultural output. Since our total AMS is negative and that too by a huge magnitude, the question of our undertaking reduction commitments did not arise. As such, we have not undertaken any commitment in our schedule filed under GATT. The calculations for the marketing year 1995-96 show the product specific AMS figure as (-) 38.47% and non-product specific AMS as 7.52% of the total value of production. We can further deduct from these calculations the domestic support extended to low income and resource poor farmers provided under Article 6 of the Agreement on Agriculture. This still keeps our aggregate AMS below the de minimise level of 10 per cent.

Export Subsidies

In India, exporters of agricultural commodities are not entitled to export subsidies except as those provided under Article 9.1 (d) and (e) of the WTO Agreement on Agriculture under Special and Differential Treatment provisions of the WTO. This flexibility has been provided up to the end of the year 2023 after which all export subsidies will be required to be eliminated as per the Nairobi Ministerial Decision on Export Competition of 2015.

Mandated negotiations

Article 20 of the Agreement on Agriculture (AoA) mandates that negotiations for continuing the reform process in agriculture will be initiated one year before the end of the implementation period. As the implementation period for developed countries culminated at the end of the year 2000, the negotiations on the Agreement on Agriculture began in January 2000. These negotiations are being conducted in special sessions of the WTO Committee on Agriculture (COA) at Geneva.

The following are the broad parameters for carrying out negotiations:

Experience of member countries in implementation of reduction commitments till date; The effects of reduction commitments on World Trade in Agriculture; Non trade concerns, special and differential treatment to developing country members and the objective of establishing a fair and market oriented agricultural trading system; and Identifying further commitments necessary to achieve the long-term objectives of the Agreement.

Brief history of modern industries:

The modern industrial development in India started with the establishment of the first cotton textile mill at Mumbai in 1854, predominantly with Indian capital and entrepreneurship. Jute industry made a beginning in 1855 with the establishment of a jute mill in the Hooghly Valley near Kolkata with foreign capital and entrepreneurship. Coal mining was first started at Raniganj in 1772. Railways were introduced in 1854. Tata Iron and Steel Plant was set up at Jamshedpur in 1907. Several other medium and small size industries like cement, glass, soaps, chemicals, jute, sugar and paper followed. The industrial production in pre independence period was neither adequate nor diversified.

At the time of independence, the economy was under-developed with agriculture contributing to more than 60 per cent of the GDP and most of the country's export earnings. After 60 years of independence, India has now shown the signs of becoming a leading economic power. Industrial development in India can be divided into two phases. The Government successively increased its control over different economic sectors during the first phase (1947-1980). In the second phase (1980-97) it took measures to liberalise the economy between 1980 and 1992. These measures were somewhat adhoc. After 1992, the whole process of liberalization became more focused and radically different in nature. After independence, systematic industrial planning under different five year plans helped in establishing a large number of heavy and medium industries. The main thrust of the industrial policy was to remove regional imbalances and to introduce diversification of industries. Indigenous capabilities were developed to achieve self sufficiency. It is due to these efforts that India has been able to develop in the field of industry. Today, we export a large number of industrial goods to various countries.

Agro-based industries:

Textiles, sugar, paper and vegetable oil industry are some of the examples of agro based industries. These industries use agricultural products as their raw materials. Textile industry is the largest industry in the organized sector. It comprises of (i) cotton textiles, (ii) woollen textiles,

(iii) silk textiles (iv) synthetic fibres and (v) jute textile industries. Textiles have been a major component of the industrial sector. It accounts for nearly a fifth of the industrial output and a third of the export earnings. In term of employment, it comes next only to agriculture sector.

Cotton textile industry:

The industrial development in India began with the establishment of first successful modern cotton textile mill at Mumbai in 1854. Since then the industry has witnessed a phenomenal growth. The numbers of mills increased from 378 in 1952 to 1782 by March 1998. Cotton textiles have an important place in the economy of the country. It provides employment opportunities to a large number of people. About one fifth of the total industrial labour is absorbed by this industry. (a) Production Cotton textile industry comprises of three sectors: mill sector, handloom and power loom. The share of large mill, handloom and power loom sector in the total production of cotton cloth in 1998-99 was 5.4 per cent, 20.6 per cent and 74 per cent respectively. The cloth production of cotton textile increased from 421 crore square metres in 1950-51 to 1794.9 crore square metres in 1998-99.

The Cotton and synthetic fibre textile industry has made tremendous progress. Per capita availability of cloth from both the types was 15 metres only in 1960-61. In the year 1995-96, it has risen to 28 metres. This has enabled us to export cotton yarn, cotton fabrics and cotton and synthetic garments on a large scale. In 1995-96 we earned 2.6 billion dollars by their exports. (b) Distribution Cotton textile industry is one of the most widely distributed industries in our country. These mills are located in more than 88 centres in different parts of the country. But majority of cotton textile mills are still located in the cotton growing areas of the Great Plains and peninsular India Maharashtra is the leading producer of cotton textile in the country. Mumbai is the major centre of textile mills. About a half of the Cotton textile mills are located in Mumbai alone.

It is, therefore, rightly called as 'Cottonpolis' of India. Sholapur, Kolhapur, Nagpur, Pune, Aurangabad and Jalgaon are other important centres in Maharashtra. Gujarat, which ranks second in the production of cotton textiles, Ahmadabad is the major centre of the state. Surat, Bharauch, Vadodara, Bhavnagar and Rajkot are other centres in the state. Tamil Nadu has emerged as an important producer of cotton textiles in southern states. Coimbatore is an important centre in the state. Tirunelveli, Chennai, Madurai, Tiruchirapalli, Salem and Thanjavour are other important centres here.

Industrial Development in Karnataka, cotton textile industry is concentrated at Bangalore, Mysore, Belgaum and Gulberga. Kanpur, Etawah, Modinagar, Varanasi, and Hathras are important centres in Uttar Pradesh. In Madhya Pradesh this industry is concentrated at Indore and Gwalior. Howrah, Serampur and Murshidabad are important Cotton textile centres in West Bengal. Rajasthan, Punjab, Haryana and Andhra Pradesh are the other states producing cotton textiles.

The following are the factors for the localization of textile industry in Ahmadabad– Mumbai – Pune region.

1. Availability of raw material – A large amount of cotton is grown in this belt.
2. Availability of capital – Mumbai, Ahmadabad and Pure are the places where capital for investment is easily available.
3. Means of transport – This region is well connected with the rest of India by roads and railways. It, therefore, facilities transportation of finished products.
4. Accessibility to the market – Maharashtra and Gujarat has a large market to sell textile products here. Developed means of transportation help in movement of textile products to other market centres as well as to foreign market. Now a day the market has become a dominant factor in determining the location of cotton textile industry.
5. Nearness to ports – Mumbai port facilitates the import of machinery and good quality of cotton from abroad and export of the finished products.
6. Cheap labour – Cheap and skilled labour is easily available from the surrounding areas.

7. Availability of power – Cheap and sufficient power is easily available here.

Sugar industry

Sugar industry is the second largest agro-based industry of India. If we take Gur, Khandsari and Sugar together, then India becomes the largest producer of sugar product in the world. In 2003, there were about 453 sugar mills in the country. This industry employs about 2.5 lakh people. (a) Production The production of sugar depends upon the production of sugarcane and it fluctuates with the fluctuations in the production of sugarcane. The total sugar production in 1950-51 was 11.3 lakh tonnes. It increased to 201.32 lakh tonnes in 2002-2003. In 2003-04, it fell down to 138 lakh tonnes. (b) Distribution Most of the sugar mills are concentrated in six states, namely Uttar Pradesh, Bihar, Maharashtra, Tamil Nadu, Karnataka and Andhra Pradesh.

Uttar Pradesh – It holds a significant position in the production of sugar. The sugar mills are highly concentrated in the western Uttar Pradesh in the districts of Meerut, Muzaffar Nagar, Saharanpur, Bijnor, Moradabad and Bulandshahar. In the eastern Uttar Pradesh Deoria, Basti, Gonda and Gorakhpur are important centres. Uttar Pradesh has largest area under sugarcane cultivation. It has about half of the total area under sugarcane cultivation. But it was able to produce only one third of the total production of sugar (2003-04) in the country. Evidently, per hectare production as well as sugar contain in produce are relatively low. Maharashtra – Maharashtra is the most important state in the peninsular India producing about one fourth of the total sugar production in India.

Major centres of sugar production are Nasik, Pune, Satara, Sangli, Kolhapur and Sholapur. Andhra Pradesh – East and West Godawari, Visakha-pattnam, Nizamabad, Medak and Chittoor districts are the centres of sugar mills in this state. Tamil Nadu – In Tamil Nadu North and South Arcot, Madurai, Coimbatore and Tiruchirapalli are the important districts for sugar production. Karnataka – It is also an important sugar producing state. Belgaum, Mandya, Bijapur, Bellary, Shimonga and Chitradurga are sugar producing districts. Bihar, Gujarat, Punjab, Haryana, and Rajasthan are other states where sugar mills are located.

The following are the factors for the localization of sugar industry – 1) Sugarcane is the main raw material for making sugar. Sugar mills can be set up only in the sugarcane producing areas. Sugarcane gets dry soon after harvesting. It can neither be stored nor kept for long period of time. Sugarcane should be taken immediately to the sugar mills after harvesting. 2) Transportation cost of sugarcane is high. Generally sugarcane is transported through bullock carts which can carry it upto 20-25 kilometers. Recently tractor trolleys and trucks have been used to carry sugarcane to the sugar mills. Beside these factors, capital, market, labour and power also play significant role in localization of this industry. Reasons for shifting of sugar industry from North India to Peninsular India– Over the period, sugarcane industry are gradually shifting from north Indian states to states in Peninsular India.

Some of the important reasons are as follows:

a. The production of sugarcane per hectare is higher is Peninsular India. In fact, sugarcane crop grows well in the tropical climate of south India.
b. The sucrose content is higher in the tropical variety of sugarcane grown in the south.
c. The crushing season in south India is longer than in north India.
d. In south India most of the mills have modern machinery.
e. Most of the mills in Peninsular India are in cooperative sector, where profit maximization is not the sole objective.

Agro-based industries use agricultural products as their raw material. Cotton textile industry is the largest industry of organised sector in India.λ Cotton textile industry is widely distributed in India. Large number of sugar mills is located in Maharashtra, Uttar Pradesh, Tamil Nadu, Karnataka, Andhra Pradesh, Gujarat and Bihar.

Problems of the Public Sector Enterprises in India

(i) Endowment Constraints:

Some of the public sector enterprises, particularly some of the loss-incurring enterprises are suffering from endowment constraints as the selection of sites of these enterprises were done on political considerations rather than on rational considerations.

(ii) Under-Utilisation of Capacity:

Under-utilisation of the production capacities are one of the common constraints from which almost all public sector enterprises are suffering. In 1986-87, out of the 175 public sector units 90 units had been able to utilize over 75 per cent of its capacities, 56 units achieved utilisation of capacities between 50 and 75 per cent and the rest 29 units could somehow managed to utilize under 50 per cent of its capacities. This had been mainly due to the reasons such as long gestation periods, huge in-built capacities, ambitious scales of planning based on inadequate economic data, inadequate motivation, lack of initiatives and obsolescence of the product mix.

(iii) Absence of Rational Pricing:

(a) Profit as the basis of price fixation,

(b) No-profit basis of public utility approach, and

(c) Import-parity price.

Thus, formal and informal regulations of prices by the Government in the interest of the economy and consumers, in general, and of price stabilization are also responsible for huge losses incurred by some of these enterprises of our country. Moreover, subsidization of the prices of some of the produce by these public enterprises had added a new dimension to the problems.

(iv) Technological Gap:

Some of the public sector enterprises in India are suffering from technological gap as these enterprises could not adopt up-to-date technologies in their production system leading to high unit cost and lower yield. Enterprises like I.I.S.C.O., E.C.L. etc. are suffering from this constraint.

(v) Government Interference:

Much government interference in the day to day activities of the public sector enterprises has reduced the degree of autonomy of the managements in respect of employment, pricing, purchase etc.

(vi) Heavy Social Costs:

Public sector enterprises are suffering from heavy social costs such as the outlays on townships and allied provision of amenities to its employees.

(vii) Operational and Managerial Inadequacies:

The public sector enterprises in India are also suffering from operational and managerial inadequacies and inefficiencies leading to huge wastages and leakages of funds in their day-to-day activities.

(viii) Evil Competition and Sabotage:

Between the public sector and private sector units within the same industry sometimes there exists evil competition which leads to sabotaging of public sector units at a large scale.

(ix) Marketing Constraint:

Some public sector units are even faced with marketing constraints where due to repetitive type of production mix they could not collect a good market for some of their products where the market is already captured by some big private industrial houses leading to a constant increase in inventories.

(x) Surplus Manpower:

In some of the public sector units there is the problem of surplus manpower which is creating drainage of resources unnecessarily leading to increase in the unit cost of production. Political considerations have also contributed towards overstaffing of unskilled workers in these units.

(xi) External Factors:

Workers engaged in the public sector enterprises are lacking sincerity and devotion to their job leading to wastage of working hours which finally affects productive capacities of these enterprises. Moreover, external factors like too much trade unionism, union rivalries and labour troubles are also disrupting the smooth functioning of the production system of these public sector enterprises in the country. Considering the problems of sickness faced by the Public enterprises, the Standing Conference on Public Enterprises (SCOPE) had recently constituted a committee to study various aspects of sickness of public enterprises.

In its recently submitted report (in December, 1995) on its analysis of PSU problems, the committee felt that too much interference by the Government in areas like autonomy and accountability, constitution of board of directors, continuity to top management and little discretionary powers to management for investment, employment, pricing and wages affected the PSU performance. Bad financial planning was another cause of PSU sickness and many sick companies had over- borrowed. The SCOPE Committee further regretted that the Government as a promoter was charging one per cent fee from its own sick companies for providing guarantees to bank loans and that too for a limited period of one year at a time whereas private sector promoters were not charging any fee for such guarantee. Various other problems such as allocation of resources, delays in filling up top-level posts, tight regulations and procedures for investment and restrictions on functional autonomy of the enterprises, e.g., in respect of labour and wage policy etc. have been creating serious constraints on the operational efficiency of public sector enterprises of the country.

Problems Faced by Private Sector in India

1. Regulatory Procedure and Related Delays:

Too many regulatory measures imposed by the Government on the private sector has resulted in lengthy procedure and delays in getting final clearance of a new industrial project. On the Government level, decision making system is so poor that it normally takes 7 to 8 years for large investment project to complete its gestation period. Delegation of decision making in the Government bureaucracy is so poor that even the simple decisions are rolled back to the top level leading avoidable procedural delays, huge cost escalation, increasing interest burden and higher burden on consumers.

2. Unnecessary Control:

From the beginning, the private sector of the country is subjected to unnecessary Government control. Price controls imposed by the Government on certain goods have resulted in disincentive to increase production. Rather competition among the rival producers can enlarge the production base and thereby can reduce the prices automatically. But in India, under the conditions of shortage, price controls, dual pricing etc. has resulted in black marketing and hoarding of such commodities. Moreover, the system of licensing of capacity as a capacity restraint has also resulted in undesirable effects on the investors instead of preventing monopolistic tendencies. It is only since 1980; unnecessary controls on the utilisation of excess capacity and on the creation of new capacities have been either abolished or liberalized.

3. Inadequate Diversification:

The private sector has been suffering from inadequate diversification as the Government did not allow them to participate in those basic, heavy and infrastructural sectors which were earlier reserved for the public sector. It is only in post-1991 period, some of these areas are now opened for the private sector participation.

4. Reservation for the Small Sector:

From the initial stage of development, the Government is providing necessary support to the small industrial sector in the form of reservation of certain products exclusively for the small sector so as to save it from unfair competition of large units and also by providing excise exemption or lower excise duties on the goods produced by the small sector. But for the proper development of the small sector, modernization of their production techniques, proper product-mix, updating of designs must be given adequate priority.

5. Lack of Finance and Credit:

Although the large scale industrial corporate units of the private sector are mobilizing their fund from banks, development financial institutions and from the market through sale of their equities or debentures but the small scale units are facing acute problem in raising fund for their expansion.

6. Low Ratio of Profit:

Another important problem of the private sector enterprises is the declining trend in its net profit ratio. Accordingly, the net profit to turnover ratio of these total Indian private sector enterprises has been declining from 6.1 per cent in 1994-95 to 3.2 per cent in 1996-97 and then to 2.3 per cent in 1997-98. Moreover, the net profit to net worth (NP/NW) reflecting on return on investment, of the total private sector enterprises also declined considerably from 15.2 per cent in 1994-95 to 6.5 per cent in 1996-97 and then to 4.7 per cent in 1997-98 as compared to that of 5.4 per cent of the Central Public Sector Enterprises (CPSEs).

Unit-III

Fiscal developments, Finance and External Sector

Introduction

The Goods and Services Tax (GST), introduced on July, 1 2017, the biggest tax reform in India founded on the notion of "one nation, one market, one tax" is finally here. The moment that the Indian government was waiting for a decade has finally arrived. The single biggest indirect tax regime has kicked into force, dismantling all the inter-state barriers with respect to trade. The GST rollout, with a single stroke, has converted India into a unified market of 1.3 billion citizens. Fundamentally, the $2.4-trillion economy is attempting to transform itself by doing away with the internal tariff barriers and subsuming central, state and local taxes into a unified GST. The rollout has renewed the hope of India's fiscal reform program regaining momentum and widening the economy. Then again, there are fears of disruption, embedded in what's perceived as a rushed transition which may not assist the interests of the country. Will the hopes triumph over uncertainty would be determined by how our government works towards making GST a "good and simple tax".

Meaning of expenditure trend

Tool used to assess whether budget expenditure trends match the SDG Priorities, Requirements and Cost Estimates. Public Expenditure Tracking Surveys (PETS): This is a tracking mechanism to validate whether expenditures reach intended beneficiaries)

The idea behind implementing GST across the country in 29 states and 7 Union Territories is that it would offer a win-win situation for everyone. Manufacturers and traders would benefit from fewer tax filings, transparent rules, and easy bookkeeping; consumers would be paying less for the goods and services, and the government would generate more revenues as revenue leaks would be plugged. Ground realities, as we all know, vary. So, how has GST really impacted India? Let's take a look.

GST: The Short-Term Impact

From the viewpoint of the consumer, they would now have paid more tax for most of the goods and services they consume. The majority of everyday consumables now draw the same or a slightly higher rate of tax. Furthermore, the GST implementation has a cost of compliance attached to it. It seems that this cost of compliance will be prohibitive and high for the small scale manufacturers and traders, who have also protested against the same. They may end up pricing their goods at higher rates. Talking about the long-term benefits, it is expected that GST would not just mean a lower rate of taxes, but also minimum tax slabs. Countries where the Goods and Service Tax has helped in reforming the economy, apply only 2 or 3 rates – one being the mean rate, a lower rate for essential commodities, and a higher tax rate for the luxurious commodities.

Currently, in India, we have 5 slabs, with as many as 3 rates – an integrated rate, a central rate, and a state rate. In addition to these, cess is also levied. The fear of losing out on revenue has kept the government from gambling on fewer or lower rates. This is very unlikely to see a shift anytime soon; though the government has said that rates may be revisited once the_RNR (revenue neutral rate) is reached. The impact of GST on macroeconomic indicators is likely to be very positive in the medium-term. Inflation would be reduced as the cascading (tax on tax) effect of taxes would be eliminated. The revenue from the taxes for the government is very likely to increase with an extended tax net, and the fiscal deficit is expected to remain under the checks. Moreover, exports would grow, while FDI (Foreign Direct Investment) would also increase. The industry leaders believe that the country would climb several ladders in the ease of doing business with the implementation of the most important tax reform ever in the history of the country.

Summing Up

On priority, it is up to the government to address the capacity building amongst the lesser-endowed participants, such as the small-scale manufacturers and traders. Ways have to be found for lowering the overall compliance cost, and necessary changes may have to be made for the good of the masses. GST will become good and simple, only when the entire country works as a whole towards making it successful.

Central State Relation - Legislative, Administrative and Financial

In India, before the formation of the federation the States were not 'sovereign' entities.

a. The residuary powers under the Indian Constitution are assigned to the Union and not to the States. However, it may be noted that the Canadian Constitution does the same mode of distributing the powers cannot be considered as eroding the federal nature of the Constitution.
b. Though there is a division of powers between the Union and the States, the Indian Constitution provides the Union with power to exercise control over the legislation as well as the administration of the States. Legislation by a State can be disallowed by the President, when reserved by the Governor for his consideration.
c. The Constitution of India lays down the Constitution of the Union as well as the States, and no State, except Jammu and Kashmir, has a right to determine its own (State) Constitution.
d. When considering the amendment of the Constitution we find that except in a few specific matters affecting the federal structure, the States need not even be consulted in the matter of amendment of the Constitution. The bulk of the Constitution can be amended by a Bill in the Union Parliament being passed by a special majority.
e. In the case of the Indian Constitution, while the Union is indestructible, the States are not. It is possible for the Union Parliament to reorganise the States or to alter their boundaries by a simple majority in the ordinary process of legislation.
f. The 'consent' of the State Legislature concerned is not required; the President has only to 'ascertain' the views of the Legislatures of the affected States. The ease with which the federal organisation may be reshaped by an ordinary legislation by the Union Parliament has been demonstrated by the enactment of the States Reorganisation Act, 1956. A large number of new States have, since, been formed.
g. Under the Indian Constitution, there is no equality of representation of the States in the Council of States. Hence, the federal safeguard against the interests of the lesser States being overridden by the interests of the

larger or more populated States is absent under our Constitution. Its federal nature is further affected by having a nominated element of twelve members against 238 representatives of the States and Union Territories.

Centre State Relations

The Constitution of India provides a dual polity with a clear division of powers between the Union and the States, each being supreme within the sphere allotted to it. The Indian federation is not the result of an agreement between independent units, and the units of Indian federation cannot leave the federation. Thus the constitution contains elaborate provisions to regulate the various dimensions of the relations between the centre and the states.

The relations between centre and state are divides as:

1. Legislative relations
2. Administrative relations
3. Financial relations

1. Centre State Legislative Relations

Articles 245 to 255 in Part XI of the Constitution deal with the legislative relations between the Centre and the State.

Extent of laws made by Parliament and by the Legislatures of States

The Parliament can make laws for the whole or any part of the territory of India. Territory of India includes the states, UTs and any other area for the time being included in the territory of India. Whereas, the state legislature can make laws for whole or any part of state. The Parliament can alone make 'extra territorial legislation' thus the laws of the Parliament are applicable to the Indian citizens and their property in any part of the world. Subject-matter of laws made by Parliament and by the Legislation of States.

The Constitution divides legislative authority between the Union and the States in three lists- the Union List, the State List and the Concurrent List. The Union list consists of 99 items. The Union Parliament has exclusive authority to frame laws on subjects enumerated in the list. These include foreign affairs, defence, armed forces, communications, posts and telegraph, foreign trade etc. The State list consists of 61 subjects on which ordinarily the States alone can make laws. These include public order, police, administration of justice, prison, local governments, agriculture etc. The Concurrent list comprises of 52 items including criminal and civil procedure, marriage and divorce, economic and special planning trade unions, electricity, newspapers, books, education, population control and family planning etc. Both the Parliament and the State legislatures can make laws on subjects given in the Concurrent list, but the Centre has a prior and supreme claim to legislate on current subjects. In case of conflict between the law of the State and Union law on a subject in the Concurrent list, the law of the Parliament prevails.

Residuary powers of legislation

The constitution also vests the residuary powers (subjects not enumerated in any of the three Lists) with the Union Parliament. The residuary powers have been granted to the Union contrary to the convention in other federations of the world, where the residuary powers are given to the States. However, in case of any conflict, whether a particular matter falls under the residuary power or not is to be decided by the court.

Parliament's Power to Legislate on State List

Though under ordinary circumstances the Central Government does not possess power to legislate on subjects enumerated in the State List, but under certain special conditions the Union Parliament can make laws even on these subjects.

a) In the National Interest (Art.249)

If the Rajya Sabha declares by a resolution supported by not less than 2/3 of its members present and voting, that it is necessary or expedient in the national interest that the Parliament should make laws with respect to any matter enumerated in the State List (Art.249). After such a resolution is passed, Parliament can make laws for the whole or any part of the territory of India. Such a resolution remains in force for a period of 1 year and can be further extended by one year by means of a subsequent resolution.

b) Under Proclamation of National Emergency (Art.250)

Parliament can legislate on the subjects mentioned in the State List when the Proclamation of National Emergency is in operation. However, the laws made by the Parliament under this provision shall cease to have effect on the expiration of a period of six months after the Proclamation has ceased to operate, except as respects things done or omitted to be done before the expiry of the staid period.

c) Agreement between States (Art. 252)

The Parliament can also legislate on a State subject if the legislatures of two or more states resolve that it is lawful of Parliament to make laws with respect to any matter enumerated in the State List relating to those State. Thereafter, any act passed by the Parliament shall apply to such states and to any other state which passes such a resolution. The Parliament also reserves the right to amend or repeal any such act.

d) To Implement Treaties (Art. 253)

The Parliament can make law for the whole or any part of the territory of India for implementing any treaty, international agreement or convention with any other country or countries or any decision made at any international conference, association or other body. Any law passed by the Parliament for this purpose cannot be invalidated on the ground that it relates to the subject mentioned in the State list.

e) Under Proclamation of President's Rule (Art.356)

The President can also authorize the Parliament to exercise the powers of the State legislature during the Proclamation of President's Rule due to breakdown of constitutional machinery in a state. But all such laws passed by the Parliament cease to operate six months after the Proclamation of President's Rule comes to an end.

Center's control over State Legislation

The Constitution empowers the centre to exercise control over the state's legislature in following ways:

1. The governor can reserve certain types of bills passed by the state legislature for the consideration of the President. The President enjoys absolute veto over them.
2. Bills on certain matters enumerated in the State List can be introduced in the state legislature only with the previous sanction of the President as imposing restrictions on freedom of trade and commerce.

3. The President can direct the states to reserve money bills and other financial bills passed by the state legislature for his consideration during a financial emergency.

2. Centre State Administrative Relations:

The administrative jurisdiction of the Union and the State Governments extends to the subjects in the Union list and State list respectively. The Constitution thus defines the clauses that deal with the administrative relations between Centre and States.

Centre State Relations during Normal Ties

1. Executive Powers of State be exercised in compliance with Union Laws:

Article 256 lays down that the executive power of every State shall be so exercised as to ensure compliance with the laws made by Parliament and any existing laws which apply in that State, and the executive power of the Union shall extend to the giving of such directions to a state as may appear to the Government of India to be necessary for that purpose.

2. Executive Powers of State not to interfere with Executive Power of Union:

Article 257 of the Constitution provides that the executive power of every state shall be so exercised as not to impede or prejudice the exercise of the executive power of the Union, and the executive power of the Union shall extend to giving of such directions to a state as may appear to the Government of India to be necessary for that purpose. In short, the Union Government can issue directions to the state Government even with regard to the subjects enumerated in the state list.

3. Maintain means of communication of National or Military importance:

The Union Government can give directions to the state with regard to construction and maintenance of the means of communication declared to be of national or military importance.

4. Protection of the Railways:

Union can issue State Governments necessary directions regarding the measures to be taken for the protection of the railways within the jurisdiction of the State. It may be noted that the expenses incurred by the State Governments for the discharge of these functions have to be reimbursed by the Union Government.

5. To ensure welfare of Scheduled Tribes in the States:

Union can direct the State Governments to ensure execution of schemes essential for the welfare of the Scheduled Tribes in the States.

6. To secure instruction in the mother-tongue at the primary stage of education:

Union can direct the State Governments to secure the provision of adequate facilities for instruction in the mother-tongue at the primary stage of education to children belonging to linguistic minority groups.

7. To ensure development of the Hindi language:

Union can direct the State Governments to ensure the development of the Hindi language.

8. To ensure government of a State is carried on in accordance with the provision of the Constitution:

Union can direct the State Governments to ensure that the government of a State is carried on in accordance with the provision of the Constitution. If any State failed to comply with any directions given by the Union in exercise of its executive power, then President may hold that, a situation has arisen in which the Government of the State cannot be carried on in accordance with the provisions of the Constitution. Thus he may proclaim President's Rule in that State.

9. Delegation of Union's function to State:

The President of India can entrust to the officers of the State certain functions of the Union Government. However, before doing so the President has to take the consent of the state Government. But the Parliament can enact law authorizing the Central Government to delegate its function to the State Governments or its officers irrespective of the consent of such State Government. On the other hand, a State may confer administrative functions upon the Union, with the consent of the Union only.

10. Appointment of High Dignitaries:

Union has major say in appointment and removal of Governor and appointment of Judges of High Court and Members of State Public Service Commission.

11. All India Services:

The presence of the All India Services-the Indian Administrative Services, Indian police Services-further accords a predominant position to the Union Government. The members of these services are recruited and appointment by the Union Public Service Commission. The members of these services are posted on key posts in the states, but remain loyal to the Union Government.

12. Union to adjudicate Inter-State River Water Dispute:

The Parliament has been vested with power to adjudicate any dispute or complaint with respect to the use, distribution or control of the waters of, or in any inter-state river or river-valley. In this regard, the Parliament also reserves the right to exclude such disputes from the jurisdiction of the Supreme Court or other Courts.

Centre State Relations during Emergencies

1. Under President's Rule:

The State Governments cannot ignore the directions of the Union Government, otherwise the President can take the action against the Government of the State stating that the administration cannot be carried on the accordance with the provisions of the Constitution and thus can impose President's rule on the State. In such an eventuality the President shall assume to himself all or any of the functions of the state Government.

2. Under Proclamation of National Emergency:

During a Proclamation of National Emergency, the power of the Union to give directions extends to the giving of directions as to the manner in with the executive power of the State is to be exercised relating to any matter.

3. Under Proclamation of Financial Emergency:

During a Proclamation of Financial Emergency, Union can direct the State Governments to observe certain canons of financial propriety and to reduce the salaries and allowances of all or any class of person serving in connection with the affairs of the Union including the Judges of the Supreme Court and High Courts. Union also requires all Money Bills or Financial Bills to be reserved for the consideration of the President after they are passed by the Legislature of the State. It is thus, evident that in the administrative sphere the States cannot act in complete isolation and have to work under the directions and in cooperation with the Centre.

3. Centre State Financial Relations:

Indian Constitution has made elaborate provisions, relating to the distribution of the taxes as well as non-tax revenues and the power of borrowing, supplemented by provisions for grants-in-aid by the Union to the States.

Article 268 to 293 deals with the provisions of financial relations between Centre and States.

The Constitution divides the taxing powers between the Centre and the states as follows:

The Parliament has exclusive power to levy taxes on subjects enumerated in the Union List, the state legislature has exclusive power to levy taxes on subjects enumerated in the State List, both can levy taxes on the subjects enumerated in Concurrent List whereas residuary power of taxation lies with Parliament only.

Distribution of the tax-revenue

1. Duties Levied by the Union but Collected and Appropriated by the States: Stamp duties on bills of Exchange, etc., and Excise duties on medical and toilet preparations containing alcohol. These taxes don't form the part of the Consolidated Fund of India, but are assigned to that state only.
2. Service Tax are Levied by the Centre but Collected and Appropriated by the Centre and the States.
3. Taxes Levied as Well as Collected by the Union, but Assigned to the States: These include taxes on the sale and purchase of goods in the course of inter-state trade or commerce or the taxes on the consignment of goods in the course of inter-state trade or commerce.

4. Taxes Levied and Collected by the Union and Distributed between Union and the States: Certain taxes shall be levied as well as collected by the Union, but their proceeds shall be divided between the Union and the States in a certain proportion, in order to effect on equitable division of the financial resources. This category includes all taxes referred in Union List except the duties and taxes referred to in Article 268, 268-A and 269; surcharge on taxes and duties mentioned in Article 271 or any Cess levied for specific purposes.
5. Surcharge on certain duties and taxes for purposes of the Union: Parliament may at any time increase any of the duties or taxes referred in those articles by a surcharge for purposes of the Union and the whole proceeds of any such surcharge shall form part the Consolidated Fund of India.

Grants-in-Aid

Besides sharing of taxes between the Centre and the States, the Constitution provides for Grants-in-aid to the States from the Central resources.

There are two types of grants:-

1. Statutory Grants:

These grants are given by the Parliament out of the Consolidated Fund of India to such States which are in need of assistance. Different States may be granted different sums. Specific grants are also given to promote the welfare of scheduled tribes in a state or to raise the level of administration of the Scheduled areas therein (Art.275).

2. Discretionary Grants:

Centre provides certain grants to the states on the recommendations of the Planning Commission which are at the discretion of the Union Government. These are given to help the state financially to fulfil plan targets (Art.282). Effects of Emergency on Centre-State Financial Relations:-

1. During National Emergency:

The President by order can direct that all provisions regarding division of taxes between Union and States and grants-in-aids remain suspended.

However, such suspension shall not go beyond the expiration of the financial year in which the Proclamation ceases to operate.

2. During Financial Emergency:

Union can give directions to the States:-

1. To observe such canons of financial propriety as specified in the direction.
2. To reduce the salaries and allowances of all people serving in connection with the affairs of the State, including High Courts judges.
3. To reserve for the consideration of the President all money and financial Bills, after they are passed by the Legislature of the State.

Finance Commission

Although the Constitution has made an effort to allocate every possible source of revenue either to the Union or the States, but this allocation is quite broad based. For the purpose of allocation of certain sources of revenue, between the Union and the State Governments, the Constitution provides for the establishment of a Finance Commission under Article 280. According to the Constitution, the President of India is authorized to set up a Finance Commission every five years to make recommendation regarding distribution of financial resources between the Union and the States.

Constitution

Finance Commission is to be constituted by the President every 5 years. The Chairman must be a person having 'experience in public affairs'. Other four members must be appointed from amongst the following:-

1. A High Court Judge or one qualified to be appointed as High Court Judge;
2. A person having knowledge of the finances and accounts of the Government;
3. A person having work experience in financial matters and administration;
4. A person having special knowledge of economics.

Functions

The Finance Commission recommends to the President as to:

1. The distribution between the Union and the States of the net proceeds of taxes to be divided between them and the allocation between the States of respective shares of such proceeds;
2. The principles which should govern the grants-in-aid of the revenue of the States out of the Consolidated Fund of India;
3. The measures needed to augment the Consolidated Fund of a State to supplement the resources of the Panchayats and Municipalities in the State;
4. Any other matter referred to the Commission by the President in the interest of sound finance

Conclusion:

In India, the Centre-States relations constitute the core elements of the federalism. The Central Government and State Government cooperate for the well-being and safety of the citizens of India. The work together in the field of environmental protection, terror control, family control and socio-economic planning. The Indian constitution aim at reconciling the national unity while giving the power to maintain state to the State governments. It is true that the union has been assigned larger powers than the state governments, but this is a question of degree and not quality, since all the essential features of a federation are present in the Indian constitution. It is often defined to be quasi-federal in nature. Thus, it can be safely said that Indian Constitution is primarily federal in nature even though it has unique features that enable it to assume unitary features upon the time of need. Federal but its spirit is unitary.

Service Exports from India Scheme (SEIS)

The Service Exports from India Scheme (SEIS) aims to promote export of services from India by providing duty scrip credit for eligible exports. Under the scheme, service providers, located in India, would be rewarded under the SEIS scheme, for all eligible export of services from India. In this article, we look at the Service Exports from India Scheme in detail. Service Exports from India Scheme was earlier termed as Served from India Scheme (SFIS).

SEIS Scheme Eligibility

Service Providers of notified services, located in India are eligible for the Service Exports from India Scheme. To be eligible, a service provider (Company / LLP / Partnership Firm) should have minimum net free foreign exchange earnings of USD15000 in the preceding financial year to be eligible for duty credit scrips. For proprietorships or individual service providers, minimum net foreign exchange earnings of USD10, 000 in the preceding financial year is required to be eligible for the scheme. Also, in order to claim reward under the SEIS scheme, the service provider shall have to have an active Import Export Code (IE Code) at the time of rendering such services for which rewards are claimed. Net foreign exchange earnings for the SEIS scheme is calculated as: Net Foreign Exchange = Gross Earnings of Foreign Exchange – Total Expenses or payment or remittances of Foreign Exchange.

Duty Credit Scrip

Service providers of eligible services shall be entitled to duty credit scrip at notified rates on the net foreign exchange earned. Duty credit scrips can be used for the payment of custom duties, excise duties, GST on procurement of services, custom duty in case of default in fulfilment of export obligation under Advance Authorization/EPCG, etc., Further, the SEIS scheme has given relaxation to the actual user condition and duty credit scrips and goods imported using duty credit scrips are freely transferable. Duty credit scrip would be valid for a period of 18 months from the date of issue.

Service Export from India Scheme (SEIS) Rate of Reward

The following services and rates of rewards were applicable for services export made between 1-4-2015 to 30-09-2015:

Professional Services – 5% Rate of Reward

The Legal services, Accounting, auditing and bookkeeping services, Taxation services, Architectural services, Engineering services, Integrated engineering services, Urban planning and landscape architectural services, Medical and dental services, Veterinary services, Services provided by midwives, nurses, physiotherapists and paramedical personnel.

Research and Development Services – 5% Rate of Reward

The R&D services on natural sciences, R&D services on social sciences and humanities, Interdisciplinary R&D services, Rental/Leasing Services without Operators – 5% Rate of Reward, Relating to ships, Relating to aircraft, Relating to other transport equipment, Relating to other machinery and equipment.

Audiovisual Services – 5% Rate of Reward

The Motion picture and videotape production and distribution service, Motion picture projection service, Radio and television services, Radio and television transmission services, Sound recording.

Construction and Related Engineering Services – 5% Rate of Reward

The General construction work for building, General construction work for civil engineering, Installation and assembly work and Building completion and finishing work.

Educational Services – 5% Rate of Reward

The Primary education services, Secondary education services, Higher education services and Adult education.

Environmental Services – 5% Rate of Reward

Sewage services, Refuse disposal services, Sanitation and similar services.

Health and Social Services – 5% Rate of Reward

Hospital services

Tourism and Travel Services – 3% or 5% Rate of Reward

Hotel (3% Rate of Reward), Restaurants (3% Rate of Reward), Travel agencies and tour operators' services (5% Rate of Reward), Tourist guides services (5% Rate of Reward).

Recreational, Cultural and Sporting Services – 5% Rate of Reward

Entertainment services (including theatre, live bands and circus services), News agency services, Libraries, archives, museums and other cultural services, Sporting and other recreational services.

Transport & Auxiliary Services – 5% Rate of Reward

Passenger transportation, Freight transportation, Rental of vessels with crew, Maintenance and repair of vessels, Pushing and towing services, Supporting services for maritime transport, Rental of aircraft with crew, Maintenance and repair of aircraft, Airport Operations and ground handling, Rental of commercial vehicles with the operator, Maintenance and repair of road transport equipment, Supporting services for road transport services, Cargo-handling services, Storage and warehouse services, Freight transport agency services.

Other Business Services – 3% Rate of Reward

Advertising services, Market research and public opinion polling services, Management consulting service, Services related to management consulting, Technical testing and analysis services, Services incidental to agricultural, hunting and forestry, Services incidental to fishing, Services incidental to mining, Services incidental to manufacturing, Services incidental to energy distribution, Placement and supply services of personnel, Investigation and security. Related scientific and technical consulting services, Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment), Building-cleaning services, Photographic services, Packaging services, printing, publishing and Convention services.

Foreign Exchange or Remittance Ineligible under SEIS Scheme

Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement. Thus, other sources of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans etc. and any other inflow of foreign exchange, unrelated to rendering of service, would be ineligible. As mentioned above, the service provider should have to have an active Import Export Code (IE Code) at the time of rendering such services for which rewards are claimed. India Filings can help you obtain the Import Export Code (IE Code).

The manufacturing sector is considered the backbone of development in general and economic development in particular. They help in modernising agriculture and also reduce the heavy dependence of people on agricultural income by providing those jobs in secondary and tertiary sectors. Manufacturing Production in India averaged 5.89 percent from 2006 until 2022, reaching an all time high of 196 percent in April of 2021 and a record low of -66.60 percent in April of 2020. Among sub-sectors in manufacturing, the top five are food products, basic metals, rubber and petrochemicals, chemicals, and electrical machinery. Together they account for over 66.0 per cent of total revenues in manufacturing.

Performance of the Service Sector in the Indian Economy

In the world economy, the importance of the service sector cannot be overstated. The share of services in the world economy stands at 66% in 2013. The sector also accounted for 45.1% of the jobs in the world economy in 2013 according to estimates by the International Labour Organization (ILO). Over the years from 2001 to 2013, the percentage share of service sectors' contribution to GDP has marginally declined from 68.8% in 2001 to 66% in 2013. It comes as a bit of a surprise as the share of employment has increased from 39.1% to 45.1% over the same period. Similarly, the importance of the service sector can also be gauged from the fact that service sector accounted for 19.8% of the world exports in 2013. It has mildly increased from 19.4% in 2001. Also, the sector is important from the point of view of Foreign Direct Investments, which is the largest source of cross-border flows in the world economy.

An analysis of the service sector of various economies brings and interesting point to the forefront. The stage of the economy as also the per capita income levels determines the contribution to the GDP of an economy. High-income countries have the maximum contribution to the GDP by service sectors in their respective economies. India is a notable exception to the above-mentioned rule as it has roughly 58% contribution to the GDP coming from the service sector of the economy. It is exceptionally high and is even more than China, which is at least ten years ahead of India in the per capita income levels. The Indian service sector has been the growth driver for the Indian economy for the past 20 years. In 2014-15, 72.4% of the growth came from this sector. At a sub-national level to the service sector is the dominant sector. It has more than 40% share in GDP in all the states and Union territories (UT) barring the north-eastern states of Sikkim and Arunachal Pradesh. Among the states and UT's Chandigarh and Delhi are

UT's with more than 85% share of GDP coming from the service sector alone.

There are a variety of services that come in the service sector ambit. The range of services is truly phenomenal. Service activities are a diverse bunch with services ranging from the very basic services like those offered by a barber to more complex ones like IT and some financial services. Under the NIC 2008 classification system of the economy, services have been classified into the following five broad areas. These include- (a) Trade, hotels, & restaurants, (b) Transport, storage, & communication (c) Financing, insurance, real estate, & business services (d) Community, social, & personal services and (e) Construction.

Their relative share or contributions to the GDP and their respective growth rates over the years show an interesting trend. Financing, insurance, real estate, & business are the biggest contributor in GDP followed by Trade, hotels, & restaurants. Together they account for roughly 40% of the total gross value addition in the service sector. Exceptional growth is presently being witnessed in the trade and repairs sub-segment. FDI in services has been a critical component of the services growth in the past 15 years or so. The share of services in the cumulative FDI Inflows over the period from April 2000-November 2014 is 53.8%. The majority of flows came to the financial and non-financial service sector, followed by construction development. From a period of April 2000- November 2014, these sectors attracted 65 billion US dollars of FDI. These accounted for a little over 27% of cumulative FDI inflows during the same period.

According to economic survey 2014-15, India has shown 'reasonably good performance' in different services like telecom, aviation, tourism, railways, and shipping on various performance parameters. In the telecom sector, India has roughly 91 crore telephone connections. Similarly, aviation services were rendered to 10 crore domestic and international passengers in 2013-14. In the tourism space, India is expected to receive a total of 7.5 million international tourists, which is expected to bring in 19.7 billion USD of foreign exchange earnings. Indian Railways similarly carried 1051 million tonnes of freight traffic in 2013-14. The port traffic of 975 million tonnes

2013-14 shows an increase of 125 million tonnes over the previous year reflecting a deepening shipping sector. The growth in these sub-sectors over the years shows the deepening of the services' sector and the importance it has in the growth and development of the Indian economy. In the coming years, services will continue to dominate the growth story. Even if the manufacturing sector picks up service sector importance will not diminish. It is because manufacturing has a multiplier effect in the economy with one manufacturing job creating a multiple of service sector jobs. The service sector growth is here to stay.

Make In India

Make in India is a major government-led initiative aimed at facilitating investment, fostering innovation, enhancing skill development, protecting intellectual property, and constructing world-class manufacturing infrastructure in India. The fundamental goal of this project is to bring in international investment and develop India's manufacturing sector. The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, is leading the initiative. Make in India is a government of India initiative established in 2014 by Prime Minister Narendra Modi with the goal of boosting domestic manufacturing and attracting foreign investment. The Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry, Government of India, is leading the initiative. This article covers the Make in India Scheme's aims, schemes and efforts, 25 focus sectors, benefits, problems, and development in depth.

Make In India

Manufacturing Sector

This includes Aerospace and Defense, Automotive and Auto Components, Pharmaceuticals and Medical Devices, Bio-Technology, Capital Goods, Textile and Apparels, Chemicals and Petrochemicals, Electronics System Design and Manufacturing (ESDM), Leather & Footwear, Food Processing, Gems and Jewellery, Shipping, Railways, Construction, New and Renewable Energy.

Services Sector

This includes Information Technology & Information Technology enabled Services (IT &ITeS), Tourism and Hospitality Services, Medical Value Travel, Transport and Logistics Services, Accounting and Finance Services, Audio Visual Services, Legal Services, Communication Services, Construction and Related Engineering Services, Environmental Services, Financial Services, Education Services.

Objectives of Make in India Initiative

1. To increase the potential of the manufacturing sector to 12-14% per year.
2. To create 100 million additional jobs in the manufacturing sector by 2022.
3. To increase the share of the manufacturing sector in the GDP to 25% by 2022.
4. Ensure adequate development of skills amongst the urban poor and the rural migrants to foster inclusive growth. To encourage environmentally sustainable growth.
5. Enhancing the global competitiveness of the Indian manufacturing sector.
6. Various sectors such as railways, insurance, defence, and medical devices were opened up for more Foreign Direct Investment (FDI).

Skill India

1. Skill India's mission aims to skill at least 10 million individuals in various sectors in India In order to take the Make in India initiative forward to turn into a reality, there is a need to up skill the large human resource available.
2. Its importance increases due to the fact that the percentage of formally skilled workforce in India is only 2% of the population.
3. Start-up India
4. This program was initiated to build an ecosystem that could facilitate the growth of start-ups, drive sustainable economic growth, and create large-scale employment.

Digital India

1. Digital India initiative was brought in to transform India into a knowledge-based and digitally empowered economy.
2. Digital India is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society.
3. It gave impetus to E-governance initiatives in India for wider sectoral applications with emphasis on citizen-centric services
4. Pradhan Mantri Jan Dhan Yojana (PMJDY)
5. It was undertaken to ensure financial inclusion and access to financial services, such as banking savings & deposit accounts, remittances, credit, insurance, pension in an affordable manner.

Smart Cities

- It was brought in to transform and rejuvenate Indian cities.
- The goal is to create 100 smart cities in India through several sub-initiatives. It was launched in 2015.
- The cities were given five years to complete the projects under the mission, with the first set of Smart Cities expected to complete in 2021.

Atal Mission for Rejuvenation and Urban Transformation AMRUT

- It is known as the Atal Mission for Rejuvenation and Urban Transformation.
- This initiative focuses to build basic public amenities and making 500 cities in India more liveable and inclusive.

Swachh Bharat Abhiyan

- It was undertaken by the government for making India a nation promoting cleaner and basic sanitation and hygiene.

Sagarmala

- This scheme aims at developing ports and promoting port-led development in the country.
- It is the flagship programme of the Ministry of Shipping to promote port-led development in the country by exploiting India's 7,517 km long coastline, 14,500 km of potentially navigable waterways and its strategic location on key international maritime trade routes

International Solar Alliance (ISA)

- It is an alliance of 121 countries, most of them being sunshine countries, which are those that lie either completely or partly between the Tropic of Cancer and the Tropic of Capricorn.
- This initiative will promote research and development in solar technologies and formulate policies in that regard.

Accelerating Growth of New India's Innovation (AGNII)

- AGNII or Accelerating Growth of New India's Innovation was launched to achieve the innovation ecosystem in the country by connecting people and assisting in commercializing innovations.

Critical Analysis of Make in India

- Make in India's policy improvements aimed to boost three major indicators of the manufacturing sector's growth: investments, output, and employment. As a result, these three indicators can be used to assess the performance of Make in India.
- Investment: Over the last five years, the economy has seen a steady increase in investment. In the manufacturing sector, the slowdown was especially noticeable in capital investments.
- According to the Economic Survey 2018-19, the private sector's gross fixed capital formation (a measure of aggregate investment) fell to 28.6% of GDP in 2017-18 from 31.3% in 2013-14.
- Output: Only twice between April 2012 and November 2019 did the monthly index of industrial production linked to manufacturing achieve double-digit growth rates.
- In fact, the data shows that it was 3% or below for the bulk of the months, and even negative for a few.
- Employment: According to a government estimate, India's jobless rate is at its highest level in 45 years. Furthermore, industrial employment has not increased at the same rate as new entrants into the labour market.
- By 2022, the major stated outcomes were to grow the manufacturing sector's proportion of GDP to 25% and to create 100 million extra manufacturing jobs. Clearly, neither has occurred, and both are unlikely

to occur by the target year, based on the more pessimistic forecasts for GDP growth.

- Manufacturing's percentage of GDP, which is currently about 15%-16%, is unlikely to raise much in the next two years.

Reasons for not achieving the targets of Make in India

- Make in India was overly reliant on foreign funding and global markets for its investments and products. As a result, domestic production had to be planned around demand and supply conditions elsewhere, which added to the uncertainty.
- It absorbed far too many sectors, resulting in a lack of policy concentration. Furthermore, the majority of sectors on which India's economy is focused lack comparative advantages.
- The twin deficits of fiscal and current account deficits were of greater concern to policymakers. However, they overlooked the economy's third deficit, the Implementation Deficit.
- This has resulted in a situation where the 'ease of doing business' ranking has risen dramatically, yet investments have yet to arrive.
- The investment issue is partially attributable to the economy's declining savings rate and partly owing to the banking sector's nonperforming assets (NPA) crisis.
- Furthermore, a 12-14% annual growth rate is significantly above the capacity of India's industrial sector.
- India has never achieved this rate of industrial growth before, and expecting Indian firms to establish capacities for such a quantum leap is perhaps a great overestimation of their implementation capacity.
- Furthermore, the global economy's uncertainties, as well as rising trade protectionism, jeopardise Make in India's success.
- FDI inflows to India are primarily oriented to the capital markets, despite the fact that India is one of the world's top FDI destinations, with inflows of $49 billion in 2019. In 2019, manufacturing FDI was barely around $8 billion.

Make In India 2.0

- Some newer sectors have been added that have the potential to become global champions and drive double-digit growth in manufacturing in the coming years such as capital goods, Auto, Defense, Pharma, Renewable energy, Biotechnology, Chemicals, Leather, Textiles, Food processing.
- For the manufacturing sector, plans are coordinated by the Department for Promotion of Industry and Internal Trade (DPIIT) while the Department of Commerce is coordinating service sectors.

Conclusion

The make in India initiative was launched to encourage manufacturing in India and ultimately transform India into a global hub for the same. This would result in increased economic growth as well as employment generation, and also increase the FDI in India. Various sub-schemes have been envisioned under this initiative that would help in the development of various sectors.

A New Foreign Trade Policy for India

The 2021-22 fiscal ended on a cheerful note for India's international trade; Indian exporters did not just demonstrate Covid resilience but also posted robust growth with record revenues of $419.65 billion, which is being seen as a sign of exports bouncing back strongly. The Free Trade Agreements (FTA) with Australia and UAE are also being touted by policymakers as a gateway for extensive opportunities for Indian entrepreneurs. However, all these achievements must not let it slide that a new Foreign Trade Policy (FTP) for India is still long awaited. The last FTP was notified in 2015 and a new one was supposed to be introduced in April 2020; since then it has been periodically extended. The need for a new FTP can't be over-emphasised given recent geopolitical developments, the thrust on local manufacturing and a direction on bilateral trade conventions.

Significance of a Foreign Trade Policy

- The Foreign Trade Policy is a legal document, issued by the Government of India, enforceable under the Foreign Trade Development and Regulation Act 1992.

- Revisited and notified quinquennially since the 1991 economic reforms, the FTP has been the guiding beacon for all stakeholders.
- The prime objective of a foreign trade policy is to facilitate trade by reducing transaction and transit costs and time.
- A FTP sets out the regulations for cross-border trade and reveals the government's position on a host of concomitant yet crucial policy variables such as technology flow, intangibles, and so on.

New Foreign Trade Policy Important

Clarifying India's Stand at Global Level:

- It is essential to clarify India's position and alignment with flagship programmes like 'Local for Global' and PLI (Production Linked Incentive) schemes, WTO's ruling against India's export incentive schemes, an overdue review of the Special Economic Zone (SEZ) scheme, changing geographical profiles of India's export basket, and implications of the FTAs.
- In 2019, a dispute resolution panel of WTO had held that the export incentives under the FTP are violative of India's WTO Commitment.

Impact on Export-Oriented Businesses:

- Another reason for overhauling the FTP is some export-oriented businesses have been adversely impacted by certain ad hoc, mistimed, and contradictory changes to the 2015 FTP
- The 2015 FTP incentivised exports by issuing duty-credit scrips directly in proportion to exports. However, in 2020 the government limited the maximum export incentives for goods to Rs. 20 million, and in 2021, limited them to Rs. 20 million for services.
- Moreover, the changes for service incentives were retrospectively notified in September 2021 to be applied from April 2019.
- Reduction in Outlays and Incentives: The annual export incentives — the Merchandise Exports from India Scheme (MEIS) and Services Exports from India Scheme (SEIS) of Rs. 51,012 crore were replaced with the RoDTEP scheme incentive of Rs.12,454 crore.
- The remaining Rs. 38,558 crore has been diverted into PLI to give benefit to a few sectors.

- Also, earlier there was a 3% export incentive on agriculture implements like tractors, which has been reduced to 0.7 per cent.

Infrastructural Setbacks:

- Due to inadequate upgraded export infrastructure such as ports, warehouses and supply chains, the average turnaround time for ships in India is about three days while the world average is 24 hours.

Crisis of MSMEs:

- With a contribution of about 29% to the GDP and 40% to international trade, MSMEs are the key players in achieving the ambitious export targets. However, the surges in input and fuel costs are hitting the bottom lines of MSMEs.
- The rise in prices of raw materials such as steel, and plastics along with a shortage of shipping containers and labour are making it difficult for the MSMEs to take full advantage of the global increase in demand.

The Possible Amendments in the New FTP

Solving MSMEs' Crisis:

- Under the SEIS, an incentive of 3-7% of net foreign exchange earnings is provided to services exporters of notified services in India.
- A modification in the minimum cap for the net foreign exchange earnings eligible to claim under the scheme and faster GST refunds to global services are much needed with the new FTP.
- The government must also help MSMEs tap the export potential in existing tariff lines and provide policy support to raise the number of exporting MSMEs and increase MSME exports by 50% in 2022-23.

More Incentives for Exporters:

- The new FTP could benefit exporters if the incentives granted to retail and wholesale traders under the ambit of the MSME category are extended to them as well.
- The new FTP must enable exporters to leverage technology in the field of foreign trade. This will be particularly beneficial for MSMEs to compete with their global peers.

Infrastructure Upgrade:

- An efficient and extensive infrastructure network - warehouses, ports, SEZs, quality testing labs, certification centres etc.- will help exporters stay competitive in a cut-throat market.
- India needs to invest in upgrading export infrastructure to stay ahead of technology-advanced countries such as China.
- It also needs to adopt modern trade practices that can be implemented through the digitisation of export processes. This will save both time and cost.

GST Export Benefits:

- The export benefit under the GST is currently outside the purview of FTP which has resulted in the denial of export benefits to certain classes of exporters.
- Therefore, there is an urgent need to bridge the gap between the two policies. Furthermore, a seamless disbursal of GST refunds, without administrative delays, carries paramount importance.

WTO Compliant Schemes:

- This should be at the core of the FTP. The WTO works to dissuade governments from heavily subsidising exporters to provide a level playing field to all nations.
- The Indian government is well aware of the need to stay within the WTO norms and has already taken significant steps to withdraw subsidy-led schemes.
- However, more needs to be done at a fundamental level to promote exports and ensure that Indian exports are competitive in the global market.

Other Measures:

- The policymakers shall urgently expand the zone of consideration to engage with all stakeholders such that a consciously-framed and guided policy outlook emerges which guides both the Centre and private businesses for the nation's economic progress.

- These considerations should also factor the contemporary paradigm such as the impelling need for fuel-import substitution, leveraging the improvised logistic and fuelling entrepreneurial drive.
- Given the economic hardship caused by the pandemic, the new FTP shall work in a phased manner to address export constraints, review the regulatory and operational framework to reduce the transit costs and create a low-cost operating environment through developed logistics and utility infrastructure.

Unit-IV

Poverty and Unemployment

Introduction

The demographic features we mean the characteristics of population like, size, composition, diversity, growth and quality of population etc. To have basic understanding of the population problem of a specific country, one should have a complete knowledge regarding the basic features of population of that country.

Definition of Poverty and Inequality

Poverty is about not having enough money to meet basic needs including food, clothing and shelter. However, poverty is more, much more than just not having enough money. The World Bank Organization describes poverty in this way: “Poverty is hunger. Inequality is concerned with the full distribution of wellbeing; poverty is focused on the lower end of the distribution only – those who fall below a poverty line (McKay, 2002). Inequality can be viewed as inequality of what, inequality of whom and inequality over what time horizon (McKay, 2002).

Causes inequality and poverty

Its work analyses the multiple causes linked to growing inequalities, such as globalisation, technological change and changes in redistribution and policy fashion. It also assesses the effectiveness of social and labour market policies in tackling poverty and high inequalities.

The following are features of India’s population:

1. Large Size and Fast Growth:

The first main feature of Indian population is its large size and rapid growth. According to 2001 census, the population of India is 102.87 crore. In terms of size, it is the second largest population in the world, next only to China whose population was 127 crore in 2001. India’s population was 23.6 crore in 1901 and it increased to 102.7 crore in 2001. In addition to its size, the rate of growth of population has been alarming since 1951. At present, India’s population is growing at a rate of 1.9 percent per annum; 21 million people are added every year which is more than the population of Australia.

This situation is called population explosion and this is the result of high birth rate and declining death rate.

2. Second Stage of Demographic Transition:

According to the theory of demographic transition, the population growth of a country passes through three different stages as development proceeds. The first stage is characterised by high birth rate and high death rate. So in this stage the net growth of population is zero. Till 1921, India was in the 1st stage of demographic transition. The second stage is featured by high birth rate and declining death rate leading to the rapid growth of population. India entered the second stage of demographic transition after 1921. In 1921-30 India entered the 2nd stage, the birth rate was 464 per thousand and death rate was 363 per thousand. In 2000-01, birth rate was 25.8 and death rate declined to 85. This led to rapid growth of population. India is now passing through the second stage of demographic transition. While developed countries are in 3rd stage.

3. Rapidly Rising Density:

Another feature of India's population is its rapidly rising density. Density of population means to the average number of people living per square kilometre. The density of population in India was 117 per square km. in 1951 which increased to 324 in 2001. This makes India one of the most densely populated countries of the world. This adversely affects the land-man ratio. India occupies 2.4 per-cent of the total land area of the world but supports 16.7 per-cent of the total world population. Moreover, there is no causal relationship between density of population and economic development of a country. For example, Japan & England having higher density can be rich and Afghanistan & Myanmar having lower density can be poor. However in an underdeveloped country like India with its low capital and technology, the rapidly rising density is too heavy a burden for the country to bear.

4. Sex Ratio Composition Unfavourable to Female:

Sex ratio refers to the number of females per thousand males. India's position is quite different than other countries. For example the number of female per thousand males was 1170 in Russia, 1060 in U.K., 1050 in

U.S.A. whereas it is 927 in India according to 1991 census. The sex ratio in India as 972 per thousand in 1901 which declined to 953 in 1921 and to 950 in 1931. Again, in 1951, sex ratio further declined to 946. In 1981, sex ratio reduced to 934 against 930 per thousand in 1971. During 1991, sex ratio was recorded 927 per thousand. The sex ratio is 933 per thousand in 2001. State wise Kerala has more females than males. There are 1040 females per thousand males. The lowest female ratio was recorded in Sikkim being 832. Among the union territories Andaman and Nicobar Islands has the lowest sex ratio i.e. 760. Therefore, we can conclude that sex ratio composition is totally unfavourable to female.

5. Bottom heavy Age Structure:

The age composition of Indian population is bottom heavy. It implies that ratio of persons in age group 0-14 is relatively high. According to 2001 census, children below 14 years were 35.6%. This figure is lower than the figures of previous year. High birth rate is mainly responsible for large number of dependent children per adult. In developed countries the population of 0-14 age group is between 20 to 25%. To reduce the percentage of this age group, it is essential to slow down the birth rate.

6. Predominance of Rural Population:

Another feature of Indian population is the dominance of rural population. In 1951, rural population was 82.7% and urban population was 17.3%. In 1991 rural population was 74.3% and urban population was 257. In 2001, the rural population was 72.2% and urban population was 27.8. The ratio of rural urban population of a country is an index of the level of industrialisation of that country. So process of urbanisation slow and India continues to be land of villages.

7. Low Quality Population:

The quality of population can be judged from life expectancy, the level of literacy and level of training of people. Keeping these parameters in mind, quality of population in India is low.

(a) Low Literacy Level:

Literacy Level in India is low. Literacy level in 1991 was 52.2% while male-female literacy ratio was 64.1 and 39.3 percent. In 2001, the literacy rate improved to 65.4 percent out of which made literacy was 75.8 and female literacy was 52.1 percent. There are 35 crore people in our country who are still illiterate.

(b) Low level of Education and Training:

The level of education and training is very low in India. So quality of population is poor. The number of persons enrolled for higher education as percentage of population in age group 20-25 was a percent in 1982. It is only one fourth of the developed countries. The number of doctors and engineers per million of population are 13 and 16 respectively. It is quite less as compared to advanced countries.

(c) Low Life Expectancy:

By life expectancy we mean the average number of years a person is expected to live. Life expectancy in India was 33 years. It was increased to 59 in 1991 and in 2001, life expectancy increased to 63.9. Decline in death rate, decline in infant mortality rate and general improvement in medical facilities etc. have improved the life expectancy. However life expectancy is lower in India as compared to life expectancy of the developed nations. Life expectancy is 80 year in Japan and 78 years in Norway.

8. Low Work Participation Rate:

Low proportion of labour force in total population is a striking feature of India's population. In India, Labour force means that portion of population which belongs to the age group of 15-59. In other words, the ratio of working population to the total is referred to as work participation rate. This rate is very low in India in comparison to the developed countries of the world. Total working population was 43% in 1961 which declined to 37.6% in 1991. This position improved slightly to 39.2% in 2001. That means total non-working population was 623 million (60.8 percent) and working population was 402 million (39.2%). Similarly low rate of female employment and bottom-heavy age structure are mainly responsible for low work participation in India.

9. Symptoms of Over-population:

The concept of over-population is essentially a quantitative concept. When the population size of the country exceeds the ideal size, we call it over-population. According to T.R. Malthus, the father of demography, when the population of a country exceeds the means of substance available, the country faces the problem of over-population. No doubt, food production has increased substantially to 212 million tonnes but problems like poverty, hunger, malnutrition are still acute. Agriculture is overcrowded in rural areas of the country which is characterised by diminishing returns. This fact leads to the conclusion that India has symptoms of over-population. Indian low per capita income, low standard of living, wide spread unemployment and under-employment etc. indicate that our population size has crossed the optimum limit.

The time has come for India to raise its poverty line from the existing extreme poverty line of \$1.90 per person per day to the lower-middle income (LMI) poverty line of \$3.20, a level some 68 percent higher. This may seem odd to aspire to in what is not even the first post-pandemic year, but that is the main message coming out of our recent IMF working paper "Pandemic, Poverty and Inequality: Evidence from India."

No one should be surprised at this need for a higher poverty line. Per capita GDP growth in India averaged 3.5 percent per annum for twenty years from 1983 to 2003. In 2004, the official poverty line was raised by 18 percent, when the head count ratio (HCR) was 27.5 percent. Rapid growth (5.3 percent per annum) and an improved method of measurement of consumption (the modified mixed recall period (MMRP) rather than the Uniform Recall Period (URP)), resulted in the HCR reaching the low teens in 2011-12. The poverty line should have been raised then, as Bhalla (2010) argued. Most countries change from the concept of absolute poverty to relative poverty as they get richer, and India should too. Relative poverty—subject to minor debate—is mostly chosen to mean an HCR level of around a quarter or a third of the population. Hence, the\$1.90 poverty line was already too low in 2011-12 and is extremely low today.

The HCR of the \$1.90 poverty line has shown a steep decline since 2004—from approximately a third of the population in 2004 to less than 1.5 percent in 2019. These numbers are lower than those shown in the World

Bank's Povcal database, the most commonly used source, because Povcal does not correct for the misleading uniform recall period used or for the provision of food subsidies.

1. The poverty rate in India steeply declined starting in 2004

By our estimates, in the pre-pandemic year 2019, extreme poverty was already below 1 percent and despite the significant economic recession in India in 2020, we believe that the impact on poverty was small. This is because we estimate poverty (HCR) after incorporating the benefits of in-kind food (wheat and rice) subsidies for approximately 800 million individuals (75 percent of rural and 50 percent of urban residents). This food subsidy was not small and rose to close to 14 percent of the poverty line for the average subsidy recipient (Figure 2) in 2020. This was enough to contain any rise in poverty even in the pandemic year 2020.

2. Food subsidies contained any increases in poverty

A notable feature of the pandemic response was the provision of a free extra 5 kilograms of wheat or rice per person per month via the Pradhan Mantri Garib Kalyan Yojana (PMGKY) program plus 1 kg of pulses. This was in addition to the existing food transfers of 5 kg per capita per month of wheat or rice at subsidized prices. Total subsidized food grain in 2020 therefore amounted to 10 kg, which is the average per capita level of food (wheat and rice) consumption by Indian citizens for the last three decades. The additional food subsidy was a pandemic-centric response. We would conjecture that a cross-country comparative study could show that this policy response was possibly the most effective in the world. Hence, the Indian experience can provide lessons for individual countries, and multilateral agencies concerned with effective redistribution of income.

The last official consumption survey (the basis for poverty measurement) in India was in 2011-12. The following survey conducted in 2017-18 generated results that have not been officially released, on the grounds that the data were not of acceptable quality. Our paper has an extensive discussion on the validity of the evidence regarding this controversial decision where we conclude that the data is indeed unreliable and of extremely questionable quality and hence should not be released.

3. Consumption inequality in India has declined

The results are different than most of the commentary and analysis of poverty in India. All the estimates are made in the absence of an official survey post-2011-12. A large part of the explanation for the difference in results is because of differences in definition. Our paper makes a strong case for the acceptance of the official consumption definition; it should be measured according to the classification of consumption according to the nature of the good or service consumed. This is the MMRP method for obtaining consumption expenditures. The Indian government has officially adopted this method, and the above mentioned “ill-fated” 2017-18 survey was the first time when the National Statistical Organization exclusively measured consumption (and poverty) according to the MMRP definition.

However, many studies continue to rely on the now obsolete uniform reference period (URP or 30-day recall for all items) method. For example, a very recent World Bank study estimated the HCR to be around 10 percent in 2019; it uses the outdated (URP) definition of consumption and does not adjust for food subsidies. Incidentally, both in 2009-10 and 2011-12, the URP and MMRP poverty estimates diverged by approximately 10 percentage points, as did their respective estimates of mean consumption. Thus, given the approximate magnitude of definition differences observed both in 2009-10 and 2011-12 and making the necessary adjustment for food subsidies, the World Bank poverty estimate for 2019 is likely to be very close to our estimate.

Inclusive growth is a very relevant policy goal for all economies. With the pandemic ebbing and the IMF’s expected growth for India rebounding very strongly for three successive years from 2021-23, Indian policymakers will soon be confronted with a policy choice—how long should they keep the extra PMGKY subsidy? This query is part of a huge success story of poverty decline. Additionally, another query pertains to whether policies should move toward targeted cash transfers instead of subsidized food grains.

In the past, the key argument in support of a policy shift to cash transfers was to reduce leakages, but our results indicate that leakages have substantially been reduced over the last decade even in the in-kind food transfer scheme. In fact, the recent food transfer program was a very successful intervention, especially during the pandemic when supply chains were breaking down and there was heightened uncertainty. Under normal circumstances, cash transfers are likely to be more efficient, and they retain broadly the same allocative outcomes as food transfers. The debate therefore now should be on the efficiency trade-offs associated with use of either in-kind or cash transfers as the key instrument of poverty alleviation.

Public Distribution System (PDS): Challenges and Reforms

The Public Distribution System (PDS) evolved as a system for distribution of food grains at affordable prices and management of emergency situations. Over the years, the term PDS has become synonymous with the term 'food security' and also an important part of Government's policy for management of food economy in the country.

History of PDS

Till 1992, PDS was a general entitlement scheme for all consumers without any specific target. But in 1992, PDS became **RPDS (Revamped PDS)** focussing the poor families, especially in the far-flung, hilly, remote and inaccessible areas. In 1997 RPDS became **TPDS (Targeted PDS)** which established Fair **Price Shops** for the distribution of food grains at subsidized rates.

Growing significance of TPDS

In **People's Union for Civil Liberties v. Union of India** case**,** Supreme Court contended that the "right to food" is essential to the right to life as provided in Article 21 of the Constitution. In line with this Parliament passed the **National Food Security Act (NFSA) in 2013**. The NFSA seeks to make the right to food a legal entitlement by providing subsidized food grains to almost two-thirds of the population. It relies on the existing Targeted Public Distribution System (TPDS) mechanism to deliver these entitlements

Importance of PDS

Food grains to the poor, at prices lower than the price of food grains at private shops. Food grains are directly purchased from farmers, assuring farmers with a greater price.

Functions of TPDS

The steps involved are (1) Procurement of food grains (2) Storage of food grains (3) Allocation for families (4) Transportation of food grains.

Procurement of food grains:

The center is responsible for procuring the food grains from farmers at a **Minimum Support Price (MSP).** The MSP is the price at which the FCI purchases the crop directly from farmers; generally, the MSP is higher than the market price. This is intended to provide price support to farmers and incentivize the production.

Who sets MSP: Commission for Agricultural Costs and Prices (CACP).

Procurement:

Two types of procurement, Centralised Procurement, and decentralized procurement. Centralized procurement is carried out by the FCI (Food Corporation of India) where FCI buys crops directly from farmers. Decentralized procurement is a central scheme under which 10 states/Union Territories procure food grains for the central pool at MSP on behalf of FCI.

Issues with procurement:

Open-ended Procurement: All incoming grains accepted even if buffer stock is filled creating a shortage in the open market. The recent implementation of Nation food security act would only increase the quantum of procurement resulting in higher prices for grains.

Storage of food grains

According to the storage guidelines of the FCI, food grains are normally stored in covered godowns and silos. In case if FCI has insufficient storage space, it hires space from various agencies such as the central and state warehousing corporations (CWC, SWC), state government agencies and private parties.

Issues with storage:

Inadequate storage capacity with FCI and Food grains rotting or damaging on the CAP or Cover & Plinth storage.

Allocation of food grains

The central government allocates food grains from the central pool to the state governments at uniform **Central Issue Price** (CIP) for the distribution through PDS.

Identification of poor people-

The onus is on the state Government to identify the eligible households in each state. Apart from that allocation of food grains within State, issue of Ration Cards and supervision of the functioning of Fair Price Shops (FPSs) etc. rest with the State Governments. Allocation for BPL and AAY(**Antyodaya Anna Yojana –poorest among the BPL families)** families is done on the basis of the number of identified households.

Issues with allocation of food grains

Illicit Fair Price shops: The shop owners have created a large number of bogus cards or ghost cards (cards for nonexistent people) to sell food grains in the open market.

Transportation of food grains to FPSs

The responsibility of distributing food grains is shared between the center and states. The center, specifically FCI, is responsible for the interstate transport of food grains from procuring to consuming states, as well as delivering grains to the state godowns. Once FCI transports grains to the state depots, distribution of food grains to end consumers is the responsibility of state governments

Technology Based reforms:

End to end computerization would bring in transparency in the whole process. It would help to prevent leakages and diversion of food grains to a great extent.

The different type’s reforms undertaken by different states are:

Adhaar Linked and digitized ration cards:

This allows online entry and verification of beneficiary data. It also enables online tracking of monthly entitlements and off-take of food grains by beneficiaries.

Computerized Fair Price Shops:

FPS automated by installing 'Point of Sale' device to swap the ration card. It authenticates the beneficiaries and records the quantity of subsidized grains given to a family.

Direct Benefit Transfer (DBT):

Under the Direct Benefit Transfer scheme, cash is transferred to the beneficiaries' account in lieu of food grains subsidy component. They will be free to buy food grains from anywhere in the market. For taking up this model, pre-requisites for the States/UTs would be to complete digitization of beneficiary data and seed Aadhaar and bank account details of beneficiaries. It is estimated that cash transfers alone could save the exchequer Rs.30,000 crore every year.

Use of GPS technology:

Use of Global Positioning System (GPS) technology to track the movement of trucks carrying food grains from state depots to FPS which can help to prevent diversion.

SMS-based monitoring:

Allows monitoring by citizens so they can register their mobile numbers and send/receive SMS alerts during dispatch and arrival of TPDS commodities

Use of web-based citizens' portal:

Public Grievance Redressal Machineries, such as a toll-free number for call centers to register complaints or suggestions.

Summary

The government has achieved significant milestones in the PDS reforms. As part of the implementation of NFSA, almost all states have undertaken PDS reforms. Over 42 % cards are linked with Point of sale devices which have been installed in over 77000 ration shops. 100% digitizations of cards are not too far. In the nutshell, the much-needed PDS reforms are moving in the right direction and one can hope that the inefficiency in the system would be removed to ensure the food security millions of people in our country.

Poverty Alleviation Programmes in India

Poverty Alleviation Programmes aims to reduce the rate of poverty in the country by providing proper access to food, monetary help, and basic essentials to the households and families belonging to the below the poverty line. **According to the World Bank,** *Poverty is pronounced deprivation in well-being and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Poverty also encompasses low levels of health and education, poor access to clean water and sanitation, inadequate physical security, lack of voice, and insufficient capacity and opportunity to better one's life.*

As per the Planning Commission of India, the level of poverty in a country can be estimated based on the consumer expenditure surveys that are conducted by the National Sample Survey Office (NSSO) under the Ministry of Statistics and Programme Implementation. This article will talk about the various Poverty Alleviation Programmes in India and the initiatives taken by the Government of India towards poverty alleviation.

Poverty Alleviation

Poverty Alleviation is the set of steps taken in an economic and humanitarian way for eradicating poverty from a country. According to the World Bank, if a person is living on $1.90 a day or less, then he/she is living in extreme poverty, and currently, 767 million people of the world fall under that category. According to the last released official data, in 2011, 268 million people in India were surviving on less than $1.90 a day. Various Programmes and Schemes under the Government of India were launched to eradicate poverty and for providing basic amenities to the poor households. Schemes like Pradhan Mantri Awas Yojana and Housing for All by 2022 were developed to provide housing to the rural and urban poor. The latest government schemes like Start-Up India and Stand Up India focuses on empowering people to earn their livelihood.

Below Poverty Line (BPL)

Below Poverty Line (BPL) can be defined as an economic benchmark used in the identification of economically weaker people and households. BPL is set by the Government of India based on a threshold income. The households or individuals having an income below this threshold value are considered to be under the below poverty line.

Measuring BPL in India

The poverty line solely depends on the per capita income in India rather than the level of prices. The poverty line is the minimum income required to purchase the basic goods and services that are essential to satisfy the basic human needs. The proportion of the population that is below this poverty line is called the poverty ratio or headcount ratio. Similar approaches are followed by most countries and international institutions for determining BPL. In India, the first official rural and urban poverty lines at the national level were introduced in 1979 by Y. K. Alagh Committee. Criteria for the measurement of BPL are different for the rural and urban areas.

Currently, according to the Tenth Five-Year Plan, the degree of deprivation is measured with the help of parameters with scores given from 0–4, with 13 parameters. Families with 17 marks or less (formerly 15 marks or less) out of a maximum of 52 marks have been classified as BPL. The poverty line is calculated every 5 years. According to the recent estimation based on inflation, the threshold income should be more than Rs. 962 a month for urban areas and Rs 768 a month in rural areas i.e., above Rs. 32 a day in an urban area and above Rs. 26 a day in a rural area.

Poverty Alleviation in India- Five Year Plans

Eleven Five Year Plans were launched to eradicate poverty from India. The list of these Five Year Plans that started in the year 1951 is given below:

1st Five Year Plan (1951-1956): The plan focused mainly on agriculture and irrigation and aimed at achieving an all-round balanced development.

2nd Five Year Plan (1956-1961): It focused on the growth of basic and heavy industries, expansion in employment opportunities, and an increase of 25 per cent in the national income.

3rd Five Year Plan (1961-1966): The Chinese aggression (1962), Indo-Pak war (1965), and the severest drought led to the complete failure of the third five-year plan. It was replaced by three annual plans that continued from 1966 to 1969.

4th Five Year Plan (1966-1974): It aimed at increasing national income by 5.5 per cent, creating economic stability, reducing inequalities in income distribution, and achieving social justice with equality.

5th Five Year Plan (1974-1979): This plan mainly focused on the removal of poverty (Garibi Hatao) and aimed in bringing larger sections of the poor masses above the poverty line. It also assured a minimum income of Rs. 40 per person per month calculated at 1972-73 prices. The plan was terminated in 1978 instead of (1979) when the Janata Government came to power.

6th Five Year Plan (1980-1985): Removal of poverty was the main objective of the sixth five-year plan with a major focus on economic growth, elimination of unemployment, self-sufficiency in technology, and raising the lifestyles of the weaker sections of the society.

7th Five Year Plan (1985-90): The Seventh Five Year Plan aimed in improving the living standards of the poor with a significant reduction in the incidence of poverty.

8th Five Year Plan (1992-97): This plan aimed at employment generation but later failed in achieving most of its targets.

9th Five Year Plan (1997-2002): The ninth five-year plan focused on the areas of agriculture, employment, poverty, and infrastructure.

10th Five Year Plan (2002-2007): The tenth five-year plan aimed at the reduction of the poverty ratio from 26 per cent to 21 per cent by the year 2007 and also to help the children in completing five years of schooling by 2007.

11th Five Year Plan (2007-2012): The eleventh five-year plan targets towards reducing poverty by 10 percentage points, generating 7 crore new employment opportunities, and ensuring electricity connection to all villages.

Poverty Alleviation Programmes in India

As per the 2011-2012 estimation by the Planning Commission of India, 25.7 % of the rural population was under the below-poverty line and for the urban areas, it was 13.7 %. The rate of poverty in the rural areas is comparatively higher than that in the urban areas due to the lack of proper infrastructure, insufficient food supply, and poor employment system. The major Poverty Alleviation Programmes that were developed with an initiative to eradicate poverty are mentioned in the table below:

List of Poverty Alleviation Programmes in India			
Schemes	**Year**	**Government Ministry**	**Objectives**
Integrated Rural Development Programme	1978	Ministry of Rural Development	To raise the families of identified target groups living below the poverty line through the development of sustainable opportunities for self-employment in the rural sector.
Pradhan Mantri Gramin Awaas Yojana	1985	Ministry of Rural Development	To create housing units for everyone along with providing 13 lakhs housing units to the rural areas. To provide loans at subsidized rates to the people. To augment wage employment opportunities to the households by providing employment on-demand and through specific guaranteed wage employment every year.
Indira Gandhi National Old Age Pension Scheme	1995	Ministry of Rural Development	To provide pension to the senior citizens of India of 65 years or higher and living below the poverty line. It provides a monthly pension of Rs.200 for those aged between 60-79 years and Rs.500 for the people aged above 80 years.
National Family Benefit Scheme	1995	Ministry of Rural Development	To provide a sum of Rs.20, 000 to the beneficiary who will be the next head of the family after the death of its primary breadwinner.
Jawahar Gram Samridhi Yojana	1999	Implemented by the Village Panchayats	Developing the infrastructure of the rural areas which included connecting roads, schools, and hospitals. To provide sustained wage employment to the families belonging to the below poverty line.
Annapurna	1999 - 2000	Ministry of Rural Development	To provide 10 kg of free food grains to the eligible senior citizens who are not registered under the National Old Age Pension Scheme.
Food for Work Programme	2000	Ministry of Rural Development	It aims at enhancing food security through wage employment. Food grains are supplied to states free of cost, however, the supply of food grains from the Food Corporation of India godowns has been slow

Sampoorna Gramin Rozgar Yojana (SGRY)	–	–	The main objective of the scheme continues to be the generation of wage employment, creation of durable economic infrastructure in rural areas and provision of food and nutrition security for the poor.
Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)	2005	Ministry of Rural Development	The Act provides 100 days assured employment every year to every rural household. One-third of the proposed jobs would be reserved for women. The central government will also establish National Employment Guarantee Funds. Similarly, state governments will establish State Employment Guarantee Funds for implementation of the scheme. Under the programme, if an applicant is not provided employment within 15 days s/he will be entitled to a daily unemployment allowance.
National Food Security Mission	2007	Ministry of Agriculture	To increase production of rice, wheat, pulses and coarse cereals through area expansion and productivity enhancement in a sustainable manner in the identified districts of the country
National Rural Livelihood Mission	2011	Ministry of Rural Development	It evolves out the need to diversify the needs of the rural poor and provide them jobs with regular income on a monthly basis. Self Help groups are formed at the village level to help the needy
National Urban Livelihood Mission	2013	Ministry of Housing and Urban Affairs	It focuses on organizing urban poor in Self Help Groups, creating opportunities for skill development leading to market-based employment and helping them to set up self-employment ventures by ensuring easy access to credit
Pradhan Mantri Jan Dhan Yojana	2014	Ministry of Finance	It aimed at direct benefit transfer of subsidy, pension, insurance etc. and attained the target of opening 1.5 crore bank accounts. The scheme particularly targets the unbanked poor
Pradhan Mantri Kaushal Vikas Yojana	2015	Ministry of Skill Development and Entrepreneurship	It will focus on fresh entrant to the labour market, especially labour market and class X and XII dropouts
Saansad Aadarsh Gram Yojana (SAGY)	2014	Ministry of Rural development	To develop the institutional and physical infrastructure in three villages by 2019. The scheme aims to develop five 'Adarsh Villages' or 'Model Villages' by 2024.
Pradhan Mantri Jeevan Jyoti Bima Yojana	2015	Ministry of Finance	The scheme provides life coverage to the poor and low-income section of the society. The scheme offers a maximum assured amount of Rs.2 lakhs
Pradhan Mantri Suraksha Bima Yojana	2015	Ministry of Finance	The scheme is an insurance policy to the people belonging to the underprivileged sections of the society

National Maternity Benefit Scheme	2016	Ministry of Health & Family Welfare (MoHFW)	To provide a sum of Rs.6000 to a pregnant mother who is aged above 19 years. The sum is provided normally 12–8 weeks before the birth in three instalments and can also be availed even after the death of the child.
Pradhan Mantri Ujjwala Yojana (PMUY)	2016	Ministry of Petroleum and Natural Gas	It envisages the distribution of 50 million LPG connections to women below the poverty line
Pradhan Mantri Garib Kalyan Yojana (PMGKY)	2016	Ministry of Finance	the scheme provides an opportunity to declare unaccounted wealth and black money in a confidential manner and avoid prosecution after paying a fine of 50% on the undisclosed income. An additional 25% of the undisclosed income is invested in the scheme which can be refunded after four years, without any interest.
Solar Charkha Mission	2018	Ministry of Micro, Small and Medium Enterprises	It aims at Employment generation for nearly one lakh people through solar charkha clusters in rural areas
National Nutrition Mission (NNM), Poshan Abhiyan	2018	Ministry of Women and Child Development	to reduce the level of under-nutrition and also enhance the nutritional status of children in the country. Also, to improve the nutritional outcomes of adolescents, children, pregnant women and lactating mothers
Pradhan Mantri Shram Yogi Maan-Dhan	2019	Ministry of Labour and Employment	It is a central government scheme that is introduced for old age protection and social security of Unorganised Workers (UW)
Prime Minister Street Vendor's AtmaNirbhar Nidhi–PM SVanidhi	2020	Ministry of Housing and Urban Affairs (MoHUA)	It aims to provide micro-credit facilities to street vendors affected due to COVID-19 pandemic

Role of Public Distribution System in Poverty Alleviation

The Public Distribution System (PDS) which evolved as a system of management for food and distribution of food grains plays a major role in poverty alleviation. This programme is operated jointly by the Central Government and the State Government of India. The responsibilities include: PDS was later re-launched as Targeted Public Distribution System (TPDS) in June 1997 and is controlled by the Ministry of Consumer Affairs, Government of India. TPDS plays a major role in the implementation and identification of the poor for proper arrangement and delivery of food grains.

Therefore, the Targeted Public Distribution System (TPDS) under the Government of India plays the same role as the PDS but adds a special focus on the people below the poverty line. The unemployment issue in India is considered as one of the major causes of poverty in India. The poverty rate of a country can be reduced with high economic growth and by reducing the unemployment problem. Various poverty alleviation programmes are set up under the Government of India that aims to eradicate poverty by providing employment on-demand and through specific guaranteed wage employment every year to the households living below the poverty line.

- The generation of employment is important in poverty alleviation because of the following reasons:
- It will increase the income level of the poor household families and will help in reducing the rate of poverty in the country. Hence, there is a significant relationship between unemployment and poverty.
- It will decrease the rural-urban migration through the generation of employment programs in rural areas.
- An increase in the income level through the generation of employment programs will help the poor in accessing basic facilities including education, health facilities, and sanitation.

The ineffectiveness of poverty alleviation programs

The major reasons for the ineffectiveness of the poverty alleviation programs are mentioned below:

- The poverty alleviation program may not properly identify and target the exact number of poor families in rural areas. As a result, some of the families who are not registered under these programs are benefited by the facilities rather than the eligible ones
- Overlapping of similar government schemes is a major cause of ineffectiveness as it leads to confusion among poor people and authorities and the benefits of the scheme do not reach the poor.
- Overpopulation of the country increases the burden of providing the benefits of the schemes to a large number of people and thus reduces the effectiveness of the programs.
- Corruption at various levels of implementation of schemes is another major reason.

- According to the **Internal Labour Organisation** approximately 60 percent of the world's population participates in the informal sector. Although this is mostly prevalent in emerging and developing economies, it is also an important part of advanced economies.
- In developing countries like India, a large share of the population typically depends upon the informal economy.

About the Informal Economy:

- **Informal economy** represents enterprises that are not registered, where employers do not provide social security to employees.
- It is characterized as a range of economic units which are mainly owned and operated by individuals and employ one or more employees on a continuous basis.
- It includes farmers, agricultural labourers, owners of small enterprises and people working in those enterprises and also the self-employed who do not have any hired workers.
- National Accounts Statistics (NAS) defines the unorganised sector in addition to the unincorporated proprietary or partnership enterprises, including enterprises run by cooperative societies, trust, private and limited companies.
- The informal sector can, therefore, be considered as a subset of the unorganised sector.

Periodic Labour Force Survey:

According to the **Periodic Labour Force Survey,** over **90 per cent of workers in India** are **informal workers.** Out of these, those engaged in **rural areas** workers are significantly more than urban areas workers. This is primarily because a large number of informal workers are engaged in farm or agricultural activities. Those in urban areas are involved primarily in manufacturing, trade, hotel and restaurant, construction; transport; storage and communications; and finance, business and real estate.

Distinction between Formal & Informal Economy:

Formal economy:

- Has a **formal contract** with the employer.
- Has **pre-defined work conditions** and job responsibilities.

- Gets an assured and decent **fixed salary** with perks and incentives.
- Has a fixed duration of work time.
- Is part of an **organized group of people** working in the same environment and is legally and socially aware about its rights.
- Is covered by **social security** for health and life risks.

Informal economy:

- Has **no formal contract** with his employer.
- Has no systematic work condition.
- Gets irregularly and **unevenly paid.**
- Has no forum to express his grievances.
- Has **no fixed hours of work** and mostly earns hand to mouth.
- Is not covered by any kind of social security system and has poor knowledge about the need to protect him socially and economically.

Need to Protect Informal Workforce:

Majority of Work Force:

India's estimated 450 million informal workers comprise 90% of its total workforce, with 5-10 million workers added annually.

Job Loss due to Pandemic:

According to Oxfam's latest global report, out of the total 122 million who lost their jobs in 2020, 75% were lost in the informal sector. The Covid-19 pandemic experience tells us that there is also a need to provide social protection, as the vulnerabilities of the informal sector became even more prominent as the entire country went into a state of suspension due to the lockdown. Moreover, in the current financial year 2020-21, the economy is expected to contract by 7.7%. So, there is an urgent need to revive the economy by generating employment.

Security for Workers: Every worker there should be three types of security:

Wage Security:

According to the new payment of **the wages (Amendment) act, 2017,** every worker in India is to be paid certain minimum wages.

Job Security:

In the **globalized economy**, the workers should be provided with job security i.e. it should be easy for the employee to hire and de-hire.

Social Security:

In case of **medical emergency**, in case of death or in the case of old age, people should be able to take care of themselves.

Challenges

Labour Related Challenges:

On dividing the large number of workforce between the rural and the urban segment, although the large number is employed in the rural sector, the bigger challenge is in the urban workforce in the informal sector.

- Long working hours, low pay & difficult working conditions.
- Low job security, high turnover and low job satisfaction.
- Inadequate social security regulation.
- Difficulty in exercising rights.
- Child and forced labour and discrimination on basis of various factors.
- Vulnerable, low-paid and undervalued jobs.

Productivity:

The informal sector basically comprises MSMEs and household businesses which are not as big as firms like Reliance. They are unable to take advantage of economies of scale.

Inability to Raise Tax Revenue:

As the businesses of the informal economy are not directly regulated, they usually avoid one or more taxes by hiding incomes and expenses from the regulatory framework. This poses a challenge for the government as a major chunk of the economy remains out of the tax net.

Lack of Control and Surveillance:

The informal sector remains unmonitored by the government. Further, no official statistics are available representing the true state of the economy, which makes it difficult for the government to make policies regarding the informal sector in particular and the whole economy in general.

Low-quality Products:

Although the informal sector employs more than 75% of the Indian population, the value-addition per employee is very low. This means that a major portion of our human resource is under-utilized.

Recent Initiatives Taken by Government

Atmanirbhar Bharat Abhiyan:

'Atmanirbhar Bharat Abhiyan (or Self-reliant India Mission)' with an economic stimulus package — worth Rs 20 lakh crores aimed towards cutting down import dependence by focussing on substitution while improving safety compliance and quality goods to gain global market share.

Labour Codes:

The new labour that have been passed by parliament to take care of the informal urban segment of the informal economy i.e. **the gig economy,** workers now are the worst affected in a pandemic like situation.

E-Shram Portal:

The Ministry of Labour & Employment has developed **eSHRAM portal** for creating a National Database of Unorganized Workers (NDUW) for optimum realization of their employability and extend the benefits of the social security schemes to them. It is the first-ever national database of unorganised workers including migrant workers, construction workers, gig and platform workers, etc.

Udyam Portal:

- It is the only Government Portal for registration of MSME **(Udyam).**
- The Ministry of Micro, Small Medium Enterprises maintains this portal.
- It gives the details and steps relating to registration and makes the registration process easy for any person.
- It provides **free of cost and paperless registration.**

Pradhan Mantri Shram Yogi Maan-dhan:

PM-SYM is a **Central Sector Scheme** administered by the **Ministry of Labour and Employment and implemented through Life Insurance Corporation of India and Community Service Centers (CSCs).** This scheme seeks to benefit around 42 crore workers from the **unorganized sector** of the country.

Labour Reform:

The Parliament passed **three labour codes-**on **industrial relations; occupational safety, health and working conditions; and social security-**proposing to simplify the country’s archaic labour laws and give impetus to economic activity without compromising with the workers’ benefits.

PM SVANidhi:

The **Ministry of Housing and Urban Affairs (MoHUA)** has launched **Pradhan Mantri Street Vendor's Atma Nirbhar Nidhi (PM SVANidhi),** for providing **affordable loans to street vendors.** The scheme would benefit **vendors, hawkers, thelewale and people involved in goods and services related to textiles, apparel, artisan products, barbers shops, laundry services** etc. in different areas.

Deendayal Antyodaya Yojana National Urban Livelihoods Mission:

The **mission** was **launched in 2014** and is being implemented by the **Urban Ministry of Housing & Poverty Alleviation.** It aims to uplift urban poor by enhancing sustainable livelihood opportunities through skill development.

One Nation One Ration Card:

The government of India introduced the **One Nation One Ration Card scheme (ONORC).** ONORC allows a beneficiary to access his food entitlements from anywhere in India irrespective of the place where the ration card is registered.

MGNREGA:

MGNREGA is one of the **largest work guarantee programmes in the world.** The primary objective of the scheme is to guarantee 100 days of employment in every financial year to adult members of any rural household willing to do public work-related unskilled manual work. Unlike earlier employment guarantee schemes, the act aims at addressing the causes of chronic poverty through a rights-based framework.

Way Forward

Looking After Migrant Workforce:

According to **the Institute of Human Development Report,** the total number of vulnerable migrant workers ranged from 115 million to 140 million. It is, therefore, important for the draft rules to clearly state how their applicability will unfold with respect to the migrant informal workforce.

Strengthening MSME:

Nearly 40% of the informal workforce is employed with MSMEs. Therefore, it is natural that the strengthening of **MSME** will lead to economic recovery, employment generation, and formalization of the economy.

Skilling under CSR Expenditure:

The large corporate houses should also take the responsibility of skilling people in the unorganized sectors under **CSR (Corporate Social Responsibility) expenditure.** Unless the labour force is not skilled and educated, they will not be accommodated in the formal sector and the efforts to formalization will result in unemployment.

Simpler regulatory framework:

The transition of the informal sector to the formal sector can only occur when the informal sector is given relief from the burden of regulatory compliance and is given enough time to adjust with the modern, digitized formal system.

Recognizing Invisible Labour:

A national policy for domestic workers needs to be brought in at the earliest to recognize their rights and promote better working conditions.

Social Security:

Investing in social security schemes like **Atal Pension Yojna, PM Jeevan Jyoti Yojana, Rashtriya Swasthya Bima Yojana, Aam Aadmi Bima Yojana** can help improve the condition of workers. The mention of **Universal Basic Income** in Economic Survey 2016-17 is a positive step in this direction.

Financial Support:

Giving financial support to help small-scale industries stand on their own is a crucial step in bringing them to the organized sector. Schemes like **MUDRA loans** and **Start-up India** are helping the youth carve a niche in the organized sector.

Conclusion

The informal economy is a very pervasive phenomenon and a complex concept. As many individuals of both the formal and informal sector are dependent on it. In an informal economy the social security of the workers in an economy should be the top-most priority of the government for creating a social security network. The basic necessities of living a standardised life i.e. food, clothing, shelter, hygiene & education is the criteria to arrive at the minimum wage requirement. The focus has to be on three aspects of security i.e, job security, wage security & social security.

Unit-V

Social Issues

Introduction

The recently released Key Indicators of Employment and Unemployment in India 2009-10 (NSSO, 2011) shows that the disturbing trend of a steep fall in female work participation rates that had appeared in 2007-08 has continued. With the increase in the male workforce by 22.3 million between 2004-05 and 2009-10 being virtually cancelled out by the reduction in the female workforce by more than 21 million, the need to understand the gender dimensions of employment trends in India has acquired a new urgency.1 This paper examines some of the explicit as well as not so explicit trends in relation to women's employment in India from 1993-94 till 2009-10 and argues that they indicate a grave and continuing crisis in women's employment under liberalization led growth. Trends in the distribution of male and female workers by employment status and broad industry for the same period are also outlined. The paper shows how specific attention to unpaid work in the NSS data can overturn standard assumptions regarding women's employment, and indeed has relevance for more general discussions on employment growth in India. It argues that the time has come to constantly and explicitly make a clearer distinction between income earning/paid employment and unpaid work in the analysis of employment trends.

Declining female work participation rates

The most striking revelation of NSSO's 66th round survey is the significant fall in female work participation rates (FWPR) between 2004-05 and 2009-10. Where the mid-quinquennial survey of 2007-08 (64th round) had already shown a drop in the rural FWPR to below the all time low of 1999-2000, it further dropped to 1 Workforce figures in this paper have been calculated using Census segment wise population Projections and NSS segment wise Worker Population Ratios. 2 reach 20 per cent in principal status work/employment (UPS) and 26 per cent in usual (principal +

subsidiary) status work (UPSS) in 2009-10. In urban areas too, FWPR has fallen substantially from 13.5 per cent in 2004-05 to below 12 per cent in the case of UPS employment and from close to 17 per cent to below 14 per cent in UPSS (see Fig.1). With principal status or main work/employment as well as subsidiary status or marginal work having both lost ground, it appears that relatively more durable work as well as shorter bursts of temporary employment have become less available to women.

It may be recalled that a sharp slump in female work participation rates and a decline in the share of women in total employment had appeared as a major feature of the first decade of 'economic reforms' in India. The evidence of the 1999-2000 survey (55th round) had pointed to displacement of women from employment across the 1990s, denting the then widely accepted argument that liberalization and globalization leads to feminization of labour. In 2004-05, the 61st round survey appeared to alleviate the [3] gloomy picture by showing a seeming 'revival' in women's work participation, albeit primarily driven by an increase in 'self employment'. Further analysis had highlighted a sharp rise in unpaid labour by women as a sub-category of the self employed. Where the share of regular salaried employment had increased by a few percentage points to reach a paltry 9 per cent of the female workforce in 2004-05, casual (wage) labour actually witnessed a precipitate fall by 6 percentage points between 1999-2000 and 2004-05. This fall was matched and exceeded by a sharp rise in share of self employed women that touched 61 per cent in 2004-05, within which the share of the sub-category of unpaid women helpers rose to 72.5 per cent. Clearly, even when FWPR increased, the conditions of women's work participation in India called for a different approach from the feminization thesis that was premised on the expectation of higher demand for women in wage work. Further, where the 2004-05 aggregate data on work participation rates appeared to be giving the impression of more women finding jobs or employment, the disaggregated data on employment status suggested a process of large scale substitution of paid work by unpaid labour of women.

It was the analysis of the 61st round, with its unusual and unexpected jump in work participation that highlighted the need to bring the specifics of unpaid labour into the discussion around female work participation rates. Sanguine approaches to the general increases in work participation rates of 2004-05 were already being countered by the argument that a real difficulty in finding paid work or wage work was the real reason for the significant increase in self employment among both male and female workers. We, ourselves argued that the simultaneous expansion in women's work participation rates and self employment may be interpreted as desperate attempts by women to prop up crisis ridden family based production through unpaid labour and/or to garner a scrappy living through intermittent piece rated home based work-all with uncertain results in an employment scenario characterized by extraordinary insecurity and volatility.

Further, the substitution of paid work with the unpaid labour of women between 1999-2000 and 2004-05 could only be explained by an insufficiency of family incomes in meeting petty production and related consumption costs, particularly in agriculture.2 In other words, the expanded work participation of women in 2004-05 that was largely based on expansion of their unpaid labour in/and self employment, actually signified a mounting crisis of paid employment and family incomes.3 The hypothesis regarding volatility/uncertainty and crisis inherent in the self employment driven increases in the FWPR of 2004-05 appears to have been confirmed now with the drop in proportions of self employed women from close to 61 per cent in 2004-05 to below 56 per cent in 2007-08 and further reduction to below 54 per cent in 2009-10. Since the deflation of the self employment balloon has occurred within the broader picture of an overall decline in numbers of employed women it is no longer reasonable for anyone to argue that the earlier increases in work participation between 1999-2000 and 2004-05 reflected growing employment opportunities for women in the economy. Quite to the contrary, the abysmal situation of women's employment in the era of liberalization has once again been sharply for grounded by the successive surveys of 2007-8 and 2009-10. Significantly, the falling off of women's employment from 2004-05 to 2009-10 contrasts sharply with the surge in GDP growth rates in the same period. 4 Of course, from a slightly longer perspective, a more long term downward trend in work participation for rural areas is also evident as shown in the graphs in Fig. 1. An even more worrisome feature is that the downward trend is more explicit in relation to principal status workers (UPS).

The proportions of principal status workers among rural females have been consistently been falling across almost three decades between 1983 and 2009-10, apart from the solitary exception of 2004-05. If the UPS figures indicate a consistent process of marginalization of women's work in rural employment, the up and down swings in the UPSS work participation reflect the volatility and precariousness of subsidiary, relatively more short term/part time employment for rural women that cannot be explained away merely by seasonal variations. Among urban women on the other hand, UPS and UPSS work participation rates have followed a more or less similar pattern of apparent stability but marked by low levels and stagnancy, the brief spike of 2004-05 being the only outlier. We will come back to the significance of these long term trends in a later section. Before that, attention may be drawn to the need to make a clearer distinction between employment with wage/income and employment without any wage/ income accruing directly to the worker when analyzing trends in women's employment. Women's Unpaid Labour an aspect of the NSS data that generally gets missed in the debates around women's employment trends, relates to how much of women's work participation is in the form of unpaid labour. Of the three employment/activity status categories of workers recorded by the NSS, namely, self employed, regular salaried and casual labour, a higher proportion of the female workforce is always found to be concentrated in the 'self employed'.

However, concealed within the aggregate figures for the self employed is the large unpaid segment, which contributes to the production economy, but without receiving any independent payment/income for their labour? Of the three sub-categories within 'self employment', the 'own account worker' and ‘employer’ segments receive wages/incomes. The third sub category of those who work as helper in household enterprise, are however, unpaid. Drawing on unit level data, describe the characteristics of self employed women (UPSS) for rural and urban areas respectively across three large quinquennial rounds from 1993-94 to 2004-05 and further up to the medium large sized round of 2007-08. The Structure of the Female Workforce With unpaid workers separated from all other categories of income earning/paid workers of the broad structure of the female workforce in rural and urban areas from 1993-94 to 2007-08. unpaid workers account for a very large proportion of the entire rural female workforce, consistently above 40 per cent and with an all time high of 48 per cent in 2004-05, while the share of paid/income earning self employment hovers around a mere 15 per cent. What is strikingly foregrounded is the fact that in rural areas, casual labour accounts for the majority of the paid female workforce. If one removes unpaid workers from the count and considers the distribution within paid/income earning workers alone, then in 2007-08, more than two thirds (67 per cent) of paid rural women workers were casual 9 labour, followed by 26 per cent of income earning self employed women and then 7 per cent of regular salary earning women workers.

Paid Work Participation Rates It is our contention that most of the studies on women’s work and employment based on the NSS data have hitherto failed to incorporate the structural importance of women’s unpaid work in their analysis. Analysis of women’s employment has usually been based on UPS or UPSS figures, with workforce and employment used interchangeably and without distinguishing between unpaid and paid work. As a result, the numbers and proportions used for analysis actually give us a somewhat inflated picture of women’s employment situation in the country. Of course it is not only women who are involved in economically productive but unpaid work. Nevertheless such unpaid work by men is neither of the same scale as among women, nor does it carry the same social significance. Unlike in the case of most men, women’s unpaid labour in productive activities is deeply imbricated in the patriarchal nature of the household/ family and its property, and therefore a material articulation of their lack of social freedom and independence in the overall economy and society. The continued mediation of a large part of women's productive/economic labour and incomes derived from such unpaid labour by the household/family represents conditions of both economic dependence and patriarchal domination in the lives of these women workers. In the case of men, the dependent relationship represented by unpaid labour is more likely to be of a temporary nature in relation to parental/family property or family activity that will either be inherited or broken free of at some stage of their lives. In the case of women, on the other hand, it is more likely to be of a durable structural nature, extending from dependence on natal kin to dependence on husband and his kin.

Apart from providing a better understanding of trends in women's employment, the separation of paid and unpaid work at the macro-level directs attention to the changing role of work and employment in shaping some of the qualitative changes taking place in gendered cooperation/interdependence/ conflict/power in family/households, particularly of the labouring poor. With money incomes becoming more significant and necessary in meeting even subsistence consumption, and the relatively less diversified women being more concentrated in petty production functions in the form of unpaid labour in families/households (as distinct from a situation where both were working together in a common production process), qualitative changes and shifts in gender relations within families as well as in the broader society are inevitable.

At a more general level, it is worthy of note that with all the hype regarding expanding opportunities for women's employment that has become a kind of common sense among particularly the educated classes, the shocking reality is that if one removes unpaid labour from the work participation count, in 2007-08, only 15 per cent of the female population in the country received wage/income for their labour in comparison to 51 per cent of the males. In other words, 85 per cent of the female population was completely economically/financially dependent and without any employment/ income when GDP growth rates had reached an all time high.

Given the further reduction in FWPR in 2009-10, such an extreme situation of financial dependence among the female population is likely to have further aggravated. The scale of such economic/financial dependence is perhaps the most significant factor in the continuing subordinate status of women in our society with all its extreme forms.

Definition: Labour force participation rate is defined as the section of working population in the age group of 16-64 in the economy currently employed or seeking employment. People who are still undergoing studies, housewives and persons above the age of 64 are not reckoned in the labour force.

Description: The labour force participation rate is the measure to evaluate working-age population in an economy. The participation rate refers to the total number of people or individuals who are currently employed or in search of a job. People who are not looking for a job such as full-time students, homemakers, individuals above the age of 64 etc. will not be a part of the data set. This is an important metric when the economy is not growing or is in the phase of recession. It is that time when people look at the unemployment data.

At the time of recession, it is generally seen that the labour force participation rate goes down. This is because, at the time of recession, the economic activity is very low which results in fewer jobs across the country. When there are fewer jobs, people are discouraged to focus on employment which eventually leads to lower participation rate. The participation rate is also important in understanding the unemployment rate in the economy. Analysing consistently the unemployment rate in the economy is very important. People who are not interested in working or getting some sort of employment are not included in the participation rate, but to understand the unemployment data better, participation rate is considered carefully. An ageing population may have a negative impact on any economy. That is when the labour participation rate comes into the picture. If the rate is on the higher side, it is a good sign. But if it is on the lower side, it can also act as a warning sign for any economy. For that reason, participation rate as well as unemployment data should be looked into simultaneously to understand the overall employment status in the economy.

- According to the CMIE, the labour force consists of people who are 15 years or older, and belong to either of the following two categories:
- Are Employed
- Are unemployed and are willing to work and are actively looking for a job.
- These two categories have people “demanding” jobs. This demand is what LFPR refers to.
- Thus, the LFPR essentially is the percentage of the working-age (15 years or older) population that is asking for a job.
- It represents the “demand” for jobs in an economy.
- It includes those who are employed and those who are unemployed.
- The Unemployment Rate (UER), which is routinely quoted in the news, is nothing but the number of unemployed (category 2) as a proportion of the labor force.
- In India, the LFPR is not only lower than in the rest of the world but also falling.
- In India, it has been sliding over the last 10 years and has shrunk from 47% in 2016 to just 40% as of December 2021.
- Why is India’s LFPR so low?
- The main reason for India’s LFPR being low is the abysmally low level of female LFPR.
- According to CMIE data, as of December 2021, while the male LFPR was 67.4%, the female LFPR was as low as 9.4%.
- In other words, less than one in 10 working-age women in India are even demanding work.
- Even if one sources data from the World Bank, India’s female labor force participation rate is around 25% when the global average is 47%.
- The reasons or low women LFPR is essentially about the working conditions — such as law and order, efficient public transportation, violence against women, societal norms etc. — being far from conducive for women to seek work.

- Further, lot of women in India are exclusively involved within their own homes (caring for their family)

Issue with LFPR calculation

- Unemployment Rate only measures person who are unemployed, but it didn't calculate the total people have stopped demanding work.
- Typically, this happens when people of the working-age get disheartened from not finding work.
- Thus, it is better to track another variable: the Employment Rate (ER).
- The ER refers to the total number of employed people as a percentage of the working-age population.

Different Types of Unemployment in India

Disguised Unemployment:

It is a phenomenon wherein more people are employed than actually needed. It is primarily traced in the agricultural and the unorganized sectors of India.

Seasonal Unemployment:

It is unemployment that occurs during certain seasons of the year. Agricultural laborers in India rarely have work throughout the year.

Structural Unemployment:

It is a category of unemployment arising from the mismatch between the jobs available in the market and the skills of the available workers in the market. Many people in India do not get jobs due to lack of requisite skills and due to poor education level, it becomes difficult to train them.

Cyclical Unemployment:

It is a result of the business cycle, where unemployment rises during recessions and declines with economic growth. Cyclical unemployment figures in India are negligible. It is a phenomenon that is mostly found in capitalist economies.

Technological Unemployment:

It is the loss of jobs due to changes in technology. In 2016, World Bank data predicted that the proportion of jobs threatened by automation in India is 69% year-on-year.

Frictional Unemployment:

Frictional Unemployment, also called Search Unemployment, refers to the time lag between the jobs when an individual is searching for a new job or is switching between jobs.

Vulnerable Employment:

This means people working informally, without proper job contracts and thus lacking any legal protection. These people are deemed 'unemployed' since records of their work are never maintained. It is one of the main types of unemployment in India.

Recent Initiatives taken by Government

- Support for Marginalized Individuals for Livelihood and Enterprise (SMILE)
- PM-DAKSH (Pradhan Mantri Dakshta Aur Kushalta Sampann Hitgrahi)
- Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY)

Promoting Labour Intensive Industries:

There are several labour-intensive manufacturing sectors in India such as food processing, leather and footwear, wood manufacturers and furniture, textiles and apparel and garments. Special packages, individually designed for each industry, are needed to create jobs.

Decentralization of Industries:

Decentralization of Industrial activities is necessary so that people of every region get employment. Development of the rural areas will help mitigate the migration of the rural people to the urban areas thus decreasing the pressure on the urban area jobs.

Drafting National Employment Policy:

There is a need for a National Employment Policy (NEP) that would encompass a set of multidimensional interventions covering a whole range of social and economic issues affecting many policy spheres and not just the areas of labour and employment.

National Employment Policy may include:

The Enhancing human capital through skill development. Creating enough decent quality jobs for all citizens in the formal and informal sectors to absorb those who are available and willing to work. Strengthening social cohesion and equity in the labour market. Coherence and convergence in various initiatives taken by the government. Supporting the private sector to become the major investor in productive enterprises. Supporting self-employed persons by strengthening their capabilities to improve their earnings.

Factors affecting women's work participation

- Indicators of Women's Status in India
- Demographic Profile of Women in India
- Women's work participation factors in India

In order to understand changing female labour force participation, it is important to first conceptualize the overarching context within which various factors operate. Indian Society, which is largely male, dominated, for the position of women in society. Not only men, even most women internalize their position in society as a fair description of their status through the ages. These generalizations apply to some degree to practically every known society in the world. Women's lack of access to higher education had effectively excluded them from the practice of well-paid and high status occupations.

Women play various roles in their lifetime ranging from a mother to that of a breadwinner but are almost always subordinated to male authority; largely excluded from high status occupation and decision making both at work and at home. Paradoxically, even in our Indian society where women goddesses are worshipped, women are denied an independent identity and status. Occupational inequality is the unequal treatment of people based on gender, sexuality, height, weight, accent, or race in the workplace. When researchers study trends in occupational inequality they usually focus on distribution or allocation pattern of groups across occupations, for example, the distribution of men compared to women in a certain occupation.

Indicators of women's status in India

There are different forms of violence on women, which act as threats to women's independent identity and dignity. Forms of violence are:

Female foeticide & infanticide - According to a survey by British medical journal, Lancet, nearly 10 million female abortions have taken place in India in the last 20 years, which is rampant amongst the educated Indian middle class as well. There are organizations like Swanchetan, which are working towards educating & bringing awareness in people against the ghastly act.

Rape, sexual harassment & abuse - It acts as a deterrent to women's freedom & perpetuates the notion that women are the weaker sex. Every 2 hours, a rape occurs somewhere in India! The recent Dec. 16 Delhi Gang rape case shook the entire country and led to protests all across the country, setting up of Justice Verma panel & helped in the fast track judgment of the case. However rampant cases of rape of women, acid attacks, eve teasing go unnoticed.

Domestic violence and dowry deaths - Violence on women in the family were considered family problems and were never acknowledged as "crimes against women" until recently. It is prevalent in all classes of society.

Prostitution - A large number of women destitute or victims of rape who are disowned by family fall prey to prostitution forcibly. There are no governmental programs to alleviate the problem of prostitution.

Objectification of women - Indecent Representation of Women (Prohibition) Act, 1986 prohibits indecent representation of women through advertisements or in publications, writings, paintings etc. However a whole lot of indecent representation of women is done through literature, media, paintings etc upholding the "right to freedom of expression".

Demographic Profile of Women in India

Literacy -The female literacy levels according to the Literacy Rate 2011 census are 65.46% where the male literacy rate is over 80%. While Kerala has the highest female literacy rate of 100% , Bihar is at the lowest with only 46.40%

Employment - Of the total female population 21.9% are a part of Indian workforce. Majority of women are employed in the rural areas and in agriculture. Amongst rural women workers 87% are employed in agriculture as laborers, cultivators, self employed like hawkers etc i.e. in the unorganized sector which almost always remains invisible. Despite the equal remuneration Act 1976, women are paid lower wages, occupy lower skilled jobs, have less access to skill training and promotion.

Political status - Though India had a women Prime Minister Late Ms Indira Gandhi, women are not fairly represented in the Parliament & other State & Local bodies. With only around 9 per cent women in upper house and around 11 per cent in the lower house of parliament, India ranks 99th in the world in terms of female representation among MPs. However 73rd & 74th amendments to the constitution have ensured the participation of women in PRIs with a reservation of 1/3rd for women. Today more than 30 million women are actively participating in the political decision making process at the grass root.

Women's work participation factors in India

Women's work participation rate in general has been declining over the decades. The decline has occurred due to several factors: Absence of comprehensive and rational policy for women's emancipation through education, training and access to resources such as land, credit and technology etc. The perception of male as the breadwinner of the family despite the fact that in low income households women's income is crucial for sustenance. This perception adversely affects women's education & training.

Employers also visualize women workers as supplementary workers & also cash in on this perception to achieve their capitalistic motives by keeping the wage low for women.

Structural changes in the economy e.g decline in traditional rural industries or industrialization. Lack of assets (land, house) in their own name in order to have access to credit and self employment opportunities. Huge demand of time and energy of women for various tasks at home like child bearing and rearing etc in addition to participation in labour force leave them with little time for education, training and self development. Division of labour based on the gender between men and women & technological advancements work against women. They are the last to be hired and first to be sacked. Govt. programs to increase employment and productivity are focused more on men & women are seen as beneficiaries rather than active participants

Education & Economic independence of women & awareness amongst the masses are the most important weapons to eradicate this inhumane behaviour of the society towards the female sex. We are slowly but steadily heading towards an era of change & hope to see the light of change, shine on the weaker sex, as it is called one day. Recently, contractors in Beed district of Maharashtra stopped hiring women cane cutters because, in their imagination, women who menstruate are likely to take breaks from work and this may adversely affect productivity. In fact, irrespective of gender, any breaks taken by contracted labor results in the contractors incurring heavy financial penalties. As a result of this about half of the women in some villages of Beed district have undergone hysterectomies. India is trying very hard to become a superpower and to realize its dreams every stakeholder needs to be held accountable and every resource needs to be used. Gender equality in every field is a given requisite for this which therefore warrants a closer look at the labour force participation in India.

Hinders female participation in the workforce

Low participation of women in the labor force in India is attributed to the lack of employment opportunities, rising education levels and household incomes, and problems in measurement, such as **under-reporting of women's work.** However, it is the rural distress in recent times that has affected women the most as income-generating opportunities have disappeared. The problem of 'labor demand constraints' or the lack of suitable job opportunities is acute for women in rural India, with a fall in the availability of farm jobs and the lack of economic opportunities in non-farm employment.

Mechanization of farm and non-farm activities

A 2018 study has found that the "care economy burden," that is, time spent on unpaid economic activities performed at the household and community levels by women is one of the important determinants of the FLFPR. So, the time spent on unpaid work, especially on unpaid care and domestic chores has hindered women's participation in the labor force. Moreover, rural societies are segregated rigidly on gender basis dictated by patriarchal norms that are further perpetuated by religious taboos and cultural biases. The burden of domestic work and unpaid care inhibits women's ability to acquire skills for better jobs, leading to a vicious cycle of women being kept out of the labour force.

Government Policies

The Maternity Benefit (Amendment) Bill, 2016 entitles a woman working in the organized sector to 26 weeks of paid maternity leave. With regard to childcare, the Maternity Benefit (Amendment) Act, 2017, has created a provision to provide for crèche facilities in every establishment having 50 or more workers. The Protection of Women against Sexual Harassment at Workplace Act, 2013 defines sexual harassment at the workplace and creates a mechanism for redressal of complaints. It also provides safeguards against false or malicious charges. There are many other laws such as the Equal Remuneration Act, 1976; Factories (Amendment) Act, 1948 which seeks to provide equality and fairness in women working condition.

Problems in Government Policies

Many government policies are targeted towards organized women workers whereas the unorganized sector which houses the largest number of females has little to no penetration of such schemes. Wherever such options exist, they are limited to only documentation and are not enforced in reality in the unorganized and rural sector. For example, severe cuts in expenditure related to the centrally sponsored National Crèche Scheme had led to the closure of crèches across the country.

Steps to address the hardship

The provision of amenities and basic infrastructure, as well as childcare facilities and care homes for the elderly should be provided so that the entry of women in the labour force is facilitated. Higher expenditures on the existing policies, such as the MGNREGA and the Integrated Child Development Services, as well as providing vocational training to suit the rapidly changing production process would give a boost to the FLFPR. Targeted policies by the state, such as providing job quotas and credit to women, will increase female participation in the labour market.

Way forward

The factors hindering the FLFPR in rural India, therefore, call for the addressing of the constraints related to labour demand as well as formulating appropriate gender-responsive employment policies that would reduce the burden on women with regard to unpaid care and work. Women not only suffer from demand-side constraints and inadequate state-level interventions but also women's low work participation and disproportionate burden of unpaid care work results in structural rigidities that reinforce prevalent socio-cultural practices. In the absence of a structural change in workplaces and stringent labour regulations, discrimination and atrocities against female labour are likely to continue to rise unless this problem is addressed on a war footing.

There has been much clamour over the fall in Female Labour Force Participation Rates (FLPRs) in recent years. The data from the Labour

Bureau indicate that the FLPR for ages 15 and above has declined from 30% in 2011-12 to 27.4% in 2015-16. Additionally, estimates suggest that not only has there been a fall in FLPR, but the size of the total female labour force has also shrunk from 136.25 million in 2013-14 to about 124.38 million in 2015-16, a drop of 11.86 million in two years. If the ILO projections are any indication, the FLPR is slated to fall to 24% by 2030 which will certainly detract India from achieving SDG 5 (sustainable development goal number 5) — eliminating gender inequalities by 2030. In recent years, government policies were aimed at addressing the falling FLPR have mainly focussed on launching employment programmes with special provisions to incentivize female employment such as:

MGNREGA; Micro Units Development and Refinance Agency (MUDRA)

Launching special skill training programmes; and heavy investment in programmes that support the education of the girl child. Working Women Hostels for ensuring safe accommodation for working women away from their place of residence. Support to Training and Employment Program for Women (STEP) to ensure sustainable employment and income generation for marginalized and asset-less rural and urban poor women across the country.

Rashtriya Mahila Kosh (RMK) to provide microfinance services to bring about the socio-economic upliftment of poor women. National Mission for Empowerment of Women (NMEW) to strengthen the overall processes that promotes all-round Development of Women.

Maternity Benefit (Amendment) Act, 2017

The Skills Report, a joint initiative of Wheebox, a Talent Assessment Company, People Strong, an HR Tech Company and Confederation of Indian Industry (CII) said that the employable population has touched 47 percent this time. The increase in employability touching 47% is a good sign for the market. But we have a long way to go an entire ecosystem should focus on bridging the employability gaps.

Not much attention has been given to address the underlying social norms that compel women to be primary caregivers and disproportionately place the burden of care responsibilities on women. According to the NSSO, the proportion of women engaged primarily in domestic duties has only increased between 2004-05 and 2011-12 from 35.3% to 42.2% in rural areas and from 45.6% to 48% in urban areas.

There are two important considerations that warrant the attention of policymakers. The amendment to Maternity Benefit Act has inserted an additional section that provides for the crèche facility in every establishment having 50 or more workers. The threshold for applicability of the provision related to is high and should be reduced. The law perpetuates gender stereotypes to the extent that it recognizes that child care is just the mother's responsibility by not giving male employees an equal benefit to visiting their child during the day. All of these limitations must be looked into.

With respect to the unorganized sector, there is a need to ensure the implementation of the National Creche Scheme that targets the provision of child-care facilities to unorganized sector women workers. A recent report suggests that reductions in the Centre's contribution from 90 percent to 60 percent in 2017 have resulted in delayed and non-existent payments from the States prompting many crèches to shut down across the country.

Way Forward

One thrust area in which government support can have direct implications for reducing the time burden on women is child-care support. Child-care subsidies free up mothers' time to enter the labour force and have had significant implications in impacting female employment. A study has found that implementation of free child-care services in Rio de Janeiro, Brazil, almost doubled the employment rate of mothers (who were not working prior to receiving this benefit) from 9 percent to 17 percent.

Additionally, child-care subsidies can also have positive spill over effects on the education of young girls for they no longer have to be left behind to take care of their younger siblings. Further, in the backdrop of the gradual breakdown of traditional family arrangements of child care, a community-based approach to the provision of child-care services can be looked into. The Second National Commission on Labour, 2002 cited the 'praveshdwar home-based childcare programme' of the Government of Nepal as an excellent example of community-based child care which catered to the children aged 0-3 years and was run by mothers themselves. Mothers often formed groups of six and took turns to look after children at their homes.

The government can also work towards making reflective programmes on gender equality in secondary education compulsory that challenge the traditional dynamics that dictate the duties of the woman to be a 'caregiver' and man to be a 'breadwinner'. Care responsibilities are often a barrier for women in realizing their workforce participation aspirations; therefore, programmes to boost female employment without any arrangement for reducing the care responsibilities of women will only increase their burden.

Social norms are alterable, and broader economic trends and government policies are what really matter. Initiatives such as Skill India, Make in India, and new gender-based quotas — from corporate boards to the police force — can spur a positive change. The state governments should also make policies for the participation of rural women in permanent salaried jobs. Today, Indian women are poised to take part in a rapidly expanding economy. The government's strategy to address the time burden barrier to female participation will certainly be a proactive stance.

Government has taken many steps to increase female labour participation rate. The decline in female work force participation rate may be attributed to factors like increased educational attendance and higher level of participation in education and insufficient formal wage employment opportunities etc. Government has been targeting this issue by taking up several initiatives to improve the employability of youth including women. A new Ministry of Skill Development and Entrepreneurship has been established to coordinate the skill development schemes across various sectors. Government has also implemented the National Career Service

(NCS) Project which comprises a digital portal that provides a nation-wide online platform for jobseekers and employers for job matching in a dynamic, efficient and responsive manner and has a repository of career content.

Central Government has targeted the issue by taking various prominent steps to increase female labour participation rate which includes the enactment of the Maternity Benefit (Amendment) Act, 2017 which provides for enhancement in paid maternity leave from 12 weeks to 26 weeks and provisions for mandatory crèche facility in the establishments having 50 or more employees; issue of an advisory to the States under the Factories Act, 1948 for permitting women workers in the night shifts with adequate safety measures. Further, in order to enhance the employability of female workers, the Government is providing training to them through a network of Women Industrial Training institutes, National Vocational Training Institutes and Regional Vocational Training Institutes. A number of protective provisions have been incorporated in various labour laws for creating congenial work environment for women workers.

The Equal Remuneration Act, 1976 provides for payment of equal remuneration to men and women workers for same work or work of similar nature without any discrimination. Further, under the provisions of the Minimum Wages Act, 1948, the wages fixed by the appropriate Government are equally applicable to both male and female workers and the Act does not discriminate on the basis of gender.

Introduction

As the economy of India is expanding, the proportion of women working in the organised sector is also increasing gradually. In the organised sector, we find two sub-sectors i.e. the public sector and the private sector. In both these sectors women are involved in the following types of activities : (a) agriculture and allied occupations, (b) mining and quarry, (c) manufacturing, (d) electricity, gas and water, (e) construction, (f) wholesale, retail business and hotel and restaurants, (g) transport, storage and communication, (h) financial, insurance, real estate and business services, (i) community and social services. It is important that in the wake of globalisation the patterns of women's work participation in these varieties of activities have changed. In this unit we have explained these changes in detail. India is a vast country so there are diverse patterns of women's work participation in the organised sector. To highlight these diversities, we have shown women's work participation in various states and union territories in India. Women in the organised sector face various problems which are qualitatively different from those in the unorganised sector. In this Unit, we have provided a glimpse of these problems through a case study undertaken by Southern Asian Research and Development Initiatives. In the last part of the Unit, we have also described the patterns of women's work participation in a developed country, Australia. In the developed countries women predominantly participate in the formal sector. The last section will help you make a comparison between India and Australia.

The nature and growth

The organised sector is defined as those economic establishments or enterprises which are governed by sets of recognised rules and regulations. The organised sector of the Indian economy comprises the following: a) All public sector enterprises i.e., all services under the Central, State and local governments and occupations in public undertakings in the fields of industry, credit financing, public utilities etc. b) All non-agricultural private sector establishments which employ 10 or more persons. The organised sector plays a significant role in the economy of a country not only by producing goods and services but also by providing employment to a vast number of people. As this sector is governed by established rules and regulations pertaining to recruitment, retirement, promotion, retrenchment, social security, maternity, child care facilities etc., we can get accurate data about the status of the workers in this sector of the economy. It is important that the organised sector is also very often known as the formal sector as it is governed by formal rules and regulations of the state. It sets the standard for labour employment, their quality, remuneration, output, social security etc. In the developing countries there has been a steady growth of the organised sector of the economy in the last few decades. Along with the steady growth of the organised sector in the Indian economy women's participation has also increased in this sector over the years. In 1971, the organised sector absorbed only 11% of the total women workers, while in 1999, this sector had absorbed 17.4% of women workers. The changing proportion of women's employment in the organised sector. In India workers are usually clubbed under nine industrial categories. Again these categories are available both in the public and private sectors.

It is important that at the outset we should know the form, extent and the emerging trends of women's employment in the organised sector. Over the years women's employment has been significantly higher in the private enterprises than in the public enterprises in the organised sector. The highest increase of employment of women has been registered in the community, personal and social services division in the public sector. In the private sector women get more employment in manufacturing and agriculture. Significantly, financial, insurance, real estate and transport, storage and communication have emerged as important areas of women's employment in the public sector. As the service economy is expanding, the scope of women's employment in these areas of activities has also increased. Significantly, in the wake of globalisation and occupational diversifications, women's work participation has been conspicuous in most areas of economic activities especially in the service economy which is characterised by careers in services as the tourism, hotel and restaurants, transports and communication, finance, and insurance, community services.

Women's employment by the public and private sectors

In the organised sector women are employed in various types of bodies and establishments. For example in the public sector the main avenues of employment are central government, state government, quasi-government organisations and various local bodies. In the private sector again there are large scale and small scale industries. You can get a glimpse of women's employment in these bodies and establishments. a) The extent of women's employment both in the public and private sector has increased substantially over the decades. This increase has been conspicuous in the public sector with an increase of 327% in the period between 1971 and 1999. Women's employment has increased by 175% in the private sector during the same period.

The state governments have emerged to be the largest employers of women employees followed by the quasi-central and state government bodies, central government and local bodies in the public sector c) Though the public sector in general employs more women than the private sector, the large private sector establishments employ the highest number of women employees in the country than any individual segment of the public sector (central, state, quasi govt. etc.). The large establishments in the private sector also employ more women than the small establishments. d) An analysis of women's employment over the years shows that women's employment in central government has increased by 323%, in state government by 390%, in quasi-state and central government by 684% in local bodies by 171% and large establishment public sector 195%. As a section of women are getting more and more access to education and training facilities, there has been an increasing extent of women's work participation in the organised sector. e) However, notwithstanding such increase in women's employment in the organised sector, women constitute only a small segment of total employees in India. In the public sector they constitute only 14.5% and in the private sector 23.12% of the total workers. In the central government they form only 7.6%, in quasi-state and central government 9.2%, in state governments 18.5%. They however, have relatively higher representation in the government own local bodies with 26.16%, privately own large and small establishments with 23.6% and 29.8% respectively.

Variation of employment by state

India is a vast country. There are several regional variations in the pattern of women's work participation in the organised sector. There are some states with sharp increase in women's work participation in organised sector, such as Andhra Pradesh and Karnataka, some states with moderate increase like Assam, Delhi, Himachal, some with minimal increase like West

Bengal etc. and some which have seen a decline, as in Bihar. There are also variations by sectors (public/private) of employment. In some of the states in India private sector provides more employment to women than the public sector. For example in Assam, Karnataka, Kerala and West Bengal more women are employed in the private sector. On the other hand in states like Jamme and Kashmir, Manipur, Mizoram, Nagaland etc. only a small number of women are employed in the private sector. However in spite of their variations private sector has emerged to be prominent employer of women work force in India.

Women in higher positions in the organised sector

Women work at different levels and under different conditions in the organised sector. A large number of women work in agriculture, mines, factories and plantations as labourers or as assembly level workers in formal establishments. Their numbers are proportionately increasing than those of the women working at the managerial level. An estimate suggests that not even one percent of the Indian women workforces are found to work at the managerial level. In the private sector only a few female CEOs are found to lead their enterprises. However, with the expansion of educational opportunities, diversification of economy and introduction of various schemes and programmes, more women are now gradually becoming visible in the managerial categories in the private sector. The increased access to higher education has made it feasible for large numbers of women to compete for higher positions in Government. Since the 1970s, larger numbers of women have appeared and succeeded in competitive examinations to various services.

The proportion of women in Central employment rose from 67000 to 289,000 that is, from 2.51% in 1971 to 7.58% in 1991. Amongst the All India Services, women's representation is the highest in the Indian Postal Service. During the reference period, it has increased from 17.5% to 21.5%. Next in rank come the Indian Audit and Accounts Service, Indian Information Service and Indian Revenue Service. Representation in the Indian Foreign Service has also increased from over 10% to about 14% and the Indian Administrative Service Iron 9% to 10%. In the rest of the Services, women's representation is less than 7%. Indian women have the lowest representation in the Indian Police Force and the Indian Forest Service.

Problems faced by women in the organised sector

Though in the organised sector women are employed following prescribed rules and procedures, and their working conditions are governed by well established rules and norms, they encounter several problems. Many of these problems remain unidentified and are therefore not addressed. Research conducted in India on the working situation of women in the organised sector reveals several dimensions of these problems. In the following section we shall be discussing some of those problems which are general in nature. This discussion is based on a research undertaken by the Southern Asian Research and Development Initiatives (SARDI), New Delhi, focusing on selected industries located in Bangalore, Mumbai, Thane, Pune and in Delhi National Capital Region. Some of the findings of this study are as follows.

i) Concentration in Paid Unskilled Jobs:

This study finds that in the industries women are highly concentrated in the low paid unskilled jobs. This is mostly because of the fact that women have low access to training and education and they are slotted into low paid jobs.

ii) Inequality in Pay:

The study highlighted that women have been the victims of unequal pay for equal work. Women are appointed in the unskilled jobs and for specific shifts where the wages are low. However, women's mean wages were highest in multi-national companies, followed by public sector firms, then by companies with foreign collaboration. Their wage is the lowest in the private industry. Inequity in pay, as this study highlights, are dependent on the following factors: Women are not deployed for overtime shifts where payments are higher. In general, men receive more promotions than women.

Unlike women, the nature of men's jobs often changed with these promotions, while women keep on slogging in the same position.

iii) Inadequate Access to Benefits and Facilities:

Overall a larger proportion of men reported having access to facilities at the workplace than did women. In general there was inadequate provision for women workers such as rest rooms and childcare facilities. There is not much of a difference in facilities for women even where there is a union. It is important that in spite of mandatory statutory provisions, these facilities are not provided to the women employees in these industries.

iv) Access to Training, Skills and Education:

The study revealed that more than three fourths of the men received training compared to less than half of the women while in employment. Among those trained, a higher proportion of women reported getting basic training, while a higher proportion of men reported getting higher skilled training. Here a discriminatory attitude of the employer is reflected in providing opportunities of training to women. Most of these industries have undergone a process of technological modernisation and restructuring. It was found that during the periods of modernisation and restructuring, more men get retained rather than 121 Global Debates and their Impacts women. As a large number of women worked on non-permanent basis, and they were not given the opportunity for training, consequently they were easily removed from the jobs during the period of restructuring.

v) Low Level of Awareness about Occupational Health and Safety:

A very low level of awareness exists among women workers and unions about occupational health hazards. A large section of the workers were found to work in hazardous conditions. However, few workers find any links between the nature of their work, the materials used, their posture during work and the ailments they experience. However notwithstanding the lack of awareness, several important problems raised by women related to their reproductive health. At least a fifth of the women reported health problems such as white discharge, and these women were also mostly confined to one particular position in their work situations. They expressed the urgency for rest rooms. However, provision for rest room is rarely available.

vi) Sexual Harassment:

As a large number of women are placed in unskilled and low paid jobs, they have little power to voice their grievances. They mostly remain silent on all issues of oppression including the issues of sexual harassments as power relations are involved. A politics of silence around the issue of sexual harassment reflected itself in the fact that very few women reported both the incidence of harassment as well as the incidence of complaints. Management has been largely indifferent towards these issues as indicated by the virtual absence of sexual harassment committees, lack of punitive action in cases reported and the fact that at times women who voiced complaints were punished rather than the offenders. Women too were unaware of the importance of appointing a committee to whom such complaints could be addressed, or having a woman at the head of such committees.

This study also found that:

• Sexual harassment committees have not been set up in most places and where they have been appointed, the workers are not aware of it. Moreover these committees have no powers to take action, only to recommend.

• Most women do not complain and when they do, they complain mostly to the management.

• The action taken is usually warning and suspension.

Most of the cases are pending

Current redressal mechanisms have been found to be non-existent or ineffective.

• At least 25 per cent of women reported problems with their supervisors.

• A major problem faced by women employees was that they were frequently bullied by the male supervisors.

• The presence or the absence of unions seems to have no significant impact on the extent of sexual harassment at the work place (SARDI 2002).

Problems Raised by Women workers listed out several problems faced by them:

a) Sexual Harassment from the male clients or workers:

This is clear in the following statements made by women workers:

• Men use vulgar language

• Men write unpleasant remarks about women in the toilets 122 International Convention and Constitutional Mandates for Gender Equality

• Men pass comments

• Sexual harassment from male patients is common among women working in the health sector.

• Nurses are facing a lot of problems with patients, attendants and administration. Patients posed the maximum problems for nurses as their work involved closer proximity to men than does other kinds of work.

b) Job Security:

A second set of problems related to insecurity about being fired or transferred as jobs get reorganised or eliminated. This is evident from the following comments;

• A sense of insecurity at loss of jobs

• Uncertainty of the future and career prospects of Medical transcription

• Fear of transfer

c) Lack of Training:

The lack of job security was compounded by the fact that women have little or no access to training. Women stated their fears of staying in the same job forever or being fired and not being able to get a new job. The Government of India has initiated several legislative measures and has formed elaborate policies to protect the interests of women workers in the organised sector. It has also been made mandatory to have a sexual harassment committee in all the government recognised bodies. We shall be discussing all the legislative arrangements for women working in the organised sector in Block-4 Women, Crime and Law in detail.

The form and extent of women's work participation in the organised sector is qualitatively different from that in the unorganised sector. You must have realised that in the organised sector, women workers are employed following strict procedures of recruitment. They have specific educational and training qualifications. They are entitled to several economic and social security benefits as stipulated by the law of the land. However, women workers in general have been the victims of the patriarchal social order. They are predominantly employed in the lower ranks of the organisation as they are devoid of higher educational qualifications, expertise and skills due to sustained pre-market discrimination that starts in the family, and with larger social arrangements. Within the organised sector, women face several problems like inequality in pay, inadequate benefits and problems of sexual harassment.